



PENSANA METALS LIMITED

SCHEME BOOKLET

for a scheme of arrangement between Pensana Metals Limited and Shareholders in relation to the proposed re-domicile of the Pensana Group in the United Kingdom

Your Directors unanimously recommend that you
VOTE IN FAVOUR
of the Scheme.

The Independent Expert has also concluded that the Scheme is in the best interests of Shareholders

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in any doubt as to how to deal with this document, you should consult your financial, legal or other professional adviser immediately.

If you require further information or have questions in relation to the Scheme, please contact the Company Secretary on 08 9221 0090 (within Australia) or +61 8 9221 0090 (outside Australia) Monday to Friday between 9:00am and 5:00pm (AWST).

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Corporate Directory

Letter from the Chairman of Pensana Metals Limited

Dear Shareholders,

Shareholders of Pensana Metals Limited will be aware that the Company recently announced its intention to re-domicile the Pensana Group in the United Kingdom by putting in place a new parent company incorporated under the laws of England and Wales. The new parent company is called Pensana Rare Earths plc. Upon completion of the re-domiciliation and subject to its admission to the official list of ASX, Pensana Rare Earths plc will own 100% of Pensana Metals Limited and securities in Pensana Rare Earths plc will be tradable on ASX. Pensana Rare Earths plc is also preparing to apply for its securities to be admitted to trading on the Main Market of the London Stock Exchange and admitted to the standard listing segment of the Official List of the FCA, although as this is subject to the publication of a FCA approved Prospectus and an application for admission is yet to be made, there is no guarantee that this will proceed.

We believe that the re-domiciliation of the Pensana Group in the United Kingdom has several benefits including better access to international capital markets, potentially enhanced legal protection through the relationship between the United Kingdom and the Republic of Angola, and the potential for an additional public market listing of securities to attract a broader investor base. These benefits are summarised in more detail Section 2 of this Scheme Booklet. The Independent Expert appointed by the Board has formed the view that the Proposed Transaction is in the best interests of Shareholders. The full report is attached as Annexure 1 to this Scheme Booklet.

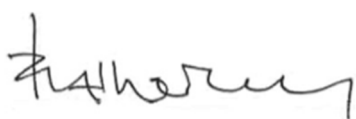
While we believe that the benefits of the re-domiciliation of the Pensana Group are significant and will produce long term benefits for Shareholders, we also recognise that there are some potential disadvantages (including the implementation cost of the Proposed Transaction, which has largely been incurred, that the re-domicile results in a change to a new jurisdiction that Shareholders may not be familiar with and that Ineligible Foreign Shareholders will receive cash as consideration for the transfer of their Shares under the Scheme rather than securities in Pensana Rare Earths plc). These potential disadvantages are described in detail in Section 2.2 of this Scheme Booklet.

This Scheme Booklet sets out our rationale for the Proposed Transaction, how it will be implemented and other important issues such as the potential taxation consequences and the nature of the change in the legal entity in which you have an investment.

Please read this Scheme Booklet carefully as it contains important information in relation to the Scheme, including the reasons for your Directors' recommendation and the Independent Expert's Report prepared by BDO.

Your vote is important regardless of how many Shares you own. If you are unable to attend the Scheme Meeting in person, I encourage you to submit your vote online or complete your personalised proxy form which is enclosed with this Scheme Booklet, and returning it in accordance with the directions on the form so that it is received by no later than 10:00am (AWST) on 13 January 2020. If you are in any doubt as to what actions you should take, please consult your professional advisor without delay.

Yours faithfully



Paul Atherley

Chairman

Important Notices

Date of this Scheme Booklet

This Scheme Booklet is dated 29 November 2019.

Defined terms and interpretation

Capitalised terms used in this Scheme Booklet (other than in the Independent Expert's Report contained in Annexure 1) and the Proxy Form accompanying this Scheme Booklet are either defined in brackets when first used or are defined in the Glossary in Section 13. The Glossary also sets out some rules of interpretation which apply to this Scheme Booklet. The Independent Expert's Report contains its own defined terms which are sometimes different from those set out in the Glossary in Section 13.

References to Scheme Booklet, Sections and Annexures

References to Sections and Annexures are to the named Sections and Annexures in this Scheme Booklet.

Purpose of this Scheme Booklet

This Scheme Booklet includes the Explanatory Statement for the Scheme required by section 412(1) of the Corporations Act. The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which it will be implemented (if approved). This Scheme Booklet provides all information required to be given to Shareholders or that is otherwise material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Director which has not previously been disclosed to Shareholders.

General

This Scheme Booklet is important. You should read this Scheme Booklet carefully before making a decision about how to vote on the Scheme Resolution to be considered at the Scheme Meeting.

No investment advice

This Scheme Booklet does not constitute financial product advice and has been prepared without reference to individual investment objectives, financial situation, taxation position or particular needs of any Shareholder or any other person. It is important that you read this Scheme Booklet before making any decision, including a decision on whether or not to vote in favour of the Scheme. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to Shares or any other securities. If you are in doubt as to what you should do, you should consult your legal, investment, taxation or other professional adviser.

Shareholders should consult their taxation adviser as to the applicable tax consequences of the Scheme. A summary of certain Australian and United Kingdom taxation considerations is detailed in Section 10.

Responsibility statement - Independent Expert Report

BDO has prepared, and is solely responsible for, the Independent Expert's Report contained in Annexure 1.

Neither Pensana or Pensana UK nor any of their respective directors, officers or advisers (other than the advisers on the basis referred to above), assume any responsibility for the accuracy or completeness of any of the information in the Independent Expert's Report.

The directors of Pensana and Pensana UK confirm that they have not obtained any other reports from independent experts for the purpose of the Scheme other than the Independent Expert's Report.

Role of ASIC

A copy of this Scheme Booklet has been lodged with, and registered by, ASIC for the purposes of section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with section 411(2)(b) of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that it has no objection

to the Scheme. If ASIC provides that statement, it will be produced to the Court on the Second Court Date.

Role of ASX

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

Court order under subsection 411(1) of the Corporations Act

Important notice associated with the Court order under section 411(1) of the Corporations Act

The fact that, under section 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved the Explanatory Statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- (i) has formed any view as to the merits of the proposed Scheme or as to how you should vote (on this matter, you must reach your own decision); or
- (ii) has prepared, or is responsible for the content of, the Explanatory Statement.

Notice to non-Australian resident taxpayers

This Scheme Booklet complies with Australian disclosure requirements. These disclosure requirements may be different to those in other countries. It is important that Shareholders who are not Australian resident taxpayers or who are liable for tax outside Australia seek specific tax advice in relation to the Australian and overseas tax consequences of the Scheme.

Notice to Shareholders in Ineligible Jurisdictions

Restrictions in the Ineligible Jurisdictions may make it impractical or unlawful for Pensana UK CDIs to be issued under the Scheme to, or received under the Scheme by, Shareholders in those jurisdictions. A Shareholder whose address shown in the Pensana Register is in a jurisdiction outside Australia, New Zealand, the United Kingdom, Hong Kong and Singapore will be an Ineligible Foreign Shareholder for the purposes of the Scheme. Shareholders recorded on the Pensana Register as having an address within an Ineligible Jurisdiction should refer to Section 5.3 for more information.

This Scheme Booklet and the Scheme do not constitute an offer of or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The release, publication or distribution of this Scheme Booklet and/or the accompanying documents into jurisdictions other than Australia, New Zealand, the United Kingdom, Hong Kong and Singapore may be restricted by law and therefore this Scheme Booklet and/or the accompanying documents may not be distributed or published in any jurisdiction except under circumstances which result in compliance with applicable laws and regulations. Therefore, persons into whose possession this Scheme Booklet and/or the accompanying documents come should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws and regulations of any such jurisdiction.

Notice to Shareholders in New Zealand

This Scheme Booklet is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 (or any other relevant New Zealand law). The offer of Scheme Consideration under the Scheme is being made to existing Shareholders in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 and, accordingly, this Scheme Booklet may not contain all the information that a disclosure document is required to contain under New Zealand law.

Notice to Shareholders in the United Kingdom

This Scheme Booklet does not constitute a prospectus for the purposes of the Prospectus Regulation and the United Kingdom Prospectus Regulation Rules and has not been, and will not be, approved by the Financial Conduct Authority in the United Kingdom.

The Scheme does not constitute an offer to the public which would require the publication of a prospectus.

This Scheme Booklet and the Scheme does not constitute an offer of shares in the United Kingdom. Nothing herein is intended to be construed as an offer, invitation, inducement to engage in, investment activity, investment advice or recommendation in relation to Pensana UK Shares or Pensana UK CDIs.

Notice to Shareholders in Hong Kong

WARNING - The contents of this Scheme Booklet have not been reviewed or approved by any regulatory authority in Hong Kong.

This Scheme Booklet does not constitute an offer or invitation to the public in Hong Kong to acquire or subscribe for or dispose of any securities. This Scheme Booklet also does not constitute a prospectus (as defined in section 2(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Scheme Booklet in Hong Kong, other than to persons who are "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

No person may issue or have in its possession for the purposes of issue, this Scheme Booklet or any advertisement, invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder.

Copies of this Scheme Booklet may be issued to a limited number of persons in Hong Kong in a manner which does not constitute any issue, circulation or distribution of this Scheme Booklet, or any offer or an invitation in respect of these securities, to the public in Hong Kong. The document is for the exclusive use of Pensana shareholders in connection with the Scheme, and no steps have been taken to register or seek authorisation for the issue of this Scheme Booklet in Hong Kong.

This Scheme Booklet is confidential to the person to whom it is addressed and no person to whom a copy of this Scheme Booklet is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Scheme Booklet to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with the consideration of the Scheme by the person to whom this Scheme Booklet is addressed.

Notice to Shareholders in Singapore

This Scheme Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of CDIs has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and this offering is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Statutory liabilities in connection with the contents of a prospectus included in the Securities and Futures Act, Cap. 289 (**SFA**) will not apply.

This Scheme Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of CDIs may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part XIII of the SFA, including the exemption under section 273(1)(c) of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to CDIs being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

Neither this document nor any copy of it may be taken or transmitted into any country where the distribution or dissemination is prohibited. This document is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person.

The investments contained or referred to in this document may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this document constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

Neither Pensana nor Pensana UK is in the business of dealing in securities or holds itself out, or purports to be doing so. As such, Pensana and Pensana UK are neither licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

Forward looking statements

Certain statements in this Scheme Booklet relate to the future, including forward looking statements and information ("forward looking statements"). The forward looking statements in this Scheme Booklet, including statements relating to the Pensana Group and the transactions contemplated by the Scheme Implementation Agreement, are not based on historical facts, but rather reflect the current views and expectations of Pensana. These statements may generally be identified by the use of forward looking verbs such as "aim", "anticipate", "believe", "estimate", "expect", "foresee", "intend" or "plan", qualifiers such as "may", "should", "likely" or "potential", or similar words. Similarly, statements that describe the expectations, goals, objectives, plans, targets, estimates of Ore Reserves and Mineral Resources and future costs of the Pensana Group are, or may be, forward looking statements.

Forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performances or achievements of Pensana or the Pensana Group to be materially different from future results, performances or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which Pensana and the Pensana Group will operate in the future, including the price of commodities, anticipated costs and ability to achieve goals. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward looking statements include, among others, port access, customer risks, commodity price volatility, discrepancies between actual and estimated costs or production, Ore Reserves and Mineral Resources being inaccurate or changing over time, mining operational and development risk, litigation risks, regulatory restrictions (including environmental regulatory restrictions and liability), activities by governmental authorities (including changes in taxation), currency fluctuations, the speculative nature of mining services, mineral exploration and production, the global economic climate, dilution, share price volatility, competition, loss of key directors and employees, additional funding requirements and defective title to mineral claims or property. See Section 9 for a (non-exhaustive) discussion of potential risk factors underlying, and other information relevant to, the forward looking statements and information. Forward

looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on them. All forward looking statements should be read in light of such risks and uncertainties.

You should note that the historical performance of Pensana is no assurance of its or the Pensana Group's future financial performance. Neither Pensana, Pensana UK nor their respective directors, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements and information in this Scheme Booklet will actually occur.

The forward looking statements in this Scheme Booklet reflect views and expectations held only at the date of this Scheme Booklet. Pensana believes that all forward looking statements included in this Scheme Booklet about Pensana and Pensana UK have been made on a reasonable basis. However, neither Pensana, Pensana UK nor their respective directors, nor any other person gives any representation, assurance or guarantee that any outcome, performance or results expressed or implied by any forward looking statements in this Scheme Booklet will actually occur. Shareholders should therefore treat all forward looking statements with caution and not place undue reliance on them.

Subject to any continuing obligations under law or the Listing Rules, Pensana, Pensana UK and their respective directors disclaim any obligation to revise or update, after the date of this Scheme Booklet, any forward looking statements to reflect any change in views, expectations or assumptions on which those statements are based.

Diagrams, charts, maps, graphs and tables

Any diagrams, charts, maps, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet, including but not limited to those in respect of the Scheme Consideration, are subject to the effect of rounding (unless otherwise stated). Accordingly, the actual calculation of these figures may differ from

the figures set out in this Scheme Booklet, and any discrepancies in any table between totals and sums of amounts listed in that table or to previously published figures are due to rounding.

Currency

All references in this Scheme Booklet to:

- "A\$", "AUD" and "Australian dollars" are to Australian currency; and
- "£", "GBP" and "Pounds Sterling" are to the lawful currency of the United Kingdom.

Privacy and personal information

Pensana will need to collect personal information to implement the Scheme. The personal information may include the names, contact details and details of shareholdings of Shareholders together with contact details of individuals appointed by Shareholders as proxies, body corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and may contact the Share Registry if they wish to exercise those rights.

The information may be disclosed to print and mail service providers, and to Pensana and its advisers and agents to the extent necessary to effect the Scheme. If the information outlined above is not collected, Pensana may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme effectively, or at all.

Shareholders who appoint an individual as their proxy, body corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

Persons are entitled, under section 173 of the Corporations Act, to inspect and copy the Pensana Register. The Pensana Register contains personal information about Shareholders.

Important dates and times for the Scheme

Date of this Scheme Booklet	29 November 2019
Latest time and date for lodgement of completed Proxy Form for the Scheme Meeting	10:00am (AWST) on 13 January 2020
Time and date for determining eligibility of Shareholders to vote at the Scheme Meeting	4:00pm (AWST) on 13 January 2020
Scheme Meeting	10:00am (AWST) on 15 January 2020
Court hearing for approval of the Scheme	22 January 2020
Effective Date of the Scheme	23 January 2020
Last date of trading of Shares on ASX	23 January 2020
Trading in Pensana UK CDIs commences on a deferred basis	24 January 2020
Record Date for determining entitlements to the Scheme Consideration	28 January 2020
Implementation Date for the Scheme	4 February 2020
Delisting of Pensana from the official list of ASX	5 February 2020
Expected date of admission of Pensana UK to the official list of ASX	6 February 2020
Last day of trading in Pensana UK CDIs commences on a deferred basis	6 February 2020
Dispatch of holding statements for Pensana UK CDIs issued as Scheme Consideration	7 February 2020
Expected date of distribution of sale proceeds to Ineligible Foreign Shareholders	4 March 2020

All stated dates and times are indicative only. The actual timetable will depend on many factors outside the control of Pensana and Pensana UK, including the Court approval process and the satisfaction or waiver of the conditions precedent to the completion of the Scheme by each of Pensana and Pensana UK. Any changes to the above timetable will be announced to ASX and will be available under Pensana's profile on ASX at www.asx.com.au.

1. Summary of the Scheme

1.1 Introduction

This summary identifies key features of the Scheme but must be read in conjunction with the additional detailed information for Shareholders set out in this Scheme Booklet. You are urged to read this Scheme Booklet in its entirety.

On 1 November 2019, Pensana announced a proposal to re-domicile the Pensana Group in the United Kingdom by way of a scheme of arrangement between Pensana and its Shareholders whereby Pensana UK would acquire the entire issued share capital of Pensana and become the new holding company for the Pensana Group. Accordingly, if the Scheme proceeds:

- all Shares will be transferred to Pensana UK;
- all Scheme Participants as at the Record Date (whether or not they voted for or against the Scheme and other than Ineligible Foreign Shareholders), will receive the Scheme Consideration, being Pensana UK CDIs; and
- Pensana will be de-listed from ASX and will become a wholly-owned Subsidiary of Pensana UK.

In connection with the Scheme, Pensana UK will list on the official list of ASX and accordingly, holders of Pensana UK CDIs will be able to trade their Pensana UK CDIs on ASX after the Scheme becomes Effective. Pensana UK is also considering making an application for the admission of the Pensana UK Shares to the Official List of the FCA (Standard Segment) and to trading on the Main Market for listed securities of the London Stock Exchange (**Proposed London Listing**). The Proposed London Listing is subject to the publication of a FCA approved Prospectus and Pensana UK has not yet made any applications for admission, and so there is no guarantee that this will proceed.

This Scheme Booklet contains important information that the Board believes Shareholders should consider in deciding whether to vote in favour of or against the Scheme.

1.2 What you will receive if the Scheme becomes Effective

If the Scheme is approved and becomes Effective, Scheme Participants (other than Ineligible Foreign Shareholders) will receive one Pensana UK Share (which will initially be held in the form a Pensana UK CDI) for every Share held as at the Record Date.

Written confirmation of your entitlement to Pensana UK CDIs is expected to be despatched to you by no later than five Business Days after the Implementation Date.

If you are an Ineligible Foreign Shareholder and the Scheme becomes Effective, on the Implementation Date your Shares will be transferred to Pensana UK and the Pensana UK CDIs which would have been issued to you as Scheme Consideration, will be issued to the Sale Agent. If you are an Ineligible Foreign Shareholder, Pensana UK must procure that the Sale Agent sells those Pensana UK CDIs as soon as reasonably practicable and in any event within 20 Business Days following the Implementation Date and remits the net sale proceeds (minus applicable taxes, stamp duty, charges, brokerage costs and other selling costs) to Pensana UK. Pensana UK must then promptly remit to you your pro rata share of the net proceeds from the sale of such Pensana UK CDIs sold through the Sale Facility.

Further details about the Scheme Consideration and Ineligible Foreign Shareholders are set out in Sections 5.2 and 5.3 respectively. Shareholders should also refer to Section 10 for important information in relation to certain Australian and UK tax implications of the Scheme.

1.3 CHESS Depositary Interests

CDIs are instruments used to enable securities of foreign companies, such as Pensana UK, to be traded on ASX and settled in CHESS.

Pensana UK CDI holders will obtain all the economic benefits of actual ownership of Pensana UK Shares. Pensana UK CDIs will confer the beneficial interest in Pensana UK Shares on the holders while the legal title to Pensana UK Shares will be held by CHESS Depositary Nominees Pty Limited (**CDN**), a wholly owned subsidiary of ASX Limited.

CDIs can be converted into Pensana UK Shares on a one for one basis at any time following the Implementation Date.

Annexure 5 to this Scheme Booklet provides a further description of the rights and entitlements attaching to Pensana UK CDIs generally, including in relation to voting.

1.4 Directors' recommendations

Your Directors unanimously recommend that Shareholders vote in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Shareholders.¹ Each of the Directors will (subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Shareholders) vote, or procure the voting of any Shares controlled or held by, or on behalf of, them at the time of the Scheme Meeting, in favour of the Scheme at the Scheme Meeting.

The reasons to vote in favour of or against the Scheme as considered by the Directors are set out in Section 2.

A summary of implications for Shareholders if the Scheme does not proceed are set out in Section 3 under the heading titled, "What happens if the Scheme is not approved".

1.5 Independent Expert

Pensana has commissioned BDO as the Independent Expert to prepare a report to ascertain whether the Scheme is in the best interests of Shareholders.

The Independent Expert has concluded that the Scheme is in the best interests of Shareholders. The Independent Expert Report is set out in Annexure 1.

1.6 Conditions to the Scheme

Implementation of the Scheme is subject to a number of outstanding conditions precedent that are summarised in Section 11.2 and include:

- the approval of the Scheme by the Shareholders and the Court; and
- ASX approving:
 - the admission of Pensana UK to the official list of the ASX; and
 - the Pensana UK CDIs for official quotation by the ASX,subject only to any conditions which ASX may reasonably require, including the Scheme becoming Effective, and such approval remains in full force and effect in all respects and does not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

A full description of all of the conditions to the Scheme is included in the Scheme Implementation Agreement in Annexure 2.

1.7 Scheme Meeting

The Scheme Meeting, to approve the Scheme, is scheduled to be held at Ground Floor, 10 Outram Street, West Perth WA 6005 on 15 January 2020 at 10:00am (AWST). Voting eligibility for the Scheme Meeting will be determined as at 4:00pm (AWST) on 13 January 2020.

Further details of the Scheme Meeting, including how to vote, are contained in Section 4. The Notice of Scheme Meeting is contained in Annexure 7.

1.8 Approvals

As mentioned in Section 1.6 above, approval for the Scheme is required from the Shareholders and the Court as follows:

¹ A Director may also change their recommendation if due to a change in fact or law occurring they reasonably determine (having obtained legal advice) that they should not provide or continue to maintain any recommendation because that they have an interest in the Scheme that renders it inappropriate to maintain any such recommendation.

(a) **Scheme Meeting**

The Scheme must be approved by the Requisite Majority, being:

- (i) unless the Court orders otherwise, a majority in number (more than 50%) of Shareholders present and voting at the Scheme Meeting (in person or by proxy, corporate representative or attorney); and
- (ii) at least 75% of the total number of votes which are cast at the Scheme Meeting.

(b) **Court Approval**

If the Scheme is approved at the Scheme Meeting and all other conditions of the Scheme have been satisfied or (where applicable) waived, the Court will be asked to approve the Scheme at the Second Court Hearing in accordance with section 411(4)(b) of the Corporations Act. The Second Court Hearing is expected to be on or around 22 January 2020.

1.9 Implementation, timetable and procedures

If the Scheme is approved by Shareholders and the Court and all other conditions to the Scheme are satisfied or (where applicable) waived, it is expected that the Scheme will be implemented on or around 4 February 2020. The key dates and times in relation to the Scheme are set out at the beginning of this Scheme Booklet. These key dates are indicative only and are subject to change.

1.10 Tax implications

The transfer of your Shares in accordance with the Scheme may have tax implications for you. You should seek your own professional advice regarding your individual tax consequences. A summary of relevant tax implications for Scheme Participants is contained in Section 10.

1.11 What to do next

(a) **Read the remainder of this Scheme Booklet**

Read the remainder of this Scheme Booklet in full before making any decision on the Scheme.

(b) **Consider your options**

Shareholders should refer to Section 2 for further guidance on the reasons to vote in favour of or against the Scheme and Section 9 for guidance on the risk factors associated with the Scheme and the Pensana Group generally.

If you have any questions in relation to the Scheme or the Scheme Meeting, please contact the Company Secretary on 08 9221 0090 (within Australia) or +61 8 9221 0090 (outside Australia) Monday to Friday between 9:00am and 5:00pm (AWST), visit Ground Floor, 10 Outram Street, West Perth WA 6005, Perth, Western Australia or consult your legal, investment, taxation, financial, taxation or other professional adviser.

(c) **Vote at the Scheme Meeting**

Your Directors urge you to vote on the Scheme at the Scheme Meeting. The Scheme affects your shareholding and your vote at the Scheme Meeting is important in determining whether the Scheme proceeds.

For further details regarding voting and submitting the Proxy Form for the Scheme Meeting, see Section 4.

Your Directors unanimously recommend that you vote in favour of the Scheme, subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Shareholders.²

² A Director may also change their recommendation if due to a change in fact or law occurring they reasonably determine (having obtained legal advice) that they should not provide or continue to maintain any recommendation because that they have an interest in the Scheme that renders it inappropriate to maintain any such recommendation.

2. Reasons to vote in favour of or against the Scheme

2.1 Reasons to vote in favour of the Scheme

Your Directors recommend the Scheme	<p>Your Directors unanimously recommend that Shareholders vote in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Shareholders. All of the Directors have formed their conclusion and made their recommendation based on the matters outlined in this Section 2.</p> <p>Each Director who holds or controls Shares intends to vote those Shares in favour of the Scheme at the Scheme Meeting.</p>
The Independent Expert, BDO, has concluded that the Scheme is in the best interests of Shareholders	<p>The Independent Expert, BDO, has concluded that the Scheme is in the best interests of Shareholders. In reaching this view, the Independent Expert has concluded that the advantages of approving the Scheme outweigh the disadvantages and therefore the Scheme is in the best interests of the Shareholders.</p> <p>In particular, the Independent Expert considered:</p> <ul style="list-style-type: none"> • the advantages and disadvantages of the Scheme; • other factors which it considered to be relevant to Shareholders in their assessment (including the impact on investment portfolios and ASIC risk preferences, foreign exchange implications and liquidity of Pensana UK CDIs); and • the position of Shareholders should the Scheme not proceed. <p>The Independent Expert's Report is set out in Annexure 1 and Shareholders are encouraged to read it in full.</p>
The Pensana Group will re-domicile in the United Kingdom, the first step in a strategic move to position the Pensana Group in the EMEA region to better reflect the location of its assets and the growing international focus of its shareholder base	<p>The change of domicile will allow the Pensana Group to better position itself in the EMEA region where there is a strong understanding of large scale rare earth mineral projects.</p> <p>The re-domicile is expected to provide an opportunity for the Pensana Group to develop an enhanced profile and investor interest internationally, especially in the United Kingdom and the larger EMEA regional financial centres. The Directors believe that there is greater appetite for larger scale investments in EMEA than in Australia and by re-domiciling in the United Kingdom, the Company may have improved access to capital markets and greater flexibility for future capital raisings.</p>
The potential to improve the Pensana Group's ability to raise capital and debt by listing in London and the geographic proximity to larger and more diverse debt and equity markets	<p>The future growth and development of the Pensana Group will require access to deeper and more diverse pools of equity capital and debt financing which may be more readily available in the United Kingdom and key financial centres in the EMEA region.</p> <p>A re-domicile in the United Kingdom and the Proposed London Listing would increase the attractiveness of the Pensana 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. It would also make the Pensana Group more attractive to large United Kingdom-based institutional investors and pooled funds that tend to be focused on United Kingdom-based and/or United Kingdom listed companies. These benefits will not be realised if the Proposed London Listing does not occur.</p>

Shareholders, Optionholders and Performance Right Holders will retain their existing exposure to Pensana's assets by receiving "replacement" securities in Pensana UK	If the Scheme is implemented, Shareholders (other than Ineligible Foreign Shareholders) will become holders of Pensana UK CDIs and Optionholders and Performance Right Holders will receive one option and performance right (respectively) in Pensana UK for every option and performance right cancelled and on terms which mirror, to the extent possible, their existing Shares, options and performance rights in Pensana.
Relationship between the United Kingdom and the Republic of Angola	If the Pensana Group is re-domiciled in the United Kingdom it will benefit from the growing relationship between the United Kingdom and Angola and Angola's planned accession to the Commonwealth of Nations. The United Kingdom Export Financing agency has provided funding support to projects in Angola over the last few years.

2.2 Reasons to vote against the Scheme

You may disagree with your Directors' unanimous recommendation or the Independent Expert's conclusion	<p>Notwithstanding the unanimous recommendation of your Directors and the conclusions of the Independent Expert, who have both concluded that the Scheme is in the best interest of Shareholders, you may not believe that the Scheme is in your best interests.</p> <p>In this regard, you may want to refer to Annexure 1 for the Independent Expert's Report where the Independent Expert concluded that the advantages of the proposed Scheme outweigh the disadvantages.</p>
Changing to a new jurisdiction and the differences in shareholders' rights and obligations as a shareholder (or an Optionholder or Performance Right Holder) of a United Kingdom domiciled company	<p>On implementation of the Scheme, Shareholders (other than Ineligible Foreign Shareholders), will become holders of Pensana UK CDIs. Pensana UK, as a company incorporated in England and Wales, will not be subject to the provisions of the Corporations Act (which Pensana is currently subject to) and instead will be subject to the UK Companies Act.</p> <p>The rights of holders of Pensana UK CDIs will be primarily governed by the laws of the United Kingdom and the Pensana UK Articles. Pensana UK will also be bound by the ASX Listing Rules if ASX grants permission for Pensana UK CDIs to be quoted on ASX.</p> <p>As a result of this, Shareholders may consider that they do not wish to become a shareholder of a United Kingdom domiciled company and would prefer to remain a shareholder of an Australian company.</p> <p>Currently, Shareholders residing in Australia wishing to take action to enforce the provisions of the Company's constitution or the securities laws applicable to the Company may take action in Australian courts and applying Australian law. After the implementation of the Scheme, such actions in respect of Pensana UK will be determined in accordance with the laws of England and Wales. An Australian shareholder will be entitled to seek enforcement of applicable laws in the same manner as a shareholder residing in the United Kingdom.</p> <p>A non-exhaustive comparison of the rights of holders of Pensana Shares and the rights of holders of Pensana UK Shares (which each Shareholder will have interest in through Pensana UK CDIs) is set out in Annexure 6.</p>
The potential tax consequences of the Scheme may not suit your current financial position or tax circumstances	<p>If the Scheme is implemented, the transfer of your Shares may have tax implications on you depending on your individual circumstances. Please refer to Section 10 for further information on certain Australian and United Kingdom tax implications of the Scheme.</p> <p>All Shareholders are advised to seek independent professional advice about their particular circumstances including, for non-resident Shareholders, the foreign tax consequences.</p>

<p>Although the merger ratio is fixed at one Pensana UK CDI for each Share, the exact value of the Scheme Consideration if issued is not certain and will depend on the price at which the Pensana UK CDIs trade on ASX after the Implementation Date</p>	<p>Under the terms of the Proposed Transaction, Shareholders on the Pensana Register as at the Record Date will receive one Pensana UK CDI for each Share they hold. The exact value of this Scheme Consideration that would be realised by individual Shareholders will depend on the price at which Pensana UK CDIs trade on ASX after the Implementation Date.</p> <p>In addition, the Sale Agent will be issued the Pensana UK CDIs that would otherwise be issued to Ineligible Foreign Shareholders and will sell them as soon as reasonably practicable after the Implementation Date. Although the quantum of these sales is expected to be limited, it is possible that such sales may exert downward pressure on the share price of Pensana UK during the applicable period.</p>
<p>Costs of implementing the Proposed Transaction</p>	<p>The Company estimates the cost of implementing the re-domiciliation as being between A\$335,000 and A\$350,000. These are one-off costs that have mostly already been incurred by the Company.</p>

2.3 Other relevant considerations

(a) **No brokerage or stamp duty will be payable on the transfer of your Shares pursuant to the Scheme**

You will not incur any brokerage or stamp duty costs on the transfer of your Shares pursuant to the Scheme.

Brokerage fees will however be incurred by Ineligible Foreign Shareholders whose attributable Pensana UK CDIs will be issued to and sold by the Sale Agent and the cash proceeds of the sale remitted to them.

(b) **The Scheme may be implemented even if you do not vote, or vote against the Scheme**

Even if you do not vote, or if you vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majority of Shareholders and by the Court. If this occurs and you are a Shareholder, your Shares will be transferred to Pensana UK and you will receive the Scheme Consideration even though you did not vote on, or voted against, the Scheme.

3. Frequently Asked Questions

The following table provides brief answers to questions you may have in relation to the Scheme, but must be read in conjunction with the more detailed information included in this Scheme Booklet. You are urged to read this Scheme Booklet in its entirety.

Questions about the Scheme	
What are Shareholders being asked to consider?	<p>On 1 November 2019, Pensana announced a proposal to re-domicile the Pensana Group in the United Kingdom by way of a scheme of arrangement between Pensana and its Shareholders whereby Pensana UK would acquire the entire issued share capital of Pensana and become the new holding company for the Pensana Group.</p> <p>If the Proposed Transaction is implemented, Shareholders will hold 100% of the Pensana UK CDIs in the same percentages as their existing holdings in Pensana, subject to the provisions of the Scheme dealing with Ineligible Foreign Shareholders. Pensana UK will, in turn, become the holder of all the issued Shares.</p> <p>One of the conditions to implement the Scheme is that the Shareholders must approve the Scheme by the Requisite Majority at the Scheme Meeting. The Shareholders are therefore being asked to consider whether to vote in favour of the Scheme which if implemented, will result in the Shareholders transferring their Shares to Pensana UK and becoming holders of Pensana UK CDIs.</p>
What is the Scheme?	<p>The Scheme is a scheme of arrangement between the Company and the Shareholders at the Record Date. A scheme of arrangement is a statutory procedure that is commonly used to enable one company to acquire another company.</p> <p>The Scheme will effect the acquisition of the Company by Pensana UK, resulting in the re-domicile of the Pensana Group in the United Kingdom so that the new holding company of the Pensana Group will be Pensana UK (being an entity incorporated in England and Wales).</p> <p>The Scheme requires the approval of both the Requisite Majority of Shareholders at the Scheme Meeting and the Court.</p> <p>The terms of the Scheme are set out in full in Annexure 3. The Scheme will be governed by Australian law.</p>
What consideration will I receive?	<p>If the Scheme becomes Effective, you will receive one Pensana UK CDI for each Share you own at the Record Date.</p>
What are CDIs?	<p>A CDI is a CHESS depositary interest representing a unit of beneficial ownership in a share (or other equity security) of a foreign registered entity, registered in the name of CHESS Depositary Nominees Pty Limited.</p> <p>Pensana CDIs will confer a beneficial interest in the equivalent number of Pensana UK Shares and will be traded on ASX. Pensana UK CDI holders will receive all the economic benefits of actual ownership of the underlying Pensana UK Shares. A more detailed description can be found in Annexure 5 including rights in respect of voting at general meetings of Pensana UK.</p>
Can I elect to receive Pensana UK Shares rather than Pensana UK CDIs?	<p>Shareholders cannot elect to receive Pensana UK Shares instead of Pensana UK CDIs as Scheme Consideration.</p> <p>However, once issued, Pensana UK CDIs can be converted to Pensana UK Shares on a one for one basis.</p>

Questions about the Scheme

What will be the effect of the Scheme?	<p>If the Scheme is approved by the Requisite Majority of Shareholders and the Court and all other conditions to the Scheme are satisfied or (where applicable) waived:</p> <ul style="list-style-type: none"> • all of the Shares you hold on the Record Date will be transferred to Pensana UK; • in exchange, you will receive the Scheme Consideration for each Share you hold, unless you are an Ineligible Foreign Shareholder; • Pensana will become a wholly-owned Subsidiary of Pensana UK and will be removed from the official list of ASX; and • Pensana UK will be admitted to the official list of ASX and the Pensana UK CDIs will be admitted for official quotation by ASX.
Can I sell my Shares on ASX prior to the Scheme becoming Effective?	<p>You can sell your Shares on ASX prior to (and on) the Effective Date. However, you will not be able to do so after the Effective Date.</p> <p>If you sell your Shares on ASX:</p> <ul style="list-style-type: none"> • you may pay brokerage on the sale; • if the Scheme becomes Effective, you will not receive any Scheme Consideration which would have otherwise been attributed to the Shares that you have sold; • you will not share in any potential ongoing benefits of owning Pensana UK CDIs; and • there may be different tax consequences for you compared to those that would arise under the implementation of the Proposed Transaction.
When can I trade my Pensana CDIs?	<p>Subject to the Scheme becoming Effective and the admission of Pensana UK to the official list of ASX, it is expected that you will be able to trade Pensana UK CDIs on a deferred settlement basis commencing on the Business Day after the Effective Date. It is expected that Pensana UK CDIs will trade on a normal T+2 settlement basis on and from the second Business Day after the Implementation Date.</p>
Are there conditions that need to be satisfied before the Scheme can proceed?	<p>Implementation of the Scheme is subject to satisfaction or waiver (where applicable) of a number of conditions contained in the Scheme Implementation Agreement, set out in Annexure 2.</p> <p>The conditions that remain outstanding as at the date of this Scheme Booklet are summarised in Section 11.2.</p>

Questions about the Scheme

What is the Directors' recommendation?	<p>Your Directors have carefully considered the advantages and disadvantages of the Scheme and unanimously recommend that you vote in favour of the Scheme.</p> <p>Your Directors intend to vote, or procure the voting, in favour of the Scheme with respect to any Shares controlled or held by, or on behalf of, them, subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Shareholders.</p> <p>The Directors collectively control the voting rights attaching to approximately 9% of the total number of Shares on issue.</p> <p>A Director may also change their recommendation if due to a change in fact or law occurring they reasonably determine (having obtained legal advice) that they should not provide or continue to maintain any recommendation because they have an interest in the Scheme that renders it inappropriate to maintain any such recommendation.</p>
What are the reasons to vote in favour of the Scheme?	The Directors have described in Section 2.1 the reasons why Shareholders should vote in favour of the Scheme.
What are the reasons to vote against the Scheme?	The Directors have described in Section 2.2 the reasons why you may decide to vote against the Scheme.
What are the risks for me if the Scheme is implemented	If the Scheme is implemented, you will be entitled to receive the Scheme Consideration in the form of Pensana UK CDIs (unless you are an Ineligible Foreign Shareholder). Shareholders who receive and retain Pensana UK CDIs under the Scheme may be subject to certain risks, including as detailed in Section 9.
What is the Independent Expert's conclusion?	<p>The Independent Expert has concluded that the Scheme is in the best interests of Shareholders.</p> <p>The Independent Expert's Report is set out in Annexure 1.</p>
If I wish to support the Scheme, what should I do?	<p>Subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Shareholders, your Directors unanimously recommend that you vote in favour of the Scheme at the Scheme Meeting if you wish to support the Scheme.</p> <p>See Section 4 for directions on how to vote and important voting information generally. If you are a registered Shareholder and are unable to attend the Scheme Meeting you may be entitled to vote by proxy, corporate representative or attorney.</p>
What happens if I vote against the Scheme?	<p>If, despite your Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Scheme, you may vote against the Scheme at the Scheme Meeting.</p> <p>If the Scheme is approved by the Requisite Majority of Shareholders and by the Court and all other conditions to the Scheme are satisfied or waived (where applicable), your Shares will be transferred to Pensana UK in consideration for Pensana UK issuing to you or the Sale Agent on your behalf, as applicable, the Scheme Consideration. This will occur even if you voted against the Scheme at the Scheme Meeting.</p> <p>If the Scheme is not approved by the Requisite Majority of Shareholders or the Court, Pensana will continue to be domiciled in Australia and you will remain a Shareholder.</p>

Questions about the Scheme

<p>How will the Scheme be implemented?</p>	<p>If the Scheme becomes Effective, no further action is required on the part of the Scheme Participants in order to implement the Scheme. Under the Scheme, Pensana is given authority to effect a valid transfer of all Shares to Pensana UK and to enter the name of Pensana UK in the Pensana Register as holder of all Shares.</p> <p>If the Scheme becomes Effective, each Shareholder (other than an Ineligible Foreign Shareholder) will be deemed to have agreed to become a holder of Pensana UK CDIs in accordance with the Scheme and to have accepted the Pensana UK CDIs issued to that holder under the Scheme subject to, and to be bound by, the Pensana UK Articles.</p>
<p>What happens if the Scheme is not approved?</p>	<p>If the Scheme is not approved by the Requisite Majority of Shareholders or the Court, the Scheme will not be implemented and the Proposed Transaction will not proceed.</p> <p>Further, if any of the conditions to the Scheme are not satisfied or waived (where applicable), including if the Scheme is not approved by the Requisite Majority of Shareholders and by the Court, the Scheme Implementation Agreement may be terminated and the Scheme will not be implemented.</p> <p>The consequences of the Scheme not being implemented include:</p> <ul style="list-style-type: none"> • you will retain your Shares, you will not be issued the Scheme Consideration; • the Shares will remain listed on ASX, and you will continue to be exposed to the risks associated with your investment in Shares; • the Board and management will continue to operate Pensana's business; • the expected benefits of the Scheme (set out in Section 2.1) will not be realised; • Pensana's Share price may reduce to the extent that the market reflects an assumption that the Scheme will be completed; and • Pensana will have incurred significant costs and management time and resources for no outcome.
<p>What are the tax implications of the Scheme?</p>	<p>The transfer of your Shares pursuant to the Scheme may have tax implications on you depending on your individual circumstances. Section 10 provides a description of certain Australian and United Kingdom tax consequences of the Scheme.</p> <p>It is recommended that you seek professional tax advice.</p>
<p>Will Shareholders be entitled to scrip-for-scrip capital gains tax ("CGT") roll-over relief as part of the transaction?</p>	<p>Based on the general summary of taxation consequences included in Section 10, following the implementation of the Scheme, it is expected that Australian-resident Shareholders who hold Shares on capital account should be entitled to CGT roll-over relief. Notwithstanding, you are urged to seek professional taxation advice in relation to your own personal circumstances. Shareholders should note that the Company has not and does not intend to apply for a private binding ruling from the ATO on the applicability of CGT roll-over relief.</p>
<p>What is the expected timetable of the Proposed Transaction?</p>	<p>The Scheme Meeting is currently scheduled to held on 15 January 2020. If approval from the Requisite Majority is obtained in favour of the Scheme at the Scheme Meeting, the Court approves the Scheme at a hearing expected to be held on 22 January 2020 and all other conditions to the</p>

Questions about the Scheme

	<p>Scheme are satisfied or (where applicable) waived, the Scheme is expected to be implemented in early February 2020.</p> <p>Please see the 'Important Dates and times for the Scheme' on page 5 for further information. All stated dates and times are indicative only.</p>
Who will manage the Merged Group following the implementation of the Scheme?	<p>Following implementation of the Scheme, Pensana UK will be managed by the existing Board and senior management of Pensana. See Section 8.5 for further details.</p>

Questions about your entitlements

Who is entitled to participate in the Scheme?	<p>Each person who is a Shareholder as at the Record Date will be entitled to participate in the Scheme.</p>
What if I am an Ineligible Foreign Shareholder?	<p>If you are a Shareholder whose address shown in the Pensana Register as being in an Ineligible Jurisdiction or who is otherwise determined to be an Ineligible Foreign Shareholder, Pensana UK will not issue nor procure the issue of Pensana UK CDIs to you. However, your Shares will be part of the Scheme.</p> <p>The number of Pensana UK CDIs that would otherwise have been issued to you under the Scheme will be issued to the Sale Agent, who will sell those Pensana UK CDIs and remit the proceeds of such sale to Pensana UK, net of costs. Pensana UK will then promptly remit to you your pro rata share of the net proceeds from the sale of such Pensana UK CDIs sold through the Sale Facility.</p> <p>See Sections 5.3 and 5.4 for further details on the Sale Facility.</p>
What warranties do I give?	<p>Under the Scheme, each Scheme Participant is deemed to have warranted to Pensana UK that:</p> <ul style="list-style-type: none"> all Shares (including any rights and entitlements attaching to those Shares) will, at the date of the transfer of them to Pensana UK, be fully paid and free from all mortgages, charges, security interests, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and they have the power and capacity to sell and to transfer their Shares, and all rights and entitlements attaching to those Shares to Pensana UK.
When will I be issued the Scheme Consideration?	<p>If the Scheme is implemented, Pensana UK will issue, or procure the issue of, your Pensana UK CDIs to you (or in the case of an Ineligible Foreign Shareholder, to the Sale Agent) on the Implementation Date, which is expected to be 4 February 2020.</p>
Will I have to pay brokerage fees on the disposal of my in respect of Scheme Consideration?	<p>Shareholders who are not Ineligible Foreign Shareholders will not pay brokerage fees on the disposal of their Shares pursuant to the Scheme.</p> <p>If you are an Ineligible Foreign Shareholder, the Sale Agent will deduct brokerage and other costs from the sale of Pensana UK CDIs that would otherwise have been issued to you and pay Pensana UK the net amount. Pensana UK will then promptly remit to you your pro rata share of the net proceeds from the sale of such Pensana UK CDIs sold through the Sale Facility.</p>

Questions about your entitlements

When can I trade my Pensana UK CDIs?

It is expected that you will be able to trade Pensana UK CDIs on a deferred settlement basis commencing on the Business Day after the Effective Date. It is expected that Pensana UK CDIs will trade on a normal T+2 settlement basis on and from the second Business Day after the Implementation Date.

For further details, see Section 11.12.

Questions about voting

Who can vote?

If you are registered as a Shareholder at 4:00pm (AWST) on 13 January 2020, you will be entitled to vote on the Scheme Resolution to be proposed at the Scheme Meeting.

For further details, see Section 4.

When and where will the Scheme Meeting be held?

The Scheme Meeting to approve the Scheme is scheduled to be held at Ground Floor, 10 Outram Street, West Perth WA 6005 on 15 January 2020 commencing at 10:00am (AWST).

Further details of the Scheme Meeting, including how to vote are contained in Section 4. The Notice of Scheme Meeting is contained in Annexure 7.

What vote is required to approve the Scheme?

The Scheme needs to be approved by the Requisite Majority of Shareholders, which is:

- unless the Court orders otherwise, a majority in number (more than 50%) of Shareholders present and voting at the Scheme Meeting (in person or by proxy, corporate representative or attorney); and
- at least 75% of the total number of votes cast on the resolution at the Scheme Meeting.

Is voting compulsory?

No, voting is not compulsory. However, your vote is important. If you cannot attend the Scheme Meeting, you should complete and return the Proxy Form enclosed with this Scheme Booklet.

For further details regarding voting and submitting the Proxy Form for the Scheme Meeting, see Section 4.

Why should I vote?

Your vote will be important in determining whether the Scheme will proceed. Your Directors unanimously recommend that you vote in favour of the Scheme, subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Shareholders.³

What happens if I do not vote?

If you do not vote but the Scheme is approved by a Requisite Majority of Shareholders and the Court and becomes Effective, your Shares will be transferred to Pensana UK in consideration for Pensana UK procuring the issue to you the Pensana UK CDIs as Scheme Consideration for your Shares. If you are an Ineligible Foreign Shareholder, your entitlement to Pensana UK CDIs will be issued to the Sale Agent who will sell such Pensana UK CDIs as soon as possible after the Scheme becomes effective and remit the proceeds to Pensana UK net of costs. Pensana UK will then promptly remit to you your pro rata share of the net proceeds from the sale of Scheme Consideration sold through the Sale Facility.

³ A Director may also change their recommendation if due to a change in fact or law occurring they reasonably determine (having obtained legal advice) that they should not provide or continue to maintain any recommendation because that they have an interest in the Scheme that renders it inappropriate to maintain any such recommendation.

Questions about voting	
	If the Scheme is not approved you will remain a Shareholder of Pensana and Pensana will not be acquired by Pensana UK.
Can I attend the Court and oppose the Court approval of the Scheme?	If you wish to oppose approval by the Court of the Scheme at the Second Court Hearing, you may do so by filing with the Court, and serving on Pensana, a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Pensana at least one Business Day (in Perth, Western Australia) before the Second Court Date.
What are my options?	<p>You may:</p> <ul style="list-style-type: none"> • vote in favour of the Scheme at the Scheme Meeting; • vote against the Scheme at the Scheme Meeting; • sell your Shares on market at any time before the close of trading on ASX on the Effective Date; or • do nothing. <p>See section 6.2 for further information.</p>
What if I cannot, or do not wish to, attend the Scheme Meeting?	If you cannot or do not wish to attend the Scheme Meeting, you may appoint a proxy, corporate representative or attorney to vote on your behalf. For further details regarding voting and submitting the Proxy Form for the Scheme Meeting, see Section 4.

Questions about Pensana UK	
What is Pensana UK?	Pensana UK is a public limited company incorporated under the laws of England and Wales for the specific purpose of becoming the United Kingdom holding company of the Pensana Group.
Why does Pensana UK wish to implement the Scheme?	<p>Pensana and Pensana UK wish to implement the Scheme in order to re-domicile the Pensana Group in the United Kingdom by putting in place a new parent company incorporated under the laws of England and Wales.</p> <p>The expected benefits of the Scheme are outlined in Section 2.1.</p>
What are Pensana UK's intentions in relation to the Merged Group if the Scheme proceeds?	See section 8.12 in relation to Pensana UK's intentions in respect of the Merged Group.

General questions	
What other information is available?	<p>You should read the detailed information in relation to the Scheme provided in this Scheme Booklet.</p> <p>Further information in relation to Pensana can be obtained from ASX on its website www.asx.com.au.</p>
Who can help answer my questions about the Scheme?	If you have questions in relation to the Scheme or the Scheme Meeting, please contact the Company Secretary on 08 9221 0090 (within Australia) or +61 8 9221 0090 (outside Australia) Monday to Friday between 9:00am and 5:00pm (AWST), visit Ground Floor, 10 Outram Street, West Perth WA 6005 or consult your legal, investment, financial, taxation or other professional adviser.

4. Scheme Meeting and voting information

This Section contains information relating to voting entitlements and information on how to vote at the Scheme Meeting for Shareholders.

4.1 Scheme Meeting

(a) Time and location

The Scheme Meeting to approve the Scheme is scheduled to be held at Ground Floor, 10 Outram Street, West Perth WA 6005, Perth, Western Australia on 15 January 2020 at 10:00am (AWST).

(b) Requisite Majority

At the Scheme Meeting, the Scheme Resolution will be proposed to the Scheme Meeting which must be approved by:

(i) unless the Court orders otherwise, a majority in number (more than 50%) of Shareholders present and voting at the Scheme Meeting (in person or by proxy, corporate representative or attorney); and

(ii) at least 75% of the total number of votes which are cast at the Scheme Meeting,

(the **Requisite Majority**), for the Scheme to become Effective.

(c) Notice of Scheme Meeting

The Scheme Resolution is set out in the Notice of Scheme Meeting in Annexure 7.

4.2 Entitlement and ability to vote at the Scheme Meeting

If you are registered as a Shareholder as at 4:00pm (AWST) on 13 January 2020, you will be entitled to vote on the Scheme Resolution at the Scheme Meeting. Voting on the Scheme Resolution will be by poll.

(a) Voting in person

If you wish to vote in person, you should attend the Scheme Meeting.

(b) Voting by proxy

A Proxy Form for the Scheme Meeting accompanies this Scheme Booklet.

You can appoint a proxy by completing and returning to the Share Registry the enclosed Proxy Form for the Scheme Meeting. The Proxy Form must be received by the Share Registry by no later than 10:00am (AWST) on 13 January 2020.

You must return the Proxy Form by either posting it in the reply paid envelope provided (only for use in Australia) or by sending, delivering or faxing it as follows:

(i) Mail to:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001

(ii) Fax to:

1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia)

(iii) online at www.investorvote.com.au and following the instructions provided.

(iv) Mobile voting

Scan the QR Code on your Proxy form and follow the prompts

(v) Custodian voting:

For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions

If you are entitled to attend and cast a vote at the Scheme Meeting, you may appoint up to two proxies. A proxy may be an individual or a corporation but need not be a Shareholder. If you appoint two proxies each proxy may exercise half of your votes if no proportion or number of votes is specified.

If you appoint a proxy but attend the Scheme Meeting yourself, the rights of the proxy to speak and vote on your behalf at the Scheme Meeting will be suspended while you are present.

A Shareholder who wishes to submit a proxy has the right to appoint the chairman of the Scheme Meeting, or another person (who need not be a Shareholder) to represent him, her or it at the Scheme Meeting and vote on the Scheme Resolution, by inserting the name of his chosen proxy in the space provided for that purpose on the Proxy Form.

If:

- (i) a Shareholder nominates the chairman of the Scheme Meeting as the Shareholder's proxy; or
- (ii) a proxy appointment is signed by or validly authenticated by a Shareholder but does not name the proxy or proxies in whose favour it is given or otherwise under a default appointment according to the terms of the Proxy Form,

the person acting as chairman of the Scheme Meeting must act as proxy under the appointment in respect of that item of business.

A Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half the votes. The Shares represented by proxy will be voted for or against or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for, and if the Shareholder specifies a choice with respect to any matter to be acted upon, the Shares will be voted accordingly.

If an attorney signs a Proxy Form on your behalf, a certified copy of the power of attorney under which the Proxy Form was signed must be received by the Share Registry at the same time as the Proxy Form (unless you have already provided a certified copy of the power of attorney to Pensana).

(c) **Undirected proxies**

Proxy appointments in favour of the chairman of the Scheme Meeting, the Pensana company secretary or any Director which do not contain a direction will be voted in support of the Scheme Resolution at the Scheme Meeting.

(d) **Revocation of proxies**

A Shareholder who has deposited a Proxy Form may revoke it prior to its use, by an instrument in writing executed by the Shareholder or by his, her or its attorney duly authorised in writing or, if the Shareholder is a company, executed by a duly authorised officer or attorney in compliance with applicable law and deposited at the Share Registry by 10:00am (AWST) on 13 January 2020 or with the chairman of the Scheme Meeting on the day of, and prior to the start of, the Scheme Meeting. A Shareholder may also revoke a proxy in any other manner permitted by law.

(e) **Voting by corporate representative**

To vote in person at the Scheme Meeting, a Shareholder or proxy, which is a body corporate, may appoint an individual to act as its representative.

Unless otherwise specified in the appointment, a representative acting in accordance with his or her authority, until it is revoked by the body corporate Shareholder, is entitled to exercise the same powers on behalf of that body corporate as that body corporate could exercise at a meeting or in voting on a resolution.

A certificate with or without the seal of the body corporate Shareholder, signed by 2 directors of that body corporate or signed by one director and one secretary, or any other document as the chairman of the Scheme Meeting in his sole discretion considers sufficient, will be evidence of the appointment, or of the revocation of the appointment, as the case may be, of a representative.

(f) **Voting by attorney**

A Shareholder may appoint a person (whether a Shareholder or not) as its attorney to attend and vote at the Scheme Meeting.

An instrument appointing an attorney must be in writing executed under the hand of the appointer or the appointer's attorney duly authorised in writing, or if the appointer is a corporation, under its common seal (if any) or the hand of its duly authorised attorney or executed in a manner permitted by the Corporations Act. The instrument may contain directions as to the manner in which the attorney is to vote on a particular resolution(s) and subject to the Corporations Act, may otherwise be in any form as the Directors may prescribe or accept. A fax of a written power of attorney is valid provided it has been provided to Pensana on the fax number in Section 4.2(b) by no later than 10:00am (AWST) on 13 January 2020. Such fax will be deemed to have been served on Pensana upon the receipt of a transmission report confirming successful transmission of that fax.

5. Key considerations

The purpose of this Section 5 is to identify significant issues for you to consider in relation to the Scheme.

Before deciding how to vote at the Scheme Meeting, you should carefully consider the factors discussed below and the risk factors outlined in Section 9, as well as the other information contained in this Scheme Booklet.

5.1 Background

The Scheme will result in the acquisition of the Company by Pensana UK, resulting in the re-domicile of the Pensana Group in the United Kingdom so that the new holding company of the Pensana Group will be an entity incorporated in England and Wales.

If the Scheme is implemented, Pensana UK will acquire all of the Shares held by Scheme Participants by means of a statutory scheme of arrangement.

The Scheme is subject to, among other conditions, approval by the Requisite Majority of Shareholders at the Scheme Meeting and approval by the Court pursuant to section 411(4)(b) of the Corporations Act at the Second Court Hearing. For further details of this condition and the other conditions precedent to the implementation of the Scheme, refer to Section 11.2.

If the Scheme becomes Effective, Pensana will become a wholly-owned Subsidiary of Pensana UK and will request that ASX remove Pensana from the official list of ASX as soon as possible after the Implementation Date. Pensana UK will be admitted to the official list of ASX and the Pensana UK CDIs will be admitted for official quotation by ASX.

5.2 What you will receive under the Scheme

Pensana UK has executed the Deed Poll pursuant to which Pensana UK has agreed, subject to the Scheme becoming Effective, to acquire the Shares held by Scheme Participants for the Scheme Consideration. Under the terms of the Scheme, each Shareholder will receive one Pensana UK CDI for every one Pensana Share (the **Scheme Consideration**).

If you are an Ineligible Foreign Shareholder, the Pensana UK CDIs which would have been issued to you will be received by the Sale Agent and sold under the Sale Facility with the net sale proceeds remitted to you (see Section 5.3 for more information).

If the Scheme becomes Effective, each Scheme Participant (or to the Sale Agent on behalf of the Ineligible Foreign Shareholders) will receive the Scheme Consideration from Pensana UK on the Implementation Date. No later than five Business Days after the Implementation Date, Pensana UK will send, or procure the sending of, evidence of ownership for those Pensana UK CDIs to Scheme Participants (except Ineligible Foreign Shareholders).

If, pursuant to the calculation of your Scheme Consideration, you would be entitled to a fraction of a Pensana UK CDI, your entitlement will be rounded down to the nearest whole number of Pensana UK CDIs. Refer to Section 5.4 for details of rounding in respect of Pensana UK CDIs to be issued to the Sale Agent.

The value of the Pensana UK CDIs may increase or decrease after the Implementation Date if the market price of Pensana UK CDIs moves.

Details on certain Australian and United Kingdom tax considerations in relation to the Scheme Consideration can be found in Section 10.

5.3 Ineligible Foreign Shareholders

Restrictions in certain foreign countries may make it impractical or unlawful for Pensana UK CDIs to be issued under the Scheme to Shareholders in those countries.

Scheme Participants whose address is shown in the Pensana Register on the Record Date as being in an Ineligible Jurisdiction which Pensana UK has determined, acting reasonably, is a place that it is unlawful or unduly onerous to issue the Pensana UK CDIs, will be regarded as Ineligible Foreign Shareholders for the purposes of the Scheme.

Pensana UK is under no obligation to issue and allot, and will not issue, any Pensana UK CDIs to any Ineligible Foreign Shareholder. Instead, if the Scheme becomes Effective, the Pensana UK CDIs to which the Ineligible Foreign Shareholder would otherwise have been entitled to, will be issued to the Sale Agent, on trust for the Ineligible Foreign Shareholder, for sale on market through the Sale Facility. Refer to Section 5.4 for more information about the Sale Facility.

5.4 Sale Facility

If you are an Ineligible Foreign Shareholder, the entire Scheme Consideration that would otherwise have been issued to you will be issued to the Sale Agent, as your nominee on trust, for sale through the Sale Facility and you will receive a pro rata share of the net proceeds from the sale of all Scheme Consideration sold through the Sale Facility. Ineligible Foreign Shareholders will receive the proceeds of sale after deductions for applicable brokerage, stamp duty and other selling costs, taxes and charges.

The Sale Agent will sell the Pensana UK CDIs in such manner, on such financial markets, at such price and on such other terms as the Sale Agent determines in good faith.

The Sale Facility will operate as follows:

- (a) as soon as reasonably practicable, but no more than 20 Business Days after the Implementation Date, the Sale Agent will arrange for the sale of all the Pensana UK CDIs allotted to it, held for the benefit of the Ineligible Foreign Shareholders. The sales will be effected in such manner, at such price and on such other terms as the Sale Agent determines in good faith and at the sole risk of the Ineligible Foreign Shareholders; and
- (b) the Sale Agent will then remit the sale proceeds in Australian dollars, less any applicable brokerage, stamp duty and other selling costs, taxes and charges, to Pensana UK which will then account to each Ineligible Foreign Shareholder for their pro rata share of the aggregate sale proceeds.

Each Ineligible Foreign Shareholder will receive their pro rata share of the aggregate sale proceeds on an averaged basis so that all Ineligible Foreign Shareholder will receive the same A\$ equivalent price per Pensana UK CDI (subject to rounding down to the nearest whole cent (in Australian currency)).

The actual price received by an Ineligible Foreign Shareholder for their Pensana UK CDIs that are sold under the Sale Facility may be more or less than the actual price that is received by the Sale Agent for those Pensana UK CDIs, less any applicable brokerage, stamp duty and other selling costs, taxes and charges in respect of those Pensana UK CDIs. Ineligible Foreign Shareholders will receive the proceeds of the sale of their Pensana UK CDIs as soon as practicable after implementation of the Scheme, by either:

- (a) a cheque in A\$ sent by prepaid post (at the risk of the Ineligible Foreign Shareholders) to their address as it appears on the Pensana Register on the Record Date; or
- (b) deposit into an account with any Australian bank notified by the relevant Ineligible Foreign Shareholders to Pensana UK (or the Share Registry) and recorded in or for the purposes of the Pensana Register at the Record Date.

5.5 Existing instructions to the Share Registry

If not prohibited by law, all instructions, notifications or elections by a Scheme Participant to Pensana binding or deemed binding between the Scheme Participant and Pensana relating to Pensana or Shares (including any email addresses, instructions relating to communications from Pensana, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from Pensana) will be deemed from the Implementation Date (except to the extent determined otherwise by Pensana UK in its sole discretion), by reason of this Scheme, to be made by the Scheme Participant to Pensana UK until that instruction, notification or election is revoked or amended in writing addressed to Pensana UK at its registered address.

6. Directors' recommendation

Your Directors believe that the Scheme is in the best interests of Shareholders and they unanimously recommend that Shareholders vote in favour of the Scheme, subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Shareholders.⁴

Your Directors have formed their conclusion and made their recommendation on the Scheme based on the reasons outlined in Section 2.1.

In relation to the recommendations of the Directors, Shareholders should have regard to the fact that, if the Scheme is implemented, each Director will become entitled to the Scheme Consideration as Shareholders, as described in Section 12.1. The Directors consider that, despite these arrangements it is appropriate for them to make a recommendation on the Scheme.

Each of the Directors will vote or procure the voting of, any Shares controlled or held by, or on behalf of, such Director at the time of the Scheme Meeting, in favour of the Scheme at the Scheme Meeting, subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Shareholders.

The reasons Shareholders might elect to vote against the Scheme are set out in Section 2.2.

6.1 Independent Expert's Report

The Independent Expert has reviewed the terms of the Scheme and concluded that the Scheme is in the best interests of Shareholders.

The Independent Expert's Report is set out in Annexure 1 and should be read in its entirety, including the assumptions on which the conclusions are based.

6.2 What are your options and what should you do?

You have the following four options in relation to your Shares. Pensana encourages you to consider your personal risk profile, portfolio strategy, tax position and financial circumstances and seek professional advice before making any decision in relation to your Shares.

(a) **Vote in favour of the Scheme at the Scheme Meeting**

Your Directors unanimously recommend that you vote in favour of the Scheme, subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Shareholders.⁵ The reasons for your Directors' unanimous recommendation are set out in Section 2.1.

If you wish to support the Scheme, you can do so by voting in favour of the Scheme Resolution at the Scheme Meeting. For directions on how to vote at the Scheme Meeting, and important voting information generally, please refer to Section 4.

(b) **Vote against the Scheme at the Scheme Meeting**

If, despite your Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Scheme, you may vote against the Scheme Resolution at the Scheme Meeting.

However, you should note that if all of the conditions to the Scheme are satisfied or waived (where applicable), the Scheme will bind all Shareholders, including those who vote against the Scheme Resolution at the Scheme Meeting or those who do not vote at all.

⁴ A Director may change his recommendation if due to a change in fact or law occurring they reasonably determine (having obtained legal advice) that they should not provide or continue to maintain any recommendation because that they have an interest in the Scheme that renders it inappropriate to maintain any such recommendation.

⁵ A Director may change his recommendation if due to a change in fact or law occurring they reasonably determine (having obtained legal advice) that they should not provide or continue to maintain any recommendation because that they have an interest in the Scheme that renders it inappropriate to maintain any such recommendation.

(c) **Sell your Shares on ASX**

The Scheme does not preclude you from selling your Shares on market for cash, if you wish, provided you do so before close of trading in Shares on ASX on the Effective Date (currently expected to be 23 January 2020) when trading in Shares will end.

If you are considering selling your Shares on ASX you should have regard to the prevailing trading prices of Shares at that time.

If you sell your Shares on market for cash, you:

- (i) will not be entitled to receive the Scheme Consideration;
- (ii) may incur a brokerage charge; and
- (iii) may incur CGT.

(d) **Do nothing**

If, despite your Directors' unanimous recommendation and the conclusion of the Independent Expert, you decide to do nothing, you should note that if all of the conditions to the Scheme are satisfied or waived (where applicable), the Scheme will bind all Shareholders, including those who vote against the Scheme Resolution at the Scheme Meeting or those who do not vote at all.

Remember, if you want to receive the Scheme Consideration, your vote is important. If the Scheme is not approved by the Requisite Majority of Shareholders, the Scheme will not become Effective and you will not be entitled to receive any Scheme Consideration.

6.3 Dealing with your Pensana UK CDIs

If the Scheme is implemented, all of the Shares held by Scheme Participants at 4:00pm (AWST) on the Record Date will be transferred to Pensana UK on the Implementation Date and in exchange, each Scheme Participant will be issued Pensana UK CDIs. If you wish to sell the Pensana UK CDIs issued to you, you may do so on ASX after the Implementation Date following Pensana UK's admission to the official list of ASX.

7. Information about Pensana

7.1 Introduction

Pensana Metals Limited is an ASX listed Australian public company (ASX:PM8). The Company is focussed on the development of an NdPr project located in Longonjo, Angola (**Longonjo Project**), in which the Company owns an 84% share. The Company's development of the Longonjo Project is to ultimately realise the Company's goal of being a major and crucial supplier of raw materials for the move towards the electrification of society.

7.2 History of the Company

The Company was incorporated on 29 September 2006 as Tasman Goldfields Limited. On 11 October 2010 the Company changed its name to Bright Star Resources Limited.

In July 2012, the Company merged with Rift Valley Resources Limited through a scheme of arrangement. The Company changed its name to Rift Valley Resources Limited on 28 August 2012.

On 20 November 2013, the Company acquired Sable Minerals Pty Limited.

On 27 July 2015, the Company acquired the Mtemi Group of companies. The assets held by the Mtemi Group at the time of its acquisition by the Company have since been disposed of.

On 18 September 2018 the Company changed its name to Pensana Metals Limited.

On 31 October 2018 the Company acquired an additional 14% equity in Angolan subsidiary company Ozango Minerais SA (**Ozango**), which holds title to the Longonjo Project.

As at the close of trading on 31 October 2019, being the last trading day before the Proposed Transaction was announced, the Company had a market capitalisation of approximately A\$31.68 million.

7.3 Business Overview

The primary focus of the Company is on the development of the Longonjo Project in Angola. The Company intends to develop the Longonjo Project into one of the world's major source of neodymium and praseodymium, which are the critical rare earth metals with applications in modern energy technologies. There are few independent suppliers in the rare earth metal supply chain outside China.

The Company's ultimate objective is that the Longonjo Project can be developed as a low capital cost, globally significant producer in the rare earth metal supply chain. To help realise this objective, the Company has commissioned a preliminary feasibility study into the Longonjo Project (**PFS**). The mine design is expected to highlight that the Longonjo Project can produce rare earth metals in a sustainable manner with clean power generation, strong community engagement and the technical and professional development of the local workforce.

The Company's understanding of the current economic policy of the Angolan government is that it is seeking to diversify Angola's economy away from its reliance on the diamond and petroleum sectors and views the Longonjo Project as a major initiative in this regard following the promulgation of new mining laws in 2011. The Directors believe that the growing bilateral arrangements between the United Kingdom and Angola ahead of Angola's planned accession to the Commonwealth lend further support to the Company's business strategy.

7.4 Organisational structure

The following table describes the Company's corporate group structure as at the date of this Scheme Booklet.

Name of entity	Country of incorporation	Percentage Held
Parent entity:		
Pensana Metals Limited (formerly Rift Valley Resources Limited)	Australia	

Name of entity	Country of incorporation	Percentage Held
Controlled entities:		
Carlton Resources Pty Limited	Australia	100
Carlton Miyabi Tanzania Limited	Tanzania	100
Carlton Kitongo Tanzania Limited	Tanzania	100
Bright Star Tanzania Limited	Tanzania	100
Rift Valley Resources (Africa) Pty Limited	Australia	100
Rift Valley Resources Tanzania Limited	Tanzania	100
Tasman Goldfields Australia Operations Pty Limited	Australia	100
Sable Minerals Pty Limited	Australia	100
Sable Minerals GmbH	Germany	100
Ozango Minerais S.A. ⁽¹⁾	Angola	84
Mtemi Resources Pte Limited	Singapore	100
Mtemi G Pte Limited	Singapore	100
Mtemi O Pte Limited	Singapore	100
Mtemi U Pte Limited	Singapore	100
Mtemi G (Tanzania) Limited	Tanzania	100
Mtemi O (Tanzania) Limited	Tanzania	100
Mtemi U (Tanzania) Limited	Tanzania	100

Notes – other shareholders

⁽¹⁾ Ferrangol P&P, S.A. (10%), Cecadiam Comércio Geral, Lda. (4%) and Angola Mining and Agricultural Investment Systems, Lda. (2%).

7.5 Directors and Executive Officers

(a) Directors of Pensana

At the date of this Scheme Booklet, the Directors are:

Executive Directors	
David Hammond	Director / Chief Operation Officer
Non-Executive Director	
Paul Atherley	Chairman
Mark Hohnen	Non - Executive Director
Neil Maclachlan	Non - Executive Director

Paul Atherley

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 has held a number of mine management, senior executive and board positions during his career.

He is based in London and has broad experience in raising debt and equity finance for resource companies on the LSE, ASX and the Spanish stock exchanges. 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 resources projects in Europe, China, Australia and Asia.

Mr Atherley was based in Beijing from 2005 to 2015 and developed strong connections within Chinese business, industry bodies and with senior government officials, including official in the most senior levels of China's state owned energy companies.

He was the Chairman of the British Chamber of Commerce in China, Vice Chairman of the China Britain Business Council in London and served on the European Union Energy Working Group in Beijing.

He has been a regular business commentator on China and the resources sector, hosting events in Beijing and appearing on CCTV News and China Radio International as well as BBC, CNBC and other major news channels.

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

David Hammond

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 Limited for seven years where he led all exploration, resource definition and technical study teams, from the second drill hole of the deposit through to resource, reserve, scoping study, and prefeasibility phases.

David holds a Master of Science (M.Sc.) and a Diploma of the Imperial College (DIC) from the Royal School of Mines Imperial College London. He is a member of the Australasian Institute of Mining and Metallurgy and is a competent person for JORC reporting.

Mark Hohnen

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 Boss Resources Limited and a director of Salt Lake Potash Limited, which are both listed on ASX.

Neil Maclachlan

Mr. Maclachlan has over 35 years' investment banking experience in Europe, South East Asia and Australia and has extensive experience in public company directorships. He currently serves as chairman and a major shareholder in Markham Associates, a private UK partnership, which undertakes financial consultancy and direct investment activities in the junior mining sector in Europe, Australia and South East Asia.

Mr. Maclachlan was a director of Extract Resources Limited and Kalahari Minerals Plc. Both Extract Resources and Kalahari Minerals were the subject of successful takeovers for A\$2.1billion and £651million respectively.

Mr Maclachlan has considerable public company experience in the mining sector having been on the boards of several companies listed on the ASX, AIM and TSX (the Toronto Stock Exchange).

(b) **Pensana Senior Management**

At the date of this Scheme Booklet, the senior management personnel of Pensana are:

Senior Management Personnel	
Tim George	Chief Executive Officer
Scott Mison	Company Secretary / Chief Financial Officer

Tim George

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 Limited, an AIM listed diamond exploration company based in Angola which was bought out by Petra Diamonds in 2007.

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 Limited. He is also a member of the board of directors of Rebound WA Inc. (formerly Wheelchair Sports WA Inc.).

7.6 Corporate Strategy and Objectives

Facilitating a green energy revolution

From wind turbines to electric vehicles, bikes and trains to trucks, drones, industrial tools, automation, robotics and air conditioners, the electric motor is the driving force of a future with cleaner energy. 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. Neodymium and praseodymium are two of the rare earth metals used to manufacture the permanent magnet components of these technologies. The Longonjo Project offers the Company an opportunity to be part of such market for the production of super-strong permanent magnets.

Pensana's strategy for the Longonjo Project

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

The successful delineation of a large Mineral Resource estimate during the past year allows the Company to identify and select the most favourable mineralisation of the highest quality 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.

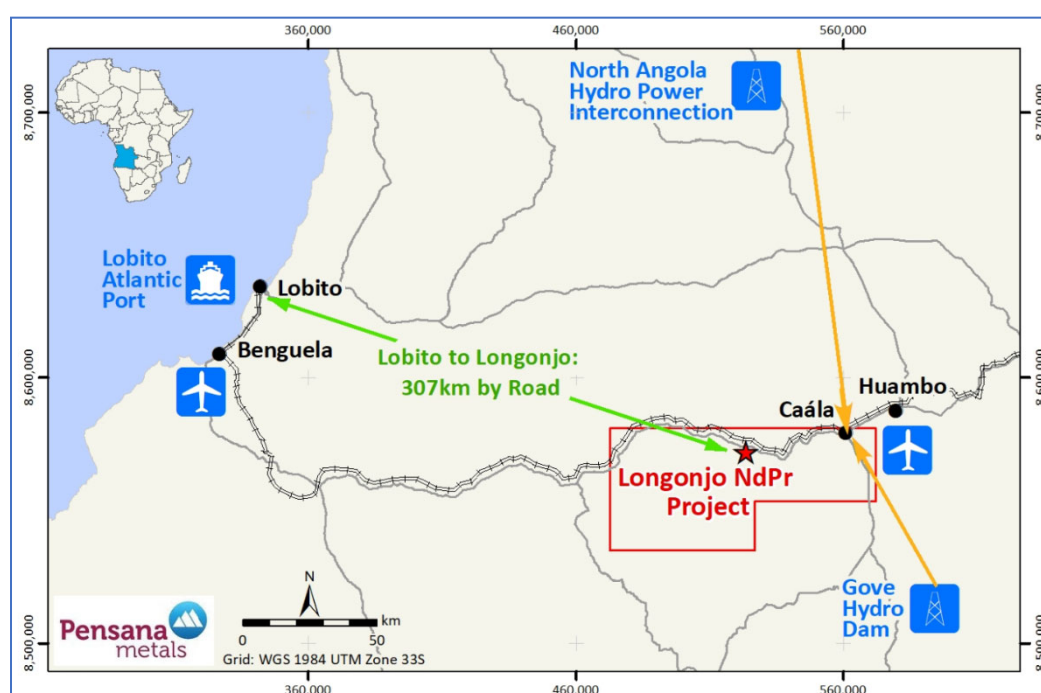
The Longonjo Project is differentiated from other rare earth developments by the combination of high grade mineralisation at surface in the 'free dig' weathered zone, the favourable location of the Longonjo Project adjacent to modern infrastructure and the Company's strategy to process on site and ship 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 the Longonjo Project as an important supplier of NdPr raw materials in time to meet looming demand from the electrification of vehicles and modern society generally

Infrastructure advantages

The Longonjo Project is a globally significant NdPr project in terms of its size and grade and is in a convenient location compared to many rare earth development projects. The Longonjo Project 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 rehabilitated Benguela rail line. This links the Longonjo Project with the Atlantic port of Lobito and on to customers in China. The new hydro power scheme transmission line is 45km from the Longonjo Project

The Longonjo Project lies just 4km from the sealed national highway and the rail line that both run from the Atlantic port of Lobito, which is 307km to the west, to the provincial capital of Huambo which is 60km to the east. A power transmission line from the new Laúca hydro power scheme in the north of Angola has been activated this year and currently extends to Caála, 45km to the east of the Longonjo Project.



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

The Company has established strong relationships with Angolan government agencies and is building its environmental, social and governance credentials. An Environmental and Social Impact Assessment (**ESIA**) and the PFS have been run in parallel and have enabled cross-pollination on the overall project design. Running the ESIA and PFS in parallel has been particularly useful in the selection of tailings storage facilities sites and an environmental management plan: (i) inputs to plant design, elimination of environmentally sensitive reagent; and (ii) identifies opportunities for project-fed social upliftment activities and local employment in the immediate project area.

7.7 Pensana's Operations

Significant operational progress on the Longonjo Project was achieved in 2018 and has been achieved in 2019 so far with a series of technical programmes successfully completed.

Technical programmes included two major drilling campaigns that lead to a significant expansion of the Longonjo Project's Mineral Resource estimate, metallurgical flow sheet optimisation and, with the appointment of John Wood Group plc as lead engineers, the commencement of a range of engineering studies that will culminate in the PFS.

Environmental and social baseline studies are also well advanced, with wet and dry season surveys completed and an application for an environmental permit is expected to be submitted by the Company by the end of calendar year 2019, and is subject to an expected review period of 90 days by the Angolan regulatory body.

Work programmes are now underway to support the detailed design engineering process to meet the objective of fast-tracking the Longonjo Project to production.

Studies are ongoing on mining, using opencast methods as the resource is close to surface, and a processing facility (flotation technology) to produce a high-grade concentrate which will be transported via rail (approximately 4km from the mining site) to the port of Lobito for export.

Subject to the PFS yielding a satisfactory outcome with sufficiently detailed design, the Company aims to commence main construction of the Longonjo Project in the third quarter of 2020, with an aim to achieve first production in late 2021. Discussions with potential financiers have commenced and the Company expects to reach a final investment decision in respect of the Longonjo Project in the second quarter of 2020.

The Pensana Group holds an interest, and intends to dispose of such interest, in the Miyabi gold project in the Kahama district of the Shinyanga region in Tanzania which comprises several gold deposits.

7.8 Ore Reserves and Mineral Resources

The information in this Scheme Booklet relating to the Longonjo Project Mineral Resources is extracted from the Company's ASX announcement entitled "Preliminary Feasibility Study" dated 15 November 2019 and is available to view on the Company's website at www.pensanametals.com and on the ASX website at www.asx.com.au.

International mining industry consultants SRK Consulting (Australasia) Pty Limited has reported an Indicated and Inferred Mineral Resource estimate of:

- 226 million tonnes at 1.47% REO including 0.33% NdPr
- for 3,320,000 tonnes of REO including 735,000 tonnes of NdPr

*NdPr = neodymium+praseodymium oxide. REO = total rare earth oxides. A 0.1% NdPr cut is applied. Tables 11 to 13 in the Company's ASX announcement entitled "Preliminary Feasibility Study" summarise the estimate at a range of cut off grades, material types and total rare earth oxide grades. See Table below for Inferred and Indicated Mineral Resources breakdown.

Within the new Mineral Resource estimate 31% of the contained NdPr is in the higher Indicated Mineral Resource category. The table below provides a breakdown of the Indicated and Inferred Mineral Resources estimate at the 0.1% NdPr cut:

Longonjo Mineral Resource estimate at 0.1% NdPr lower grade cut

Mineral Resource estimate category	Tonnes (million)	REO grade (%)	NdPr grade (%)	Contained REO (Tonnes)	Contained NdPr (Tonnes)
Indicated	59.9	1.86	0.39	1,100,000	230,000
Inferred	167	1.33	0.30	2,230,000	504,000

Total:	226	1.47	0.33	3,320,000	735,000
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* REO includes NdPr. Figures may not sum due to rounding. See Table 13 in the Company's ASX announcement entitled "Preliminary Feasibility Study" for average distribution breakdown of individual REOs.

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 findings provided to the Company by SRK Consulting (Australasia) Pty Limited are presented have not been materially modified from the original market announcement.

7.9 Historical financial information

(a) Basis of preparation

The selected historical financial information in this section has been extracted from Pensana's audited consolidated financial statements for the financial years ended 30 June 2019 and 30 June 2018.

The information in this section is a summary only and has been prepared solely for inclusion in this Scheme Booklet. Pensana's full financial accounts are available on its website, www.pensanametals.com or by requesting a copy from Pensana's Company Secretary on +61 8 9221 0090.

The financial information has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial information 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 information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. Where appropriate, adjustments have been made to headings and classifications of historical data to provide a consistent basis of presentation.

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

(b) Consolidated Statements of Profit or Loss and Other Comprehensive Income

Set out below is a summary of Pensana's audited Consolidated Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2019 and 30 June 2018:

	30 June 2019	30 June 2018
	A\$	A\$
Revenue	458,203	2,288
Administration expenses	(1,117,960)	(795,198)
Corporate expenses	(3,141,730)	(909,361)
Impairment of exploration assets	(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)	-	-
Total loss for the period	(5,833,896)	(1,824,990)

Other comprehensive income

	30 June 2019 A\$	30 June 2018 A\$
<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)

(c) **Consolidated Statement of Financial Position**

Below is a summary of Pensana's audited Consolidated Statements of Financial Position as at 30 June 2019 and 30 June 2018:

	30 June 2019 A\$	30 June 2018 A\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	4,712,730	242,769
Trade and other receivables	45,553	9,372
Deposits	-	32,185
Prepayments	31,923	74,648
Assets held for sale	3,556,840	5,645,553
Available-for-sale financial assets	156	156
TOTAL CURRENT ASSETS	8,347,202	6,004,683
NON-CURRENT ASSETS		
Property, plant and equipment	8,195	5,922
Exploration and evaluation expenditure	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	60,866	57,726
Trade and other payables	574,587	715,193
TOTAL CURRENT LIABILITIES	635,453	772,919

	30 June 2019	30 June 2018
	A\$	A\$
TOTAL LIABILITIES	635,453	722,919
NET ASSETS	16,890,293	10,834,647
EQUITY		
Issued capital	50,991,922	41,149,646
Reserves	6,847,360	4,800,094
Accumulated losses	(40,948,989)	(35,115,093)
TOTAL EQUITY	16,890,293	10,834,647

(d) **Consolidated cash flow statement**

Set out below is a summary of Pensana's audited consolidated statement of cash flows for the years ended 30 June 2019 and 30 June 2018:

	30 June 2019	30 June 2018
	A\$	A\$
Cash flows from operating activities		
Payments to suppliers and employees	(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	6,436

	30 June 2019	30 June 2018
	A\$	A\$
Cash and cash equivalents at the end of the period	4,712,730	242,768

7.10 Material changes in Pensana's financial position and financial performance

To the knowledge of your Directors, and except as disclosed in this Section 7 or elsewhere in this Scheme Booklet, the only material changes that may occur in respect of Pensana's financial position will be as a result of any capital raising that Pensana may undertake in the near future.

7.11 Recent Share price history

Chart generated on 26/11/2019 at 2:08 pm

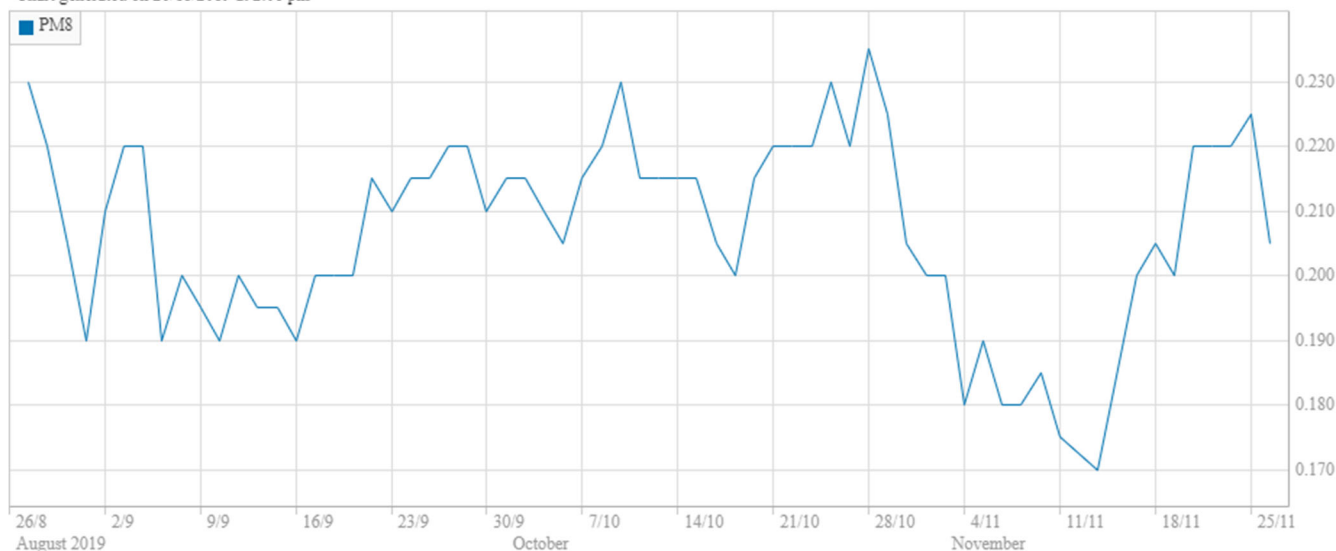


Figure 1: Trading history of Shares

At 25 November 2019, being the last practicable date prior to the date of this Scheme Booklet:

- the last recorded traded price of Shares was A\$0.225;
- the 30 day VWAP of Shares was A\$0.21;
- the 60 day VWAP of Shares was A\$0.21;
- the 90 day VWAP of Shares was A\$0.20;
- the highest recorded traded price of Shares in the previous 3 months was A\$0.24 on 30 October 2019; and
- the lowest recorded traded price of Shares in the previous 3 months was A\$0.17 on 1 November 2019.

The current price of Shares on ASX can be obtained from the ASX website (www.asx.com.au) or <https://pensanametals.com>.

7.12 Pensana issued securities

At the date of this Scheme Booklet, Pensana has the following securities on issue:

- 152,973,314 Shares;
- 700,000 Options; and
- 8,858,037 Performance Rights.

7.13 Dividend Policy

The Company does not currently pay any dividends to its Shareholders. Any decision to declare and pay dividends will be made at the discretion of the Board and will depend on, among other things, the Company's results of operations, financial condition and solvency and distributable reserves tests imposed by law and such other factors that the Board may consider relevant.

7.14 Publicly available information

As an ASX listed company and a "disclosing entity" for the purposes of section 111AC(1) of the Corporations Act, Pensana is subject to regular reporting and disclosure obligations. Broadly, these require it to announce price sensitive information to ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information.

Pensana's most recent announcements are available on the Pensana website at: <https://pensanametals.com>.

ASX maintains files containing publicly available information about entities listed on its exchange. Pensana's files are available for inspection at Pensana's registered office during normal business hours and are available on the ASX website at www.asx.com.au.

Additionally, copies of documents lodged with ASIC in relation to Pensana may be obtained from or inspected at an ASIC service centre. Please note, ASIC may charge a fee in respect of such services.

The following documents are available for inspection free of charge prior to the Scheme Meeting during normal business hours at the registered office of Pensana:

- (a) Pensana's constitution;
- (b) Pensana's annual report for the year ended 30 June 2019; and
- (c) Pensana's public announcements.

The annual report and public announcements are available at Pensana's website at <https://pensanametals.com>.

7.15 Litigation

The Pensana Group is not currently subject to any litigation proceedings.

7.16 Further information

For risks associated with the Scheme, refer to Section 9.

8. Information about Pensana UK and the Merged Group

8.1 Overview of Pensana UK and the Merged Group

Pensana UK was incorporated on 13 September 2019 in England and Wales as a public limited company under the UK Companies Act for the purposes of the Scheme. The rights of Pensana UK shareholders (and accordingly Pensana UK CDI holders) are primarily governed by the UK Companies Act and the Pensana UK Articles.

Pensana incorporated Pensana UK for the sole purpose of re-domiciling the Pensana Group in the United Kingdom under the Proposed Transaction. As a result, prior to implementation of the Proposed Transaction, Pensana UK has not conducted and will not conduct any business other than performing the acts which are detailed in this Scheme Booklet.

If the Scheme is implemented, all of the Pensana UK CDIs will be held by the Scheme Participants in the same percentages as their existing holdings in the Company, subject to the provisions of the Scheme dealing with Ineligible Foreign Shareholders. Pensana UK will, in turn, become the holder of all of the Shares in the Company.

Accordingly, if the Scheme is implemented, Pensana UK's business will consist entirely of the business of the Company, which will become a wholly owned Subsidiary of Pensana UK.

8.2 Registered foreign company

In order to be able to carry on business in Australia and be listed on ASX, Pensana UK will be registered as a foreign company under the Corporations Act as soon as practicable after the date of this Scheme Booklet. Pensana UK intends to appoint Scott Mison as the local agent of Pensana UK. The Company will continue to maintain its registered office at Ground Floor, 10 Outram Street, West Perth WA 6005.

Being registered as a foreign company in Australia requires that Pensana UK must file its annual accounts with ASIC and comply with various other notification requirements (for example, notifying ASIC of the appointment and resignation of directors or changes to constituent documents). In addition, Pensana UK will be required to comply with the continuous disclosure provisions contained in the ASX Listing Rules (assuming Pensana UK CDIs become quoted on the ASX).

As Pensana UK is not established in Australia, its general corporate activities (other than any offering of securities in Australia) are not regulated by the Corporations Act or by ASIC, but instead are regulated by the laws of England and Wales and in particular the UK Companies Act.

8.3 Corporate structure of the Merged Group

The corporate structure of the Merged Group after implementation of the Scheme will be as follows:

Name of entity	Country of incorporation	Percentage Held
Parent entity:		
Pensana Rare Earths Plc	United Kingdom	
Controlled entities:		
Pensana Metals Limited	Australia	100
Carlton Resources Pty Limited	Australia	100
Carlton Miyabi Tanzania Limited	Tanzania	100
Carlton Kitongo Tanzania Limited	Tanzania	100
Bright Star Tanzania Limited	Tanzania	100
Rift Valley Resources (Africa) Pty Limited	Australia	100

Name of entity	Country of incorporation	Percentage Held
Rift Valley Resources Tanzania Limited	Tanzania	100
Tasman Goldfields Australia Operations Pty Limited	Australia	100
Sable Minerals Pty Limited	Australia	100
Sable Minerals GmbH	Germany	100
Ozango Minerais S.A. ⁽¹⁾	Angola	84
Mtemi Resources Pte Limited	Singapore	100
Mtemi G Pte Limited	Singapore	100
Mtemi O Pte Limited	Singapore	100
Mtemi U Pte Limited	Singapore	100
Mtemi G (Tanzania) Limited	Tanzania	100
Mtemi O (Tanzania) Limited	Tanzania	100
Mtemi U (Tanzania) Limited	Tanzania	100

Notes – other shareholders

⁽¹⁾ Ferrangol P&P, S.A. (10%), Cecadiam Comércio Geral, Lda. (4%) and Angola Mining and Agricultural Investment Systems, Lda. (2%).

8.4 Board and Management of Pensana

As at the date of this Scheme Booklet, the Pensana UK Board comprises:

Paul Atherley – Chairman

Timothy George – Executive Director

It is proposed that, conditional on the implementation of the Scheme, the current Directors of the Company, other than Paul Atherley who has already been appointed, will be appointed as directors of Pensana UK effective as of the Effective Date. Details of these individuals can be found in Section 7.5. Mr George will also remain as a director of Pensana UK.

It is proposed that the directors and senior management of Pensana UK will be engaged on substantially similar terms as they are currently engaged with Pensana.

8.5 Management of the Merged Group

The management personnel of the Merged Group will be the same as the management personnel of Pensana as detailed in section 7.6.

8.6 Share Capital

Pensana UK was incorporated with 50,000,000 ordinary shares of £0.001 each in the issued share capital of Pensana UK (**UK Subscription Shares**). All of the UK Subscription Shares are held by Pensana which has provided an irrevocable undertaking to pay Pensana UK the subscription price of £50,000 upon the Scheme becoming Effective.

Upon the Scheme becoming Effective, Pensana will:

- (a) pay the subscription price for the UK Subscription Shares to Pensana UK; and

- (b) transfer the UK Subscription Shares to CDN (these shares will be incorporated into the total number of Pensana UK Shares to be held by CDN on trust for the creation of CDIs for the Scheme Consideration to be received by the Scheme Participants).

The following table shows the proposed capital structure of Pensana and Pensana UK before and after the Scheme becomes Effective:

Securities	Pensana (before the Scheme becomes Effective)	Pensana UK (before the Scheme becomes Effective)	Pensana (after the Scheme becomes Effective)	Pensana UK (after the Scheme becomes Effective)
Ordinary shares	152,973,314	50,000,000	152,973,314	152,973,314
Options	700,000	-	-	700,000
Performance Rights	8,858,037	-	-	8,858,037

8.7 Pensana UK Shares

Pensana UK Shares will generally confer the same rights as Shares. Certain differences exist due to the fact that:

- (a) Pensana UK Shares will have shareholder rights governed by different corporate documents and different laws than those governing the Shares. The primary corporate documents governing Pensana UK shareholder rights will be the Pensana UK Articles, rather than Pensana's constitution. The primary laws governing Pensana UK shareholder rights will be the laws of England and Wales, rather than Australian law.
- (b) Pensana UK will not be governed by the Corporations Act and other applicable Australian laws by which Pensana is currently governed. Pensana UK will be subject to the UK Companies Act.

Notwithstanding these differences, Pensana UK and the Pensana UK Shares (to be traded on ASX as Pensana UK CDIs) will be subject to the ASX Listing Rules, to which Pensana and the Pensana Shares are currently subject.

Annexure 5 to this Scheme Booklet provides a further description of the rights and entitlements attaching to Pensana UK CDIs generally.

Key differences between the rights of the Pensana UK Shares and the Pensana Shares and further details on the differences between Pensana UK's and Pensana's governing documents and governing laws are set out in Annexure 6.

8.8 Summary of Pensana UK Articles

Pensana UK's objects are not restricted by its articles, accordingly, pursuant to section 31(1) of the UK Companies Act, Pensana UK's objects are unrestricted. The liability of the members is limited to the amount, if any, unpaid on the Pensana UK Shares respectively held by them. The Pensana UK Articles contain provisions to the following effect.

Voting rights

Subject to the rights or restrictions referred below and subject to any special rights or restrictions as to voting for the time being attached to any shares, on a show of hands (i) every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote; and (ii) every proxy appointed by a member shall have one vote save that every proxy appointed by one or more members to vote for the resolution and by one or more other members to vote against the resolution, has one vote for and one vote against.

Rights attached to shares

Any share may be issued with or have attached to it such rights and restrictions as Pensana UK may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the board may decide.

Restrictions on voting

A member of Pensana UK is not entitled, either in person or by proxy, in respect of any share held by him, to be present at any general meeting of Pensana UK unless all amounts payable by him in respect of that share have been paid.

A member of Pensana UK shall not, if the directors determine, be entitled to attend general meetings and vote or to exercise rights of membership if he or another person appearing to be interested in the relevant shares has failed to comply with a notice given under section 793 of the UK Companies Act within 14 days. The restrictions will continue for the period specified by the board provided that such period shall end not later than seven days after the earliest of (i) due compliance to the satisfaction of the board with the section 793 notice; or (ii) receipt by Pensana UK of notice that the shareholding has been sold to a third party pursuant to an arm's length transfer.

Dividends

Pensana UK may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profit. The directors may pay such interim dividends as appear to the board to be justified by the financial position of Pensana UK. No dividends payable in respect of a Pensana UK Share shall bear interest. The directors may, if authorised by an ordinary resolution, offer the holders of Pensana UK Shares the right to elect to receive further Pensana UK Shares, credited as fully paid instead of cash in respect of all or part of a dividend (a "scrip dividend"). The directors may, pursuant to the provisions of the Pensana UK Articles relating to disclosure of interests, withhold dividends or other sums payable in respect of shares which are the subject of a notice under section 793 of the UK Companies Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by Pensana UK within 14 days of that notice and the member holding those shares may not elect, in the case of a scrip dividend, to receive shares instead of that dividend.

Pensana UK or its directors may fix a date as the record date for a dividend and that date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared. A dividend unclaimed for a period of 12 years after having been declared or become due for payment shall be forfeited and cease to remain owing by Pensana UK.

Return of capital

If Pensana UK is wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the members in specie the whole or any part of the assets of Pensana UK and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may with the same sanction, vest the whole or any part of the assets in trustees on trusts for the benefit of the members as the liquidator, with the same sanction, thinks fit but no member shall be compelled to accept any assets on which there is any liability.

Variation of rights

All or any of the rights attaching to a class of shares in Pensana UK may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of the class (excluding any shares of the class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of the relevant class. The quorum for the separate general meeting shall be two persons holding, or represented by proxy, not less than one-third in nominal value of the issued shares of the relevant class (excluding any shares of the class held as treasury shares).

Transfer of shares

Subject to the restriction set out in this paragraph, any member may transfer all or any of his shares in any manner which is permitted by the Statutes or in any other manner approved by the board. A transfer of a certificated share shall be in writing in the usual common form or in any other form permitted by the Statutes or approved by the board. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. All transfers of uncertificated shares shall be made by means of the relevant system or in any other manner which is permitted by the Statutes and is from time to time approved by the board.

The directors have a discretion to refuse to register a transfer of a certificated share which is not fully paid (provided that this does not prevent dealings in the shares from taking place on an open and proper basis). The directors may also decline to register a transfer of shares in certificated form unless (i) the instrument of transfer is duly stamped or duly certified or otherwise shown to the satisfaction of the board to be exempt from stamp duty and is deposited at the office of Pensana UK or such other place as the board may appoint, accompanied by the certificate for the shares to which it relates if it has been issued and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer; (ii) the instrument of transfer is in respect of only one class of share as in favour of no more than four transferees. The directors may, pursuant to the provisions of the Pensana UK Articles relating to disclosure of interests, decline to register a transfer in respect of shares which are the subject of a notice under section 793 of the UK Companies Act and which represent at least 0.25 per cent. of the issued shares of their class, and in respect of which the required information has not been received by Pensana UK within 14 days after service of the notice.

Save as aforesaid, the Pensana UK Articles contain no restrictions as to the free transferability of fully paid shares.

Alteration of capital and purchase of own shares

Pensana UK may alter its share capital in accordance with the provisions in any manner permitted by the Statutes.

General meetings

1. Annual general meetings

The board shall convene and Pensana UK shall hold annual general meetings in accordance with the requirements of the Statutes.

2. Convening of general meetings

All meetings other than annual general meetings shall be called general meetings. The board may convene a general meeting whenever it thinks fit. A general meeting shall also be convened by the board on the requisition of members pursuant to the provisions of the Statutes or, in default, may be convened by such requisitions, as provided by the Statutes. The board shall comply with the provisions of the Statutes regarding the giving and the circulation, on the requisition of members, of notices of resolutions and of statements with respect to matters relating to any resolution to be proposed or business to be dealt with at any general meeting of Pensana UK.

3. Quorum

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman of the meeting which shall not be treated as part of the business of the meeting.

Except as otherwise provided by the Pensana UK Articles two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or by proxy or a duly authorised representative of a corporation which is a member shall be a quorum. If within fifteen minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) from the time appointed for the commencement of the meeting a quorum is not present, or if during the meeting, a quorum ceases to be present, the meeting, if convened by or on the requisition of members, shall be dissolved. In any other case, it shall stand adjourned to such other day (not being less than ten clear days after the original meeting) and at such other time and place, as the chairman of the meeting may decide. If at an adjourned meeting a quorum is not present within 15 minutes from the time fixed for

holding the meeting or if during the meeting a quorum ceases to be present, the adjourned meeting shall be dissolved.

4. Chairman

At each general meeting, the chairman of the board or, if he is absent or unwilling, the deputy chairman shall preside as chairman at every general meeting.

5. Directors entitled to attend and speak

Each director shall be entitled to attend and speak at any general meeting of Pensana UK and at any separate general meeting of the holders of any class of shares of Pensana UK.

6. Adjournment

With the consent of any meeting at which a quorum is present the chairman of the meeting may (and if so directed by the meeting shall) adjourn the meeting either sine die or to another time or place.

In addition, the chairman of the meeting may at any time without the consent of the meeting adjourn the meeting (whether or not it has commenced or a quorum is present) either sine die or to another time or place if, in his opinion, it would facilitate the conduct of the business of the meeting to do so, notwithstanding that by reason of such adjournment some members may be unable to be present at the adjourned meeting.

7. Method of voting and demand for poll

At a general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless (before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the chairman of the meeting; or
- (b) any two directors; or
- (c) not less than five members present in person or by proxy having the right to vote on the resolution; or
- (d) a member or members present in person or by proxy representing in aggregate not less than 10% of the total voting rights of all the members having the right to vote on the resolution (excluding any voting rights attached to any shares in Pensana UK held as treasury shares); or
- (e) a member or members present in person or by proxy holding shares conferring the right to vote on the resolution on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid up on all the shares conferring that right (excluding any shares in Pensana UK conferring a right to vote at the meeting which are held as treasury shares),

and a demand for a poll by a person as proxy for a member shall be as valid as if the demand were made by the member himself.

8. Proxies

A holder of Pensana UK Shares has the right appoint a proxy. A proxy need not be a member of Pensana UK and a member may appoint more than one proxy in relation to a meeting to attend and to speak and to vote on the same occasion provided that each proxy is appointed to exercise the rights attached to a different share or shares held by a member. Proxies can be appointed by a hard copy form or by electronic means.

Directors

1. Number

Unless otherwise determined by ordinary resolution of Pensana UK, the directors (other than alternate directors) shall not be less than two nor more than 8 in number.

2. Appointment of directors

Subject to the provisions of the Pensana UK Articles, any person who is willing to act to be a director, either to fill a vacancy or as an additional director, may be appointed by:

- (a) Pensana UK by ordinary resolution; or
- (b) the board,

but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with these Articles. Any director so appointed shall retire at the next annual general meeting and shall then be eligible for re-appointment.

3. Remuneration

The directors (other than any director who for the time being holds an executive office of employment with Pensana UK or a subsidiary of Pensana UK) shall be paid out of the funds of Pensana UK by way of remuneration for their services as determined by the directors. The aggregate of the fees shall not exceed £500,000 per annum (or such larger sum as Pensana UK may, by ordinary resolution determine). Any fee shall be distinct from any remuneration or other amounts payable to a director under other provisions of the Pensana UK Articles and shall accrue from day to day. The directors may be paid all reasonable travelling, hotel and other expenses properly incurred in and about the discharge of their duties including expenses of travelling to and from meetings of the board, committee meetings, general meetings and separate meetings of the holders of any class of securities of Pensana UK.

4. Retirement of directors

At every annual general meeting, one third of the directors of Pensana UK shall retire from office by rotation. The directors to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A director who retires at an annual general meeting may but put for re-election if they are willing to continue to act.

5. Removal of Directors

Pensana UK may by ordinary resolution, of which special notice has been given in accordance with the Statutes, remove any director before his period of office has expired notwithstanding anything in the Pensana UK Articles or in any agreement between him and Pensana UK.

6. Vacation of office of Director

Without prejudice to the provisions of the Pensana UK Articles for retirement or removal, the office of a director shall be vacated:

- (a) if he ceases to be a director by virtue of any provision of the Statutes or is removed from office pursuant to the Pensana UK Articles;
- (b) if he is prohibited by law from being a director;
- (c) if he becomes bankrupt or he makes any arrangement or composition with his creditors generally;
- (d) if a registered medical practitioner who is treating that person gives a written opinion to Pensana UK stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;

- (e) if for more than six months he is absent (whether or not an alternate director attends in his place), without special leave of absence from the board, from meetings of the board held during that period and the board resolves that his office be vacated; or
- (f) if he serves on Pensana UK notice of his wish to resign, in which event he shall vacate office on the service of that notice on Pensana UK or at such later time as is specified in the notice.

7. Executive Directors

The board or any committee authorised by the board may from time to time appoint one or more directors to hold any employment or executive office with Pensana UK and on such terms as the board determine.

A director appointed to any executive office or employment shall automatically cease to hold that office if he ceases to be a director.

8. Quorum and voting requirements

- (a) A director shall not vote on (or be counted in the quorum) in relation to any resolution of the board concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with Pensana UK or any other company in which Pensana UK is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with Pensana UK or any other company in which Pensana UK is interested, those proposals may be divided and a separate resolution may be put in relation to each director and in that case each of the directors concerned (if not otherwise debarred from voting under the Pensana UK Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution unless it concerns his own appointment or the termination of his own appointment.
- (b) A director shall not be entitled to vote on a resolution (or attend or count in the quorum at those parts of a meeting regarding such resolution) relating to a transaction or arrangement with Pensana UK in which he is interested, save in a limited number of circumstances as set out in the Pensana UK Articles.

9. Benefits

Subject to the provisions of the Statutes a director shall not be disqualified by his office from entering into any contract with Pensana UK, either with regard to his tenure of any office or position in the management, administration or conduct of the business of Pensana UK or as vendor, purchaser or otherwise. Subject to the interest of the director being duly declared, a contract entered into by or on behalf of Pensana UK in which any director is in any way interested shall not be liable to be avoided; nor shall any director so interested be liable to account to Pensana UK for any benefit resulting from the contract by reason of the director holding that office or of the fiduciary relationship established by his holding that office.

10. Powers of the board

The business of Pensana UK shall be managed by the board which may exercise all the powers of Pensana UK, subject to the provisions of the Statutes and the Pensana UK Articles. No alteration of the Pensana UK Articles shall invalidate any prior act of the board which would have been valid if the alteration had not been made.

11. Borrowing powers

Subject to the provisions of the Statutes and the Pensana UK Articles, the board may exercise all the powers of Pensana UK to borrow money and to mortgage or charge all or any part of Pensana UK's undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities and to give security either outright or as collateral security for any debt, liability or obligation of Pensana UK or of any third party.

12. Committees

The board may delegate any of its powers, authorities and discretions (with power to sub-delegate) including without prejudice to the generality of the foregoing all powers, authorities and discretions whose exercise involves or may involve the payment of remuneration to, or the conferring of any other benefit on, all or any of the directors to any committee consisting of such person or persons (whether directors or not) as it thinks fit, provided that the majority of the members of the committee are directors and that no meeting of the committee shall be quorate for the purpose of exercising any of its powers, authorities or discretions unless a majority of those present are directors.

13. Quorum and Voting

The quorum necessary for the transaction of the business of the board may be fixed by the board and, unless so fixed at any other number, shall be two.

Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote, unless he is not, in accordance with the Pensana UK Articles, to be counted as participating in the decision-making process for quorum, voting or agreement purposes.

8.9 Escrow

The Scheme Consideration will not be subject to escrow restrictions.

8.10 Employee incentive scheme

Pensana UK will implement an employee incentive scheme on substantially similar terms to Pensana's current employee incentive plan (**Plan**), the terms of which are summarised below. A copy of the Plan can be obtained by contacting Pensana. All capitalised terms used in this Section 8.10 are as defined in the Plan unless otherwise stated.

Eligible Employees: The eligible participants under the Plan are Directors and Employees who are declared by the Board in its sole and absolute discretion to be eligible to receive grants of Shares, Options or Performance Rights under the Plan; or any other person who is declared by the Board in its sole and absolute discretion to be eligible to receive grants of Shares, Options or Performance Rights under the Plan. For the purposes of the Plan, "Employee" means an employee, director or other consultant or contractor of the Company or any of its subsidiaries and "Eligible Employees" means Employees that the Board have declared to be eligible to receive grants of Shares, Options or Performance Rights under the Plan. In accordance with the Listing Rules, prior Shareholder approval will be required before any Director or related party of Pensana UK can participate in the Plan and be granted Shares, Options or Performance Rights.

Limits on Entitlement: Pensana UK must not make an offer for Shares, Options or Performance Rights under the Plan if, immediately afterwards, the sum of:

- the total number of unissued Shares which may be acquired pursuant to the offer (for avoidance of doubt, including pursuant to Options or Performance Rights which may be applied for as part of the offer);
- the total number of unissued Shares over which Options have been granted or Performance Rights issued during the preceding three years under this Plan and any other Group employee incentive scheme; and
- the total number of Shares (not being Plan Shares (as defined under the Plan)) issued during the preceding three years under this Plan and any other Group employee incentive scheme,

would exceed 10% of the total number of Shares on issue at the time of the proposed issue.

The maximum allocation and allocated pool may be increased by a resolution of the Board, provided such an increase complies with the Listing Rules.

Individual Limits: The Plan does not set out a maximum number of Shares that may be made issuable to any one person or company.

Offer and Conditions: An offer to an Eligible Employee to apply for the grant of Shares, Options or Performance Rights under the Plan (**Offer**) must be set out in an Offer letter delivered to the Eligible Employee and specify:

- the number of Shares, Options or Performance Rights;
- the conditions on the Offer (Offer Conditions);
- the Grant Date;
- the Fee (if any);
- the Performance Criteria (if any);
- the Vesting Conditions (if any);
- the Exercise Price;
- the Exercise Period (if applicable);
- the Performance Period (if applicable);
- the Expiry Date and Term (if applicable);
- the Forfeiture Conditions (if any);
- any Restrictions attaching to the Shares or Plan Shares together with the Restriction Period; and
- the terms of any Employee Loan to be made by the Company to the Employee in accordance with this Plan to fund the purchase of Shares offered (if applicable).

Consideration Payable: Under the new employee incentive scheme to be adopted by Pensana UK, the Exercise Price will be at least the nominal value of the Pensana UK Shares. The Exercise Price and Expiry Date for an Option will be specified in the Offer.

Under the Plan, the Board has the discretion to allow an Option holder to set-off the exercise price of Options against the number of Shares that the Option holder is entitled to receive upon exercise of the Options, allowing the Option holder to receive Shares equal in value to the difference between the exercise price of the options and the market value of the Shares (a cashless exercise).

Option Terms:

- The Board will determine any Performance Criteria or Vesting Conditions attaching to an Option.
- Each vested Option will entitle the holder to one Share on payment of the Exercise Price (which shall not be less than the nominal value per Pensana UK Share).
- A Participant who holds Options is not entitled to notice of, or to vote or attend at a meeting of Shareholders, receive any dividends declared by the Company, or participate in any new issue of securities offered to Shareholders during the term of the Options, unless and until the Options are exercised and the Participant holds Shares under the Plan.
- Options will only vest and be exercisable if any applicable Performance Criteria or Vesting Conditions have been satisfied, are deemed satisfied under the Plan rules, or are waived by the Board.
- Options granted under the Plan may not be assigned, transferred or encumbered, or otherwise disposed of by a Participant, unless the prior consent of the Board is obtained (and the Board may impose such conditions as it sees fit) or the assignment or transfer occurs by force of law upon the death of a Participant to their legal personal representative.
- If Pensana UK makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of satisfaction of dividends or by way of dividend reinvestment), the Exercise Price of the Option will be reduced according to the formula in Listing Rule 6.22.2 provided that it shall not be less than the nominal value per Pensana UK Share.

- If Pensana UK makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment), the number of securities over which the Option is exercisable will be adjusted in accordance with Listing Rule 6.22.3 provided that it shall not be less than the nominal value per Pensana UK Share.
- If there is any reorganisation of the issued share capital of Pensana UK, the rights of the Participant who holds Options will be varied to comply with the Listing Rules that apply to the reorganisation at the time.
- The Board will not seek official quotation of Options, but must use all reasonable endeavours to obtain the grant of quotation of Shares issued on exercise of Options.

Performance Right Terms:

- The Board may offer Performance Rights to an Eligible Employee at its sole discretion.
- A Performance Rights confers an entitlement to be provided with one Share upon satisfaction of specified Performance Criteria and payment of the nominal value per Pensana UK Share.
- A Participant who holds Performance Rights is not entitled to notice of, or to vote or attend at a meeting of Shareholders, or receive any dividends declared by Pensana UK, unless and until the Performance Rights are satisfied and the Participant holds Shares under the Plan.
- Unless otherwise determined by the Board, Performance Rights cannot be transferred to or vest in any person other than the Participant.
- If there is any reorganisation of the issued share capital of Pensana UK, the rights of the Participant who holds Performance Rights will be varied to comply with the Listing Rules that apply to the reorganisation at the time.
- The Board will not seek official quotation of Performance Rights, but must use all reasonable endeavours to obtain the grant of quotation of Shares issued on exercise of Performance Rights.

Lapse of Options and Performance Rights: Subject to the Board's discretion, Options and Performance Rights shall automatically be cancelled for no consideration where:

- the Participant ceases to hold employment or office (except where provided for under the Good Leaver and Bad Leaver provisions, as described in section entitled "Good Leaver" below);
- the Options or Performance Rights are forfeited under the terms of the Offer or, in the reasonable opinion of the Board, the Participant acts fraudulently or dishonestly, or wilfully breaches his or her duties to the Company;
- the applicable Performance Criteria or Vesting Conditions are not achieved by the relevant time;
- the Board determines, in its reasonable opinion, that the applicable Performance Criteria or Vesting Conditions have not been met and cannot be met within the relevant time;
- in the case of Options, the Expiry Date has passed;
- in the case of Performance Rights, the Board determines that the Participant has not satisfied the Performance Criteria;
- the Board determines that the Participant has brought the company into disrepute;
- the Participant surrenders the Performance Rights or Options; or
- the Offer Letter provides for the cancellation of the Performance Rights or Options in any other circumstances.

Share Terms: Shares issued under the Plan will be subject to Offer Conditions and will remain restricted securities until the Offer Conditions have been satisfied. If the participant ceases to be an Eligible Employee

prior to satisfaction of the Offer Conditions, Pensana UK has the right to buy-back the Shares. Pensana UK may also buy-back the Shares where the participant has acted fraudulently or dishonestly or the Board determines that any Offer Conditions have not been met by the Expiry Date.

Employee Loan: the Board may, in its absolute discretion, offer to a Participant a limited recourse, interest free loan to be made by Pensana UK to the Participant for an amount equal to the Issue Price for the Shares offered to the Participant pursuant to the relevant Offer.

Good Leaver: Where a Participant who holds Employee Incentives becomes a Good Leaver all vested Employee Incentives which have not been exercised will continue in force and remain exercisable for 90 days after the date the Participant becomes a Good Leaver, unless the Board determines otherwise in its sole and absolute discretion, after which the Employee Incentives will lapse. A Good Leaver is a person who is not a Bad Leaver. A Bad Leaver includes a person who is dismissed from office for serious or persistent breach of their terms of employment, a director who has become disqualified, or a person who has committed some other fraudulent, dishonest or negligent act.

Assignment: Options and Performance Rights may not be sold, transferred, assigned or novated except with the prior approval of the Board. Upon death or total and permanent disablement of the participant, the Board may permit the sale or transfer of any Shares acquired under the Plan.

Change of Control: All granted Performance Rights which have not yet vested or lapsed will automatically and immediately vest, and a Participant may exercise any or all of their Options, regardless of whether the Vesting Conditions have been satisfied (provided that no Option will be capable of exercise later than the Expiry Date), if any of the following change of control events occur:

- Pensana UK announces that its shareholders have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement (excluding a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, or any reconstruction, consolidation, sub-division, reduction or return) of the issued capital of Pensana UK) and the Court, by order, approves the scheme of arrangement;
- a Takeover Bid:
 - is announced;
 - has become unconditional; and
 - the person making the Takeover Bid has a Relevant Interest in more than 50% of the issued Shares;
- any person acquires a Relevant Interest in more than 50% of the issued Shares by any other means;
- Pensana UK announces that a sale or transfer (in one transaction or a series of related transactions) of the whole or substantially the whole of the undertaking and business of Pensana UK has been completed; or
- any person (either alone or together with any person acting in concert with him) acquires more than 50% of the issued Shares as a result of making a general offer to acquire Shares or having more than 50% of the issued Shares makes such an offer and such offer becomes unconditional in all respects.

Termination, Suspension or Amendment: The Board may terminate, suspend or amend the Plan at any time subject to any resolution of Pensana UK required by the Listing Rules.

Employee Share Trust: The Board may use an employee share trust for the purposes of holding shares for Participants under the Plan.

Disposal Restrictions on Shares: The Board may impose disposal restrictions on Shares issued under the Plan or acquired following the vesting of Performance Rights or exercise of Options as a condition of any Offer.

Capital Reconstructions: Subject to applicable laws, the number of Employee Incentives and Shares held by a Participant may be determined by the Board in its sole and absolute discretion to be such number is appropriate so that the Participant does not suffer any material detriment following a variation in the share capital of Pensana UK.

Buy-back: Pensana UK may buy-back Shares issued under the Plan in certain circumstances in accordance with the rules of the Plan.

8.11 Corporate governance

Pensana's current corporate governance practices will be adopted by Pensana UK when the Scheme becomes Effective.

Pensana is committed to implementing the best standards of corporate governance appropriate for Pensana's size and scale. In determining what those standards should involve, Pensana 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.

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

Additional information about the Company's corporate governance policies and practices is set out on the Company's website at <https://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.

Pensana UK will also adopt an anti-bribery and anti-corruption policy when the Scheme becomes Effective which is consistent with the United Kingdom Bribery Act 2010.

On completion of the Proposed London Listing, the Securities Trading Policy and Shareholder Communications and Continuous Disclosure Strategy will be updated to be consistent with any rules that Pensana UK will be subject to pursuant to the Proposed London Listing and any other applicable laws that it will be subject to as a company listed in the United Kingdom.

ASX Corporate Governance Council Principles and Recommendations

In accordance with ASX Listing Rules, the following table describes how Pensana has complied and how Pensana UK intends to comply with the ASX Corporate Council Governance Recommendations.

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: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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.
	Recommendation 1.6: A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	The Company complies with this recommendation. The Chairman will undertake a periodic review in relation to the performance of each Director of the Company. The Board will also meet to discuss its performance as a whole. No review was undertaken during the year ended 30 June 2019.
	Recommendation 1.7 A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	The Company complies with this recommendation. Arrangements put in place by the Board to monitor the performance of the Pensana Group's executives include: <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

		<p>to the success of the Company.</p> <p>A review was undertaken during the year ended 30 June 2019.</p>
Principle 2: Structure the board to add value	Recommendation 2.1 The board of a listed entity should: <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: <ul style="list-style-type: none"> 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>
	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>The Company complies with this recommendation</p>
	Recommendation 2.3 A listed entity should disclose: <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>
	Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	<p>The Company complies with this recommendation.</p> <p>3 out of 4 directors of the Company are considered independent.</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>The Company complies with this recommendation.</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>The Company complies with this recommendation.</p>
Principle 3: Act ethically and responsibly	Recommendation 3.1 A listed entity should: <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: <ul style="list-style-type: none"> (a) have an audit committee which: <ul style="list-style-type: none"> (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 	<p>The Company complies with part b) of this recommendation.</p> <p>An audit committee has not been established.</p>

	<p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>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.</p> <p>The current policy of the external auditor is to rotate the engagement partner every five years.</p>
	<p>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.</p>	<p>The Company complies with this recommendation.</p> <p>The Board receives assurance from the chief executive officer and the chief financial officer in the form of a declaration, prior to approving the financial statements.</p>
	<p>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.</p>	<p>The Company complies with this recommendation.</p> <p>The Company's external auditors attend the annual general meeting each year.</p>
Principle 5: Make timely and balanced disclosure	<p>Recommendation 5.1 A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>The Company complies with this recommendation.</p> <p>The Company has adopted a Continuous Disclosure Policy which is available on its website.</p>
Principle 6: Respect the rights of security holders	<p>Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>The Company complies with this recommendation.</p> <p>Information regarding the Company, its activities and its corporate governance is available on its website.</p>
	<p>Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>The Company complies with this recommendation.</p> <p>The Company has adopted a Shareholder Communication Policy which is available on its website.</p>
	<p>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.</p>	<p>The Company complies with this recommendation.</p> <p>The Company has adopted a Shareholder Communication Policy which is available on its website.</p>
	<p>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.</p>	<p>The Company complies with this recommendation.</p> <p>Shareholders are able to receive communications from, and send communications to, the entity and its security registry electronically via</p>

		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 Company website.
	Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	The Company complies with this recommendation. A review was not completed in 2019.
	Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Company complies with part b) of this recommendation. The Company does not have an internal audit function. Due to the size and scale of the Company, it was agreed that effectiveness of its risk management and internal control processes should be considered by the full Board.
	Recommendation 7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	The Company complies with this recommendation.
Principle 8: Remunerate fairly and responsibly	Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	The Company complies with this Recommendation. The Board has established a separate remuneration and nomination committee during 2019. A remuneration review for executive directors and senior executives was conducted during 2019.
	Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	The Company complies with this recommendation. The board remuneration policy is to ensure that remuneration properly

		<p>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;</p> <ul style="list-style-type: none"> (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. <p>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.</p> <p>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 A\$400,000 per annum.</p>
	<p>Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none"> (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>The Company complies with this recommendation.</p> <p>The Company has established an Employee Incentive Plan, which is available on the Company's website.</p>

8.12 The future of the Pensana Group

The Board and the Pensana UK Board's current intentions for the business and employees of the Merged Group are set out below. The following statements are based on facts and information known to Pensana at the time of preparing this Scheme Booklet that concern Pensana as well as the general business environment.

(a) Corporate matters

In the event that the Scheme becomes Effective, Pensana UK will own all of the Shares. The Pensana UK Board intends to operate the business of the Pensana Group in a manner consistent with past practice and in accordance with the strategy set out in Section 7.6 and as previously disclosed by the Company. Pensana UK intends to continue to carry on the business plan and operations of the Pensana Group without any material change or amendment. Further, it is intended that:

- the Company be removed from the official list of ASX; and
- as the Company will be a wholly-owned Subsidiary of Pensana UK, the Board be reconstituted so that it comprises persons nominated by the Pensana UK Board.

(b) The Proposed London Listing

Pensana UK is also considering making an application for the admission of the Pensana UK Shares (which are represented by the Pensana UK CDIs in Australia) to the Official List of the FCA (Standard Segment) and to trading on the Main Market of the London Stock Exchange although as this is subject to the publication of a FCA approved Prospectus and it has not yet made any applications for admission, there is no guarantee that this will proceed. If the Proposed London Listing does occur, Shareholders will have the option of trading Pensana UK CDIs on ASX in Australia or, after converting Pensana UK CDIs into Pensana UK Shares, trading Pensana UK Shares on the Main Market for listed securities of the London Stock Exchange.

Even if the Proposed London Listing does not occur, the Board believes a move to the United Kingdom itself would have sufficient benefits to warrant doing so.

(c) Dividend policy

Neither the Company nor Pensana UK have paid a dividend to their respective shareholders.

The Pensana UK Board will review the amount of any future dividends to be paid to shareholders having regard to among other things, the Merged Group's results of operations, financial condition and solvency and distributable reserves tests imposed by law and such other factors that the Pensana UK Board may consider relevant. The Pensana UK Directors only intend to commence the payment of dividends when it becomes commercially prudent to do so, if at all.

(d) Governance

Subject to any changes required to comply with the laws of England and Wales, Pensana UK intends to assume substantially the same corporate governance, disclosure, trading, diversity, audit, remuneration, independent professional advice, identification and risk management, ethical standards and other relevant policies as have currently been put in place by the Company.

Pensana UK intends to hold annual general meetings for the Merged Group in the United Kingdom.

(e) No other intentions

Other than as set out in this Scheme Booklet, Pensana UK has no other intentions regarding:

- the continuation of the Company's business;
- any major change to the Company's business, including any redeployment of the Company's fixed assets; or
- the future employment of the Company's present employees.

8.13 Pro-forma financial information in relation to the Merged Group

Set out below is an unaudited pro forma consolidated balance sheet of the Merged Group as at 30 June 2019.

Basis of preparation

Immediately following implementation of the Scheme, the Merged Group will have the same assets and liabilities as Pensana had immediately before implementation of the Scheme. As a result, the pro forma financial position of Pensana UK immediately following implementation of the Scheme will be the same as the financial position of Pensana immediately prior to implementation of the Scheme. Refer to Section 7.9 for information about the financial position of Pensana.

	30 June 2019	Proforma Adjustments	30 June 2019
	A\$	A\$	A\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4,712,730	(335,000)	4,377,730
Trade and other receivables	45,553		45,553
Deposits	-		-
Prepayments	31,923		31,923
Assets held for sale	3,556,840		3,556,840
Other financial assets	156		156
TOTAL CURRENT ASSETS	8,347,202		8,012,202
NON-CURRENT ASSETS			
Property, plant and equipment	8,195		8,195
Exploration and evaluation expenditure	9,170,349		9,170,349

	30 June 2019	Proforma Adjustments	30 June 2019
	A\$	A\$	A\$
TOTAL NON-CURRENT ASSETS	9,178,544		9,178,544
TOTAL ASSETS	17,525,746		17,190,746
LIABILITIES			
CURRENT LIABILITIES			
Liabilities associated with the held for sale assets	60,866		60,866
Trade and other payables	574,587		574,587
TOTAL CURRENT LIABILITIES	635,453		635,453
TOTAL LIABILITIES	635,453		635,453
NET ASSETS	16,890,293		16,555,293
EQUITY			
Issued capital	50,991,922		50,991,922
Reserves	6,847,360		6,847,360
Accumulated losses	(40,948,989)	(335,000)	(41,283,989)
TOTAL EQUITY	16,890,293		16,555,293

9. Risk factors

9.1 Introduction

If the Scheme is implemented, Shareholders (other than Ineligible Foreign Shareholders) will receive Pensana UK CDIs as the Scheme Consideration. As a consequence, Shareholders may be exposed to risk factors that could adversely affect the re-domiciled Pensana Group's business, operations, financial performance, cash flows and prospects which will consequently affect the price of Pensana UK CDIs.

Shareholders should note that the risks they will be exposed to in respect of the assets, operations and general business of the Merged Group are materially the same risks that they are currently exposed to in relation to the Pensana Group's existing business. This is because the Proposed Transaction merely re-domiciles the Pensana Group in the United Kingdom. These risks are briefly outlined in Section 9.2.

There are, however, additional new risks that Shareholders who receive Pensana UK CDIs may be exposed to which specifically relate to the change in jurisdiction to the United Kingdom. These risks are outlined in detail in Section 9.3 below. Shareholders should also note that there are certain implementation specific risks in relation to the Proposed Transaction. These are discussed in Section 9.4.

Although the Merged Group will have in place a number of strategies to minimise the exposure to, and mitigate the effects of, some of the risks outlined in this Section 9, there can be no assurance that such arrangements will protect the re-domiciled Pensana Group fully from such risks.

The outline of risks in this section is a summary only and should not be considered exhaustive. You should carefully consider the following risks as well as the other information contained in this Scheme Booklet before voting on the Scheme.

9.2 Risks relating to the Pensana Groups' current and future business

Despite the Pensana Group requiring additional capital in the future, the Pensana Group has no history of mineral production at the Longonjo Project and accordingly has no revenues from operations and negative cash flows

The Company's main undertaking, Longonjo Project, is an advanced stage exploration and development project that has no operating history upon which to base estimates of future operating costs and future capital spending requirements.

Therefore the Pensana Group currently has no source of operating cash flow, has not recorded any material revenues from its operations to date, nor does it expect to generate any revenues from its operations for several years. The Pensana Group's ultimate success will depend on its ability to reach the production stage and generate cash flow in the future. It is also expected to have negative operating cash flow for the foreseeable future and therefore the Pensana Group will require funding to continue its business and material interest in the Longonjo Project and any failure to obtain such finance may mean that the Company is unable to pay any distributions or dividends to its investors.

The Pensana Group will have further capital requirements and exploration expenditures as it proceeds to develop the Longonjo Project. The development of the Longonjo Project and continued exploration may therefore depend on the Pensana Group's ability to obtain additional required financing and the terms on which such finance is available. In particular, the potential development of the Longonjo Project requires substantial capital commitments, which the Pensana Group can only estimate and does not currently have in place.

The future ability of the Pensana Group to arrange such financing will depend in part upon prevailing financing market conditions as well as the business performance of the Pensana Group, all of which may be outside of the Pensana Group's control. There can also be no assurance that any debt or equity financing or cash generated by future operations will be available or sufficient to meet the working capital requirements of the Pensana Group.

Accordingly, the Company can provide no assurance that it will be able to obtain financing on favourable terms or at all. If financing is not available, it could result in a delay or indefinite postponement of development or production on the Longonjo Project, or in a loss of project ownership or earning opportunities by the Pensana Group which would impact the value of Shares, and, after the Scheme becomes Effective, the value of Pensana UK Shares.

Dependence on the Longonjo Project

The Company is primarily focused on the exploration and development of the Longonjo Project and accordingly is entirely dependent upon the Longonjo Project, which is the Pensana Group's sole source of future revenue. Unless the Company acquires additional project interests, any material adverse development affecting the progress of the Longonjo Project would have a material adverse effect on the Pensana Group's business, financial performance, results of operations and prospects.

Risks associated with development of the Longonjo Project

The Pensana Group's operations are at an early stage of development and future success will depend on the Pensana Group's ability to manage the Longonjo Project and to take advantage of further opportunities that may arise. In particular, the Pensana Group's success is dependent upon the Directors' ability to develop the Longonjo Project by commencing and maintaining production at the site and there is no certainty that anticipated outcomes and sustainable revenue streams will be achieved.

Development of the Longonjo Project could be delayed or could experience interruptions or increased costs or may not be completed at all due to a number of factors, including but not limited to:

- changes in the regulatory environment;
- non-performance by third party contractors;
- inability to attract, train (as required) and retain a sufficient number of workers;
- changes in environmental compliance requirements;
- unfavourable weather conditions or catastrophic events such as fires, storms or explosions and Angola and Tanzania are areas that can be subject to severe climatic conditions such as hot temperatures in summer and torrential rain, potentially causing flooding;
- unforeseen escalation in anticipated costs of development, or delays in construction, or adverse currency movements resulting in insufficient funds being available to complete planned development;
- increases in extraction costs including energy, material and labour costs;
- lack of availability of mining equipment and other exploration services;
- shortages or delays in obtaining critical mining and processing equipment;
- the breakdown or failure of equipment or processes;
- construction, procurement and/or performance of the processing plant and ancillary operations falling below expected levels of output or efficiency; and
- taxes and imposed royalties.

There can therefore be no assurance that the Pensana Group will complete the various stages of development necessary to begin generating revenue for the Pensana Group at the Longonjo Project and any of these factors may have a material adverse effect on the Pensana Group's business, results of operations and activities, financial condition and prospects.

Mineral development is speculative and uncertain and involves a high degree of risk

The development of mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. Resource exploration and development is a speculative business, characterised by a number of significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, although present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Pensana Group may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of end users, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital.

Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, commodity prices, which fluctuate widely, and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The combination of these factors may result in the Company expending significant resources (financial and otherwise) on a property without receiving a return.

Estimates of Mineral Resources are uncertain

Declared Mineral Resource estimates are expressions of judgment based on knowledge, experience and industry practice.

Accordingly by their very nature of being estimates, there can be no assurance that Mineral Resources which are estimated will be recovered or that they can be brought into profitable production. Estimates that were valid when originally estimated may alter significantly when new information or techniques become available and may require revisions based on actual production experience.

Fluctuations in NdPr prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimates may require revision of such estimates and if these estimates are revised, this could have a material adverse effect on the Pensana Group's business, financial performance, results of operations and prospects and its ability to raise further finance needed to develop the Longonjo Project.

The price of rare earth concentrate is volatile and affected by factors beyond the Pensana Group's control

If the Pensana Group is able to develop the Longonjo Project for production and the market price of rare earth concentrate decreases significantly or for an extended period of time, the ability for the Pensana Group to attract finance and ultimately generate profits could be adversely affected. Numerous external factors and industry factors that are beyond the control of the Pensana Group that affect the price of rare earth concentrate include:

- industrial demand;
- levels of rare earth production;
- rapid short term changes in supply and demand because of speculative or hedging activities; and
- global or regional political or economic events.

The price at which the Pensana Group can sell any rare earth concentrate it may produce in the future will therefore be relevant to the future revenues that can be generated by the Pensana Group and its ability to finance the development of the Longonjo Project and any adverse effects on such price could have a material adverse effect on the Pensana Group's business, financial performance, results of operations and prospects.

Profitability and capital requirements

Natural resource exploration activities are capital intensive and inherently uncertain in their outcome. The Longonjo Project may involve unprofitable efforts, either from areas of exploration which ultimately prove not to contain natural resources, or the predicted quantities of natural resources, or from areas in which a natural resource discovery is made but is not economically recoverable at current or near future market prices when including the costs of development, operation and other costs. In addition, environmental damage could greatly increase the cost of operations, and various operating conditions may adversely and materially affect the levels of production. These conditions include delays in obtaining governmental approvals or consents, delays due to extreme weather conditions, insufficient storage or transportation capacity or adverse geological conditions. While diligent supervision and effective maintenance operations can contribute to maximising production rates over time, production delays and declines from normal operations cannot be eliminated and may adversely and materially affect the Pensana Group's revenues, cashflow, business, results of operations and financial resources and condition.

There are also legislative requirements for taxes to be paid in Angola in respect of mining activities carried out in Angola which include activities in the prospecting and exploration phases. Such taxes will impact the revenue that the Pensana Group can generate which it will be able to retain for its own profits.

Approvals, licences and permits in connection with current exploration activities and future development and mining activities may not be renewed or obtained

Governmental approvals, licences and permits are currently, and may in the future, be required by the Pensana Group in connection with the prospecting and exploration phases and future development and mining phase at

the Longonjo Project. The maintenance, renewal and granting of such approvals, licences and permits depends on the Pensana Group being successful in obtaining required statutory approvals and complying with regulatory processes in Angola. A failure to obtain these statutory approvals or comply with these regulatory processes may adversely affect the Pensana Group's title to such approvals, licences and permits and which may have a material adverse effect on the business, results of operations, financial condition and prospects of the Pensana Group.

The current permit held by the Pensana Group for the prospection phase at the Longonjo Project is due to expire in November 2020 and there is no guarantee or assurance that such permit will be renewed or extended if required or that new conditions will not be imposed to it if extended. The Pensana Group will also need to apply for additional approvals, licences and/or permits for the development and mining stage of the Longonjo Project for which there are various conditions including the preparation and submission of a technical, economical and financial viability study and environmental impact study. The granting of mining rights is assessed on a case-by-case basis and accordingly the Pensana Group cannot confirm with certainty whether such studies prepared by the Pensana Group will be satisfactory to the ministry in Angola who approves the grant of relevant approvals, licences and permits.

To the extent such approvals, licences and permits are not obtained, the Pensana Group may be curtailed or prohibited from proceeding with planned exploitation, development and operations of the Longonjo Project. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Access to infrastructure

Mining, processing, development and exploration activities depend, to a significant degree, on adequate infrastructure. In the course of developing future mines, the Pensana Group, may need to construct and support the construction of infrastructure, which includes permanent water supplies, tailings storage facilities, power, maintenance facilities and logistics services and access roads. Reliable rail facilities, roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could materially adversely affect the Pensana Group's operations, financial condition and results of operations. Any such issues arising in respect of the supporting infrastructure or on the Pensana Group's site(s) could materially adversely affect the Pensana Group's future results of operations or financial condition. Furthermore, any failure or unavailability of the Pensana Group's operational infrastructure (for example, through equipment failure or disruption to its transportation arrangements) could impact its exploration activities or materially adversely affect development of the Longonjo Project and later once the Longonjo Project is in development, the production output from its mine(s).

Reclamation/rehabilitation costs

The Pensana Group's current prospecting and exploration operations are subject to costs to reclaim properties and when the Pensana Group commences its development and mining activities, further, and potentially higher, reclamation costs will need to be incurred after the minerals have been mined from the site. The obligation therefore represents an ongoing cost for the Pensana Group. As mine plans are estimates only and subject to change, the current estimate may not represent the actual and estimated amount required to complete all reclamation activity. If actual costs are significantly higher than the Pensana Group's estimates, its financial performance may be materially affected.

Environmental regulation

The Company's operations are subject to various environmental and safety legislation. Such legislation may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. This could impose significant costs and burdens on the Company's investments (the extent of which cannot be predicted) both in terms of compliance and potential penalties, liabilities and remediation.

Mining operations have inherent risks and liabilities associated with damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. Laws and regulations involving the protection and the remediation of the environment are constantly changing and are generally becoming more restrictive.

There may also be unforeseen environmental liabilities resulting from future mining activities, which may be costly to remedy. If the Company is unable to fully remedy an environmental problem, it may be required to stop or suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Company's future business, prospects, financial condition and results of operations.

The Pensana Group will be subject to competition for its skilled personnel and challenges in attracting and retaining key personnel, including the Directors and any senior managers could impair the Pensana Group's ability to conduct and grow its operations effectively

The Pensana Group's ability to compete in the competitive natural resources sector depends upon its ability to retain and attract highly qualified management, geological and technical personnel. The loss of key management and/or technical personnel could delay the development of the Longonjo Project and negatively impact the ability of the Company to compete in the resources sector. In addition, the Company will need to recruit new managers and key personnel to develop its business as and when it moves to construction and ultimately operation of a mine each of which requires additional skills. Other resource companies that it competes against for qualified personnel may have greater financial and other resources, different risk profiles or longer track records than the Pensana Group. If this competition is very intense, the Pensana Group might not be able to attract or retain these key persons on conditions that are economically acceptable. Therefore, the inability of the Pensana Group to retain and attract such key persons could delay or prevent it from achieving its objectives overall which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Pensana Group's insurance and indemnities may not adequately cover all risks or expenses

The Pensana Group maintains insurance of the type and in the amounts that the Directors consider necessary for the Pensana Group's operations. However, the Pensana Group is unable to insure against all risks and may be exposed, under certain circumstances, to uninsurable hazards and risks which may result in financial liability, property damage, personal injury or other hazards or liability for the acts or omissions of sub-contractors, operators and other third parties.

There is also no assurance that the Pensana Group will be able to maintain adequate insurance in the future at rates the Pensana Group considers reasonable. Accordingly, the Pensana Group could incur substantial losses if an event which is not fully covered by insurance occurs, which would have a material adverse effect on the Pensana Group's business, results of operations and financial condition.

Risks related to operating in Angola (and Tanzania)

There are substantial risks associated with investments in emerging markets such as Angola and Tanzania, where civil unrest, nationalist movements, political violence and economic crises are possible. Any changes in the political, fiscal and legal systems or conditions, or civil unrest in these countries, may affect the ownership or operation of the Pensana Group's interests, in particular the Longonjo Project which could have a material adverse effect on the Pensana Group's business, financial condition, results of operations and prospects.

These countries may also pose heightened risks of expropriation of assets, increased taxation and a unilateral modification of concessions and contracts. Exploration, development and production activities in these countries are potentially subject to political and economic risks, including:

- cancellation or renegotiation of contracts;
- changes in domestic laws or regulations, including tax laws;
- royalty and tax increases or claims by governmental entities, including retroactive claims;
- a higher degree of discretion on the part of governmental agencies;
- expropriation or nationalisation of property;
- currency fluctuations and foreign exchange controls; and
- risks of loss due to civil strife, acts of war, guerrilla activities, insurrection and terrorism.

Deposits of strategic importance

There can be no assurance that the Pensana Group's assets in Africa will not be subject to nationalisation, requisition or confiscation, whether legitimate or not, by any authority or body. Similarly, the Pensana Group's operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation, mine safety and annual payments to maintain mineral properties in good standing. There can be no assurance that the laws protecting foreign investments, will not be amended or abolished or that these existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks detailed above. There can be no assurance that any agreements with the relevant governments will prove to be enforceable or provide adequate protection against any or all of the risks described above, which may have a material adverse effect on the business, results of operations, financial condition and prospects of the Pensana Group.

Risks relating to bribery and corruption

In certain jurisdictions, fraud, bribery and corruption are more common than in others. In addition, the mining industry has, historically, been shown to be vulnerable to corrupt or unethical practices. While the Pensana Group maintains a bribery policy, anti-corruption training programmes, codes of conduct, procedures and other safeguards designed to prevent the occurrence of fraud, bribery and corruption, and no members of the Pensana Group or the Directors have been subject to fraud, bribery or corruption proceedings, it may not be possible for the Group to detect or prevent every instance of fraud, bribery and corruption in every jurisdiction in which its employees, agents, sub-contractors or joint venture partners are located. The Pensana Group may, therefore, be subject to civil and criminal penalties and to reputational damage. Instances of fraud, bribery and corruption, and violations of laws and regulations in the jurisdictions in which the Pensana Group operates, including the UK Bribery Act 2010, could have a material adverse effect on its results of operations and financial condition.

The Company may be subject to foreign investment and exchange risks

The Company's functional and presentational currency is A\$. As a result, the Company's consolidated financial statements will carry the Company's assets in A\$. Any business the Company acquires may denominate its financial information in a currency other than A\$ and conduct operations or make sales in currencies other than A\$. When consolidating a business that has functional currencies other than A\$, the Company will be required to translate, inter alia, the balance sheet and operational results of such business into A\$. Due to the foregoing, changes in exchange rates between A\$ and other currencies could lead to significant changes in the Company's reported financial results from period to period. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political or regulatory developments. Although the Company may seek to manage its foreign exchange exposure, including by active use of hedging and derivative instruments, there is no assurance that such arrangements will be entered into or available at all times when the Company wishes to use them, or that they will be sufficient to cover the risk.

9.3 Risks relating to holding Pensana UK CDIs

Shareholders (other than Ineligible Foreign Shareholders) who receive the Scheme Consideration may be exposed to the following additional new risks relating to holding Pensana UK CDIs.

(a) The laws of England and Wales

As a company incorporated in England and Wales, Pensana UK will not be subject to many provisions of the Corporations Act to which the Company is currently subject to. It will, however, remain subject to some provisions of the Corporations Act as a result of its registration as a foreign company in Australia and it will be subject to the ASX Listing Rules due to the quotation of the Pensana UK CDIs on ASX.

See Annexure 6 for a more detailed summary of some of the key differences between Australian and the United Kingdom legal regimes.

(b) Changes to tax environment

If the Proposed Transaction proceeds, there may be tax consequences for Shareholders which may include tax payable on any gain on the disposal of Scheme Shares. In addition, the tax implications that a holder of Pensana UK CDIs could be subject to, may be different to the tax implications to which Shareholders are currently subject to. However, Shareholders should seek their own professional advice regarding the individual tax consequences applicable to them.

In addition, to the extent that any assets, company or business which the Company acquires is or are established outside the UK, it is possible that any return the Company receives from such asset, company or

business may be reduced by irrecoverable foreign withholding or other local taxes and this may reduce any net return derived by investors from a shareholding in the Company.

(c) There can be no assurance that Pensana UK will be able to make returns for holders of Pensana UK CDIs in a tax-efficient manner

It is intended that Pensana UK will structure the Pensana Group, including any company or business acquired in an acquisition, to maximise returns for holders of Pensana UK CDIs in as fiscally efficient a manner as is practicable. The Company has made certain assumptions regarding taxation. However, if these assumptions are not correct, taxes may be imposed with respect to the Pensana Group's assets or the Pensana Group may be subject to tax on its income, profits, gains or distributions (either on a liquidation and dissolution or otherwise) in a particular jurisdiction or jurisdictions in excess of taxes that were anticipated. This could alter the post-tax returns for holders of Pensana UK CDIs (or holders of Pensana UK CDIs in certain jurisdictions). The level of return for Shareholders may also be adversely affected. Any change in laws or tax authority practices could also adversely affect any post-tax returns of capital to holders of Pensana UK CDIs or payments of dividends (if any, which Pensana UK does not envisage the payment of, at least in the short to medium term). In addition, Pensana UK may incur costs in taking steps to mitigate any such adverse effect on the post-tax returns for holders of Pensana UK CDIs.

See Section 10 for further information.

9.4 Specific risks of the Scheme and Proposed Transaction implementation

The following risks have been identified as being key risks specific to an investment in the Merged Group. These risks have the potential to have a significantly adverse impact on the Merged Group and may affect the Merged Group's financial position, prospects and price of its listed securities.

(a) The exact value of the Scheme Consideration is not certain

Under the terms of the Proposed Transaction, Scheme Participants (other than Ineligible Foreign Shareholders) will receive one Pensana UK CDI for each Share they hold at the Record Date. The exact value of this Scheme Consideration that would be realised by individual Shareholders will be dependent on the price at which Pensana UK CDIs trade on ASX after the Implementation Date.

(b) Contract risk

The Scheme or the issue of Pensana UK Shares or CDIs by Pensana UK upon implementation of the Scheme may be deemed (under contracts to which the Company or Pensana UK or their subsidiaries are a party), to result in a change of share ownership event in respect of the Company or Pensana UK that allows the counterparty to review or terminate the contract as a result of the change. If the counterparty to any such contract were to validly seek to renegotiate or terminate the contract on that basis, this may have a material adverse effect on the financial performance of the Merged Group, depending on the relevant contracts. Based on the Company's due diligence and enquiries of current key contractual counterparties, the Company does not expect that any of its material contracts will be terminated as a result of the Proposed Transaction.

(c) Accounting risk

In accounting for the Proposed Transaction, Merged Group will need to perform a fair value assessment of all of the Company's assets, liabilities and contingent liabilities, which will include the identification and valuation of mineral rights and intangible assets.

To the extent intangible assets are recognised in respect of accounting for the acquisition of the Company by Pensana UK, they will be subject to annual impairment testing. In the event that the recoverable amount of intangible assets is impaired, this will result in a charge against future earnings.

The Merged Group will be subject to the usual business risk that there may be changes in accounting policies which have an adverse impact on Merged Group.

(d) Tax losses risk

Subject to the more detailed comments made at Section 10, there are certain tests that must be satisfied for carry forward Australian tax losses to be utilised to shelter Australian assessable income in future years. There is a risk that the Scheme may cause the Company to fail one or more of these tests although the Company will continue to monitor these tests going forward and use reasonable endeavours to utilise its Australian tax losses, if required.

(e) The Proposed London Listing may not proceed

While Pensana UK's current intention is to make an application for the admission of the Pensana UK Shares (which are represented by the Pensana UK CDIs in Australia) to the Official List of the FCA (Standard Segment) and to trading on the Main Market of the London Stock Exchange, there is no guarantee that the Proposed London Listing will proceed or be successful. The Proposed London Listing requires Pensana UK to satisfy a range of legal and commercial requirements, including the preparation and the publication of a Prospectus, which requires the approval of the FCA, and associated expert reports.

While Pensana UK is advanced in its preparation, these requirements can only be satisfied at the time of seeking admission to the LSE and having regard to the prevailing market conditions at that time. For example, if Pensana UK requires additional working capital to list and it cannot be raised due to market conditions or regulatory restrictions (for example, because shareholder approval is required for the share issue and it is not obtained), then Pensana UK may need to provide a qualified working capital statement in the Prospectus. Such statement would need to make it clear that Pensana UK does not have sufficient working capital; the relative timing of the working capital issue; the approximate amount of the shortfall; and the proposed actions Pensana UK will take to address the working capital shortfall.

However, should the Proposed London Listing not eventuate, Pensana UK CDI holders in Pensana UK will still be able to trade their Pensana UK CDIs on ASX. Further, the Board believes a move to the United Kingdom itself, even in the absence of the Proposed London Listing, would have sufficient benefits to warrant doing so.

(f) Other risks

Additional risks and uncertainties not currently known to the Company or Pensana UK may also have a material adverse effect on the Company or Pensana UK's business and that of the Merged Group and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting the Company, Pensana UK or Merged Group.

10. Taxation considerations

This Section provides a general summary of certain Australian and UK tax consequences for certain Scheme Participants from exchanging their Shares for Pensana UK CDIs as contemplated by the Scheme. This Section also provides a general summary of certain Australian and UK tax consequences for the Company as a result of the Scheme.

The categories of Scheme Participants considered in this Section are limited to individuals (who are not employees of the Company or any of its subsidiaries), companies, complying superannuation entities and certain trusts, each of whom hold their investments (including shares and options) on 'capital' account. For the avoidance of doubt, it is noted that this Section does not consider other types of Scheme Participants (such as partnerships and employees), Scheme Participants that do not hold their Shares on 'capital' account (e.g. held on 'revenue' account, as trading stock or as part of certain employment arrangements), Shares acquired before 1 July 1999 or the taxation implications of the Proposed London Listing which may occur following the successful implementation of the Scheme.

It is also noted that the comments in this Section do not consider the taxation and duty implications of a conversion from a CDI holding to a direct holding of Pensana UK Shares (or vice versa).

This Section is prepared solely for the Scheme Participants as described and limited above. This Section is not intended to and should not be used or relied upon by anyone else and there is no acceptance of a duty of care to any other person or entity. This Section has been prepared for the purpose of enabling certain Scheme Participants to broadly understand certain Australian and UK taxation implications of the proposed Scheme as outlined in this Scheme Booklet.

This Section does not constitute tax advice and is intended only as a general guide to certain Australian and UK tax implications of participating in the Scheme based on taxation law and administrative practice in effect as at the date of this Scheme Booklet (which are both subject to change at any time, possibly with retrospective effect). It does not consider any specific facts or circumstances that may apply to particular Scheme Participants. As the tax consequences of participating in the Scheme will depend on each Scheme Participant's own individual circumstances, all Scheme Participants are strongly advised to seek independent professional advice regarding the tax consequences of disposing of their Shares according to their own particular circumstances.

10.1 Australian taxation outline

Certain Australian income taxation implications for Scheme Participants

(a) Australian tax residents

With reference to the disclaimer above, this part applies to Scheme Participants that are residents of Australia for Australian income tax purposes (this part has been prepared on the basis that all foreign shareholders are not residents of Australia for Australian income tax purposes).

Disposal of Shares

CGT event

The disposal of Shares by a Scheme Participant pursuant to the Scheme will constitute a 'CGT event'. The CGT event will happen at the time the Scheme Participant disposes of its Shares under the Scheme, which should be the Implementation Date. However, as discussed further below, CGT roll-over relief may be available for a Scheme Participant to disregard a capital gain which arises from this CGT event.

In the absence of such CGT roll-over relief, a capital gain or capital loss will arise as a consequence of this CGT event. A Scheme Participant will make a capital gain if the capital proceeds exceed the Scheme Participant's cost base for the Shares and a capital loss if the capital proceeds are less than the Scheme Participant's reduced cost base for the Shares.

A Scheme Participant's capital proceeds should generally be equal to the Australian Dollar market value of the Pensana UK CDIs received by the Scheme Participant in exchange (converted to Australian Dollars on the date of the CGT event, as required). For example, one way of determining the market value of the Pensana UK CDIs received in exchange for Shares is by reference to the price of Pensana UK CDIs on the Implementation Date.

A Scheme Participant's cost base (and reduced cost base) in the Shares should generally include the historical amount paid by the Scheme Participant to acquire the Shares plus any incidental costs of acquisition and disposal (e.g. brokerage fees and stamp duty).

CGT roll-over relief

A Scheme Participant who makes a capital gain from the disposal of their Shares may be able to obtain CGT roll-over relief. Broadly, CGT roll-over relief enables a Scheme Participant to choose to disregard the capital

gain or capital loss they make from disposing of their Shares in exchange for Pensana UK CDIs (as discussed further below).

A Scheme Participant should be entitled to choose CGT roll-over relief if they would otherwise make a capital gain or capital loss on the disposal of their Shares. The consequences to a Scheme Participant of choosing to obtain CGT roll-over relief and also the consequences if CGT roll-over relief is not chosen or is not available are outlined generally below.

The CGT roll-over choice must be made before you lodge your income tax return for the income year in which the CGT event happens. A Scheme Participant does not need to inform the ATO or document their choice to claim CGT roll-over relief other than to complete their income tax return in a manner consistent with their choice.

Shareholders should note that the Company has not and does not intend to apply for a private binding ruling from the ATO on the applicability of CGT roll-over relief.

Consequences if CGT roll-over relief is available and is chosen

If a Scheme Participant chooses CGT roll-over relief, the following general treatment should apply.

Capital gain is disregarded

If a Scheme Participant chooses CGT roll-over relief, the capital gain or capital loss arising on the disposal of their Shares in exchange for Pensana UK CDIs should be disregarded.

Cost base and reduced cost base of Pensana UK CDIs

If a Scheme Participant chooses to obtain CGT roll-over relief, the first element of the cost base for the Pensana UK CDIs is worked out by attributing, on a reasonable basis, the existing cost base of the Shares that were exchanged for the Pensana UK CDIs, to the Pensana UK CDIs. The first element of the reduced cost base is worked out similarly.

Acquisition date of Pensana UK CDIs

If a Scheme Participant chooses to obtain roll-over relief, the acquisition date of the Pensana UK CDIs for CGT purposes is taken to be the date when the Scheme Participant originally acquired the corresponding Shares that were exchanged for the relevant Pensana UK CDIs.

This acquisition date will be relevant for the purposes of determining whether any entitlement to the CGT discount is available in respect of any future disposal of the Pensana UK CDIs (as discussed below).

Consequences if CGT roll-over relief is not chosen or is not available

If a Scheme Participant does not qualify for CGT roll-over relief, or the Scheme Participant chooses not to apply the roll-over relief, the following general treatment should apply.

Discount CGT treatment

If the Scheme Participant has held, or is taken to have held, its Shares for at least 12 months at the time of the disposal of its Shares, the discount CGT provisions may apply. The discount is 50 per cent for individuals and trusts, and 33 1/3 per cent for complying superannuation entities. Companies are not entitled to a CGT discount.

If the Scheme Participant makes a discount capital gain, any of their available capital losses will be applied to reduce the undiscounted capital gain before the discount is applied. The resulting amount is then included in the Scheme Participant's net capital gain for the income year.

Where the Scheme Participant is a trustee, the rules around capital gains and the CGT discount are complex; subject to certain requirements being satisfied, the capital gain may flow through to the beneficiaries in that trust, who will assess eligibility for the CGT discount in their own right.

Capital loss

If a Scheme Participant makes a capital loss from the disposal of their Shares this may be used to offset capital gains they derive in the same or subsequent years of income (subject to satisfying certain conditions) but cannot be offset against ordinary income nor carried back to offset net capital gains arising in earlier income years.

Cost base and reduced cost base of Pensana UK CDIs

The first element of the cost base (and reduced cost base) of the Pensana UK CDIs received by a Scheme Participant should be equal to the Australian Dollar market value of the Shares it exchanges for the Pensana UK CDIs.

In the absence of any contrary indication of the value of the Shares, their market value could be taken to be equal to the market value of the Pensana UK CDIs on the date the Pensana UK CDIs are issued (being the Implementation Date).

For example, one way of determining the market value of the Pensana UK CDIs received in exchange for Shares is by reference to the share price of Pensana UK CDIs on the Implementation Date.

Acquisition date of Pensana UK CDIs

The acquisition date of the Pensana UK CDIs for Scheme Participants for CGT discount purposes should be the Implementation Date.

This means a Scheme Participant will need to hold their Pensana UK CDIs for at least 12 months after that date before the CGT discount (described above) may apply on a subsequent disposal of the Pensana UK CDIs.

Ongoing ownership of Pensana UK CDIs

The following comments are made on the basis Pensana UK will not be a resident of Australia for Australian income tax purposes, such that Scheme Participants will own securities in a foreign company.

Taxation of dividends received

Generally, a Scheme Participant will be required to include in its assessable income the gross amount of any dividends it may receive from Pensana UK when those dividends are paid or credited to them.

On the basis that Pensana UK will not be an Australian resident for tax purposes, it will not be able to frank dividends it pays to its shareholders. Accordingly, Scheme Participants will not receive any franked dividends (and will not be entitled to any franking credits in respect of such dividends) from Pensana UK. It is noted that, under the current structure, Scheme Participants would not have received franked dividends in any event on the basis the Company's profits would largely have been derived from foreign sources.

If a Scheme Participant is a company that holds at least 10% of the 'direct participation' interests in Pensana UK, dividends received from Pensana UK may be treated as non-assessable non-exempt income for Australian tax purposes if certain conditions are satisfied. For completeness, it is also noted that Pensana UK dividends received indirectly by a company through interposed trusts and partnerships may also be eligible for such (ie non-assessable non-exempt income) treatment if the company's 'direct participation' and 'indirect participation' interests in Pensana UK are at least 10% and certain other conditions are satisfied.

Scheme Participants in these circumstances are advised to seek independent tax advice (based on their individual circumstances), regarding whether dividends received from Pensana UK may be eligible for non-assessable non-exempt income treatment.

Future disposals of Pensana UK CDIs

On a future disposal of Pensana UK CDIs, Scheme Participants may make a capital gain if the capital proceeds (in Australian Dollars) of that disposal are more than the cost base (in Australian Dollars) or a capital loss if the capital proceeds (in Australian Dollars) of that disposal are less than the reduced cost base (in Australian Dollars). The cost base and acquisition date of the Pensana UK CDIs, and eligibility for the CGT discount, are as described earlier.

Any foreign capital proceeds (i.e. British Pounds) should be converted into Australian Dollars at the prevailing exchange rate at the time of the transaction for tax purposes.

Lastly for completeness, in broad terms, it is noted that the capital gain or capital loss on disposal of Pensana UK Shares may, in certain circumstances, be reduced by a percentage that reflects the degree to which the underlying assets of Pensana UK are used in an 'active business' if the Scheme Participant is an Australian tax resident company that held a 'direct voting percentage' of 10 percent or more in Pensana UK throughout a 12 month period that began no earlier than 24 months before the time of the disposal and ended no later than that time.

The rules regarding the CGT exemption are complex and dependent on the facts at the time of disposal (including the manner in which Pensana UK Shares are held and the underlying asset composition of Pensana UK at that time). Scheme Participants in these circumstances are strongly advised to seek independent tax advice based on their individual circumstances regarding whether capital gains or capital losses arising from disposal of their Pensana UK Shares may be eligible for CGT exemption treatment.

Foreign income tax

Scheme Participants may be entitled to obtain a non-refundable tax offset for foreign income tax paid on amounts included in their assessable income from the Pensana UK CDIs. This offset can reduce the Australian tax payable on the amounts included in a Scheme Participant's assessable income, subject to an offset limit and certain other conditions being satisfied.

For completeness, it is noted that the UK generally should not levy withholding tax on dividends paid by Pensana UK (refer to the discussion below).

Foreign income anti-deferral rules

In certain (limited) circumstances, the Australian foreign income anti-deferral rules can operate to tax an Australian tax resident shareholder on the income of a foreign company even though the shareholder has received no actual distributions from the foreign company.

The principal foreign income anti-deferral rules that currently may apply to Scheme Participants in respect of holding Pensana UK CDIs are the "controlled foreign company" (CFC) rules.

While it would not be expected that the CFC rules would apply to a Scheme Participant that holds a non-controlling interest in a foreign company such as Pensana UK, these rules are extremely complex and may be subject to change. Accordingly, Scheme Participants are strongly urged to monitor developments in this area closely and consult their own tax advisers as to the application of the foreign income anti-deferral rules to their holding of Pensana UK CDIs in their own individual circumstances.

(b) Foreign tax residents

With reference to the disclaimer above, this part applies to foreign shareholders.

Disposal of Shares

Foreign shareholders that hold their Shares on capital account and do not hold their Shares at any time in carrying on a business at or through a permanent establishment in Australia should generally not be subject to Australian CGT on the disposal of their Shares unless the Shares are an "indirect Australian real property interest" or an option to acquire a share that is an "indirect Australian real property interest".

Broadly, shares would be an indirect Australian real property interest only if both of the following criteria are satisfied:

- the Foreign Shareholder and its associates (as defined for tax purposes) together have held at least 10% of the Company at the time the shareholder disposed of its shares or for at least 12 months during the 24 months before the shareholder disposed of its shares; and
- more than 50% of the market value of the Company's assets are represented by direct and certain indirect interests in real property in Australia (referred to as "taxable Australian property").

Taxation on dividends received

Foreign shareholders should generally not be subject to Australian income tax or withholding taxes on dividends they receive from Pensana UK (on the basis that Pensana UK will not be an Australian tax resident).

Future disposals of Pensana UK CDIs

Foreign shareholders should generally not be subject to Australian CGT on the disposal of Pensana Securities unless the Pensana UK CDIs are an "indirect Australian real property interest" (as described above) or an option to acquire a share or CDI that is an "indirect Australian real property interest".

10.2 United Kingdom taxation outline

UK taxation implications for Scheme Participants

Further to the disclaimer above, the following general tax comments apply only to Scheme Participants who are Australian tax residents (and therefore foreign tax residents for UK tax purposes).

The following comments do not apply where the Scheme Participant uses or holds its respective Pensana UK CDIs in connection with a business carried on in the UK, is a foreign affiliate of taxpayers resident in the UK, is a trust with UK resident settlors or beneficiaries or is a company with UK resident shareholders.

The comments relate only to persons who are the absolute beneficial owners of the Pensana Securities (otherwise than through an individual savings account or a self-invested personal pension) and who hold them as investments (and not as securities to be realised in the course of trade).

They may not apply to certain Scheme Participants, such as dealers in securities, insurance companies and collective investment schemes, Scheme Participants who are exempt from taxation and Scheme Participants who have (or are deemed to have) acquired their Pensana UK CDIs by virtue of an office of employment. Such persons may be subject to special rules.

The comments set out below do not include a consideration of the potential UK inheritance tax consequences of holding shares or options. Scheme Participants or prospective shareholders should consult their own professional advisers in relation to potential UK inheritance tax consequences of holding Pensana UK CDIs.

(a) Disposal of Shares and the receipt of Pensana UK CDIs

There are generally no UK income tax consequences for Scheme Participants who are only Australian tax residents when they dispose of Shares in exchange for Pensana UK CDIs pursuant to the above.

(b) Receipt of future dividend income from Pensana UK CDIs

There are generally no UK income tax consequences for Scheme Participants who are only Australian tax residents where they receive dividends subsequently paid on Pensana UK CDIs.

A Scheme Participant tax resident or otherwise subject to tax outside the UK (whether an individual or a body corporate) may be subject to foreign taxation on dividend income under local law. Scheme Participants to whom this may apply should obtain their own professional advice concerning tax liabilities on dividends received from Pensana UK CDIs.

No UK withholding tax should be levied on dividends paid by Pensana UK on the basis the UK does not generally levy withholding tax on dividends in accordance with domestic rules.

(c) Disposal of Pensana UK CDIs

Scheme Participants who are not resident in the UK for UK tax purposes will not generally be subject to UK taxation of chargeable gains on the disposal or deemed disposal of Pensana UK CDIs unless they are carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Pensana UK CDIs are used, held or acquired.

A Scheme Participant who is an individual and who acquired the Pensana UK CDIs whilst a UK resident, and subsequently ceased to be UK resident for taxation purposes, or is treated as resident outside the UK for the purposes of a double tax treaty, for a period of five complete tax years of assessment or less, and who disposes of all or part of his Pensana UK CDIs during the period, may be liable to UK capital gains tax on his return to the UK, subject to any available exemptions and reliefs.

Stamp duty and stamp duty reserve tax

General

Written instruments transferring UK shares are ordinarily subject to UK stamp duty at the rate of 0.5 per cent of the amount or value of the consideration given for the transfer (generally rounded up to the nearest £5).

An unconditional agreement (or a conditional agreement which becomes unconditional) to transfer UK shares normally gives rise to a charge to stamp duty reserve tax at the rate of 0.5 per cent of the amount or value of the consideration payable for the transfer. Timely payment of stamp duty in respect of a written instrument of transfer pursuant to the relevant unconditional agreement to transfer the shares normally cancels the stamp duty reserve tax liability.

A transfer or issue of shares into a clearance service or a depositary receipt is generally chargeable to stamp duty and / or stamp duty reserve tax at a rate of 1.5% of the consideration and in certain cases the value of the shares transferred or issued. As a result of the application of certain EU laws, the UK currently accepts that the 1.5% charge does not apply when new shares are issued into a clearance service or a depositary receipt.

Transfer of Pensana shares on CHES

The transfer of Pensana UK shares (or rights over these shares such as CDIs) in CHES would, in the absence of a relieving provision, be subject to stamp duty or stamp duty reserve tax at a rate of 0.5% of the consideration given for the transfer and in certain cases the value of those shares. The position should be the same where the shares have been transferred to CREST and admitted to trading on LSE. This is because, HMRC treat CHES as having made an election under section 97A of the Finance Act 1986.

Stamp duty and stamp duty reserve tax are generally payable by the purchaser of the shares, although transactions in CREST are typically subject 0.5% stamp duty reserve tax collected by CREST from the purchaser's account.

However, an exemption may be available from UK stamp duty and stamp duty reserve tax for Pensana UK Shares which are registered on an overseas branch register. Provided the transfer is effected by a written document executed outside the UK and the relevant shares of Pensana UK are registered on an overseas branch register in certain qualifying non-UK jurisdictions including Australia. We understand that although strictly this exemption does not apply to transfers of shares in a paperless form (such as electronic transactions in CHES), by concession HMRC have agreed that transfers of UK shares on CHES which are registered only on an overseas branch register (in certain qualifying jurisdictions outside the UK, including Australia) would not be subject to stamp duty reserve tax.

The statements above are intended as a general guide to the current position. Certain categories of persons, including market makers, brokers, dealers and persons connected with depositary arrangements and clearance services are not liable to stamp duty or stamp duty reserve tax and/or may be liable at a higher rate, or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve

Tax Regulations 1986. Certain statements above are based on EU law (including case law) which may not apply once the UK exits from the EU.

(d) **Other tax implications**

In addition to the income tax implications commented on above, other tax implications may need to be considered, such as the applicability of VAT in these regimes.

10.3 Australian goods and services tax (GST)

Shareholders should not be liable to Australian GST in respect of the disposal of Shares or the acquisition of Pensana UK CDIs pursuant to the Scheme.

Shareholders may incur Australian GST on costs (such as third party brokerage and adviser fees) that relate to the disposal of Shares or the acquisition of Pensana UK CDIs pursuant to the Scheme. Shareholders that are registered for Australian GST may be entitled to recover the Australian GST payable on the costs. However, in some circumstances, recovery of the Australian GST payable on the costs, or a portion thereof, may be restricted. This will depend on each Shareholder's individual circumstances and it is recommended that professional tax advice be sought.

10.4 Australian stamp duty

No brokerage or stamp duty will be payable by Scheme Participants on the transfer of their Scheme Shares to Pensana UK under the Scheme or the issue by Pensana UK to them of Pensana UK CDIs as the Scheme Consideration.

11. Information about the Scheme

11.1 Scheme Implementation Agreement

The Company and Pensana UK have entered into the Scheme Implementation Agreement in connection with the proposed Scheme. The Scheme Implementation Agreement sets out the obligations of the Company and Pensana in relation to the Scheme.

The Scheme Implementation Agreement is contained in Annexure 2.

11.2 Conditions Precedent

Implementation of the Scheme is subject to the conditions precedent which must be satisfied or waived (where applicable) in accordance with the terms of the Scheme Implementation Agreement on or prior to the Second Court Date. In summary, these conditions are as follows:

(a) Shareholder approval

Approval of the Scheme Resolution by the Requisite Majority of Shareholders, being:

- unless the Court orders otherwise, a majority in number (more than 50%) of Shareholders present and voting at the Scheme Meeting (in person or by proxy, corporate representative or attorney); and
- at least 75% of the total number of votes which are cast at the Scheme Meeting.

(b) Court approval and order lodgement

The Court approving the Scheme and an office copy of the Court order approving the Scheme being lodged with ASIC as contemplated by section 411(10) of the Corporations Act.

(c) No prohibitive orders

No judicial or government agency taking and not withdrawing any action or imposing any restraint that prevents the implementation of the Scheme.

(d) Regulatory approvals

All approvals, consents and waivers which the parties agree are required to implement the Scheme (other than Court and Shareholder approval) are obtained.

(e) ASX listing

The ASX approving:

- the admission of Pensana UK to the official list of the ASX; and
- the Pensana UK CDIs for official quotation by the ASX,

subject only to any conditions which ASX may reasonably require, including the Scheme becoming Effective, and such approval remains in full force and effect in all respects and does not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

(f) Ability to issue CDIs

Before 2:00pm (AWST) on the Business Day prior to the Second Court Date, Pensana UK has done everything necessary under the ASX Settlement Operating Rules to enable CDN to issue CDIs other than the allotment to a depository of Pensana UK Shares under the Scheme.

(g) Independent Expert

The Independent Expert concludes the Scheme is in the best interests of Shareholders and does not change its conclusion or withdraw its report prior to the Second Court Date.

11.3 Scheme Meeting

The Court has ordered that a meeting of Shareholders be held at 10:00am (AWST) at Ground Floor, 10 Outram Street, West Perth WA 6005 on 15 January 2020 to consider the Scheme.

The fact that under section 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved this Scheme Booklet does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how Shareholders should vote (on this matter Shareholders must reach their own decision); or
- (b) has prepared, or is responsible for, the content of this Scheme Booklet.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

The Scheme is conditional, among other things, on approval of the Scheme Resolution by the Requisite Majority of Shareholders, being:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of Shareholders present and voting at the Scheme Meeting (in person or by proxy, corporate representative or attorney); and
- (b) at least 75% of the total number of votes which are cast at the Scheme Meeting.

Further details of the consequences of the Scheme not being implemented are set out in Section 3 under the heading titled "What happens if the Scheme is not approved?".

11.4 Court approval of the Scheme

Pensana will apply to the Court order approving the Scheme if:

- (a) the Scheme Resolution is approved by the Requisite Majority of Shareholders at the Scheme Meeting; and
- (b) all other conditions to the Scheme which are required (under the Scheme Implementation Agreement) to be satisfied by the Second Court Date are satisfied or waived (where applicable).

The Court will hear Pensana's application at the Second Court Hearing on the Second Court Date.

The Court may refuse to grant the order referred to above even if the Scheme Resolution is approved by the Requisite Majority of Shareholders.

ASIC has been requested to issue a written statement that it has no objection to the Scheme. ASIC would not be expected to issue such a statement until shortly before the Second Court Date. If ASIC does not produce a written statement that it has no objection to the Scheme, the Court may still approve the Scheme provided it is satisfied that section 411(17)(a) of the Corporations Act is satisfied.

Shareholders have the right to seek leave to appear at the Court at the Second Court Hearing to oppose the approval of the Scheme by the Court or make representations to the Court in relation to the Scheme. If you wish to oppose approval of the Scheme by the Court at the Second Court Hearing you may do so by filing with the Court, and serving on Pensana, a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Pensana at least one Business Day (in Perth, Western Australia) before the Second Court Date. That date is currently scheduled to occur on or around 22 January 2020. Any change to this date will be announced through ASX and will be available on ASX's website, www.asx.com.au. Alternatively, if you wish to make representations to the Court in relation to the Scheme, the Court may grant you leave to be heard at the hearing without becoming a party to the proceeding.

11.5 Actions by Pensana and Pensana UK

If the Court order approving the Scheme are obtained, the Board and the Pensana UK Board will take or procure the taking of the steps required for the Scheme to be implemented. These include the following:

- (a) Pensana will lodge with ASIC an office copy of the Court order approving the Scheme, under section 411(10) of the Corporations Act, and the Scheme will become Effective;
- (b) on the close of trade on the Effective Date, Shares will be suspended from trading on ASX;
- (c) upon the Scheme becoming Effective and on or prior to the Implementation Date, Pensana will transfer all the UK Subscription Shares to CDN;
- (d) on the Implementation Date, all of the Shares held by Scheme Participants at 4:00pm (AWST) on the Record Date will be transferred to Pensana UK and, in exchange, each Scheme Participant (other than Ineligible Foreign Shareholders) will be issued the Scheme Consideration;
- (e) on the Implementation Date, the Sale Agent will receive the Scheme Consideration from Pensana UK (or an agent of Pensana UK) in respect of the Shares held at 4:00pm (AWST) on the Record Date by all Ineligible Foreign Shareholders. Pensana UK will procure that the Sale Agent sells those Pensana UK CDIs within 20 Business Days following the Implementation Date. The Sale Agent must promptly remit the net proceeds of the sale of those securities (after deducting any applicable, brokerage, stamp duty and other selling costs, taxes and charges) to Pensana UK which will then remit such proceeds to Ineligible Foreign Shareholders;
- (f) on the Implementation Date:
 - (i) Pensana will, or will have prior to this date, transfer the Pensana UK Shares it holds to CDN;
 - (ii) CDN will receive Pensana UK Shares from Pensana UK which comprise the Scheme Consideration (less the UK Subscription Shares transferred to CDN by Pensana); and
 - (iii) Pensana UK will procure the issue of Pensana UK CDIs by CDN to each Scheme Participant (other than Ineligible Foreign Shareholders);
- (g) on the Implementation Date, Pensana will enter the name of Pensana UK in the Register as the holder of the Shares;
- (h) as soon as possible after the Implementation Date, Pensana will be removed from the official list of ASX; and
- (i) on or as soon as possible after the Implementation Date, Pensana UK will be admitted to the official list of the ASX and the Pensana UK CDIs will be admitted for official quotation by the ASX.

11.6 Effective Date

The Scheme will become Effective on the date upon which the office copy of the order of the Court under section 411(10) of the Corporations Act approving the Scheme is lodged with ASIC or such earlier date as the Court determines or specifies in the order.

If the Scheme becomes Effective, Pensana will immediately give notice of the event to ASX. Shares will be suspended from trading on ASX on the close of trade on the Effective Date.

Once the Scheme becomes Effective, Pensana and Pensana UK will become bound to implement the Scheme in accordance with its terms.

It is expected that Pensana UK CDIs will become tradable on a deferred settlement basis commencing on the Business Day after the Effective Date and that Pensana UK CDIs will trade on a normal T+2 settlement basis on and from the second Business Day after the Implementation Date.

11.7 Scheme

If the Scheme becomes Effective (i.e. after it is approved by Shareholders and the Court), all Shares outstanding at 4:00pm (AWST) on the Record Date will be transferred on the Implementation Date to Pensana UK, in return for the issuance of the Scheme Consideration to the Scheme Participants (other than Ineligible Foreign Shareholders who will receive cash pursuant to the Sale Facility). See Annexure 3 for a copy of the Scheme.

11.8 Deed Poll

Pensana UK has executed the Deed Poll pursuant to which Pensana UK has agreed, subject to the Scheme becoming Effective, to acquire the Shares held by Scheme Participants for the Scheme Consideration.

Please see Annexure 4 for a copy of the Deed Poll.

11.9 Record Date

The Record Date for the Scheme is 4:00pm (AWST) on the date which is two Business Days after the Effective Date (or on such other date (after the Effective Date) as Pensana and Pensana UK may agree in writing). Only Shareholders who appear on the Register at 4:00pm (AWST) on the Record Date will be entitled to receive the Scheme Consideration.

11.10 Implementation Date

The Implementation Date for the Scheme is the date which is five Business Days after the Record Date (or on such other date agreed to in writing by Pensana and Pensana UK).

On the Implementation Date for the Scheme, Pensana UK must:

- (a) procure the allotment and issue of the Pensana UK Shares comprising the Scheme Consideration to CDN which are to be held on trust for each Scheme Participant (other than the UK Subscription Shares which have been transferred to CDN on or prior to the Implementation Date);
- (b) enter the name and address of CDN and the number of new Pensana UK Shares issued to it in the Australian branch register of the Pensana UK Register in book entry form; and
- (c) do everything reasonably necessary to cause and procure that CDN issues Pensana UK CDIs to:
 - (i) the Scheme Participants (other than Ineligible Foreign Shareholders) in accordance with this Scheme and:
 - (A) in the case of Scheme Participants (other than Ineligible Foreign Shareholders) who hold their Shares on the CHESS sub register, procure that the Pensana UK CDIs are held on that register;
 - (B) in the case of Scheme Participants (other than Ineligible Foreign Shareholders) who hold their Scheme Shares on the issuer sponsored sub register, procuring that the Pensana UK CDIs are held on that register; and
 - (C) maintains the CDI register for each Scheme Participant (other than Ineligible Foreign Shareholders) who receives Pensana UK CDIs under the Scheme and procures the provision of Pensana UK CDI holding statements to all applicable Scheme Participants in accordance with the ASX Listing Rules; and
 - (ii) the Sale Agent in respect of any Shares held by any Ineligible Foreign Shareholders in accordance with this Scheme.

11.11 Despatch of holding statements and CHESS confirmation advices

Pensana UK will despatch holding statements and CHESS confirmation advices to Scheme Participants entitled to them within five Business Days after the Implementation Date.

11.12 Commencement of trading in Pensana UK CDIs on ASX

It is expected that Pensana UK CDIs will become tradable on a deferred settlement basis commencing on the Business Day after the Effective Date and that Pensana UK CDIs will trade on a normal T+2 settlement basis on and from the second Business Day after the Implementation Date (or such other date as ASX requires). The Implementation Date is currently expected to be 4 February 2020. The actual dates will be announced to ASX and published on the Pensana website.

11.13 Delisting of Pensana

As soon as possible after the Implementation Date, it is intended that Pensana will request ASX to remove Pensana from the official list of ASX.

11.14 Termination of the Scheme Implementation Agreement

The Scheme Implementation Agreement may be terminated before 8:00am (AWST) on the date of the Second Court Hearing (in this Section 11.14 "**terminate**") in certain circumstances, including:

- (a) **Material breach of the Scheme Implementation Agreement:** the parties may terminate if the other is in material breach of any of its obligations under the Scheme Implementation Agreement and, if capable of remedy, the material breach is not remedied within five Business Days of receipt of a breach notice from the other party;
- (b) **Conditions Precedent:** the parties may terminate if there is a breach or non-fulfilment of a condition precedent which is not waived;
- (c) **no Court order:** if the Court refuses to grant an order convening the Scheme Meeting or approving the Scheme; or
- (d) **restraint:** if any court, the Takeovers Panel or Governmental Agency has issued any order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Scheme, or has refused to do anything necessary to permit the Scheme.

The Scheme Implementation Agreement may also be terminated at any time by mutual consent of the Company and Pensana UK, provided that such consent to terminate is in writing and is signed by each of the parties.

11.15 Arrangements for holders of Options and Performance Rights

At the date of this Scheme Booklet, the following Options are on issue:

Number	Class
250,000	Unlisted options exercisable at A\$0.40 expiring 31 December 2019
250,000	Unlisted options exercisable at A\$0.40 expiring 31 December 2020
200,000	Unlisted options exercisable at A\$0.50 expiring 6 April 2020

At the date of this Scheme Booklet, the following Performance Rights are on issue:

Number	Class
8,858,037	Performance Rights with various vesting conditions

The terms and conditions of the Options and the Performance Rights are set out in Section 8.10.

Pensana and Pensana UK intend to enter into deeds of cancellation with each of the Option Holders and Performance Right Holders (**Deeds of Cancellation**). The material terms of the Deeds of Cancellation are summarised below:

- (a) Each Option Holder and Performance Right Holder will agree to the cancellation of their Options and/or Performance Rights in consideration for one option or performance right (as applicable) in Pensana UK on terms which mirror, to the extent possible, their existing Options and Performance Rights, being:

Pensana Option Holder	A\$0.40 expiring 31 December 2019	A\$0.40 expiring 31 December 2020	A\$0.50 expiring 6 April 2020
Other Option Holders ¹	250,000 Pensana options for 250,000 Pensana UK options	250,000 Pensana options for 250,000 Pensana UK options	200,000 Pensana options for 200,000 Pensana UK options

¹ As at the last practicable date, no Directors hold Options in Pensana.

Pensana Performance Rights Holder	Performance Rights	Expiry Date	Vesting Condition
Paul Atherley	3,858,037 Pensana performance rights for Pensana UK 3,858,037 Performance Rights	13 May 2023	Delivery of a positive definitive feasibility study and the Company making the decision to proceed with financing and development of the project.
David Hammond	1,000,000 Pensana Performance Rights for 1,000,000 Pensana UK Performance Rights	17 September 2023	Delivery of a positive definitive feasibility study and the Company making the decision to proceed with financing and development of the project.
Other Performance Rights Holders	4,000,000 Pensana Performance Rights for 4,000,000 Pensana UK Performance Rights	31 December 2019, 31 December 2020 and 31 December 2021	Various vesting conditions including listing on London Stock Exchange, the commencement of construction by end of December 2020 and the commencement of concentrate sales by end of December 2021.

- (b) Pensana UK must grant new options and/or performance rights (as applicable) in respect of Pensana UK Shares to the Option Holders and Performance Right Holders on the Implementation Date as consideration for the cancellation of their current Options and/or Performance Rights;
- (c) the cancellation of Options and Performance Rights is conditional on:
 - (i) the Scheme becoming Effective;
 - (ii) the necessary regulatory approvals, consents and waivers having been obtained by Pensana; and
 - (iii) Option Holders and Performance Right Holders not having dealt with the Options or the Performance Rights, as the case may be, contrary to the terms of Deeds of Cancellation.

Pensana has applied to ASX for a waiver in respect of the requirements of Listing Rule 6.23.2 to permit the Options and Performance Rights to be cancelled for consideration without requiring Shareholder approval to be obtained.

12. Additional information

12.1 Interests in Pensana

(a) Interests of Directors in Pensana

The number, description and amount of Pensana marketable securities controlled or held by, or on behalf of, each Director as at the date of this Scheme Booklet are:

Director	Shares	Options	Performance Rights
Paul Atherley	9,069,862 ⁽¹⁾	-	3,858,037
David Hammond	2,046,000	-	1,000,000
Mark Hohnen	4,569,476 ⁽²⁾	-	-
Neil Maclachlan	2,417,385	-	-

Notes:

(1) Held through Selection Capital Limited.

(2) Held through Vynben Pty Limited.

(b) Interests of Pensana UK and Pensana UK Directors in Pensana

(i) Interests of Pensana UK in Pensana

As at the date of this Scheme Booklet, Pensana UK holds no Relevant Interest in any of Pensana's securities.

(ii) Interests of Pensana UK Directors in Pensana

As at the date of this Scheme Booklet, the following Relevant Interests are held by the Pensana UK Directors in Pensana:

Director	Shares	Options	Performance Rights
Paul Atherley	9,069,862 ⁽¹⁾	-	3,858,037
Timothy George	-	-	2,500,000

Note:

(1) Held through Selection Capital Limited.

12.2 Interests in Pensana UK securities

(a) Interests of Pensana UK Directors in the Pensana UK securities:

As at the date of this Scheme Booklet, none of the Pensana UK Directors holds a Relevant Interest in Pensana UK.

(b) Interests of Pensana and Directors in the Pensana UK securities

As at the date of this Scheme Booklet, Pensana holds 50,000,000 Pensana UK Shares, being the entire issued share capital of Pensana UK as at the date of this Scheme Booklet.

As at the date of this Scheme Booklet, none of the Directors holds a Relevant Interest in Pensana UK.

12.3 Agreements or arrangements with Directors and executive officers

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. The remuneration terms of the letter of appointment comprise:

- salary of A\$75,000 per annum, plus superannuation; and
- incentives that will, if certain performance criteria are satisfied, result in the issue of up to 7,716,074 Shares.

The appointment can be terminated:

- by the Company or by Paul Atherley without reason and by giving the other party three months' notice; or
- by the Company for serious misconduct by Paul Atherley.

The Company has also entered into an agreement with Selection Capital Limited (of which Mr Atherley is a director and shareholder).

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

Mr Hammond entered into an employment agreement with Company in respect of his role as Chief Operations Officer on 12 November 2017. A review was completed on 28 June 2019, in which revised terms to his employment agreement became effective as at 1 July 2019. The remuneration terms of the employment agreement comprise:

- salary of A\$275,000 per annum, plus superannuation;
- a short term incentive of 50% of base salary which will be reviewed annually and will be paid on achievement of near term milestones; and
- long term incentives that will, if certain performance criteria are satisfied, result in the issue of up to 2,000,000 Shares.

The employment agreement can be terminated:

- by the Company or by David Hammond without reason and by giving the other party three months' notice; or
- by the Company for serious misconduct by David Hammond.

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

Mr George entered into an employment agreement with Company in respect of his role as Chief Executive Officer on 22 April 2019. The remuneration terms of the employment agreement comprise:

- salary of A\$300,000 per annum, plus superannuation;
- a short term incentive of 50% of base salary which will be reviewed annually and will be paid on achievement of near term milestones; and
- long term incentives that will, if certain performance criteria are satisfied, result in the issue of up to 2,500,000 Shares.

The employment agreement can be terminated:

- by the Company or by Tim George without reason and by giving the other party three months' notice; or
- by the Company for serious misconduct by Tim George.

Scott Mison – Chief Financial Officer

On 28 June 2019 the board approved a 6 month consultancy agreement for Mr Mison with the Company in respect of his role as Chief Financial Officer. The terms of the consultancy agreement comprise:

- monthly fee of A\$18,333;
- an incentive of 25% of remuneration that will be paid on achievement of near term milestones; and
- incentives that will, if certain performance criteria are satisfied, result in the issue of up to 1,000,000 Shares.

12.4 Substantial holders

At 25 November 2019, being the last practicable date prior to the date of this Scheme Booklet, the following persons had notified Pensana that they had Voting Power in 5% or more of Shares:

Shareholder Name	Number of Shares	Percentage of Shares
FIL Limited and FIL Investments International	14,621,501	9.56%
Selection Capital Limited	9,069,862	5.93%

12.5 ASX Announcements

Other than the Appendix 4G - Corporate Governance lodged with ASX on 30 September 2019, Pensana has not lodged any announcements with ASX since the lodgement of its annual report for the financial year ended 30 June 2019.

12.6 Lodgement of Scheme Booklet

This Scheme Booklet was given to ASIC on 12 November 2019 in accordance with section 411(2)(b) of the Corporations Act.

12.7 No unacceptable circumstances

The Directors believe that the Scheme does not involve any circumstances in relation to the affairs of any Shareholder that could reasonably be characterised as constituting “unacceptable circumstances” for the purposes of section 657A of the Corporations Act.

12.8 Creditors of Pensana

The Scheme, if implemented, is not expected to materially prejudice Pensana’s ability to pay its creditors, as the Scheme involves the acquisition of Shares for consideration provided by a third party, rather than the acquisition of Pensana’s underlying assets. No material new liability (other than transaction costs) is expected to be incurred by Pensana as a consequence of the Scheme. Pensana has paid and is paying all of its creditors within normal terms of trade and is solvent and trading in an ordinary commercial manner.

12.9 Consents

(a) Role of advisers and experts

The persons named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the Scheme or the preparation or distribution of this Scheme Booklet are:

Name	Role	Estimate of Fees (ex. GST)
BDO	Independent Expert	A\$35,000
SRK Consulting (Australasia) Pty Limited	Technical Expert	A\$35,000
DLA Piper	Legal adviser to Pensana	A\$125,000
Bryan Cave Leighton Paisner LLP	Legal adviser to Pensana on UK law	A\$100,000
Computershare Investor Services Pty Limited	Pensana’s share registry	A\$15,000
Ernst & Young	Tax adviser to Pensana	A\$25,000

(b) Consents

BDO has given its consent to the inclusion of its Independent Expert's Report in this Scheme Booklet in the form and context in which it appears in Annexure 1 of this Scheme Booklet and has not withdrawn that consent before the date of this Scheme Booklet. BDO takes no responsibility for the contents of the Scheme Booklet other than the Independent Expert's Report. The interests of BDO in its capacity as Independent Expert are disclosed in the Independent Expert's Report.

SRK Consulting (Australasia) Pty Limited has given its consent to the inclusion of information prepared by it regarding Mineral Resources in relation to the Longonjo Project and has not withdrawn that consent before the date of this Scheme Booklet.

DLA Piper has given its consent to be named in this Scheme Booklet as legal adviser to Pensana and has not withdrawn that consent before the date of this Scheme Booklet.

Bryan Cave Leighton Paisner LLP has given its consent to be named in this Scheme Booklet as legal adviser to Pensana and has not withdrawn that consent before the date of this Scheme Booklet.

Ernst & Young has given its consent to be named in this Scheme Booklet as tax adviser to Pensana and has not withdrawn that consent before the date of this Scheme Booklet.

Computershare Investor Services Pty Limited has given its consent to be named in this Scheme Booklet as Share Registry for Pensana and Pensana UK and has not withdrawn that consent before the date of this Scheme Booklet.

Each person named in Section 12.9(a) has given, and before the time of registration of this Scheme Booklet with ASIC, has not withdrawn, their consent to being named in this Scheme Booklet in the capacity indicated next to their name.

(c) Disclaimer

Each person named in Section 12.9(a):

- (i) has not authorised or caused the issue of this Scheme Booklet; and
- (ii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for any part of this Scheme Booklet other than a reference to its name and any statement or report which has been included in this Scheme Booklet with the consent of that person.

(d) Fees

Each of the persons named in Section 12.9 as performing a function in a professional, advisory or other capacity in connection with the Scheme and the preparation of this Scheme Booklet, will be entitled to receive professional fees charged in accordance with their normal basis of charging. The estimated fees payable to these parties is detailed in section 12.9(a).

If the Scheme is implemented, costs of approximately A\$335,000 (excluding GST) are expected to be paid by Pensana. This includes advisory fees for Pensana's financial, legal, accounting and tax advisers, the Independent Expert fees, governance support and proxy advisor engagement support fees, general administrative fees, printing and distribution costs, expenses associated with convening and holding the Scheme Meeting and other expenses.

If the Scheme is not implemented, costs of approximately A\$335,000 (excluding GST) are expected to be paid by Pensana.

12.10 Competent Persons' Report

The information in this Scheme Booklet that relates to Mineral Resource estimates is based on work done by Rodney Brown of SRK Consulting (Australasia) Pty Limited. 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 JORC Code. Mr Brown consents to the inclusion in this Scheme Booklet of the matters based on

his information and has reviewed all statements pertaining to this information in the form and context in which it appears. Mr Brown has not withdrawn his consent prior to the lodgement of this Scheme Booklet with the ASIC.

The information in this Scheme Booklet produced by Rodney Brown 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 JORC Code. Mr Hammond consents to the inclusion in this Scheme Booklet of the matters based on his information and has reviewed all statements pertaining to this information in the form and context in which it appears. Mr Hammond has not withdrawn his consent prior to the lodgement of this Scheme Booklet with the ASIC.

The Company confirms that it is not aware of any new information or data that materially affects the information included in this Scheme Booklet in respect of Mineral Resources estimates. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the report it has prepared for the Company in respect of Mineral Resources estimates.

12.11 Regulatory conditions and relief

ASX waivers

Pensana UK has filed an application for waivers and confirmations from the ASX in relation to certain ASX Listing Rules and documents that need to be filed with the ASX in connection with Pensana UK's application to be admitted to the official list of ASX and the quotation of the Pensana UK CDIs on ASX.

As at the date of this Scheme Booklet, Pensana UK has received in-principle confirmation from ASX that it will grant the waivers and confirmations sought by Pensana UK in all material respects.

In addition, the Company has applied to ASX for a waiver in relation to ASX Listing Rule 6.23.2 to permit the cancellation of certain unlisted options and performance rights entitling the holders to be issued fully paid ordinary shares in Pensana for consideration without requiring Shareholder approval to be obtained.

ASIC relief

Pensana UK has made an application to ASIC for:

- (a) a modification or variation of subsections 707(3) and (4) of the Corporations Act to make it clear that:
 - (i) the UK Subscription Shares may be on sold; and
 - (ii) the Sale Agent may sell Pensana UK CDIs that would otherwise be issued to Ineligible Foreign Shareholders,within 12 months of their issue, without requiring disclosure under Chapter 6D of the Corporations Act;
- (b) a declaration under subsection 741(1)(b) of the Corporations Act modifying sections 708A(12A) and 708A(5) of the Corporations Act such that, in the 12 months following the Implementation Date, the continuous quotation of Pensana UK CDIs may be included in the calculation of the 3 month period for the purposes of sections 708A(12A) and 708A(5) of the Corporations Act; and
- (c) a declaration under subsection 741(1)(b) modifying the definition of "continuously quoted securities" for the purposes of Chapter 6D of the Corporations Act such that, in the 12 months following the Implementation Date, the continuous quotation of Pensana UK CDIs may be included in the calculation of the 3 month period for the purposes of section 713(1) of the Corporations Act.

As at the date of this Scheme Booklet, ASIC has not made a formal decision on this application. If granted, the form of the relief granted to the Company and Pensana UK will be subject to finalisation of the relief instruments by ASIC.

12.12 Foreign jurisdictions

- (a) General

Neither this Scheme Booklet nor the Scheme constitutes, or is intended to constitute, an offer of securities in any place in which, or to any person to whom, the making of such an offer would be not be lawful under the laws of any jurisdiction outside Australia, New Zealand, the United Kingdom, Hong Kong and Singapore and shall not form the basis of any contract.

Ineligible Foreign Shareholders will not receive Pensana UK CDIs under the Scheme. Instead, Ineligible Foreign Shareholders will have their entitlements sold by the Sale Agent on market after Pensana UK CDIs commence trading on ASX with the proceeds of sale, net of any brokerage, taxes and other costs of sale, remitted to the Ineligible Foreign Shareholders.

Neither Pensana UK, Pensana nor the Sale Agent will be subject to any liability for the sale of Pensana UK CDIs on market on a particular day or at a particular price.

12.13 Supplementary information

If, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, Pensana becomes aware of any of the following:

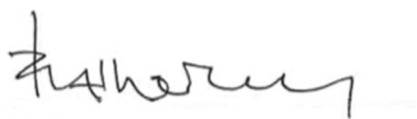
- (a) a material statement in this Scheme Booklet is false or misleading or deceptive;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter that has arisen and that would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

Pensana will make available supplementary material to Shareholders. Pensana intends to make available any supplementary material by releasing that material to ASX (www.asx.com.au) and posting the supplementary document to Pensana's website (<https://www.pensanametals.com/>). Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Pensana may also send such supplementary materials to Shareholders.

12.14 Other material information

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of Pensana which has not previously been disclosed to Shareholders.

THE ISSUE OF THIS SCHEME BOOKLET IS AUTHORISED BY THE DIRECTORS OF PENSANA AND THIS SCHEME BOOKLET HAS BEEN SIGNED BY OR ON BEHALF OF THE DIRECTORS OF PENSANA ON 29 NOVEMBER 2019

A handwritten signature in black ink, appearing to read 'P. Atherley', written over a faint horizontal line.

Paul Atherley
Chairman

13. Glossary

In this Scheme Booklet, unless the context requires otherwise:

£ or **GBP** means the lawful currency of the United Kingdom.

A\$ means the lawful currency of Australia.

AIM means the AIM Market of the London Stock Exchange.

Annexure means an annexure to this Scheme Booklet.

Announcement Date means the date on which Pensana and Pensana UK announced to ASX that they had entered into the Scheme Implementation Agreement, being 1 November 2019.

ASIC means the Australian Securities & Investments Commission.

Associate has the meaning given to that term in the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or where the context requires, the financial market operated by it known as the Australian Securities Exchange.

ASX Listing Rules means the official listing rules of ASX.

ASX Settlement means ASX Settlement Pty Limited ABN 49 008 504 532.

ASX Settlement Operating Rules means the settlement rules of the settlement facility provided by ASX Settlement Pty Limited ABN 49 008 504 532.

Authorised Person means, in respect of a person:

- (a) a director, officer or employee of the person;
- (b) an adviser of the person; and
- (c) a director, officer or employee of an adviser of the person.

AWST means Australian Western Standard Time.

Board means the board of directors of Pensana.

Business Day means a business day as defined in the ASX Listing Rules.

CDI means a CHESS depositary interest representing a unit of beneficial ownership in a share (or other equity security) of a foreign registered entity, registered in the name of CDN.

CDN means CHESS Depositary Nominees Pty Limited ACN 071 346 506.

CGT means capital gains tax.

CHESS means the clearing house electronic sub-register system of security transfers operated by ASX Settlement.

Competent Person has the meaning given in the JORC Code.

Computershare means Computershare Investor Services Pty Limited.

Control has the meaning given to that term in section 50AA of the Corporations Act and **Controlled** has the corresponding meaning.

Corporations Act means the *Corporations Act 2001* (Cth), as amended from time to time.

Corporations Regulations means the *Corporations Regulations 2001* (Cth), as amended from time to time.

Court means the Supreme Court of Western Australia or such other court of competent jurisdiction under the Corporations Act as agreed in writing between Pensana and Pensana UK.

Deed Poll means the deed poll executed by Pensana UK and set out in Annexure 4.

Deeds of Cancellation has the meaning given in Section 11.15.

Director means a director of Pensana.

Effective means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act, in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

EMEA means Europe, the Middle East and Africa.

End Date means the date that is 6 months after the date of the Scheme Implementation Agreement or such later date as Pensana UK and Pensana agree in writing.

ESIA has the meaning given in Section 7.6.

Explanatory Statement means the statement pursuant to section 412 of the Corporations Act, which is registered by ASIC in relation to the Scheme, copies of which are included in this Scheme Booklet.

FCA means the Financial Conduct Authority of the United Kingdom.

Governmental Agency means any foreign (including Angola) or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign (including Angola) or Australian (including ASIC and the Takeovers Panel). It also includes ASX and LSE and any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions.

GST means the tax levied under the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Implementation Date means the fifth Business Day after the Record Date, or such other date as Pensana and Pensana UK agree in writing.

Independent Expert or **BDO** means BDO Corporate Finance (WA) Pty Limited.

Independent Expert's Report means the report in Annexure 1.

Ineligible Foreign Shareholder means any Shareholder whose address in the Pensana Register is in an Ineligible Jurisdiction.

Ineligible Jurisdiction means any jurisdiction other than Australia, New Zealand, the United Kingdom, Hong Kong and Singapore.

Inferred Mineral Resource means the part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence.

JORC means the Joint Ore Reserves Committee.

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 edition.

Listing Rules means the official listing rules of ASX.

London Stock Exchange or **LSE** means the London Stock Exchange plc.

Longonjo Project has the meaning given in Section 7.1.

Merged Group means the combined group consisting of the Pensana Group and Pensana UK.

Mineral Resource has the meaning given to that term in the JORC Code.

Notice of Scheme Meeting means the notice convening the Scheme Meeting together with the Proxy Form for that meeting as set out in Annexure 7.

NdPr means Neodymium and Praseodymium.

Offer has the meaning given in Section 8.10.

Official List means the Official List of the FCA (Standard Segment).

Option means an option which entitles the holder to subscribe for one Share in accordance with the Plan.

Optionholder means a holder of an Option.

Ore Reserve has the meaning given to that term in the JORC Code.

Ozango has the meaning given in Section 7.2.

Pensana or **Company** means Pensana Metals Limited ACN 121 985 395.

Pensana Group means, collectively, Pensana and each of its Related Bodies Corporate other than Pensana UK.

Pensana Register means the register of Shareholders maintained in accordance with the Corporations Act.

Pensana UK means Pensana Rare Earths plc which is a public company incorporated in England and Wales with registered number 12206525 and whose registered office is at Suite 1, 3rd Floor, 11-12 St James Square, London SW1Y 4LB.

Pensana UK Articles means the articles of association of Pensana UK as amended from time to time.

Pensana UK Board means the board of Pensana UK Directors from time to time.

Pensana UK CDI means a CDI in respect of a Pensana UK Share.

Pensana UK Director means a director of Pensana UK.

Pensana UK Group means, collectively, Pensana UK and each of its Related Bodies Corporate.

Pensana UK Register means the share register of Pensana UK Shareholders.

Pensana UK Share means a fully paid ordinary share of £0.001 in the issued share capital of Pensana UK.

Performance Right means a performance right issued under the Plan.

Performance Right Holder means a holder of a Performance Right.

PFS has the meaning given in Section 7.3.

Plan has the meaning given in Section 8.10.

Proposed London Listing has the meaning given in Section 1.1.

Proposed Transaction means the proposed re-domiciliation of the Pensana Group in the United Kingdom implemented by means of the Scheme.

Prospectus means a prospectus of Pensana UK in respect of the Proposed London Listing as approved by the FCA.

Prospectus Regulation means the Prospectus Regulation (EU) 2017/1129.

Proxy Form means the proxy form that accompanies this Scheme Booklet or is available from the Share Registry.

Record Date means 4:00pm (AWST) on the second Business Day after the Effective Date.

Related Body Corporate has the meaning given to that term in section 50 of the Corporations Act.

Relevant Interest has the meaning given to that term in section 9 of the Corporations Act.

REO means rare-earth oxide.

Representative means, in respect of a party, an employee, agent, officer, director, adviser or financier of that party (or of a Related Body Corporate of that party), and, in the case of advisers, includes employees, officers and agents of the adviser.

Requisite Majority means in relation to the Scheme Resolution, a resolution passed by:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of Shareholders (as the case may be), who are present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and
- (b) at least 75% of the total number of votes which are cast at the Scheme Meeting.

Sale Agent means an appropriately licenced person appointed by Pensana UK to administer a facility to sell the Pensana UK CDIs that would otherwise be issued to or for the benefit of Ineligible Foreign Shareholders under the terms of the Scheme.

Sale Facility means the facility operated by the Sale Agent for Ineligible Foreign Shareholders to sell their Pensana UK CDIs.

Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed to be between Pensana and Shareholders, the form of which is contained in Annexure 3, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act.

Scheme Booklet means this scheme booklet (including all of the Annexures and the Proxy Form which accompanies this Scheme Booklet).

Scheme Consideration has the meaning give in Section 5.2.

Scheme Implementation Agreement means the Scheme Implementation Agreement dated 31 October 2019 between Pensana and Pensana UK and contained in Annexure 2.

Scheme Meeting means the meeting of Shareholders ordered by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act, to be held at 10:00am (AWST) on 15 January 2020 and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Resolution means the resolution to be proposed to the Shareholders at the Scheme Meeting to approve the Scheme, set out in the Notice of Scheme Meeting contained in Annexure 7.

Scheme Participant means a Shareholder as at the Record Date, other than Pensana UK if Pensana UK holds any Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard (or if the application is adjourned before consideration of any substantive matters, the first day on which the adjourned application is heard and substantive matters are considered).

Second Court Hearing means the hearing at the Court held on the Second Court Date at which an application is made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme.

Section means a section of this Scheme Booklet.

Share means a fully paid ordinary share in the capital of Pensana.

Shareholder means a holder of one or more Shares as shown in the Pensana Register.

Share Registry means Computershare Investor Services Pty Limited (ACN 078 279 277).

Statutes means the UK Companies Act and every other statute, statutory instrument, regulation or order for the time being in force concerning companies registered under the UK Companies Act.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

UK Companies Act means the United Kingdom Companies Act 2006 as amended from time to time.

UK Subscription Shares has the meaning given in Section 8.6.

Voting Power has the meaning given to it in the Corporations Act.

VWAP means the volume weighted average price.

In this Scheme Booklet:

- (a) words and phrases not otherwise defined in this Scheme Booklet (excluding the Annexures) have the same meaning (if any) as is given to them by the Corporations Act;
- (b) the singular includes the plural and vice versa. A reference to a person includes a reference to a corporation;
- (c) headings are for ease of reference only and do not affect the interpretation of this Scheme Booklet; and
- (d) a reference to a Section is to a Section in this Scheme Booklet unless stated otherwise.

ANNEXURE 1 – INDEPENDENT EXPERT'S REPORT



Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$35,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in Pensana.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Pensana for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA').

AFCA is an external dispute resolution scheme that deals with complaints from consumers in the financial system. It is a not-for-profit company limited by guarantee and authorised by the responsible federal minister. AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service ('FOS') schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
AFCA Free call: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

You may contact us using the details set out on page 1 of the accompanying report.



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Appendix 1 - Glossary and copyright notice

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

4 November 2019

The Directors
Pensana Metals Limited
Level 1/10, Outram Street
West Perth, WA, 6005

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

The Directors of Pensana Metals Limited ('Pensana' or 'the Company') have resolved to propose to Pensana shareholders ('Shareholders') to re-domicile the Company and its controlled entities ('Pensana Group') by means of a Scheme of Arrangement under Part 5.1 of the Corporations Act 2001 Cth ('Corporations Act' or 'the Act') ('the Scheme'), the effect of which will be to make Pensana a wholly-owned subsidiary of a newly formed company incorporated in accordance with the laws of England and Wales, to be named Pensana Rare Earths plc ('Pensana UK'). If Shareholders approve the Scheme, all the ordinary shares held by Shareholders will be exchanged for shares in Pensana UK, which will act as the holding company of Pensana.

Under the Scheme, existing Shareholders will receive one Pensana UK share in the form of a Pensana UK CHESS Depository Interest ('CDI') for every Pensana share held as at the record date of the Scheme. The Pensana UK CDIs can be converted into Pensana UK shares ('Pensana UK Shares') and vice versa on a one for one basis at any time following the implementation of the Scheme.

Pensana UK will make an application for admission of Pensana UK to the official list of the Australian Securities Exchange ('ASX') and for quotation of Pensana UK CDIs. Approval of the listing is a condition to the implementation of the Scheme.

As disclosed in the Scheme Booklet Pensana UK intends to begin to undertake the process to list on the London Stock Exchange ('LSE') following regulatory approvals ('Proposed London Listing'). The Proposed London Listing is not a condition of the Scheme, no applications have been made to date and there is no guarantee that this will proceed.

2. Summary and Opinion

2.1 Requirement for the report

The directors of Pensana have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Scheme is in the best interests of the Shareholders.

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 AFS Licence No 316158 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms.



Our Report is prepared pursuant to section 411 of the Corporations Act 2001 Cth ('Corporations Act' or 'the Act') and is to be included in the Scheme Booklet for Pensana in order to assist the Shareholders in their decision whether to approve the Scheme.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 60 'Schemes of Arrangements' ('RG 60'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

ASIC's regulatory guides do not specify the basis of evaluation for a change of domicile transaction but do indicate that the basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction, that is, the expert must consider the substance of the proposed transaction and not the legal form when evaluating the proposed transaction.

Upon implementation of the Scheme, there will be no change in the economic interests of Shareholders in eligible jurisdictions, who effectively retain their interests in the assets of the Pensana Group by way of an interposed entity. The Scheme merely represents a restructure changing the geographic location of the incorporation of the ultimate holding company of the Pensana Group and as such, we do not consider it appropriate to analyse the Scheme as a control transaction.

RG 111 provides further guidance on forming an opinion as to whether a transaction is in the best interests of security holders. The range of transactions regulated by RG 111 includes transactions not involving a change of control, such as demergers and demutualisations. RG 111 indicates that for these types of transactions the issue of value is of secondary importance and the expert should provide an opinion as to whether the advantages of the transaction outweigh the disadvantages. It provides that if the demerger or demutualisation involves a Scheme of Arrangement and the expert concludes that the advantages of the transaction outweigh the disadvantages, the expert should conclude that the Scheme of Arrangement is in the best interests of shareholders.

Based on the guidance provided by RG 111, we consider the most appropriate approach to assess whether the Scheme is in the best interests of Shareholders is to consider whether the advantages of the Scheme outweigh the disadvantages.

As such, in arriving at our opinion, we have assessed the terms of the Scheme as outlined in the body of this report. In particular, we have considered:

- the advantages and disadvantages of the Scheme;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Scheme; and
- the position of Shareholders should the Scheme not proceed.

2.3 Opinion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the advantages outweigh the disadvantages and the Scheme is in the best interest of Shareholders.



The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
9.1.1	Potential access to new funds	9.2.1	Additional costs and administrative burden
9.1.2	Market profile	9.2.2	Potential dilution of existing Shareholders' Interest in the Company
9.1.3	Familiarity with local exchange	9.2.3	Change in jurisdiction and lack of familiarity with new market
9.1.4	Position of Shareholders if the Scheme is not approved	9.2.4	Some ineligible Shareholders may not be able to receive Pensana CDIs.

Other key matters we have considered include:

Section	Description
9.3.1	Impact on investment portfolios and risk preferences
9.3.2	Foreign exchange implications
9.3.3	Liquidity of Pensana UK CDIs
9.3.4	Comparable shareholder protection and regulations
9.3.5	Taxation implications
9.3.6	The Scheme may be implemented even if individual Shareholders do not vote, or vote against, the Scheme



3. Scope of the Report

3.1 Purpose of the Report

The Scheme is to be implemented pursuant to section 411 of the Corporations Act. Part 3 of Schedule 8 to the Corporations Act Regulations 2001 (Cth) ('Regulations') prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to section 411 of the Act ('Section 411').

An independent expert's report must be obtained by a scheme company if:

- There is one or more common directors ; or
- The other party to the scheme holds 30% or more of the voting shares in the scheme company.

The expert must be independent and must state whether or not, in his or her opinion, the proposed scheme is in the best interest of the members of the company the subject of the scheme and setting out his or her reasons for that opinion.

In the case of Pensana, the requirement arises as Pensana UK and Pensana will have one or more common directors.

3.2 Regulatory guidance

Neither the Act nor the Regulations defines the term 'in the best interests of'. In determining whether the Scheme is in the best interests of Shareholders, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

Schemes of Arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, 'in the best interests' must be capable of a broad interpretation to meet the particular circumstances of each transaction. This involves a judgment on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the transaction and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposed transaction and form an overall view as to whether shareholders are likely to be better off if the proposed transaction is implemented than if it is not. An opinion of 'in the best interests' does not imply the best possible outcome for shareholders.

In determining whether the advantages of the Scheme outweigh the disadvantages, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide suggests that an opinion as to whether the advantages of a transaction outweigh the disadvantages should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to affect it.

We have considered the Scheme in the context of the Shareholders as a whole. We have not considered the effect the Scheme may have on individual Shareholders and their specific circumstances. Individual Shareholders will have different investment and risk profiles, which may result in the Scheme affecting them differently. Accordingly, what might be in the best interests of Shareholders as a whole, may not be in the best interests of individual Shareholders.

3.3 Adopted basis of evaluation

RG 111 suggests that the main purpose of an independent expert's report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the transaction.

Having regard to RG 111, we have completed our Report as follows:



- an investigation into the advantages and disadvantages of the Scheme (Section 9.1 and 9.2, respectively);
- an analysis of any other issues that could be reasonably anticipated to concern Shareholders as a result of the Scheme (Section 9.3); and
- a consideration of whether the Scheme is in the best interests of Shareholders.

4. Outline of the Scheme

On 1 November 2019, Pensana announced a proposal to re-domicile the Pensana Group in the United Kingdom by way of a scheme of arrangement between Pensana and its Shareholders whereby Pensana UK would acquire the entire issued share capital of Pensana and become the new holding company for the Pensana Group. Accordingly, if the Scheme proceeds:

- all Shares will be transferred to Pensana UK;
- all Scheme Participants as at the Record Date (whether or not they voted for or against the Scheme and other than Ineligible Foreign Shareholders), will receive the Scheme Consideration, being Pensana UK CDIs; and
- Pensana will be de-listed from ASX and will become a wholly-owned subsidiary of Pensana UK.

In connection with the Scheme, Pensana UK will list on the official list of ASX and accordingly, holders of Pensana UK CDIs will be able to trade their Pensana UK CDIs on ASX after the Scheme becomes effective. Pensana UK is also considering making an application for the admission of the Pensana UK Shares to the Official List of the FCA (Standard Segment) and to trading on the Main Market for listed securities of the London Stock Exchange. The Proposed London Listing is subject to the publication of a FCA approved Prospectus and it has not yet made any applications for admission, and so there is no guarantee that this will proceed.

Conditions of the Scheme

Implementation of the Scheme is subject to a number of outstanding conditions precedent that are summarised in Section 11.2 of the Scheme Booklet and include:

- the approval of the Scheme by the Shareholders and the Court; and
- ASX approving:
 - the admission of Pensana UK to the official list of the ASX; and
 - the Pensana UK CDIs for official quotation by the ASX,

subject only to any conditions which ASX may reasonably require, including the Scheme becoming Effective, and such approval remains in full force and effect in all respects and does not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

A full description of all of the conditions to the Scheme is included in the Scheme Implementation Agreement in Annexure 2 of the Scheme Booklet.

5. Profile of Pensana

5.1 Background

Pensana (formerly Rift Valley Resources Limited) is an ASX-listed exploration and development company, with a primary focus on rare earth properties. The Company's flagship asset is its 84% owned Longonjo NdPr Project ('Longonjo Project' or 'the Project'), located in Angola, Central Africa. Pensana was incorporated in 2006 and listed on the ASX in 2007. The Company's head office is located in West Perth, Western Australia.

The current board of directors comprises:

- Mr. Paul Atherley - Chairman;
- Mr. David Hammond - Director;
- Mr. Mark Hohnen - Non-Executive Director; and
- Mr. Neil MacLachlan - Non-Executive Director.

5.2 The Longonjo Project

The Longonjo Project is located within the Ozango Project area, approximately 60 kilometres ('km') from Angola's second largest city, Huambo. The Project is located in the Ozango concession. The Longonjo Project hosts rare earth elements neodymium and praseodymium, and is held between Pensana (84% interest), the Angolan Governmental body Ferrangol E-P S.A. ('Ferrangol') (10% interest) and other Angolan partners (6%).

The Longonjo Project area benefits from Angola's existing infrastructure network that broadly follows the pattern of natural resource distribution along the western half of the country. The Longonjo Project can be accessed from the sealed national highway and railway line that extend from the Benguela Atlantic Port 200km west of the Project, to the provincial capital of Huambo located 60km east of the Project. The national highway and railway line are within 4.3km of the Project. A power transmission line exists, extending from the Gove Dam hydroelectric power plant to the township of Caala, 38km east of the Project. The following figure sets out the location of the Longonjo Project and existing infrastructure in the area.



Source: Pensana's Annual Report 2018



Pensana conducted a metallurgical desktop study ('the Study') into the Longonjo Project in November 2016. The Study indicated high grade concentrates of up to 19.44% rare earth oxides, with subsequent leach testwork on concentrates achieving more than 89% extractions of the metals neodymium and praseodymium. In June 2017, the Company engaged AMEC Foster Wheeler, a multinational consultancy, engineering and manufacturing company to conduct a scoping study to determine the viability of the Project. Following a short exploration programme, the Company announced a mineral resource estimate for the Project in September 2017.

The Company commenced field surveys for the Project, with drilling underway in August 2018. The drilling program lead to a significant expansion of the mineral resource estimate for the Project, with results released in September 2018.

Pensana appointed Wood Group, an international engineering company, to conduct a preliminary feasibility study ('PFS') for the Project in March 2019. The PFS focussed on a low capital cost open pit mining operation treating 2mtpa and exporting 120,000 tonnes of flotation concentrates per annum to China consumers through existing rail line and port infrastructure facilities.

Mineralogical evaluation and optimisation testwork on the flowsheet continued throughout 2019, which had been developed by the Company to process the Project's weathered mineralisation to a high-grade saleable concentrate.

The Company provided an update on the PFS in September 2019. Results from the PFS are expected to be reported in mid to late October as a result of minor delays in the shipment of samples for mineralogical studies and metallurgical testwork.

5.3 Corporate Events

On 2 July 2018, Pensana announced it had completed a placement of 366,666,667 fully paid ordinary shares to raise \$5.5 million. The placement was completed in two tranches as follows:

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

Funds were to assist with exploration drilling and associated surveys and testwork at the Project, personnel and support costs for the Longonjo programs, and general working capital. Ashanti Capital Pty Ltd acted as the lead manager.

On 2 April 2019, the Company announced it had commenced discussions to undertake a standard listing on the Main Board of the LSE prior to the end of 2019.

On 4 June 2019, the Company announced it had completed a private placement of 250,000,000 fully paid ordinary shares at \$0.200 per share to raise \$5.0 million. Capital was allocated toward a PFS on the Project, conducted by Wood Group.

On 21 August 2019 Pensana announced that Company had completed a 1 for 10 share consolidation for shares held at the record date of 14 August 2019.

5.4 Historical Statements of Financial Position

Statement of Financial Position	Audited as at 30-Jun-19 \$	Audited as at 30-Jun-18 \$	Audited as at 30-Jun-17 \$
CURRENT ASSETS			
Cash and cash equivalents	4,712,730	242,769	1,848,248
Trade and other receivables	45,553	9,372	9,372
Deposits	-	32,185	32,185
Prepayments	31,923	74,648	48,190
Assets held for sale	3,556,840	5,645,553	-
Other financial assets	156	156	156
TOTAL CURRENT ASSETS	8,347,202	6,004,683	1,938,151
NON-CURRENT ASSETS			
Property, plant and equipment	8,195	5,922	66,394
Exploration and evaluation expenditure	9,170,349	5,596,961	8,800,077
TOTAL NON-CURRENT ASSETS	9,178,544	5,602,883	8,866,471
TOTAL ASSETS	17,525,746	11,607,566	10,804,622
CURRENT LIABILITIES			
Liabilities associated with held for sale assets	60,866	57,726	-
Sundry creditors	-	392,968	-
Trade and other payables	574,587	322,225	341,901
TOTAL CURRENT LIABILITIES	635,453	772,919	341,901
TOTAL LIABILITIES	635,453	772,919	341,901
NET ASSETS	16,890,293	10,834,647	10,462,721
EQUITY			
Issued capital	50,991,922	41,149,646	39,734,149
Reserves	6,847,360	4,800,094	4,018,675
Accumulated losses	(40,948,989)	(35,115,093)	(33,290,103)
TOTAL EQUITY	16,890,293	10,834,647	10,462,721

Source: Pensana's audited financial statements for the years ended 30 June 2017, 30 June 2018 and 30 June 2019.

Commentary on Historical Statements of Financial Position

We note the following in regards to Pensana's historical statements of financial position:

- Cash and cash equivalents decreased from \$1,848,248 at 30 June 2017 to \$242,769 at 30 June 2018. The decrease in cash and cash equivalents of \$1,605,479 was largely a result of payments for exploration expenditure of \$2,059,214 and payments to suppliers and employees of \$1,363,455. This was partially offset by proceeds from issues of equity securities of \$1,510,500 and proceeds from deposits for Tanzanian assets of \$392,968.
- Cash and cash equivalents increased from \$242,769 at 30 June 2018 to \$4,712,730 at 30 June 2019. The increase of \$4,469,961 was primarily due to proceeds from the issues of equity securities of \$10,000,000. This was partially offset by payments for exploration expenditure of



\$3,203,624, payments to suppliers and employees of \$1,753,127, and payment for additional 14% interest in the Project.

- Exploration and evaluation expenditure increased from \$5,596,961 at 30 June 2018 to \$9,170,349 at 30 June 2019 and related to exploration and expenditure associated with the Longonjo Project. During FY19, the Company conducted field surveys, drilling, and a PFS on the Project.
- Assets held for sale of \$3,556,840 at 30 June 2019 related to the fair value of the Company's capitalised Tanzanian mineral exploration and evaluation assets. Over the duration of FY19, the Company received a non-binding proposal for the acquisition of 100% interests in the Miyabi Gold Project which the board are considering, of which an impairment of \$1,613,770 had been recognised. Further, the Company also executed a conditional sale agreement to sell the Kitongo Gold Project tenements and Canuck Prospecting Licence ('Canuck Licence').
- Sundry credits of \$392,968 at 30 June 2018 related to a refundable deposit received for payment for the sale of the Canuck Licence in Tanzania during FY18.

5.5 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited for the year ended 30-Jun-19	Audited for the year ended 30-Jun-18	Audited for the year ended 30-Jun-17
	\$	\$	\$
Revenue			
Other income	458,203	2,288	3,117
Expenses			
Administration expenses	(1,117,960)	(795,198)	(336,911)
Corporate expenses	(3,141,730)	(909,361)	(1,074,729)
Impairment of exploration assets	(1,613,770)	(110,827)	(7,797,899)
Foreign currency exchange (loss)/gain	59,400	(11,892)	13,823
Provisions for estimated credit losses on financial assets	(478,039)	-	-
Loss from operations before finance costs	(5,833,896)	(1,824,990)	(9,192,599)
Finance costs	-	-	-
Loss before income tax	(5,833,896)	(1,824,990)	(9,192,599)
Income tax benefit/(expense)	-	-	-
Total loss for the period	(5,833,896)	(1,824,990)	(9,192,599)
Other comprehensive income			
Foreign currency translation	580,787	598,161	(331,676)
Total comprehensive loss for the period	(5,253,109)	(1,226,829)	(9,524,275)

Source: Pensana's audited financial statements for the years ended 30 June 2017, 30 June 2018 and 30 June 2019.

Commentary on Historical Statements of Profit or Loss and Other Comprehensive Income

We note the following in regards to Pensana's historical statements of profit or loss and other comprehensive income:



- Other income of \$458,203 for the year ended 30 June 2019 largely related to gain on assets held for sale of \$349,855, and a research and development rebate of \$102,720.
- Corporate expenses of \$3,141,730 for the year ended 30 June 2019 primarily comprised performance rights and options granted to Directors, officers and employees of \$2,115,239.
- Impairment of exploration assets of \$1,613,770 for the year ended 30 June 2019 related to an impairment recognised on the Miyabi Gold Project.

5.6 Capital Structure

The share structure of Pensana as at 4 October 2019 is outlined below:

	Number
Total ordinary shares on issue	147,365,277
Top 20 shareholders	63,255,106
Top 20 shareholders - % of shares on issue	42.92%

Source: Share registry information

The range of shares held in Pensana as at 4 October 2019 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	218	99,561	0.07%
1,001 - 5,000	426	1,209,527	0.82%
5,001 - 10,000	234	1,891,409	1.28%
10,001 - 100,000	551	19,237,587	13.05%
100,001 - and over	196	124,927,193	84.77%
TOTAL	1,625	147,365,277	100.00%

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 4 October 2019 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
HSBC Custody Nominees (Australia) Limited	16,308,743	11.07%
Mr. Richard Arthur Lockwood	5,165,800	3.51%
Selection Capital Limited	4,858,038	3.30%
J P Morgan Nominees Australia Pty Limited	3,389,560	2.30%
Subtotal	29,722,141	20.17%
Others	117,643,136	79.83%
Total ordinary shares on Issue	147,365,277	100.00%

Source: Share registry information



The terms of the Options on issue at 4 October 2019 are outlined below:

Current Options on Issue	Number
Expiry 6-Apr-20, Exercise Price \$0.050	200,000
Expiry 14-Nov-19, Exercise Price \$0.040	250,000
Expiry 14-Nov-19, Exercise Price \$0.060	250,000
Expiry 31-Dec-20, Exercise Price \$0.040	250,000
Expiry 31-Dec-19, Exercise Price \$0.040	250,000

Source: Appendix 3B

The details of Performance rights on issue at 4 October 2019 are set out below:

Issued to	Number of Rights	Vesting Conditions	Grant date	Expiry date	Vesting date
David Hammond	1,000,000	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	1,000,000	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	3,858,037	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	3,858,037	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	1,250,000	Commencement of concentrate sales by end of December 2021	22 April 2019	31 December 2021	Upon vesting conditions being met
Tim George	1,250,000	Commencement of Construction by end of December 2020	22 April 2019	31 December 2021	Upon vesting conditions being met
Graeme Clatworthy	500,000	Commencement of Construction by end of December 2020	28 June 2019	31 December 2020	Upon vesting conditions being met
Scott Mison	500,000	Listing on London Stock exchange	28 June 2019	31 December 2019	Upon vesting conditions being met
Scott Mison	500,000	Completion of sale of Tanzanian assets and closing subsidiaries	28 June 2019	31 December 2019	Upon vesting conditions being met
TOTAL	13,716,074				

Source: Company

6. Economic analysis

6.1 Angola

Angola is endowed with significant oil and gas resource, however periods of falling oil prices prolonged by declining production at mature oil fields have hindered economic growth and government revenues.

The oil sector has been the cornerstone of the Angola economy, accounting for one-third of gross domestic product ('GDP') and more than 90% of exports. GDP growth contracted by 1.2% in 2018, reflecting the effects of lower oil prices. Real GDP growth is projected to emerge from recession, with growth of 1.2% in 2019, and 3.2% in 2020, in light of the production and export of diamonds, agriculture, and construction.

Inflation was an estimated 17.2% in July 2019, after declining from 18.6% at the end of 2018 on the back of weak economic activity. Management of public debt increased significantly from 40.7% of GDP in 2014 to an estimated 80.5% of GDP at the end of 2018.

Long term difficulties for the Angola economy arise through reducing the dependency on oil and diversifying its economy, rebuilding its infrastructure, and improving institutional capacity, governance, public financial management systems and the living conditions of the population. Further economic diversification is required to ensure a stable and prosperous economic climate.

Source: African Economic Outlook 2019, The World Bank

7. Industry analysis

7.1 Rare Earth Elements

Overview

Rare earth elements ("REE") is segmented by 15 lanthanides plus scandium and yttrium that have similar chemical properties to the lanthanides. The REE are conventionally divided into "Light" REE ("LREE") and "Heavy" REE ("HREE"). REE are more abundant in the Earth's crust than gold, silver or platinum metals. However, because of their geochemical properties, REE are typically dispersed and not often found in concentrated and economically viable quantities. Due to the very similar chemical characteristics of REE, the preparation of pure oxide or metal products of the individual REE from rare earth mineral concentrate is complex and expensive.

The table below depicts each REE, their atomic number, symbol and their main usages in the market:

	Symbol	Name	Type of REE	Selected Usages
57	La	Lanthanum	LREE	High refractive index glass, flint, hydrogen storage, battery-electrodes, camera lenses, fluid catalytic cracking catalyst for oil refineries
58	Ce	Cerium	LREE	Chemical oxidizing agent, polishing powder, yellow colours in glass and ceramics, catalyst for self-cleaning ovens, fluid catalytic cracking catalyst for oil refineries
59	Pr	Praseodymium	LREE	Rare-earth magnets, lasers, core material for carbon arc lighting, colorant in glasses and enamels, additive in Didymium glass used in welding goggles, ferrocerium fire steel (flint) products

	Symbol	Name	Type of REE	Selected Usages
60	Nd	Neodymium	LREE	Rare-earth magnets, lasers, violet colours in glass and ceramics, ceramic capacitors
61	Pm	Promethium	LREE	Nuclear batteries
62	Sm	Samarium	LREE	Rare-earth magnets, lasers, neutron capture, masers
63	Eu	Europium	HREE	Red and blue phosphors, lasers, mercury-vapour lamps
64	Gd	Gadolinium	HREE	Rare-earth magnets, high refractive index glass or garnets, lasers, x-ray tubes, computer memories, neutron capture
65	Tb	Terbium	HREE	Green phosphors, lasers, fluorescent lamps
66	Dy	Dysprosium	HREE	Rare-earth magnets, lasers
67	Ho	Holmium	HREE	Lasers
68	Er	Erbium	HREE	Lasers, vanadium steel
69	Tm	Thulium	HREE	Portable X-ray machines
70	Yb	Ytterbium	HREE	Infrared lasers, chemical reducing agent
71	Lu	Lutetium	HREE	PET Scan detectors, high refractive index glass
21	Sc	Scandium	HREE	Light Aluminium-scandium alloy for aerospace components, additive in Mercury-vapour lamps
39	Y	Yttrium	HREE	Yttrium-aluminium garnet (YAG) laser, YBCO high-temperature superconductors, yttrium iron garnet (YIG) microwave filters

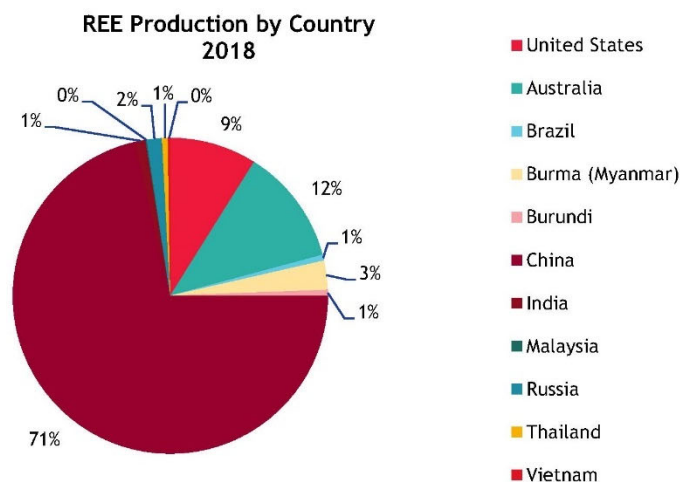
REE demand is growing rapidly due to the adoption of environmentally-friendly energy technologies; in particular wind energy generation and low-emission “hybrid” motor vehicles. Further, REE is a vital mineral necessary for the production of various high technology products and defence equipment.

The prices for REE are not fixed by central trading exchanges but are fixed on a trade-by-trade basis. The price of individual rare earths varies widely. Therefore, REE deposits are compared on the basis of its relative concentrations of individual REE in the ore.

REE Production

The Asia-Pacific region dominated the global production of REE in 2018, as production has significantly declined over the past few decades in countries outside of this region. China is the world’s largest automotive producer and is focussed on increasing the production and sale of electric vehicles across the country. China is the world’s leading REE producer, with an estimated 120,000 tonnes of REE mined throughout 2018 equating to approximately 71% of the world REE production.

The graph below exhibits estimated production output for 2018:

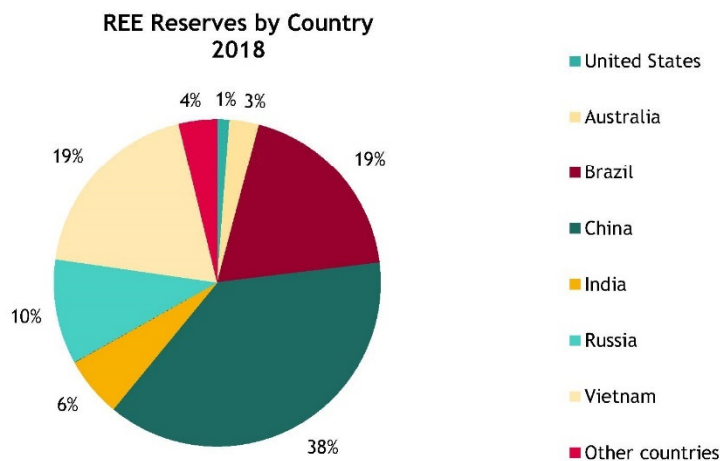


Source: U.S. Geological Survey

The second largest REE producer is Australia, with an estimated 20,000 tonnes of REE mined throughout 2018. In China, mine production quotas for the first and second half of 2018 were set at 73,500 tonnes and 46,500 tonnes, respectively. This represents an increase of 17% on the combined quotas set in 2017.

REE Reserves

At the end of 2018, China and Brazil were collectively estimated to account for 57% of the global REE reserves. A figure illustrating an estimated country breakdown of reserves is shown below:



Source: U.S. Geological Survey



8. Implications of the Scheme

We have summarised the implications of the Scheme for Shareholders below:

8.1 Ownership structure

If the Scheme is approved, existing Shareholders will receive one Pensana UK Share, to be held in the form of a Pensana UK CDI, for every Pensana share held as at the record date of the Scheme, and Pensana UK will become the 100% holder of Pensana.

As such, in substance there will be no change in the economic interests of Shareholders, as they will effectively retain their existing proportionate interest in the business and assets of Pensana.

8.2 Taxation Implications

The Australian income tax consequences for Shareholders of implementing the Scheme will depend upon whether the shares are held on capital account, on revenue account or as trading stock. A distinguishing feature of shares held on capital account and shares held either on revenue account or as trading stock is the purpose for which they were acquired:

- shares held on revenue account, or as trading stock, are acquired for resale at a profit in the short term; whereas
- shares held on capital account are acquired for the purposes of deriving dividend income and long term appreciation of value.

The implementation of the Scheme should not crystallise Australian Capital Gains Tax ('CGT') for Shareholders who hold their shares on capital account. This is due to the availability of scrip-for-scrip roll-over relief in Australia. We note that Pensana is engaging with the Australian Taxation Office on this matter, with a view to obtaining a class ruling. However, the availability of scrip-for-scrip roll-over relief has not been confirmed by a ruling and it is possible that the Australian Taxation Office will take a different view. On the basis that scrip-for-scrip roll over relief is available, Shareholders who are Australian tax residents can choose to disregard any capital gain arising upon the exchange of Pensana shares for Pensana UK CDIs.

Shareholders who hold their shares on revenue account will be subject to income tax on any gains arising from the exchange of Pensana shares for Pensana UK CDIs. Non-resident Shareholders whose revenue gains are sourced in Australia may be protected by an applicable tax treaty.

Furthermore, as Pensana UK will not be an Australian resident for tax purposes, Shareholders who receive Pensana UK CDIs will have a beneficial interest in shares in a foreign company, which will have ongoing implications for Shareholders. The impact of these taxation implication will vary for different Shareholders.

Section 10 of the Scheme Booklet provides a detailed summary of the general tax implications of participating in the Scheme. However, the tax implications of the Scheme will affect Shareholders differently subject to their own respective circumstances, and as such, if necessary, Shareholders should seek their own individual tax advice.

8.3 Listed status and potential access to funds

As detailed in Section 4, the Scheme is conditional upon Pensana UK being admitted to the official list of the ASX. As such, there will be no direct implication of the Scheme proceeding with respect to the



Company's current listed status on the ASX. Notwithstanding the fact that Pensana UK will be governed by the laws of England and Wales, including the UK Companies Act 2006, Pensana UK will still need to remain compliant with the ASX Listing Rules.

Additionally, the Company has announced its intention to seek admission to have its shares traded on the London Stock Exchange. The implementation of the Scheme is not conditional on the Company's admission to the official list of the LSE.

One of the primary considerations for re-domiciling to the UK is to position the Company such that it becomes more attractive for international investors. The directors of Pensana consider that the geographical proximity to larger and more diverse equity markets, in conjunction with a potential admission to the LSE, will increase the attractiveness of the Company to an equity market, which historically has provided substantial equity financing for junior mining companies and traditionally has a keen appetite for African based mining projects. We discuss this further in Section 9.1.2

As such, a key implication of the Scheme is that Pensana may have access to increased sources of funding by way of the issue of ordinary shares and options to, and entering into debt agreements with, international (in particular UK based) investors.

8.4 Legal and regulatory framework

If the Scheme is approved, Shareholders will no longer hold shares in an Australian company as they will exchange them for a beneficial interest in shares in Pensana UK, a company domiciled in the UK. Pensana UK will therefore be governed by the statutory regime of the UK Companies Act 2006 and the laws applicable in England and Wales generally.

Furthermore, as Pensana UK will be listed on the ASX, the protections currently provided to Shareholders under the ASX Listing Rules will continue to apply to their holding in Pensana UK. In the event that the Company is admitted to the official list of the LSE, its respective listing rules will also apply to Pensana UK.

A detailed comparison of Australian and the UK legal regime is outlined in Annexure 6 of the Scheme Booklet. We have summarised some of the key similarities and differences, which we consider may be of importance to Shareholders below.

Share issues

As Pensana UK will be listed on the ASX, Pensana UK will still be restricted in how it can issue new securities in accordance with chapter 7 of the ASX Listing Rules. In particular, Pensana UK is prohibited from issuing, or agreeing to issue, securities in any 12-month period which amount to more than 15% of the issued capital in Pensana UK, unless it obtains shareholder approval or unless one of a number of specified exceptions apply.

The UK Companies Act 2006 confers statutory pre-emption rights on shareholders relating to the allotment of new shares, which can be dis-applied by a special resolution of the shareholders. Subject to certain exceptions, the UK Companies Act 2006, also requires the directors of a company to obtain the approval of shareholders by way of an ordinary resolution to issue and allot new shares and to grant rights to subscribe for or convert any securities into shares.



Disclosure regime

As Pensana UK will be listed on the ASX, the protections currently provided to Shareholders under the ASX Listing Rules will continue to apply to their holding in Pensana UK. Furthermore, due to the continued operation of chapters 3, 4 and 5 of the ASX Listing Rules, Pensana UK will still need to comply with its obligations in relation to:

- continuous disclosure;
- periodic disclosures (i.e. financial reporting); and
- additional reporting on exploration activities (i.e. quarterly activities and cash flow reporting).

In the event that the Company is admitted to the official list of the LSE, its respective listing rules will also apply to Pensana UK, resulting in further regulation and compliance requirements for Pensana UK.

Related party transactions

Given that Pensana UK will need to remain compliant with the ASX Listing Rules, the Company will need to adhere to chapter 10 of the ASX Listing Rules relating to transactions with persons in a position of influence.

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes 5% or more of the equity interests of that entity as set out in the latest published accounts.

Furthermore, the Corporations Act prohibits the Company from giving a director (or other related party) a financial benefit unless either:

- the Company obtains shareholder approval and gives the benefit within 15 months after the approval; and
- giving the financial benefit falls within a specific exception set out in the Corporations Act.

Under Pensana UK's articles of association, provided that a director has disclosed to the board of Pensana UK the nature and extent of his/her interest (direct or indirect) in relation to a transaction or arrangement with Pensana UK, the director shall, amongst other things, not be accountable to Pensana UK for any benefit which he/she derives from such a transaction or arrangement.



Takeover provisions

The Corporations Act restricts the acquisition by any person of a relevant interest in a company under a transaction whereby, that person (together with its associates), or someone else's voting power in the company either:

- increases from 20% or below to more than 20%; or
- where the person's voting power was already above 20% and below 90%, increases in any way at all.

In contrast, the City Code on Takeovers and Mergers, requires that a mandatory cash offer, or offer with a cash alternative, must be made where a person, together with its associates, either:

- acquires an interest in a company resulting in an aggregate holding of 30% or more of the target company's voting rights; or
- increase the aggregate percentage interest it has in the target company's voting shares when it already holds an interest that is not less than 30%, but more than 50%, of the target company's voting rights.

8.5 Costs

The process of implementing the Scheme has a number of steps and involves numerous one-off transaction costs, which Pensana's directors estimate to total approximately \$335,000 to \$350,000.

We do however note that most of these costs have already been incurred, or will be incurred by the date of the meeting to approve the Scheme, regardless of whether the Scheme is approved or not. As a consequence, the quantum of the initial transaction costs of the Scheme is not considered to be material to the decision to be made by Shareholders.

If the Scheme is approved, there will also be additional ongoing operating costs incurred in relation to maintaining a company and share register in the UK and adhering to the relevant UK laws including the UK Companies Act 2006, as required. Furthermore, in the event that Pensana UK is admitted to the official list of the LSE, there may be additional regulation and compliance requirements for Pensana UK.

8.6 Comparison between LSE and ASX

Due to the intention of Pensana UK to list on the LSE we have set out below a comparison between the LSE and ASX, including consideration of the difference raising capital in the two jurisdictions.

LSE

The LSE is the UK's primary stock exchange, and operates as a multinational global financial markets infrastructure provider, with 5,777 listed companies as at September 2019 spanning multiple industry sectors. The LSE operates four markets in total, with equity Initial Public Offerings ('IPOs') concentrated on the Main Market and AIM. The LSE's main market is the principal market for companies listed in the UK and internationally from various industries and sectors, and accommodates the admission of companies to trading on the premium, high growth segment or standard markets.

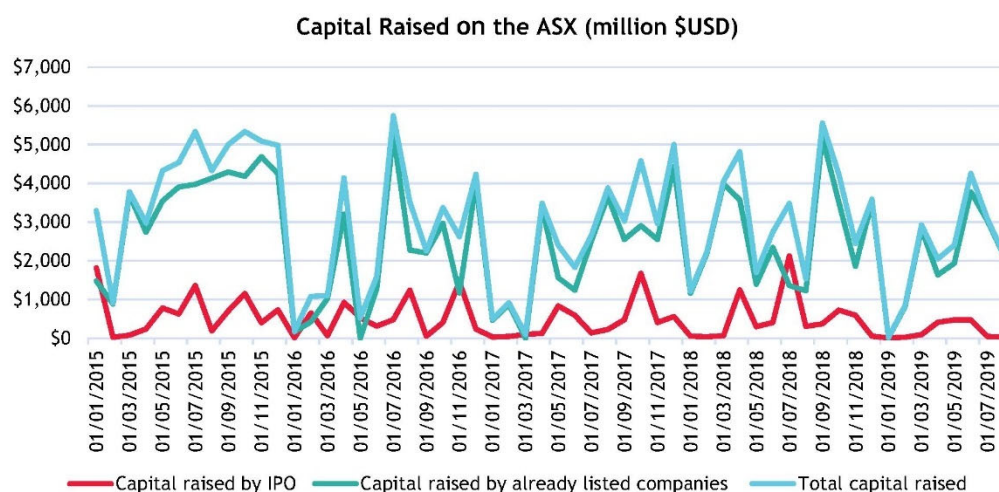


The LSE has a longstanding importance as a source of funds for natural resource development, targeting oil and gas, and mining companies. Further, the investor base of the LSE has demonstrated a strong appetite for mining stocks, particularly in the African continent.

ASX

The Australian Stock Exchange ('ASX') is the largest stock exchange in Australia and the second largest stock exchange in the Asia Pacific region with 2,192 listed companies from various industry sectors. There is a particularly strong presence of resource companies on the ASX with mining and energy companies constituting approximately 40% of the total number of ASX-listed companies.

The ASX has also shown strong performance in the total amount of capital raised when compared to other stock exchanges around the globe. The ASX recorded total capital raised of approximately US\$37 billion in 2018. The graph below shows the breakdown of capital raised on the ASX from January 2015 to August 2019:



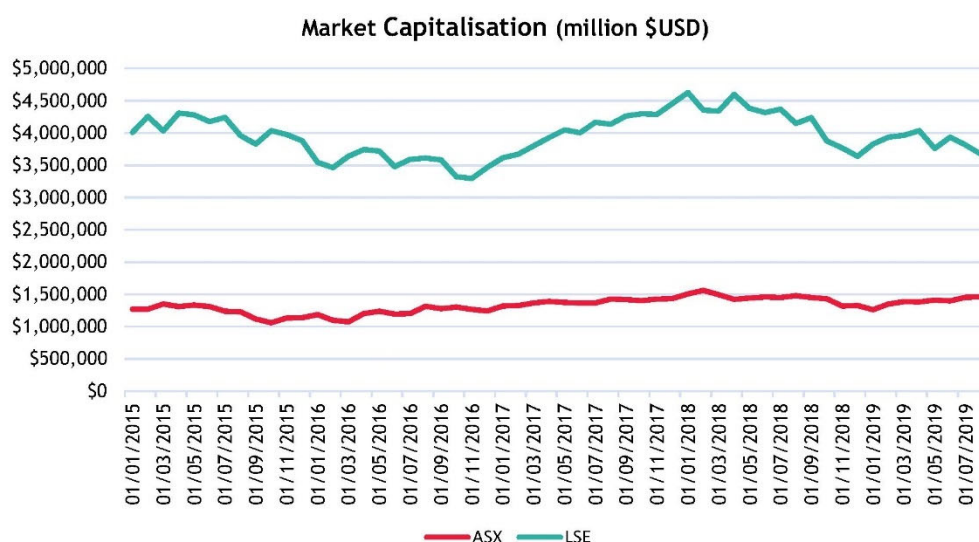
Source: World Federation of Exchanges

8.7 Exchange Size

The LSE is a larger stock exchange than the ASX based on aggregate domestic market capitalisation. At August 2019, the LSE had a total market capitalization of US\$3.6 trillion, while the ASX recorded a market capitalization of US\$1.4 trillion.

The market capitalization of the LSE and ASX has remained relatively stagnant since January 2015, with a recorded CAGR of 2.2% and 3.5%, respectively. The LSE and ASX predominantly comprise companies in the energy and mining sectors, which often take longer to experience high growth.

The graph below illustrates the historical domestic market capitalization (shown in billion \$USD) of the LSE and ASX from January 2015 to August 2019:

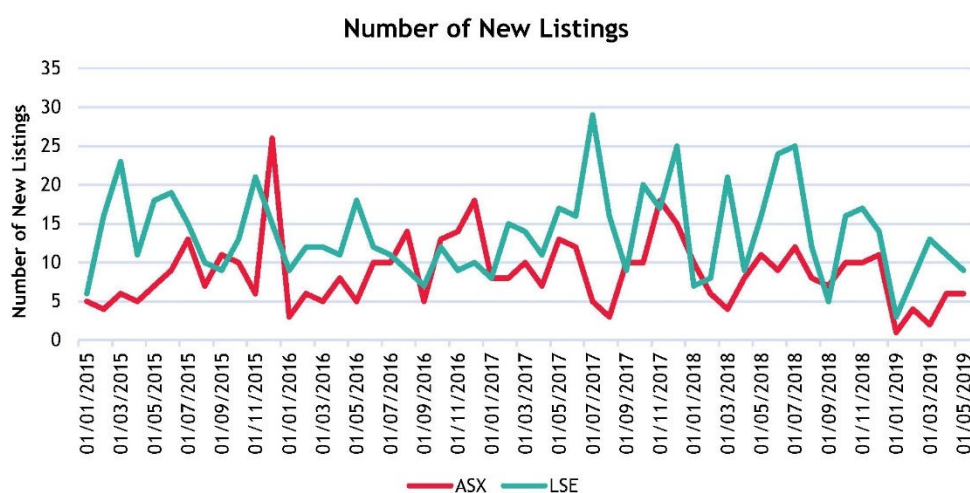


Source: World Federation of Exchanges

The number of listed firms also indicates the size of the exchange. At September 2019, 5,777 companies were listed on the LSE, while 2,190 companies were listed on the ASX.

The key driver of this is the number and value of new listings on the exchange. Over 2018, the ASX had on average 8.8 listings per month, whereas the LSE recorded 15.0 listings per month. Similarly, during 2019 the ASX had on average 3.8 new listings per month and the LSE an average of 9.0 listings per month. Therefore, this contributes to the total number of companies on each respective exchange.

The graph below illustrates the number of new listings on the LSE and ASX from January 2015 to August 2019:



Source: World Federation of Exchanges

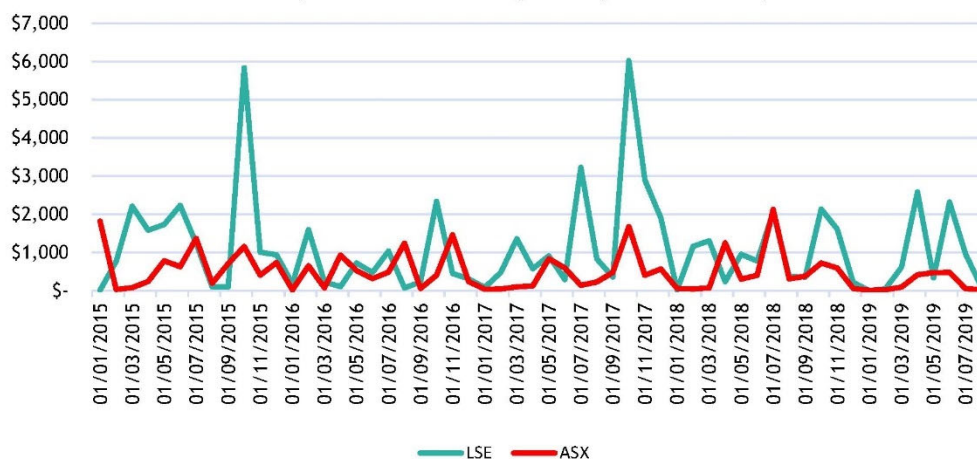
8.8 Market Depth and Liquidity

A company's decision to list on an exchange is mainly dependant on the access to capital, market depth and liquidity of the stock exchange.

The LSE recorded a higher level of capital raised of US\$6,940 million through IPOs compared to the ASX that raised \$1,567 million from January 2019 through August 2019. This illustrates greater access to capital through a wider pool of investors and public markets on the LSE over the ASX.

The graph below illustrates the amount of capital raised through IPOs (in million USD) on the LSE and ASX since January 2015:

Capital Raised through IPO (million \$USD)



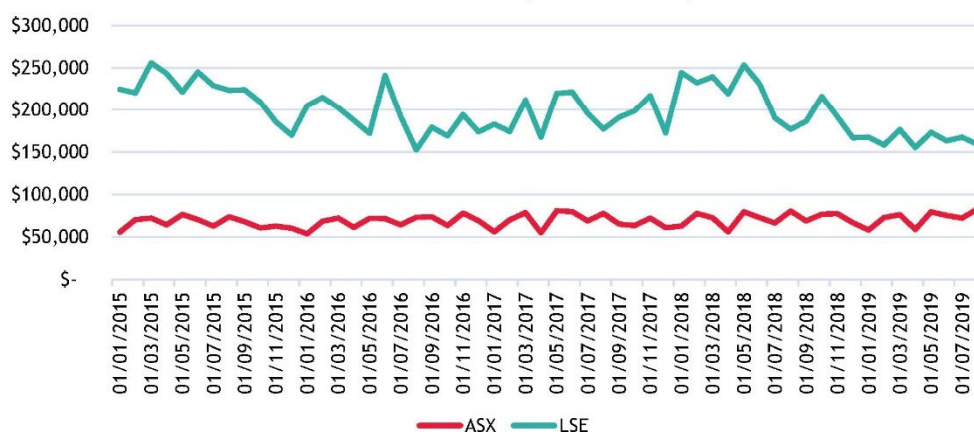
Source: World Federation of Exchanges

We have analysed the market depth based on the value of shares traded per month and the volume of shares traded per month from the Electronic Order Book ('EOB').

Over the period from January 2015 to August 2019, the average value of shares traded per month was US\$1.99 trillion on the LSE and US\$69.4 billion on the ASX. The average volume of shares traded per month over the same period was 26 million on the LSE and 23 million on the ASX.

The graph below illustrates the value of shares traded (in million \$USD) on the LSE and ASX based on the EOB from January 2015 to August 2019:

Value Traded EOB (million \$USD)



Source: World Federation of Exchanges



9. Do the advantages of the Scheme outweigh the disadvantages?

If the Scheme is approved, there will be no material change in value to Shareholders. Consequently, in order to determine whether the Scheme is in the best interests of Shareholders, we have considered the advantages, disadvantages and other factors that are likely to impact Shareholders.

9.1 Advantages of the Scheme

We have considered the following advantages when assessing the Scheme:

9.1.1. Potential access to new funds

One of the principal advantages of the Scheme (and the change in domicile of the Pensana Group) is that Pensana UK would obtain direct and full access to the capital markets in the Europe, Middle East and Africa region ('**EMEA Region**'). The directors of the Company have considered the financing alternatives and believe that the required level of equity funding for the Longonjo Project would be difficult to achieve in the Australian market, or UK market as a foreign domiciled company, or indeed other offshore markets such as Asia and North America.

A change in domicile to the UK, and potential subsequent admission to the LSE, would provide Pensana UK with access to an equity market which has a strong interest in the resources sector and a distinct appetite for investing in junior and emerging mining companies with projects in developing countries. The change in domicile to the UK will also make the Company more attractive to institutional investors in the EMEA Region ('**EMEA Investors**') that limit the amount of 'foreign issues' in their equity portfolios in an attempt to manage international risk.

Currently Pensana has to compete with other large foreign issuers for the non EMEA Region portion of EMEA Investors' equity portfolios. It is likely that non EMEA Region equities account for a small proportion of EMEA Investors' equity portfolios. Furthermore, it is common for these limited funds to be invested in larger more developed competitors that are perceived to be less risky than Pensana.

If the Scheme is implemented, Pensana UK will be a UK domiciled company. Consequently, Pensana UK should have full access to the capital pools of EMEA Region as investments in Pensana UK will no longer be considered 'foreign issues' to EMEA Investors.

This increased potential to access capital is an advantage to Shareholders as in the worst case it could be considered neutral in its effects. Nonetheless, Shareholders should be aware that there is no guarantee that Pensana UK would be successful in obtaining the funding required to develop the Longonjo Project following the implementation of the Scheme.

9.1.2. Market profile

The Scheme provides an opportunity to create a new profile for Pensana in the larger, more diverse EMEA Region. As a UK incorporated company, Pensana UK will be eligible for inclusion on most major indices in the EMEA Region, which may potentially increase the Company's analyst coverage, media exposure and market presence. This can be considered an advantage to Shareholders as a greater market presence can lead to an improvement in the Company's ability to raise future capital, which in turn accelerates growth in the Company and creates additional value for Shareholders in the long run.



9.1.3. Familiarity of local exchange

Implementation of the Scheme is conditional upon Pensana UK being admitted to the official list of the ASX. Therefore, following the Scheme, Shareholders will continue to hold their interests in the Company on the exchange that they are most familiar.

We understand that Pensana UK's intention to seek admission to have its shares traded on the LSE will not preclude Pensana UK from being listed on the ASX. Pensana UK will simply become a dual listed company, with a listing on both the ASX and LSE.

9.1.4. Position of Shareholders if the Scheme is not approved

We note that the transaction costs associated with the Scheme of approximately \$335,000 to \$350,000, most of which have already been incurred, will be expended by Pensana, irrespective of whether the Scheme proceeds or not. Therefore, if the Scheme is implemented, Shareholders will be able to capitalise on the funds already invested by the Company and benefit from the aforementioned advantages of the Scheme. Should the Scheme not be implemented, the transaction cost associated with the Scheme will become sunk costs that Shareholders are unable to benefit from.

Furthermore, if the Scheme is not implemented, it is likely that Pensana will need to reconsider how it will seek additional funds from both current Shareholders as well as new shareholders, which are required for the future development and construction of the Longonjo Project. If the Scheme is approved, the potential pool of investors will not be restricted to those currently available to the Company as Pensana UK will potentially have access to new funds in addition to benefiting from the funding synergies associated with developing the Company's market profile (see sections 9.1.1 Potential access to new funds and 9.1.2 Market profile).

9.2 Disadvantages of the Scheme

We have considered the following disadvantages when assessing the Scheme:

9.2.1. Additional costs and administrative burden

If the Scheme is approved, Pensana UK will incur the transaction costs associated with re-domiciling to the UK. We note that most of these costs have already been incurred, or will be incurred by the date of the meeting to approve the Scheme, regardless of whether the Scheme is approved or not. As a consequence, the transaction costs of the Scheme are not considered to be material to the decision to be made by the Shareholders.

Nonetheless, the Company must also bear the cost of any ongoing compliance, administration and operating costs as a result of the becoming a newly formed entity under the UK Companies Act 2006. It is also noted that given Pensana has not historically included in its corporate structure any entities incorporated in the UK, consequently, there may be a need for Pensana UK to consult external advisors, which will incur additional costs.

Furthermore, in the event that the Company is admitted to the official list of the LSE, its respective listing rules will also apply to Pensana UK, resulting in further regulation and compliance requirements for Pensana UK.



9.2.2. Potential dilution of existing Shareholders' interest in the Company

As discussed in Section 9.1, if the Scheme is implemented, Pensana UK's potential access to new funds coupled with the likely development of Pensana UK's market profile may lead to a greater ability to access equity finance through public offerings. The potential benefit of equity financing is that the capital that Pensana UK receives from selling additional shares can be used to improve Pensana UK's profitability and value of its stock. However, if existing Shareholders are unable to, or choose not to, participate in any future equity raisings, it will lead to their existing percentage ownership in Pensana UK being diluted.

9.2.3. Change in jurisdiction and lack of familiarity with new market

If the Scheme is approved, Shareholders will become shareholders in Pensana UK. As a company incorporated in the United Kingdom, Pensana UK will not be subject to all the provisions of the Corporations Act, with which Shareholders are familiar. Whilst the provisions of the UK Companies Act 2006 are broadly similar to those under the Corporations Act, some Shareholders may not be familiar with the UK provisions that Pensana UK will subsequently be subject to if the Scheme is approved. A detailed comparison of Australian and the UK legal regime is outlined in Annexure 6 of the Scheme Booklet.

9.2.4. Some ineligible Shareholders may not be able to receive Pensana UK CDIs

As outlined in Section 4 of our Report, if the Scheme proceeds, Shareholders whose address is recorded in Pensana's share registry as being outside of Australia, New Zealand, the United Kingdom, Hong Kong and Singapore will not receive Pensana UK CDIs under the Scheme.

Instead, the Pensana UK CDIs that would otherwise be issued to Ineligible Foreign Shareholders will be issued to a Sale Facility Agent that will sell or procure the sale of those Pensana UK CDIs and remit to the Ineligible Foreign Shareholders their proportion of the net proceeds.

In effect, if the Scheme is approved, Ineligible Foreign Shareholders will be forced to exit their respective investments in Pensana without any specific control or guarantee in relation to the sale price they receive for their parcel of Pensana UK CDIs.

9.3 Other considerations

We have also considered the following factors when assessing whether the advantages of the Scheme outweigh the disadvantages:

9.3.1. Impact on investment portfolios and risk preferences

The Scheme will have potential impacts on the investment portfolios of Shareholders who may have specific preferences with respect to the jurisdiction of their investments. The effect of changing the domicile of the Pensana Group from Australia to the UK may mean that Pensana (and in due course Pensana UK) will no longer be an appropriate investment for those Shareholders due to the nature of their individual investment portfolio strategies and risk preferences. Conversely, the change in domicile may attract new investors as Pensana UK will become an appropriate investment for investors with a preference for UK incorporated equities.

However, we note that the underlying key asset of the Pensana Group, being the Longonjo Project, remains unchanged. In this regard given all Shareholders are likely to have differing preferences, we note that Shareholders should seek their own individual advice as necessary.



9.3.2. Foreign exchange implications

If the Scheme is implemented, the Pensana Group will change domicile from Australia to the UK. However, Pensana UK will be admitted to the official list of the ASX and its functional currency may change, however we note that the subsidiaries who are likely to form the bulk of operations going forward will continue to be exposed to the US\$ and Euro. Consequently, with the exception of any country of domicile specific costs, which we consider not to be material, the Scheme will not result in any material foreign exchange implications for the Company or Shareholders.

9.3.3. Liquidity of Pensana UK CDIs

As discussed in section 9.1.2, the change in domicile may facilitate the development of the Pensana Group's market profile. In conjunction with the potential admission of Pensana UK to the official list of the AIM, this may result in greater interest and depth of trading in Pensana's shares, however we are unable to quantify the increase in liquidity, or whether there will be any increase at all.

9.3.4. Comparable shareholder protection and regulations

As discussed in Section 8.4 of our Report, the UK Companies Act 2006 and Australia's Corporations Act are broadly similar with regard to takeovers and other various shareholder protection provisions. We do not consider this to be an advantage or disadvantage to Shareholders as there will not be a significant difference in protection provisions for Shareholders following implementation of the Scheme.

A detailed comparison of Australian and the UK legal regime is outlined in Annexure 6 of the Scheme Booklet.

9.3.5. Taxation implications

An overview of the tax implications for Australian shareholders is set out in Section 8.2 of our Report. Shareholders are directed to Section 10 of the Scheme Booklet for a more detailed explanation of the tax implications of the Scheme for Shareholders. We emphasise that the tax circumstances of each Shareholder can differ significantly and individual Shareholders are advised to obtain their own specific tax advice.

9.3.6. The Scheme may be implemented even if individual Shareholders do not vote, or vote against, the Scheme

In the event that Scheme is approved by the requisite majority of Shareholders and by the Supreme Court of Western Australia and the remaining conditions precedent are satisfied or waived, the Scheme will be implemented, even if individual Shareholders do not vote, or vote against, the Scheme.



10. Conclusion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the advantages outweigh the disadvantages and the Scheme is in the best interest of Shareholders.

11. Sources of information

This report has been based on the following information:

- Audited financial statements of Pensana for the years ended 30 June 2019, 30 June 2018, and 30 June 2017;
- Share registry information;
- The Draft Scheme booklet;
- Discussions with Directors and Management of Pensana; and
- Information in the public domain including;
 - ASX announcements;
 - London Stock Exchange;
 - World Federation of Exchanges;
 - The World Bank;
 - Bloomberg; and
 - African Economic Outlook 2019; and
 - United States Geological Survey.

12. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$35,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Pensana in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Pensana, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Pensana and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Pensana and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Pensana, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Pensana and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.



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13. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Natural Resources Leader for BDO and a former Chairman of BDO in Western Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 21 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

14. Disclaimers and consents

This report has been prepared at the request of Pensana for inclusion in the Scheme Booklet which will be sent to all Pensana Shareholders. Pensana engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider whether the Scheme is reasonable to Shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Scheme Booklet. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Scheme Booklet other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The



Directors of the Company are responsible for conducting appropriate due diligence in relation to Pensana. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Scheme, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Pensana, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

A handwritten signature in black ink, appearing to read 'Adam Myers', written in a cursive style.

Adam Myers
Director

A handwritten signature in black ink, appearing to read 'Sherif Andrawes', written in a cursive style.

Sherif Andrawes
Director



Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
AFCA	Australian Financial Complaints Authority
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Canuck Licence	Canuck Prospecting Licence
The Company	Pensana Metals Limited
Corporations Act	The Corporations Act 2001 Cth
EOB	Electronic Order Book
Ferrangol	Ferrangol E-P S.A.
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
GDP	Gross Domestic Product
IPO	Initial Public Offering
Km	Kilometres
LSE	London Stock Exchange plc
Longonjo Project	Longonjo NdPr Project
Pensana	Pensana Metals Limited
Pensana UK	Pensana Rare Earths plc
PFS	Preliminary feasibility study



Reference	Definition
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Our Report	This Independent Expert's Report prepared by BDO
RG 60	Schemes of arrangement (September 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Section 411	Section 411 of the Corporations Act
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of Pensana
The Study	Metallurgical desktop study
The Scheme	The proposal to re-domicile the Company to the UK and proceed to list on the LSE following regulatory and judicial approvals.
UK	United Kingdom

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The Directors

BDO Corporate Finance (WA) Pty Ltd

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Australia

SCHEME IMPLEMENTATION AGREEMENT

DETAILS

Date 2019

Parties PM8

Name Pensana Metals Ltd
ACN 121 985 395
Address Ground Floor, 10 Outram Street, West Perth, Western Australia 6005
Email scott@pensanametals.com
Attention Scott Mison

UK Holdco

Name Pensana Rare Earths Plc
Company No 12206525
Address Suite 1, 3rd Floor 11 - 12 St. James's Square London SW1Y 4LB
Email tim.george@pensanametals.com
Attention Tim George

BACKGROUND

- A The directors of PM8 consider it would be in the best interests of PM8 Shareholders to effect a re-domiciliation of PM8 and its Subsidiaries in the United Kingdom.
- B Accordingly, the directors of PM8 have resolved to propose to PM8 Shareholders a restructure by way of scheme of arrangement, the effect of which will make PM8 a wholly owned Subsidiary of UK Holdco following the acquisition of the Scheme Shares (the **Transaction**).
- C This agreement is entered into to record and give effect to the terms and conditions on which UK Holdco and PM8 propose to implement the Transaction.

AGREED TERMS

1. INTERPRETATION

Definitions

- 1.1 In this agreement the following terms shall bear the following meanings:

Affiliate means, in relation to any specified person (other than a natural person), any other person (which shall include a natural person) directly or indirectly controlling or controlled by such specified person or under direct or indirect common control with such specified person.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the official listing rules of the ASX.

ASX Settlement means ASX Settlement Pty Ltd ABN 49 008 504 532.

ASX Settlement Operating Rules means the settlement rules of the settlement facility provided by ASX Settlement.

Business Day means a business day as defined in the ASX Listing Rules.

CDI means a CHESS depositary interest representing a unit of beneficial ownership in a UK Holdco Share registered in the name of CDN and **CDIs** mean a number of them.

CDN means CHESS Depositary Nominees Pty Ltd ACN 071 346 506.

CHESS means the clearing house electronic sub-register system of security transfers operated by ASX Settlement.

Conditions Precedent means the conditions precedent in clause 3.1.

control has the meaning given to that term in section 50AA of the Corporations Act and **controlling** and **controlled** has the corresponding meaning.

Convertible Securities means the Options and the Performance Rights.

Convertible Security Cancellation Deeds means the binding agreements to be entered into in accordance with clause 4.11 between PM8, UK Holdco and each of the Option Holders and Performance Right Holders in respect of the cancellation of the Convertible Securities (as applicable).

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Supreme Court of Western Australia or such other court of competent jurisdiction as agreed in writing between PM8 and UK Holdco.

Deed Poll means the deed poll to be entered into by UK Holdco on or about the date of this agreement, the form of which is contained in schedule 3.

Effect means, when used in relation to the Scheme, the coming into effect pursuant to section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme and **Effective** has a corresponding meaning.

Effective Date means the date the Scheme becomes Effective.

Encumbrance means any encumbrance, mortgage, pledge, charge, lien, assignment, hypothecation, security interest, title retention, preferential right or trust arrangement and any other security arrangement of any kind given or created and including any possessory lien in the ordinary course of business whether arising by law or contract.

End Date means 31 March 2020, or such later date as agreed to in writing between the parties.

Excluded Shares means any PM8 Shares held by UK Holdco and its Affiliates.

Explanatory Statement means the statement pursuant to section 412 of the Corporations Act, which will be registered by ASIC in relation to the Scheme, copies of which will be included in the Scheme Booklet.

First Court Date means the first day on which an application is made to the Court for an order under section 411(1) of the Corporations Act approving the convening of the Scheme Meeting.

Foreign Holder means any PM8 Shareholder whose address shown on the PM8 Share Register as at the Record Date is a place outside Australia, New Zealand, the United Kingdom, Hong Kong, Singapore and such other jurisdictions as agreed in writing between the parties, unless, no less than three Business Days prior to the Scheme Meeting, PM8 and UK Holdco agree in writing that it is lawful and not unduly onerous or unduly impracticable to issue that PM8 Shareholder with the Scheme Consideration when the Scheme becomes Effective.

GST has the meaning given to it in the GST law.

GST law has the meaning given to it in the A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Implementation Date means the fifth Business Day after the Record Date, or such other date agreed to in writing by the parties.

Independent Expert means a person to be appointed by PM8 pursuant to clause 5.1(c) as an independent expert to prepare a report to be provided to the PM8 Board and PM8 Shareholders stating whether, in the expert's opinion, the Scheme is in the best interests of PM8 Shareholders.

Independent Expert's Report means the independent expert's report prepared by the Independent Expert in relation to the Scheme including any updates or amendments to this report made by the Independent Expert.

Indicative Timetable means the timetable contained in schedule 1 or as otherwise may be agreed in writing by UK Holdco and PM8, acting reasonably.

Notice of Meeting means the notice convening the Scheme Meeting together with the proxy forms for that meeting.

Option means an option to subscribe for a PM8 Share.

Option Holder means a person who is registered in PM8's register of option holders as the holder of an Option.

Performance Right means a performance right on issue in PM8.

Performance Right Holder means a person who is registered in PM8's register of performance right holders as the holder of a Performance Right.

PM8 means Pensana Metals Ltd ACN 121 985 395.

PM8 Board means the board of PM8 Directors from time to time.

PM8 Director means a director of PM8 from time to time.

PM8 Group means PM8 and its Subsidiaries.

PM8 Share means a fully paid ordinary share issued in the capital of PM8.

PM8 Share Register means the register of holders of PM8 Shares maintained by Computershare Investor Services Pty Limited.

PM8 Shareholder means a person who is registered in the PM8 Share Register as the holder of one or more PM8 Shares, from time to time.

Record Date means 7.00pm on the second Business Day following the Effective Date, or such other date (after the Effective Date) as PM8 and UK Holdco may agree in writing.

Regulatory Approvals has the meaning given to that term in clause 3.1(a).

Regulatory Authority includes:

- (a) a government or governmental, semi-governmental, administrative, fiscal or judicial entity or authority;
- (b) a minister, department, office, commission, delegate, instrumentality, tribunal, agency, board, authority or organisation of any government;

- (c) any regulatory organisation established under statute;
- (d) in particular, the Commonwealth Treasurer, the Australian Taxation Office, the Foreign Investment Review Board, ASX and ASIC; and
- (e) any representative of any of the above.

Representative means:

- (a) in relation to PM8, a member of the PM8 Group, any director, officer or employee of any member of the PM8 Group, and any financier, financial adviser, accounting adviser, auditor, legal adviser or technical or other expert adviser or consultant to any member of the PM8 Group in relation to the Transaction; and
- (b) in relation to UK Holdco, a member of the UK Holdco Group (other than a member of the PM8 Group), any director, officer or employee of any member of the UK Holdco Group (other than a member of the PM8 Group) and any financier, financial adviser, accounting adviser, auditor, legal adviser, or technical or other expert adviser or consultant to any member of the UK Holdco Group (other than a member of the PM8 Group) in relation to the Transaction.

RG 60 means Regulatory Guide 60 issued by ASIC on 22 September 2011, as amended.

Sale Agent means an appropriately licenced person appointed by UK Holdco to administer a facility to sell the CDIs that would otherwise be issued to or for the benefit of Foreign Holders under the terms of the Scheme.

Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act to be proposed between PM8 and PM8 Shareholders, the form of which is contained in schedule 2, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by UK Holdco and PM8.

Scheme Booklet means the information to be despatched to all PM8 Shareholders and approved by the Court in connection with the Scheme, including the Scheme, the Explanatory Statement in respect of the Scheme, the Independent Expert's Report and the Notice of Meeting.

Scheme Consideration means one UK Holdco Share in the form of a CDI for each Scheme Share held by a Scheme Participant, subject to the terms of the Scheme.

Scheme Order means the Order of the Court made for the purposes section 411(4)(b) of the Corporations Act in relation to the Scheme.

Scheme Meeting means the meeting of PM8 Shareholders convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act and includes any adjournment of that meeting.

Scheme Participant means a holder of Scheme Shares as at 7.00pm on the Record Date.

Scheme Resolution means the resolution to be put to PM8 Shareholders at the Scheme Meeting to approve the Scheme.

Scheme Shares means all of the PM8 Shares on issue at 7.00pm on the Record Date other than Excluded Shares.

Second Court Date means the first day on which the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard.

Subsidiaries has the meaning given to that term in section 9 of the Corporations Act.

Transaction has the meaning given to that term in the Background.

WST means western standard time.

UK Holdco means Pensana Rare Earths Plc, a company incorporated in England and Wales with company number 12206525 and whose registered office is at Suite 1, 3rd Floor 11 - 12 St. James's Square London SW1Y 4LB.

UK Holdco Board means the board of directors of UK Holdco.

UK Holdco Group means UK Holdco and its Affiliates (other than members of the PM8 Group).

UK Holdco Information means the information that UK Holdco provides to PM8 under clause 5.3(a) for inclusion in the Scheme Booklet.

UK Holdco Share means a fully paid ordinary share of £0.001 in the capital of UK Holdco.

UK Holdco Share Register means the Australian branch register of registered shareholders of UK Holdco Shares.

Interpretation

1.2 In this agreement, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a clause, paragraph, or schedule is to a clause or paragraph of, or schedule to, this agreement, and a reference to this agreement includes any schedule;
- (d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (e) a reference to A\$, dollar, Australian dollar or \$ is to Australian currency;
- (f) a reference to £, GBP or pounds sterling is to the lawful currency of the United Kingdom;
- (g) a reference to time is to time in Sydney, New South Wales, unless otherwise noted;
- (h) a reference to a party is to a party to this agreement, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- (i) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (j) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re enactments or replacements of any of them;
- (k) a word or expression defined in the Corporations Act and not otherwise defined in this agreement has the meaning given to it in the Corporations Act;
- (l) the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;
- (m) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this agreement or any part of it; and
- (n) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

2. AGREEMENT TO PROPOSE SCHEME

- 2.1 PM8 agrees to propose and implement the Scheme, and UK Holdco agrees to assist PM8 to propose and implement the Scheme, on and subject to the terms of this agreement and in accordance with the Corporations Act.
- 2.2 Each party agrees to execute all documents and do all acts and things within its power as may be necessary or desirable for the implementation and performance of the Scheme substantially in accordance with this agreement.

3. CONDITIONS PRECEDENT

Conditions Precedent to implementation of the Scheme

- 3.1 Subject to this clause 3, the Scheme will not become Effective, and the respective obligations of the parties in relation to the implementation of the Scheme are not binding, unless each of the following conditions precedent are satisfied or waived to the extent and in the manner set out in this clause 3 on or prior to 8.00am the Second Court Date (or such other date as specified in the relevant Condition Precedent):
- (a) **Regulatory Approvals:** before 5.00pm on the Business Day before the Second Court Date:
 - (i) **ASIC:** ASIC issues or provides all such reliefs, confirmations, consents, approvals, modifications or exemptions, or does such other acts which the parties agree are reasonably necessary or desirable to implement the Scheme and such reliefs, waivers, confirmations, consents, approvals, modifications or exemptions or other acts (as the case may be) have not been withdrawn, suspended, varied or revoked before 5.00pm on the Business Day before the Second Court Date;
 - (ii) **ASX:** ASX issues or provides all such reliefs, confirmations, consents, approvals, waivers or does such other acts which the parties agree are reasonably necessary to implement the Scheme and such reliefs, confirmations, consents, approvals, waivers or other acts (as the case may be) have not been withdrawn, suspended, varied or revoked before 5.00pm on the Business Day before the Second Court Date; and
 - (iii) all other regulatory approvals or waivers required to implement the Scheme being granted or obtained and those regulatory approvals or waivers not being withdrawn, cancelled, revoked or varied in a manner that is materially adverse to the parties,(together **Regulatory Approvals**);
 - (b) **PM8 Shareholder Approval:** PM8 Shareholders approve the Scheme at the Scheme Meeting by the requisite majorities required under the Corporations Act;
 - (c) **Restraining Orders:** as at 8.00am on the Second Court Date, no judgement, order, decree, statute, law, ordinance, rule of regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition or other order or decision has been issued, made, entered, enacted, promulgated or enforced by any court of competent jurisdiction or any Regulatory Authority remains in effect that prohibits, restricts, makes illegal or restrains the completion of the Scheme, and there is no other legal restraint or prohibition, preventing the consummation of any aspect of the Transaction on the Implementation Date;
 - (d) **Court Approval:** the Court approves the Scheme at the Second Court Date in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party;
 - (e) **Independent Expert Report:** the Independent Expert provides a report to PM8 that concludes that the Scheme is in the best interests of PM8 Shareholders on or before the time when the Scheme Booklet is registered by ASIC under the Corporations Act and the Independent Expert does not withdraw or adversely modify its conclusion before 8.00am on the Second Court Date;

(f) **ASX Listing:** ASX approving:

- (i) the admission of UK Holdco to the official list of the ASX; and
- (ii) the CDIs for official quotation by the ASX,

subject only to any conditions which ASX may reasonably require, including the Scheme becoming Effective, and such approval remains in full force and effect in all respects and does not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same; and

(g) **Ability to issue CDIs:** before 5:00pm on the Business Day prior to the Second Court Date, UK Holdco and PM8 doing everything necessary under the ASX Settlement Operating Rules to enable CDN to allot and issue the Scheme Consideration under the Scheme, other than the actual allotment, issue and transfer of the UK Holdco Shares to CDN under the Scheme.

Waiver of Conditions Precedent

3.2 The Conditions Precedent in:

- (a) clauses 3.1(a) (Regulatory Approvals), 3.1(b) (PM8 Shareholder Approval), 3.1(c) (Restraining Orders), 3.1(d) (Court Approval), 3.1(f) (ASX Listing), and 3.1(g) (Ability to Issue CDIs) are for the benefit of both parties, and any breach or non-fulfilment of them may only be waived (if capable of waiver) with the written consent of both parties, which consent either party may give or withhold in its absolute discretion; and
- (b) clause 3.1(e) (Independent Expert Report) is for the sole benefit of PM8, and any breach or non-fulfilment of such Conditions Precedent may only be waived with the written consent of PM8.

3.3 A party entitled to waive the breach or non-fulfilment of a Condition Precedent pursuant to clause 3.2 may do so in its absolute discretion subject to the provision of written notice to the other party. Any such waiver by a party for whose benefit the relevant Condition Precedent applies must take place on or prior to 8.00am on the Second Court Date.

3.4 If a party waives the breach or non-fulfilment of a Condition Precedent, that waiver precludes the party from suing another party for any breach of this agreement that resulted in the breach or non-fulfilment of the Condition Precedent.

3.5 Waiver of a breach or non-fulfilment in respect of one Condition Precedent does not constitute:

- (a) a waiver of breach or non-fulfilment of any other Condition Precedent resulting from the same event; or
- (b) a waiver of breach or non-fulfilment of that Condition Precedent resulting from any other event.

Reasonable endeavours to satisfy Conditions Precedent

3.6 Each of the parties will use its reasonable endeavours to procure that:

- (a) each of the Conditions Precedent is satisfied as soon as practicable after the date of this agreement and continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and
- (b) there is no occurrence within the control of PM8 or UK Holdco (as the context requires) or their Affiliates that would prevent the Conditions Precedent being satisfied.

Certificates in relation to Conditions Precedent

3.7 At the hearing at which the application for an order under section 411(4)(b) of the Corporations Act approving the Scheme is considered by the Court, PM8 and UK Holdco will provide a joint certificate

to the Court confirming whether or not the Conditions Precedent have been satisfied or waived in accordance with the terms of this agreement.

- 3.8 The parties shall use their reasonable endeavours to agree a draft of the joint certificate referred to in clause 3.7, by 5.00pm on the Business Day prior to the Second Court Date.

4. TRANSACTION STEPS

Scheme

- 4.1 PM8 must propose the Scheme to PM8 Shareholders as soon as reasonably practicable after the date of this agreement and substantially in accordance with the Indicative Timetable.
- 4.2 If the Scheme becomes Effective, on the Implementation Date the Scheme will be implemented in the following order:
- (a) all of the Scheme Shares held by Scheme Participants on the Record Date will be transferred to UK Holdco or a nominee of UK Holdco; and
 - (b) in exchange, each Scheme Participant will receive the Scheme Consideration for each Scheme Share held by them at the Record Date.

No amendment to the Scheme without consent

- 4.3 PM8 must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of UK Holdco.

Provision of information

- 4.4 In order to facilitate the allotment and issue of the Scheme Consideration, PM8 must provide, or procure the provision of, a complete copy of the PM8 Share Register as at the Record Date (which must include the name, registered address and registered holding of each PM8 Shareholder as at the Record Date) within two Business Days after the Record Date to UK Holdco or a nominee of UK Holdco.
- 4.5 The details and information to be provided under clause 4.4 must be provided in such form as UK Holdco, or its nominee, may reasonably require.

Consideration

- 4.6 Subject to clause 4.7, UK Holdco undertakes and warrants to PM8 (in its own right and on behalf of each Scheme Participant) that in consideration of the transfer to UK Holdco or a nominee of UK Holdco of each Scheme Share held by a Scheme Participant under the terms of the Scheme, on the Implementation Date, UK Holdco will allot and issue, or procure the allotment and issuance of, the Scheme Consideration to each Scheme Participant, in accordance with the terms of this agreement, the Scheme and the Deed Poll.
- 4.7 Where the calculation of the number of UK Holdco Shares (in the form of CDIs) to be issued to a particular Scheme Participant as Scheme Consideration would result in the issue of a fraction of a UK Holdco Share, the fractional entitlement will be rounded down to the nearest whole number of UK Holdco Shares.
- 4.8 PM8 acknowledges that the undertaking by UK Holdco in clause 4.6 is given to PM8 in its capacity as agent for each Scheme Participant.

Foreign Holders

- 4.9 UK Holdco has no obligation under this agreement to allot or issue, and will not allot nor issue the Scheme Consideration to any Foreign Holders and, instead, will allot and issue, or procure the allotment and issuance of, the Scheme Consideration to which the Foreign Holders would have otherwise been entitled, to the Sale Agent, in trust for the Foreign Holder who is the beneficial owner thereof.

4.10 UK Holdco will instruct the Sale Agent to:

- (a) sell all Scheme Consideration issued to the Sale Agent pursuant to clause 4.9 in such manner, at such price and on such other terms as the Sale Agent determines in good faith, as soon as reasonably practicable and in any event not more than 20 Business Days after the Implementation Date; and
- (b) remit (or procure the remittance) to each Foreign Holder the proceeds of sale (on an averaged basis so that all Foreign Holders receive the same price per CDI, subject to rounding to the nearest whole cent) in Australian dollars (after deducting any applicable brokerage, foreign exchange, stamp duty and other selling costs, taxes and charges).

Convertible Securities

4.11 PM8 and UK Holdco will use all reasonable endeavours to enter into binding agreements with each Option Holder and each Performance Right Holder to cancel the Convertible Securities held by such holder in consideration of the grant of equivalent rights (as near as reasonably practicable) to acquire the same number of UK Holdco Shares (in the form of CDIs) instead of PM8 Shares.

Shares to rank equally

4.12 UK Holdco covenants in favour of PM8 (in its own right and on behalf of the Scheme Participants) that it will procure that:

- (a) the UK Holdco Shares to be allotted and issued or transferred pursuant to the Scheme will be duly and validly authorised and will be of the same class of UK Holdco Shares currently issued and outstanding and will rank equally in all respects with all issued and outstanding UK Holdco Shares; and
- (b) each such UK Holdco Share issued or transferred pursuant to the Scheme will be validly allotted and issued or transferred, fully paid, free from any Encumbrance or other third party rights and non-assessable.

Timetable

4.13 The parties will use their commercially reasonable endeavours to implement the Transaction and perform their respective obligations substantially in accordance with the Indicative Timetable.

Quotation of PM8 Shares

4.14 PM8 must apply to ASX to suspend trading on ASX in PM8 Shares with effect from the close of trading on the Effective Date.

4.15 On a date to be determined by UK Holdco after the Implementation Date, PM8 must apply:

- (a) for termination of the official quotation of PM8 Shares on ASX; and
- (b) to have itself removed from the official list of ASX.

5. IMPLEMENTATION OF THE SCHEME

PM8's specific obligations

5.1 PM8 must execute all documents and do all acts and things within its power as may be necessary or desirable for the implementation and performance of the Scheme on a basis consistent with this agreement and substantially in accordance with the Indicative Timetable (and must consult with UK Holdco on a regular basis about its progress in that regard), and in particular PM8 must:

- (a) **prepare Scheme Booklet:** prepare and dispatch the Scheme Booklet in respect of the Scheme to PM8 Shareholders in accordance with all applicable laws and in particular with the Corporations Act, RG 60 and the ASX Listing Rules, and in accordance with the

requirements of clauses 5.4 to 5.6. For the avoidance of doubt, PM8 is not responsible for the preparation of the Independent Expert's Report;

- (b) **directors' recommendation:** include in the Scheme Booklet and any accompanying ASX announcement a statement based on and made by the PM8 Directors:
 - (i) that each of the PM8 Directors recommend to Scheme Participants that the Scheme be approved, subject to the Independent Expert expressing an opinion that the Scheme is in the best interests of PM8 Shareholders;
 - (ii) unanimously recommending that PM8 Shareholders vote in favour of the Scheme unless there has been a change of recommendation permitted under this agreement; and
 - (iii) that each PM8 Director will vote, or procure the voting of any PM8 Shares (as applicable) held by or controlled by a PM8 Director at the time of the Scheme Meeting in favour of the Scheme at the Scheme Meeting;
- (c) **commission Independent Expert's Report:** promptly appoint the Independent Expert and provide all assistance and information reasonably requested by them in connection with the preparation of the Independent Expert's Report for inclusion in the Scheme Booklet (including any updates to such report) and any other materials to be prepared by them for inclusion in the Scheme Booklet (including any updates to the Scheme Booklet);
- (d) **liaise with ASIC:** as soon as reasonably practicable after the date of this agreement but no later than 14 days before the First Court Date, provide a copy of the draft Scheme Booklet to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act;
- (e) **Court direction:** promptly apply to the Court for orders under section 411(1) of the Corporations Act directing PM8 to convene the Scheme Meeting to consider the Scheme and take all reasonable steps necessary to comply with the orders of the Court;
- (f) **registration of Scheme Booklet and provision of copy to UK Holdco:** if the Court directs PM8 to convene the Scheme Meeting, request ASIC to register the Explanatory Statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act and, on request, provide a copy of the same to UK Holdco on the date the Explanatory Statement is registered by ASIC;
- (g) **section 411(17)(b) Statement:** apply to ASIC for the production of a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (h) **Scheme Meeting:** promptly convene and hold the Scheme Meeting in accordance with any orders which are made by the Court pursuant to section 411(1) of the Corporations Act;
- (i) **Court documents:** prepare and lodge with the Court all documents required for the Court proceedings in relation to the Scheme;
- (j) **Court approval:** as soon as practicable after PM8 Shareholders approve the Scheme at the Scheme Meeting, apply (and to the extent necessary, re-apply) to the Court for an order approving the Scheme under section 411(4) of the Corporations Act substantially in accordance with the Indicative Timetable;
- (k) **lodge copy of Court orders:** if the Court makes orders under section 411(4) of the Corporations Act approving the Scheme, lodge with ASIC an office copy of the order of the Court approving the Scheme under section 411(10) of the Corporations Act by no later than the Business Day after the order of the Court has been made or such later date as agreed in writing by UK Holdco;
- (l) **certificate:** at the hearing on the Second Court Date, provide to the Court a joint certificate with UK Holdco confirming whether or not the Conditions Precedent have been satisfied or waived in accordance with this agreement;

- (m) **registration generally:** if the Court makes orders under section 411(4) of the Corporations Act approving the Scheme:
 - (i) close the PM8 Share Register as at the Record Date to determine the identity of the Scheme Participants and their entitlements to the Scheme Consideration;
 - (ii) provide to UK Holdco all information about the Scheme Participants that UK Holdco reasonably requires in order for UK Holdco to provide the Scheme Consideration to the Scheme Participants in accordance with the Scheme;
 - (iii) execute proper instruments of transfer of the PM8 Shares and effect and register the transfer of the PM8 Shares in accordance with the Scheme;
 - (iv) execute proper instruments of transfer for all the UK Holdco Shares held by PM8 and effect the transfer of the UK Holdco Shares to CDN to be held on trust for Scheme Participants in accordance with the Scheme;
 - (v) register all transfers of PM8 Shares to UK Holdco or a nominee of UK Holdco and register UK Holdco or a nominee of UK Holdco (as applicable) as the holder of such PM8 Shares on, or as soon as practicable after, the Implementation Date; and
 - (vi) do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court; and
- (n) **compliance with laws:** do everything reasonably within its power to ensure that the Transaction is effected in accordance with all laws applicable in relation to the Transaction (including, without limitation, doing everything reasonably within its powers to ensure the Transaction complies with all applicable securities laws or is otherwise exempt from them).

PM8 registry details

- 5.2 For the purpose of clause 5.1(m), PM8 must give all necessary directions to the PM8 Share registry to ensure that any information that UK Holdco reasonably requests in relation to the PM8 Share Register, including any CHESS sub-register and any issuer sponsored sub-register, is promptly provided to UK Holdco and, where requested by UK Holdco, PM8 must procure that such information is made available in such electronic form as is reasonably requested by UK Holdco.

UK Holdco's specific obligations

- 5.3 UK Holdco must execute all documents and do all acts and things within its power as may be necessary or desirable for the implementation and performance of the Scheme on a basis consistent with this agreement and substantially in accordance with the Indicative Timetable (and must consult with PM8 on a regular basis about its progress in that regard), and in particular UK Holdco must:
- (a) **UK Holdco Information:** prepare and provide to PM8 for inclusion in the Scheme Booklet all information relating to:
 - (i) UK Holdco; and
 - (ii) UK Holdco's intentions in relation to the assets, business and employees of PM8 if the Scheme is approved and implemented,

required under the Corporations Act and all other applicable laws, RG 60 and the ASX Listing Rules to be included in the Scheme Booklet;
 - (b) **review UK Holdco Information:** provide to PM8 drafts of the UK Holdco Information in a timely manner, provide PM8 with a reasonable opportunity to review those drafts and consider in good faith the reasonable comments of PM8 and its Representatives when preparing revised drafts of that information;

- (c) **assist Independent Expert:** provide any assistance and information reasonably requested by PM8 or by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (d) **review drafts of Scheme Booklet:** as soon as practicable after receipt of any draft of the Scheme Booklet from PM8 review and provide comments on that draft;
- (e) **execute Scheme documents:** before the First Court Date execute and deliver to PM8 the Deed Poll;
- (f) **UK Holdco Share listing:** apply to ASX for the UK Holdco Shares to be issued as Scheme Consideration to be quoted on ASX and to trade on ASX in the form of CDIs as soon as practicable after the Implementation Date;
- (g) **Scheme Consideration:** if the Scheme becomes Effective, provide the Scheme Consideration in the manner and amount contemplated by clause 4 and the terms of the Scheme and the Deed Poll, including approving and registering the transfer of the UK Holdco Shares to be transferred by PM8 pursuant to clause 5.1(m)(iv) and allotting and issuing the Scheme Consideration that is not being transferred by PM8 pursuant to clause 5.1(m)(iv); and
- (h) **compliance with laws:** do everything reasonably within its power to ensure that the Transaction is effected in accordance with all laws applicable in relation to the Transaction (including, without limitation, doing everything reasonably within its powers to ensure the Transaction complies with all applicable securities laws or is otherwise exempt from them).

Scheme Booklet

- 5.4 PM8 and UK Holdco must consult with each other as to the content of the Scheme Booklet.
- 5.5 PM8 and UK Holdco must undertake appropriate due diligence and verification processes in respect to the information in the Scheme Booklet.
- 5.6 The parties must promptly inform the other if they have any reason to believe that any information in the Scheme Booklet is misleading or deceptive in any material respect (whether by omission or otherwise).

Good faith co-operation

- 5.7 Each party must procure that its Representatives work (including by attending meetings and by providing information) in good faith and in a timely and co-operative fashion with the other parties to implement the Scheme and to prepare all documents required relating to the Scheme.

PM8 Directors' recommendations

- 5.8 Subject to clause 5.9, the PM8 Directors must:
 - (a) unanimously recommend that, subject to the Independent Expert concluding that the Scheme is in the best interests of PM8 Shareholders, PM8 Shareholders vote in favour of all resolutions to be proposed at the Scheme Meeting in relation to the Scheme and approve the Scheme, and not subsequently change, withdraw or modify that recommendation; and
 - (b) not make any public statement or take any other action that contradicts or qualifies the recommendation of the Scheme by the PM8 Directors,

and the Scheme Booklet must state that each of the PM8 Directors who holds or controls PM8 Shares intends to vote in favour of the Scheme.
- 5.9 Clauses 5.1(b) and 7.2 are qualified to the extent that and the PM8 Directors collectively, and each PM8 Director individually, must not, change, withdraw or modify his or her recommendation unless:

- (a) the Independent Expert does not provide a report to the PM8 Board that concludes that the Scheme is in the best interests of PM8 Shareholders; or
- (b) due only to any change in fact or law, or application of any law or policy by any Regulatory Authority, after the date of this agreement, an independent senior counsel provides written advice to the applicable PM8 Director advising that the director should not provide or continue to maintain any recommendation due to any interest in the Scheme that renders it inappropriate to maintain such a recommendation.

6. TERMINATION RIGHTS

Termination events

6.1 Without limiting any other provision of this agreement:

- (a) either party (**non-defaulting party**) may terminate this agreement by notice in writing to the other party:
 - (i) if the Conditions Precedent have not been satisfied or waived within the time frames specified in accordance with clause 3;
 - (ii) if the End Date has passed before the Effective Date (other than as a result of a breach by the terminating party of its obligations under this agreement);
 - (iii) if each of the following has occurred:
 - (A) the other party (**defaulting party**) is in breach of a material provision of this agreement at any time prior to 8.00am on the Second Court Date;
 - (B) the non-defaulting party has given notice to the defaulting party setting out the relevant circumstances of the breach and stating an intention to terminate the agreement; and
 - (C) the relevant circumstances have continued to exist five Business Days (or any shorter period ending at 8.00am on the Second Court Date) from the time the notice in clause 6.1(a)(iii)(B) is given;
 - (iv) if the required majorities of PM8 Shareholders do not approve the Scheme at the Scheme Meeting; or
 - (v) if a Court or other Regulatory Authority has issued an order, decree or ruling or taken other action that permanently restrains or prohibits the Transaction and that order, decree, ruling or other action has become final and cannot be appealed;
- (b) UK Holdco may terminate this agreement by notice in writing to PM8 if a PM8 Director, fails to recommend the Scheme or the Transaction or makes or withdraws his or her recommendation that PM8 Shareholders vote in favour of the Scheme or makes a public statement indicating that he or she no longer supports the Scheme; and
- (c) either party may terminate this agreement if the other party consents to do so and both parties confirm it in writing.

Notice of breach

- 6.2 Each party must give notice to the other as soon as practicable after it becomes aware of a breach by it of this agreement (including in respect of any representation or warranty).

Termination right

- 6.3 Any right to terminate this agreement under clauses 6.1(a) or 6.1(b) that arises before the Second Court Date ceases at 8.00am on the Second Court Date.

- 6.4 Subject to clause 6.3, any right to terminate this agreement ceases when the Scheme becomes Effective.

Effect of termination

- 6.5 If a party terminates this agreement, each party will be released from all further obligations under this agreement other than under clauses 1, 7, 8, 9, 10 and 11.
- 6.6 Subject to any rights or obligations arising under or pursuant to clauses that are expressed to survive termination (including by virtue of clauses 6.5 to 6.6), on termination of this agreement, no party shall have any rights against or obligations to any other party under this agreement except for those rights and obligations which accrued prior to termination.

7. PUBLIC ANNOUNCEMENTS

Announcement of transaction

- 7.1 Immediately after the execution of this agreement, the parties must, after consultation with the other party, issue public announcement(s) in a form agreed to in writing between them, each party acting reasonably.
- 7.2 The PM8 announcement must include a recommendation by the PM8 Directors to PM8 Shareholders that, subject to the Independent Expert's Report concluding that the Scheme is in the best interests of PM8 Shareholders, PM8 Shareholders vote in favour of the Scheme and that all PM8 Directors will vote (or will procure the voting of) all PM8 Shares held by or controlled by a PM8 Director in favour of the Scheme.

Public announcements

- 7.3 Subject to clause 7.4, no public announcement or disclosure in relation to the Transaction or any subject matter thereof, or any other transaction the subject of this agreement or the Scheme (including any staff or client announcements or presentations) may be made other than in a form approved by each party (acting reasonably), but each party must use all reasonable endeavours to provide such approval as soon as practicable.
- 7.4 Where UK Holdco, PM8 or any of their respective Affiliates is required by law and/or the ASX Listing Rules, to make any announcement or make any filing or disclosure in relation to the Transaction or any other transaction the subject of this agreement or the Scheme, it may do so only after it has given as much notice as possible to, and has consulted (to the fullest extent reasonable in the circumstances) with the other party prior to making the relevant disclosure.

- 7.5 UK Holdco and PM8 agree to consult with each other in advance in relation to:

- (a) overall communication plans;
- (b) approaches to PM8 Shareholders;
- (c) approaches to the media;
- (d) proxy solicitations; and
- (e) written presentations,

including to provide each other a reasonable advance opportunity to comment, to ensure that the information used in clauses 7.5(a) to 7.5(e) above is consistent with the information in the Scheme Booklet.

Statements on termination

- 7.6 The parties must act in good faith and use all reasonable endeavours to issue agreed statements in respect of any termination of this agreement and, to that end but without limitation, clauses 7.3 to 7.5 applies to any such statements or disclosures.

8. NOTICES

Manner of giving notice

8.1 Any notice or other communication to be given under this agreement must be in writing (which includes email) and may be delivered or sent by post or email to the party to be served as follows:

(a) to PM8 at:

Address Ground Floor, 10 Outram Street, West Perth, Western Australia 6005

Email scott@pensanametals.com

Attention Scott Mison

(b) to UK Holdco at:

Address Suite 1, 3rd Floor 11 - 12 St. James's Square London SW1Y 4LB

Email tim.george@pensanametals.com

Attention Tim George

or at any such other address or email address notified for this purpose to the other parties under this clause. Any notice or other communication sent by post must be sent by prepaid ordinary post (if the country of destination is the same as the country of origin) or by airmail (if the country of destination is not the same as the country of origin).

When notice given

8.2 Any notice or other communication is deemed to have been given:

(a) if delivered, on the date of delivery; or

(b) if sent by post, on the third day after it was put into the post (for post within the same country) or on the fifth day after it was put into the post (for post sent from one country to another); or

(c) if sent by email, on the earlier of the sender receiving an automated message confirming delivery or, provided no automated message is received stating that the email has not been delivered, three hours after the time the email was sent by the sender, such time to be determined by reference to the device from which the email was sent,

but if the notice or other communication would otherwise be taken to be received after 5.00pm or on a day that is not a Business Day in the place of receipt then the notice or communication is taken to be received at 9.00am on the next day that is a Business Day in the place of receipt.

Proof of service

8.3 In proving service of a notice or other communication, it shall be sufficient to prove that delivery was made or that the envelope containing the communication was properly addressed and posted either by prepaid post or by prepaid airmail or that the email was properly addressed and transmitted by the sender's server into the network and there was no apparent error in the operation of the sender's email system, as the case may be.

Documents relating to legal proceedings

8.4 This clause 8 does not apply in relation to the service of any claim form, notice, order, judgment or other document relating to or in connection with any proceedings, suit or action arising out of or in connection with this agreement.

9. ENTIRE AGREEMENT

Entire agreement

- 9.1 This agreement, the Scheme, the Scheme Booklet, the Deed Poll and the Convertible Security Cancellation Deeds together represent the entire agreement between the parties relating to the Transaction and supersede all previous agreements, whether oral or in writing, between the parties relating to the Transaction.

No reliance

- 9.2 Each party acknowledges that in agreeing to enter into this agreement it has not relied on any express or implied representation, warranty, collateral contract or other assurance (except those expressly set out in this agreement) made by or on behalf of any other party before the entering into of this agreement. Each party waives all rights and remedies which, but for this clause 9.2 might otherwise be available to it in respect of any such representation, warranty, collateral contract or other assurance.

Termination rights

- 9.3 Except for the express right of termination contained in clause 6, no party has any right to terminate this agreement and the parties waive their rights (if any) to annul, rescind, dissolve, withdraw from, cancel or terminate this agreement in any circumstances.

10. GENERAL

Amendments

- 10.1 This agreement may only be amended in writing and where such amendment is signed by all the parties.

Assignments

- 10.2 None of the rights or obligations of a party under this agreement may be assigned or transferred without the prior written consent of the other party.

Costs

- 10.3 PM8 must pay the costs and expenses of the Scheme, except that UK Holdco must pay any stamp duties and similar charges (if any) payable under Australian law in connection with the transfer of the Scheme Shares to UK Holdco or a nominee of UK Holdco.

GST

- 10.4 Where under the terms of this agreement one party is liable to indemnify or reimburse another party in respect of any costs, charges or expenses, the payment shall include an amount equal to any GST thereon not otherwise recoverable by the other party, subject to that party using all reasonable endeavours to receive such amount of GST as may be practicable.
- 10.5 If any payment under this agreement constitutes the consideration for a taxable supply for GST purposes, then in addition to that payment the payer shall pay any GST due.
- 10.6 Unless otherwise expressly stated, all prices or other sums payable or consideration to be provided under or in accordance with this agreement are exclusive of GST.

Consents

- 10.7 Except as otherwise expressly provided in this agreement a party may give or withhold its consent to any matter referred to in this agreement in its absolute discretion. A party that gives its consent to any matter referred to in this agreement is not taken to have made any warranty or representation as to any matter or circumstance connected with the subject matter of that consent.

Counterparts

- 10.8 This agreement may be executed in counterparts, which taken together must constitute one and the same agreement, and any party (including any duly authorised representative of a party) may enter into this agreement by executing a counterpart.

Exercise and waiver of rights

- 10.9 The rights of each party under this agreement:
- (a) may be exercised as often as necessary;
 - (b) except as otherwise expressly provided by this agreement, are cumulative and not exclusive of rights and remedies provided by law; and
 - (c) may be waived only in writing and specifically,
- and delay in exercising or non-exercise of any such right is not a waiver of that right.

No merger

- 10.10 Each of the obligations, warranties and undertakings set out in this agreement (excluding any obligation which is fully performed at the Implementation Date) must continue in force after the Implementation Date.

Severability

- 10.11 The provisions contained in each clause and sub clause of this agreement shall be enforceable independently of each of the others and their validity shall not be affected if any of the others is invalid.

11. GOVERNING LAW AND JURISDICTION

Governing law

- 11.1 This agreement and any non-contractual obligations arising out of or in connection with it is governed by the law applying in Western Australia.

Jurisdiction

- 11.2 The courts having jurisdiction in Western Australia have non-exclusive jurisdiction to settle any dispute arising out of or in connection with this agreement (including a dispute relating to any non-contractual obligations arising out of or in connection with this agreement) and each party irrevocably submits to the nonexclusive jurisdiction of the courts having jurisdiction in Western Australia.

SCHEDULE 1: INDICATIVE TIMETABLE

Event	Target Date (Perth Time unless stated otherwise)
PM8 Board approved Scheme Booklet lodged with ASIC	7 November 2019
First Court Date	25 November 2019
Dispatch of Scheme Booklet to PM8 Shareholders	29 November 2019
Scheme Meeting	6 January 2020
Second Court Date	15 January 2020
Effective Date	16 January 2020
Record Date	23 January 2020
Implementation Date	31 January 2020

SCHEDULE 2: SCHEME

Schedule 2 is omitted here and is set out in Annexure 3 to this Scheme Booklet.

SCHEDULE 3: DEED POLL

Schedule 3 is omitted here and is set out in Annexure 4 to this Scheme Booklet.

ANNEXURE 3 – SCHEME OF ARRANGEMENT

SCHEME OF ARRANGEMENT

DETAILS

Date 2019

Parties	PM8	
	Name	Pensana Metals Ltd
	ACN	121 985 395
	Address	Ground Floor 10 Outram Street, West Perth, Western Australia 6005
	Email	scott@pensanametals.com
	Attention	Scott Mison

The registered holders of the fully paid ordinary shares in the capital of PM8 as at 7.00pm on the Record Date

1. DEFINED TERMS & INTERPRETATION

Defined terms

1.1 In this Scheme, except where the context otherwise requires:

Affiliate means, in relation to any specified person (other than a natural person), any other person (which shall include a natural person) directly or indirectly controlling or controlled by such specified person or under direct or indirect common control with such specified person.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

ASX Settlement means ASX Settlement Pty Ltd ABN 49 008 504 532.

ASX Settlement Rules means ASX Settlement Operating Rules of ASX Settlement.

Business Day means a business day as defined in the ASX Listing Rules.

CDI means a CHESS depositary interest representing a unit of beneficial ownership in a UK Holdco Share registered in the name of CDN and **CDIs** mean a number of them.

CDN means CHESS Depositary Nominees Pty Ltd ACN 071 346 506.

CHESS means the clearing house electronic sub-register system of security transfers operated by ASX Settlement.

Conditions Precedent means the conditions precedent set out in clause 3.1 of the Implementation Agreement.

Corporations Act means the Corporations Act 2001 (Cth).

Court means the Supreme Court of Western Australia.

Deed Poll means the deed poll between executed by UK Holdco substantially in the form of Schedule 3 to the Implementation Agreement, or in such other form as agreed in writing between PM8 and UK Holdco.

Depository Nominee has the meaning given to it in the ASX Settlement Rules.

Effect means, when used in relation to the Scheme, the coming into effect pursuant to section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme and **Effective** has a corresponding meaning.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance means any encumbrance, mortgage, pledge, charge, lien, assignment, hypothecation, security interest, title retention, preferential right or trust arrangement and any other security arrangement of any kind given or created and including any possessory lien in the ordinary course of business whether arising by law or contract.

End Date means 31 March 2020, or such later date as agreed to in writing between the parties.

Excluded Shares means any PM8 Shares held by UK Holdco and its Affiliates.

Explanatory Statement means the statement pursuant to section 412 of the Corporations Act, which will be registered by ASIC in relation to the Scheme, copies of which will be included in the Scheme Booklet.

Foreign Holder means any PM8 Shareholder whose address shown on the PM8 Share Register as at the Record Date is a place outside Australia, New Zealand, the United Kingdom, Hong Kong, Singapore and such other jurisdictions as agreed in writing between the parties, unless, no less than three Business Days prior to the Scheme Meeting, PM8 and UK Holdco agree in writing that it is lawful and not unduly onerous or unduly impracticable to issue that PM8 Shareholder with the Scheme Consideration when the Scheme becomes Effective.

Implementation Agreement means the Scheme Implementation Agreement dated on or about 31 October 2019 between PM8 and UK Holdco, as amended or varied from time to time.

Implementation Date means the fifth Business Day after the Record Date, or such other date agreed to in writing by PM8 and UK Holdco.

Independent Expert means a person to be appointed by PM8 pursuant to clause 5.1(c) of the Implementation Agreement as an independent expert to prepare a report to be provided to the PM8 Board and PM8 Shareholders stating whether, in the expert's opinion, the Scheme is in the best interests of PM8 Shareholders.

Independent Expert's Report means the independent expert's report prepared by the Independent Expert in relation to the Scheme including any updates or amendments to this report made by the Independent Expert.

Notice of Meeting means the notice convening the Scheme Meeting together with the proxy forms for that meeting.

PM8 means Pensana Metals Limited ACN 121 985 395.

PM8 Board means the board of directors of PM8 from time to time.

PM8 Share means a fully paid ordinary share issued in the capital of PM8.

PM8 Share Register means the register of holders of PM8 Shares maintained by Computershare Investor Services Pty Limited.

PM8 Shareholder means a person who is registered in the PM8 Share Register as the holder of one or more PM8 Shares, from time to time.

Record Date means 7.00pm on the second Business Day following the Effective Date, or such other date (after the Effective Date) as PM8 and UK Holdco may agree in writing.

Registered Address means, in relation to a Scheme Participant, the address of that Scheme Participant as shown in the PM8 Share Register as at the Record Date.

Sale Agent means an appropriately licenced person appointed by UK Holdco to administer a facility to sell the UK Holdco Shares that would otherwise be issued to or for the benefit of Foreign Holders under the terms of the Scheme.

Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act to be proposed between PM8 and the PM8 Shareholders as set out in this document, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by UK Holdco and PM8.

Scheme Booklet means the information to be despatched to all PM8 Shareholders and approved by the Court in connection with this Scheme, including this Scheme, the Explanatory Statement in respect of this Scheme, the Independent Expert's Report and the Notice of Meeting.

Scheme Consideration means one UK Holdco Share in the form of a CDI for each Scheme Share held by a Scheme Participant, subject to the terms of this Scheme.

Scheme Participant means a holder of Scheme Shares as at 7.00pm on the Record Date.

Scheme Shares means all of the PM8 Shares on issue at 7.00pm on the Record Date other than Excluded Shares.

Second Court Date means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned or appealed application is heard.

Scheme Meeting means the meeting of PM8 Shareholders convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act and includes any adjournment of that meeting.

Subsidiaries has the meaning given to that term in section 9 of the Corporations Act.

UK Holdco means Pensana Rare Earths Plc, a company incorporated in England and Wales with company number 12206525 and whose registered office is at Suite 1, 3rd Floor 11 - 12 St. James's Square London SW1Y 4LB.

UK Holdco Share means a fully paid ordinary share of £0.001 in the issued share capital of UK Holdco.

UK Holdco Share Register means the Australian branch register of registered shareholders of UK Holdco Shares.

Interpretation

1.2 In this Scheme, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a clause, paragraph, or schedule is to a clause or paragraph of, or schedule to, this agreement, and a reference to this agreement includes any schedule;
- (d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (e) a reference to A\$, dollar, Australian dollar or \$ is to Australian currency;
- (a) a reference to £, or GBP or pounds sterling is to the lawful currency of the United Kingdom;
- (f) a reference to time is to time in Sydney, New South Wales, unless otherwise noted;

- (g) a reference to a party is to a party to this agreement, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- (h) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re enactments or replacements of any of them;
- (j) a word or expression defined in the Corporations Act and not otherwise defined in this agreement has the meaning given to it in the Corporations Act;
- (k) the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;
- (l) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (m) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (n) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this agreement or any part of it; and
- (o) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

2. THE SCHEME

2.1 Subject to and conditional on:

- (a) approval of the Scheme by the Court pursuant to section 411(4)(b) of the Corporations Act and if applicable, PM8 and UK Holdco having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act;
- (b) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme and agreed to by PM8 and UK Holdco as having been satisfied or waived;
- (c) lodgement with ASIC of an office copy of the order of the Court approving the Scheme pursuant to section 411(10) of the Corporations Act;
- (d) the orders of the Court made or required by the Court under section 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act) approving this Scheme coming into effect, pursuant to section 411(10) of the Corporations Act, on or before the End Date;
- (e) all of the Conditions Precedent being satisfied or waived (other than the condition in clause 3.1(d) (Court Approval) of the Implementation Agreement or those that cannot be waived) in accordance with the Implementation Agreement by the times set out in the Implementation Agreement;
- (f) as at 8.00am on the Second Court Date, the Implementation Agreement not having been terminated in accordance with its terms; and
- (g) as at 8.00am on the Second Court Date, the Deed Poll not having terminated in accordance with its terms,

in consideration for the Scheme Consideration and in accordance with the terms of this Scheme, the Scheme Shares, and all rights and entitlements attaching to the Scheme Shares, will be transferred to UK Holdco or a nominee of UK Holdco with effect from the Implementation Date and without the need for any further act by the holders of the Scheme Shares (other than any acts performed by PM8 or its directors or officers as attorney or agent for the Scheme Participants) on the terms of this Scheme.

- 2.2 The satisfaction of each condition in clauses 2.1(a) to 2.1(g) (inclusive) of this Scheme (Condition) is a condition precedent to the operation of this Scheme.
- 2.3 PM8 and UK Holdco will provide to the Court on the Second Court Date a joint certificate (or such other evidence as the Court requests) confirming (in respect of matters within their knowledge) whether or not the Conditions Precedent have been satisfied or waived (other than the condition in clause 3.1(d) (Court Approval) of the Implementation Agreement or other than those that cannot be waived) as at 8.00am on the Second Court Date.
- 2.4 The certificate referred to in this clause 2.3 will constitute conclusive evidence of whether such Conditions Precedent have been satisfied or waived as at 8.00am on the Second Court Date.
- 2.5 Subject to clause 2.6, this Scheme becomes Effective for all purposes on the Effective Date.
- 2.6 This Scheme will lapse and be of no further force or effect if:
- (a) the Effective Date has not occurred on or before the End Date; or
 - (b) the Implementation Agreement or the Deed Poll is terminated in accordance with their respective terms,
- unless UK Holdco and PM8 otherwise agree in writing.
- 2.7 In consideration of the transfer of the Scheme Shares to UK Holdco or a nominee of UK Holdco (as detailed in clause 2.10) and the other terms and conditions of this Scheme, on the Implementation Date:
- (a) each Scheme Participant (who is not Foreign Holder) will be issued the Scheme Consideration by CDN as the Depositary Nominee for UK Holdco in respect of the Scheme Shares held by them as at 7:00pm on the Record Date; and
 - (b) the Sale Agent will be issued the Scheme Consideration by CDN as the Depositary Nominee for UK Holdco in respect of the Scheme Shares held by all Foreign Holders as at 7.00pm on the Record Date.
- 2.8 Notwithstanding any rule of law or equity to the contrary, holders of Scheme Shares will be entitled to exercise all voting and other rights attached to the Scheme Shares pending their transfer pursuant to clause 2.10, subject to the restrictions on dealing in Scheme Shares set out in clause 3.
- 2.9 If the Scheme becomes Effective, a Scheme Participant (other than a Foreign Holder) will be deemed to have accepted the UK Holdco Shares allotted and issued or transferred to CDN on behalf of that Scheme Participant as Scheme Consideration under this Scheme and be subject to and bound by, the articles of association of UK Holdco.
- 2.10 On the Implementation Date, the Scheme will be implemented in the following order:
- (a) PM8 must procure the delivery of a duly completed and executed instrument or instruments of transfer transferring all of the Scheme Shares to UK Holdco or its nominee;
 - (b) UK Holdco must execute the instrument or instruments of transfer received from PM8 in accordance with clause 2.10(a) and deliver it to PM8 for registration;
 - (c) subject to UK Holdco having executed these instruments of transfer, PM8 must enter the name of UK Holdco or its nominee in the PM8 Share Register as the holder of the Scheme Shares; and

- (d) UK HoldCo will provide or procure that the Scheme Consideration is provided in accordance with clause 4.

2.11 This Scheme notes actions to be taken by UK Holdco but does not itself impose an obligation on UK Holdco to perform those actions. UK Holdco has agreed, by executing the Deed Poll, to perform (or procure the performance of) its obligations as contemplated by this Scheme, including to provide the Scheme Consideration to Scheme Participants.

2.12 PM8 undertakes in favour of each Scheme Participant to enforce the Deed Poll against UK Holdco on behalf of and as agent and attorney for the Scheme Participants.

2.13 Each Scheme Participant warrants to UK Holdco and is deemed to have authorised PM8 to warrant to UK Holdco as agent and attorney for the Scheme Participant by virtue of this clause 2.13, that:

- (a) all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to UK Holdco or its nominee under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances; and
- (b) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to UK Holdco or its nominee under the Scheme.

Transfer free of encumbrances

2.14 To the extent permitted by law, all Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred to UK Holdco or its nominee under this Scheme will, at the date of the transfer of them to UK Holdco or its nominee, vest in UK Holdco or its nominee free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

Appointment of UK Holdco as sole proxy

2.15 Subject to the issue of the Scheme Consideration for the Scheme Shares as contemplated by clauses 2.7 and 2.10 of this Scheme, on and from the Implementation Date until PM8 registers UK Holdco or its nominee as the holder of all of the Scheme Shares in the PM8 Share Register, each Scheme Participant:

- (a) irrevocably appoints UK Holdco and each of its directors from time to time (jointly and each of them individually) as its sole proxy and where applicable, corporate representative, to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 2.15(a));
- (b) must take all other actions in the capacity of the registered holder of Scheme Shares as UK Holdco directs; and
- (c) acknowledges and agrees that in exercising the powers referred to in clause 2.15(a), UK Holdco and any director, officer, secretary or agent nominated by UK Holdco under clause 2.15(a) may act in the best interests of UK Holdco as the intended registered holder of the Scheme Shares.

3. DEALINGS IN PM8 SHARES

3.1 To establish the identity of Scheme Participants, dealings in PM8 Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the PM8 Share Register as holder of the relevant PM8 Shares on or before 7.00pm on the Record Date; and

- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 7.00pm on the Record Date at the place where the PM8 Share Register is kept.
- 3.2 PM8 must register any transmission application or transfer received in accordance with clause 3.1 by 7.00pm on the Record Date.
- 3.3 If the Scheme becomes Effective:
 - (a) no dealing in PM8 Shares, whenever initiated, will be given effect to if it is received after 7.00pm on the Record Date;
 - (b) any purported dealing in PM8 Shares after 7.00pm on the Record Date will be void and of no effect; and
 - (c) no PM8 Shares or options to subscribe for PM8 Shares will be allotted or issued by PM8 after the Effective Date.
- 3.4 For the purpose of determining entitlements to the Scheme Consideration, PM8 will maintain the PM8 Share Register in accordance with the provisions of this clause 3 until the Scheme Consideration has been issued (as applicable) to the Scheme Participants and UK Holdco or its nominee has been entered in the PM8 Share Register as the holder of all the Scheme Shares. The PM8 Share Register in this form will solely determine entitlements to the Scheme Consideration.
- 3.5 Subject to provision of the Scheme Consideration and registration of the transfer to UK Holdco contemplated in clause 2.10, any statements of holding in respect of PM8 Shares will cease to have effect after 7.00pm on the Record Date as documents of title in respect of those shares. After 7.00pm on the Record Date, each entry current on the PM8 Share Register as at 7.00pm on the Record Date will cease to have effect except as evidence of entitlement to the Scheme Consideration.
- 3.6 As soon as practicable after the Record Date, and in any event within two Business Days of the Record Date, PM8 will ensure that details of the names, Registered Addresses and holdings of PM8 Shares for each Scheme Participant, as shown in the PM8 Share Register at 7.00pm on the Record Date, are available to UK Holdco in such form as UK Holdco reasonably requires.
- 3.7 PM8 will apply to ASX to suspend trading on ASX in PM8 Shares with effect from the close of trading on ASX on the Effective Date.
- 3.8 On a date to be determined by UK Holdco after the Implementation Date, PM8 will apply:
 - (a) for termination of the official quotation of PM8 Shares on ASX; and
 - (b) to have itself removed from the official list of the ASX.

4. ISSUE OF SCHEME CONSIDERATION

- 4.1 Not later than two Business Days after the Record Date, PM8 will give to UK Holdco a notice specifying:
 - (a) the persons to whom the Scheme Consideration is to be issued pursuant to clause 2.7; and
 - (b) the total number of UK Holdco Shares to be issued by UK Holdco or transferred by PM8 to CDN on behalf of Scheme Participants for their entitlement to the Scheme Consideration (including the CDIs to be issued by CDN as the Depositary Nominee to the Sale Agent for and on behalf of those Scheme Participants who are Foreign Holders).
- 4.2 Where the calculation of the number of UK Holdco Shares (in the form of CDIs) to be issued to a particular Scheme Participant would result in the issue of a fraction of a UK Holdco Share, the fractional entitlement will be rounded down to the nearest whole number of UK Holdco Shares.

Issue of the UK Holdco Share consideration

- 4.3 On the Implementation Date, the obligation of UK Holdco to provide the Scheme Consideration under this Scheme will be satisfied by UK Holdco (or UK Holdco procuring the provision of the Scheme Consideration):
- (a) allotting and issuing, or procuring the allotment and issue, to each Scheme Participant who is not a Foreign Holder, one CDI (representing one UK Holdco Share) for each Scheme Share held by them as at 7:00pm on the Record Date in accordance with clause 4.5; and
 - (b) in respect of Foreign Holders, issuing, or procuring the issue, to or otherwise making available for sale by the Sale Agent the total number of CDIs (representing beneficial ownership in UK Holdco Shares) to which a Foreign Holder would otherwise have been entitled under clause 4.1(a) (if they were eligible Scheme Participants) in accordance with clause 5.
- 4.4 The UK Holdco Shares to be allotted and issued or transferred under this Scheme will be validly issued or transferred (as applicable), fully paid, free from any Encumbrance and upon issue, rank equally in all respects with all other UK Holdco Shares on issue at the time.

Obligations in relation to Scheme Consideration

- 4.5 Subject to clause 5, the following will occur:
- (a) PM8 will transfer all UK Holdco Shares it holds to CDN to be held on trust for Scheme Participants;
 - (b) UK Holdco will issue and allot such number of UK Holdco Shares equal to the total number of UK Holdco Shares specified pursuant to clause 4.1(b) less the number of UK Holdco Shares transferred by PM8 pursuant to clause 4.5(a) to CDN to be held on trust for Scheme Participants;
 - (c) UK Holdco will enter the name and address of CDN and the number of UK Holdco Shares issued or transferred to it in the UK Holdco Share Register and dispatch or procure the dispatch of a share certificate representing the total number of UK Holdco Shares issued or transferred to CDN under the Scheme by pre-paid post to the address of CDN; and
 - (d) UK Holdco will do everything reasonably necessary to cause and procure that CDN:
 - (i) in the case of Scheme Participants who hold their Scheme Shares on the CHESSE sub register, procures that the CDIs in respect of such Scheme Participant's entitlement to UK Holdco Shares as Scheme Consideration are credited to that register;
 - (ii) in the case of Scheme Participants who hold their Scheme Shares on the issuer sponsored sub register, procures that the CDIs in respect of such Scheme Participant's entitlement to UK Holdco Shares as Scheme Consideration are credited to that register; and
 - (iii) maintains the CDI register for each Scheme Participant who receives CDIs under the Scheme and procures the provision of CDI holding statements to all applicable Scheme Participants in accordance with the ASX Listing Rules.
- 4.6 UK Holdco will use all reasonable endeavours to ensure that all CDIs in respect of the Scheme Participants' entitlement to Scheme Consideration are approved for official quotation on ASX and that trading of CDIs commences on ASX on the first trading day following the Implementation Date (or such later date as ASX requires).

5. FOREIGN HOLDERS

- 5.1 UK Holdco has no obligation to issue any Scheme Consideration to a Foreign Holder under the Scheme.
- 5.2 The Scheme Consideration that would, but for clause 5.1, have been issued to Foreign Holders must be issued by UK Holdco (or UK Holdco procures the issue) to the Sale Agent on trust for the Foreign Holders and UK Holdco must cause and procure that CDN enters the name of the Sale Agent on the

CDI register for the relevant number of CDIs that but for clause 5.1 would have been issued to Foreign Holders. UK Holdco must instruct the Sale Agent to:

- (a) sell all CDIs issued to it for the benefit of the Foreign Holders, as soon as reasonably practicable and, in any event, not more than 20 Business Days after the Implementation Date; and
- (b) within seven Business Days after receiving the proceeds in respect of the sale of all of the CDIs referred to in clause 5.2(a):
 - (i) account to the Foreign Holders for the net proceeds of sale (on an averaged basis so that all Foreign Holder receive the same price per CDI, subject to rounding to the nearest whole cent), and any income referable to those CDIs, after deduction of any applicable costs or fees, brokerage, taxes and charges, at the Foreign Holders' risk in full satisfaction of the Foreign Holders' rights under this Scheme; and
 - (ii) remit the net proceeds of sale to the Foreign Holders by dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian dollars drawn in the registered name(s) of the Foreign Holder (or in the case of joint holders, in accordance with clause 7.5) by ordinary pre-paid post to the address of that Foreign Holder appearing in the PM8 Share Register at the Record Date.

5.3 If the Sale Agent believes, after consultation with PM8 and UK Holdco, that a Foreign Holder is not known at its address appearing in the PM8 Share Register at the Record Date, the Sale Agent may credit the amount payable to that Foreign Holder to a separate bank account of UK Holdco to be held until the Foreign Holder claims the amount or the amount is dealt with in accordance with unclaimed money legislation and UK Holdco must hold the amount in trust but any amount accruing from the amount will be to the benefit of UK Holdco. An amount credited to the account is to be treated as having been paid to the Foreign Holder. UK Holdco must maintain records of the amounts paid, the Foreign Holders who are entitled to the amounts and any transfers of the amounts.

5.4 Payment by the Sale Agent to a Foreign Holder in accordance with this clause 5 satisfies in full the Foreign Holder's right to Scheme Consideration.

5.5 None of UK Holdco, PM8 or the Sale Agent gives any assurance as to the price that will be achieved for the sale of the UK Holdco Shares (in the form of CDIs) described in this clause 5, and the sale of the UK Holdco Shares (in the form of CDIs) under this clause 5 will be at the risk of the Foreign Holder.

5.6 Each Foreign Holder appoints PM8, and each director or officer of PM8, as its agent to receive on its behalf any financial services guide or other notice which may be given by the Sale Agent to the Foreign Holder for or in connection with its appointment or sales.

6. WHEN SCHEME BECOMES BINDING

6.1 This Scheme will become binding on PM8 and each Scheme Participant only if the Court makes an order under section 411(4)(b) of the Corporations Act approving the Scheme and that order becomes effective in accordance with section 411(10) of the Corporations Act. PM8 must lodge an office copy of that order with ASIC not later than 7.00pm on the Business Day after the order has been made.

6.2 If this Scheme becomes binding as provided by clause 6.1, the rights of any holder at the Record Date of a PM8 Share are the same as the rights that a PM8 Shareholder who held that PM8 Share immediately prior to the Effective Date would have had if he had remained the holder of the PM8 Share until the Record Date.

6.3 Where this Scheme becomes binding as provided by clause 6.1, a PM8 Shareholder (and any person claiming through that holder) may only assign, transfer or otherwise deal with those PM8 Shares on the basis that the rights so assigned, transferred or dealt with are limited in the manner described in clause 6.2.

7. GENERAL

- 7.1 PM8 may by its counsel or solicitors consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition, which the Court may think fit to approve or impose and to which UK Holdco has consented in writing (such consent not to be unreasonably withheld). Each Scheme Participant agrees to any such modification.
- 7.2 The accidental omission to give notice of the Scheme Meeting to any PM8 Shareholder or the non-receipt of such a notice by any PM8 Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings at the Scheme Meeting.
- 7.3 For the purpose of this Scheme, the expression "send" or "sent" means:
- (a) for the purpose of clause 4 and clause 5, sending by ordinary pre-paid post to a Scheme Participant at the address of that Scheme Participant appearing in the Register at the Record Date; or
 - (b) delivery to the relevant address by any other means at no cost to the recipient.
- 7.4 If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to PM8, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at PM8's registered office or at the office of the registrar of PM8 Shares.
- 7.5 In the case of Scheme Shares held by joint holders:
- (a) any Scheme Consideration to be issued under this Scheme must be issued to and registered in the names of the joint holders; and
 - (b) any other document required to be sent under this Scheme, will be forwarded to the holder whose name first appears in the PM8 Share Register as at the Record Date.
- 7.6 Each Scheme Participant will be deemed (without the need for any further act) to have irrevocably appointed PM8 and each of its directors and officers, jointly and severally, as the holder's attorney for the purpose of executing any document necessary to give effect to this Scheme, including executing a share transfer form or master share transfer form for the PM8 Shares.
- 7.7 The Scheme Participants:
- (a) agree to the transfer of their Scheme Shares to UK Holdco or its nominee in accordance with the terms of this Scheme and consent to each of PM8 and UK Holdco doing all things necessary for or incidental to the implementation of this Scheme; and
 - (b) acknowledge that this Scheme binds PM8 and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at that Meeting).
- 7.8 If not prohibited by law, all instructions, notifications or elections by a Scheme Participant to PM8 binding or deemed binding between the Scheme Participant and PM8 relating to PM8 or PM8 Shares (including any email addresses, instructions relating to communications from PM8, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from PM8) will be deemed from the Implementation Date (except to the extent determined otherwise by UK Holdco in its sole discretion), by reason of this Scheme, to be made by the Scheme Participant to UK Holdco until that instruction, notification or election is revoked or amended in writing addressed to UK Holdco at its registered address.
- 7.9 PM8 must execute all deeds and other documents and do all acts and things as may be necessary or expedient on its part to implement this Scheme in accordance with its terms.
- 7.10 Neither PM8 nor any of its officers will be liable for anything done or for anything omitted to be done in performance of this Scheme in good faith.
- 7.11 To the extent of any inconsistency, this Scheme overrides PM8's constitution and binds PM8 and PM8 Shareholders.

- 7.12 The proper law of this Scheme is the law of Western Australia and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

Stamp duty

- 7.13 UK Holdco will pay all stamp duty (if any, including any fines, penalties and interest) payable in connection with this Scheme.

ANNEXURE 4 – DEED POLL

DEED POLL

DETAILS

Date 2019

Parties

UK Holdco

Name Pensana Rare Earths Plc
Company No 12206525
Address Suite 1, 3rd Floor 11 - 12 St. James's Square London SW1Y 4LB
Email tim.george@pensanametals.com
Attention Tim George

IN FAVOUR OF

Each registered holder of fully paid ordinary shares in Pensana Metals Ltd ACN 121 985 395 of G 10 Outram Street, West Perth, Western Australia 6005 (**PM8**) as at 7.00pm on the Record Date.

BACKGROUND

- A PM8 and UK Holdco are parties to a scheme implementation agreement dated on or about the date of this deed poll in respect of the Scheme and associated matters (**Implementation Agreement**).
- B In accordance with clause 5.3(e) of the Implementation Agreement, UK Holdco is entering into this deed poll to covenant in favour of the Scheme Participants that it will observe and perform its obligations under the Implementation Agreement and the Scheme, including providing the Scheme Consideration.

AGREED TERMS

1. DEFINITIONS AND INTERPRETATION

Definitions

- 1.1 In this deed poll:

First Court Date means the first day on which an application is made to the Court for an order under section 411(1) of the Corporations Act approving the convening of the Scheme Meeting.

Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act to be proposed between PM8 and PM8 Shareholders, substantially in the form contained in Annexure A to this deed poll, together with any alternations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by PM8 and UK Holdco.

- 1.2 All other capitalised words and phrases have the same meaning as given to them in the Scheme.

Interpretation

- 1.3 Clause 1.2 of the Scheme applies to the interpretation of this deed poll, except that references to "this agreement" in clause 1.2 of the Scheme are to be read as references to "this deed poll".

2. NATURE OF DEED POLL

- 2.1 UK Holdco acknowledges that:

- (a) this deed poll may be relied upon and enforced by any Scheme Participant in accordance with its terms, even though the Scheme Participants are not party to it; and
- (b) under the Scheme, each Scheme Participant irrevocably appoints PM8 and each of its directors and officers (jointly and severally) as its agent and attorney to enforce this deed poll against UK Holdco on behalf of that Scheme Participant.

3. CONDITIONS AND TERMINATION

Conditions

- 3.1 This deed poll and the obligations of UK Holdco under this deed poll are subject to the Scheme becoming Effective.

Termination

- 3.2 The obligations of UK Holdco under this deed poll to the Scheme Participants will automatically terminate and the terms of this deed poll will be of no further force or effect, if:

- (a) the Implementation Agreement is terminated in accordance with its terms prior to the Scheme becoming Effective; or
 - (b) the Scheme does not become Effective on or before the End Date,
- unless UK Holdco and PM8 otherwise agree in writing.

Consequences of Termination

- 3.3 If this deed poll is terminated under clause 3.2 then, in addition and without prejudice to any other rights, powers or remedies available:
- (a) UK Holdco is released from its obligations to further perform this deed poll except for any obligations which by their nature survive termination; and
 - (b) Scheme Participants retain the rights they have against UK Holdco in respect of any breach of this deed poll which occurs before termination.

4. SCHEME OBLIGATIONS

Payment of Scheme Consideration

- 4.1 Subject to clause 3, UK Holdco undertakes in favour of each Scheme Participant to:
- (a) provide, or procure the provision of, the Scheme Consideration to each Scheme Participant in accordance with the terms of the Scheme; and
 - (b) undertake all other actions, and give each acknowledgement, representation and warranty (if any), attributed to it under the Scheme,
- subject to and in accordance with the provisions of the Scheme and the Implementation Agreement.

5. WARRANTIES

- 5.1 UK Holdco represents and warrants in favour of each Scheme Participant that:
- (a) it is a corporation validly existing under the laws of its jurisdiction of continuance;
 - (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of the articles of association of UK Holdco (as the same have been amended, restated or supplemented from time to time as of the date hereof) or any material term or provision of any agreement, or any writ, order or injunction, judgement, law, rule or regulation to which UK Holdco is a part, is subject to, or is bound by.

6. CONTINUING OBLIGATIONS

6.1 This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until:

- (a) UK Holdco has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 3.

7. NOTICES

Notices

7.1 Any notice or other communication to UK Holdco in respect of this deed poll must be in legible writing and in English and:

- (a) must be addressed as shown below:

UK Holdco

Attention: Tim George

Address: Suite 1, 3rd Floor 11 - 12 St. James's Square London SW1Y 4LB

Email tim.george@pensanametals.com
- (b) must be signed by the person making the communication or by a person duly authorised by that person;
- (c) must be delivered or posted by prepaid post to the address of UK Holdco in accordance with clause 7.1(a) or sent by email to the email address specified above; and
- (d) will be regarded as received by the addressee:
 - (i) if delivered, on the date of delivery;
 - (ii) if sent by post, on the third day after it was put into the post (for post within the same country) or on the fifth day after it was put into the post (for post sent from one country to another); or
 - (iii) if sent by email, on the earlier of the sender receiving an automated message confirming delivery or, provided no automated message is received stating that the email has not been delivered, three hours after the time the email was sent by the sender, such time to be determined by reference to the device from which the email was sent,

but if the notice or other communication would otherwise be taken to be received after 5.00pm or on a day that is not a Business Day in the place of receipt then the notice or communication is taken to be received at 9.00am on the next day that is a Business Day in the place of receipt.

8. GENERAL

Governing law and jurisdiction

- 8.1 This deed poll is governed by the law of Western Australia. UK Holdco irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. UK Holdco irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

Waiver

- 8.2 Without limiting any other provisions of this deed poll, UK Holdco agrees that:
- (a) failure to exercise or enforce or delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed poll will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power, or remedy provided by law or under this deed poll;
 - (b) any waiver or consent given under this deed poll will only be effective and binding if it is given or confirmed in writing by the person giving the waiver of consent;
 - (c) no waiver of a breach of any term of this deed poll will operate as waiver of another breach of that term or of a breach of any other term of this deed poll; and
 - (d) nothing in this deed poll obliges a party to exercise a right to waive any conditional term of this deed poll that may be in its power.

Variation

- 8.3 This deed poll may not be varied unless:
- (a) if before the First Court Date, the variation is agreed to by PM8 in writing; or
 - (b) if on or after the First Court Date, the variation is agreed to by PM8 and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event UK Holdco will enter into a further deed poll in favour of the Scheme Participants giving effect to the variation.

Cumulative rights

- 8.4 The rights, powers and remedies of UK Holdco and the Scheme Participants under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

Assignment

- 8.5 The rights created by this deed poll are personal to UK Holdco and each Scheme Participant and may only be assigned with the prior written consent of UK Holdco and PM8.
- 8.6 Any purported dealing in contravention of clause 8.5 is invalid.

Stamp duty and costs

- 8.7 UK Holdco must:
- (a) pay any stamp duties any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under or pursuant to this deed poll (if any);
 - (b) pay other costs incurred in connection with the transfer of PM8 Shares to UK Holdco in accordance with the terms of the Scheme; and

- (c) indemnify on demand each Scheme Participant against any liability arising from failure to comply with clauses 8.7(a) or 8.7(b).

Further assurances

- 8.8 UK Holdco must promptly do all things necessary or expedient to be done by it in connection with the matters referred to in this deed poll and to implement the Scheme.

Annexure A

Scheme of Arrangement – NOT REPRODUCED HERE




Deed Poll

EXECUTION

Executed as a Deed Poll.

Executed as a deed by **Pensana Rare Earths
Plc** acting by


.....
Signature of director

In the presence of:

Witness Signature


.....

Witness Name

Ambur Unite-Penny

Witness Address

18 Gemini Way, Constantia, Cape
Town, 7806, RSA

Witness Occupation

Property Broker

ANNEXURE 5 – SUMMARY OF CDIS

Definitions

Capitalised terms used in this Annexure and not otherwise defined have the same meanings as set out in the Glossary of the Scheme Booklet.

Introduction

In order for Pensana UK Shares to trade electronically on the ASX, Pensana UK intends to participate in the electronic transfer system known as CHESS operated by ASX Settlement.

CHESS cannot be used directly for the transfer of securities of companies domiciled in certain foreign jurisdictions, such as the United Kingdom. Accordingly, to enable Pensana UK Shares to be cleared and settled electronically through CHESS, depositary interests called CHESS Depositary Interests, or CDIs, are issued.

CDIs confer the beneficial ownership in foreign securities such as Pensana UK Shares on the CDI holder, with the legal title to such shares being held by an Australian depositary entity. Pensana UK will appoint CDN to act as its Australian depositary.

A summary of the rights and entitlements of CDI holders in Pensana UK and CDI holders generally is set out below.

Further information about CDIs is available from ASX, in *ASX Guidance Note 5 – CHESS Depositary Interests (CDIs)* or Computershare.

Overview of CDIs generally

A CDI is a financial product quoted on the ASX. Holders of CDIs will have a beneficial interest in the underlying security of a foreign company; the legal title is held by the depositary. The use of CDIs facilitates investors to trade in foreign securities by trading the relevant CDIs on the ASX.

CDI: Share ratio

Each Pensana UK CDI will represent a beneficial interest in one Pensana UK Share.

Shareholder entitlements

The ASX Settlement Operating Rules have the force of law by virtue of the Corporations Act. These rules grant Pensana UK CDI holders the right to receive any dividends and other entitlements which attach to Pensana UK Shares.

With the exception of voting arrangements and some corporate actions of foreign issuers domiciled in certain jurisdictions, as a Pensana UK CDI holder you have the same rights as any holders of Pensana UK Shares. This means that all economic benefits such as dividends, bonus issues, rights issues, interest payments and maturity payments or similar corporate actions flow through to you as if you were the legal owner of the corresponding financial product.

Evidence of ownership

Each Pensana UK CDI holder will receive a holding statement which sets out the number of Pensana UK CDIs held by the Pensana UK CDI holder and the reference number of the holding. These holding statements will be provided to a holder when a holding is first established and where there is a change in the holdings of Pensana UK CDIs.

Pensana UK will operate a certificated register of shares in the United Kingdom and an uncertificated issuer sponsored sub-register of CDIs and an uncertificated CHESS sub-register of CDIs in Australia. Pensana UK's issuer sponsored sub-register of CDIs will be maintained by Computershare in Australia, and the United Kingdom share register will be maintained by Computershare in the United Kingdom. The certificated share register is the register of legal title (and the Pensana UK Register will reflect legal ownership by CDN of Pensana UK Shares underlying the Pensana UK CDIs) and the two uncertificated sub-registers combined will make up the register of beneficial title of Pensana UK Shares underlying the Pensana UK CDIs.

Voting

Under the ASX Listing Rules, Pensana UK as an issuer of CDIs, must allow Pensana UK CDI holders to attend any meeting of the holders of the underlying securities unless the relevant United Kingdom laws at the time of the meeting prevents Pensana UK CDI holders from attending those meetings.

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

- instructing CDN, as the legal owner, to vote Pensana UK Shares underlying their CDIs in a particular manner. A CDI voting instruction form will be sent to Pensana UK CDI holders together with each notice of meeting and the instruction form must be completed and returned to Computershare prior to the meeting;
- informing Pensana UK that they wish to nominate themselves or another person to be appointed as CDN's proxy for the purposes of attending and voting the shares underlying their CDIs at the general meeting; or
- converting their Pensana UK CDIs into a holding of Pensana UK Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on the ASX it would be necessary to convert Pensana UK Shares back to Pensana UK CDIs). The conversion must be done prior to the record date for the meeting. See below for further information regarding the conversion process.

As holders of Pensana UK CDIs will not appear in the Pensana UK Register as the legal holders of Pensana UK Shares, they will not be entitled to attend or vote at Pensana UK shareholder meetings unless one of the above steps is undertaken.

CDI voting instruction forms and details of these alternatives will be included in each notice of meeting sent to Pensana UK CDI holders by Pensana UK.

Cessation of trading in Shares

Suspension of trading on the ASX in the Shares is expected to occur from the close of trading on the date on which the Company lodges the Court order approving the Scheme with ASIC (being the Effective Date). This date will therefore be the last day for trading the Shares prior to the re-domiciliation under the Scheme.

It is expected that deferred settlement trading of Pensana UK CDIs will commence on ASX on the trading day after trading of the Shares is suspended. Pensana UK CDIs are expected to commence trading on the ASX on a normal T+2 settlement basis on the Business Day following the despatch of issuer sponsored holding statements and CHESS confirmation advices, which is expected to occur on the Business Day following the Implementation Date.

On a date to be determined by Pensana UK, the Company will apply for termination of the official listing of its Shares on the ASX.

Trading in Pensana UK CDIs on the ASX on implementation of the Proposed Transaction

On the day after the Effective Date, it is expected that trading in Pensana UK CDIs will commence initially on a deferred settlement basis and, after that, is expected to commence on a normal T+2 settlement basis on or about the Business Day following the despatch of holding statements for Pensana UK CDIs issued under the Scheme.

Former Shareholders trading on a deferred settlement basis and before the issue of holding statements in respect of their Pensana UK CDIs do so at their own risk. The proceeds from sale of securities sold on a deferred settlement basis will not be received until after the deferred settlement period has ended.

Former Shareholders will be issued with the corresponding Pensana UK CDI holding statements or CHESS confirmation advices within 5 Business Days from the end of the month in which the change in holding occurs by pre-paid post at their respective addresses as shown in the Pensana UK Register.

Local and international trading in Pensana UK CDIs

Pensana UK CDI holders who wish to trade their Pensana UK CDIs will be transferring the beneficial interest in their Pensana UK Shares rather than the legal title. The transfer will be settled electronically by delivery of the relevant Pensana UK CDI holdings through CHESS.

In other respects, trading in CDIs is essentially the same as trading in other CHESS approved securities, such as shares in an Australian company.

Converting from a Pensana UK CDI holding to a direct holding of Pensana UK Shares

Pensana UK CDI holders who wish to convert their ASX listed Pensana UK CDIs to Pensana UK Shares can do so by instructing Computershare either:

- directly in the case of Pensana UK CDIs on the issuer sponsored sub-register operated by Pensana UK. Pensana UK CDI holders will be provided with a form entitled "CDI Cancellation: Australia to United Kingdom Share Register" for completion and return to Computershare; or
- through their "sponsoring participant" (usually a broker) in the case of Pensana UK CDIs which are sponsored on the CHESS sub register. In this case, your sponsoring broker will arrange for completion of the relevant form and its return to Computershare.

Computershare will then arrange for the transfer of Pensana UK Shares from CDN to the former Pensana UK CDI holder and issue to the former Pensana UK CDI holder a corresponding share certificate. This will cause Pensana UK Shares to be registered in the name of the holder on Pensana UK Register and trading on the ASX will no longer be possible.

It is expected that this process will be completed by the next business day, provided that Computershare is in receipt of a duly completed and valid CDI cancellation request form. However, no guarantee can be given about the time for this conversion to take place.

Computershare will not charge an individual security holder a fee for transferring Pensana UK CDI holdings into Pensana UK Shares (although a fee will be payable by market participants).

A holder of Pensana UK Shares will not be able to trade those shares on the ASX.

Converting from a direct holding of Pensana UK Shares to a Pensana UK CDI holding

If holders of Pensana UK Shares wish to convert their holdings to Pensana UK CDIs, they can do so by contacting Computershare. Computershare will not charge a fee to a shareholder seeking to convert Pensana UK Shares to CDIs (although a fee will be payable by market participants).

In this instance, underlying Pensana UK Shares will be transferred to CDN and a holding statement for the CDIs will be issued to the relevant security holder. No trading in Pensana UK CDIs on the ASX can take place until this conversion process is complete.

Communication with Pensana UK CDI holders

Pensana UK CDI holders will receive all notices and company announcements (such as annual reports) that shareholders are entitled to receive from Pensana UK.

Takeovers

If a takeover bid or similar transaction is made in relation to Pensana UK Shares of which CDN is the registered holder then, under the ASX Settlement Operating Rules, CDN must not accept the offer made under the takeover bid except to the extent that acceptance is authorised by the relevant Pensana UK CDI holder.

Rights on liquidation or winding up

In the event of Pensana UK's liquidation, dissolution or winding up, a Pensana UK CDI holder will be entitled to the same economic benefit on their Pensana UK CDIs as Pensana UK Shareholders.

Fees

A Pensana UK CDI holder will not incur any additional ASX or ASX Settlement fees or charges as a result of holding CDIs rather than Pensana UK Shares.

Further information

For further information in relation to CDIs and the matters referred to above, please refer to the ASX website www.asx.com.au or contact your stockbroker or Computershare at the details provided below:

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000
Australia

Tel: 03 9415 4000

Comparison of Australian and United Kingdom legal regimes

Pensana UK is a public limited company incorporated under the laws of England and Wales. The Company is a publicly listed company incorporated under the laws of Australia. Shareholders of the Company, whose rights are currently governed by the laws of Australia and the Company's Constitution will, upon implementation of the Scheme, become holders of Pensana UK Shares (which will be held in the form of Pensana UK CDIs) and their rights as such will be governed by the laws of England and Wales and the Pensana UK Articles.

A summary of some of the more material differences between the rights of holders of Pensana UK Shares and holders of shares in an Australian company, resulting from the differences in their governing documents and governing laws, is set out below. The summary is a general description only. It is provided as a general guide and does not purport to be a comprehensive analysis of all the consequences resulting from holding, acquiring or disposing of such shares, CDIs or interests in such shares or CDIs. If you are in any doubt as to your own legal position, you should seek independent professional advice.

If Pensana UK successfully lists on the ASX, the protections currently afforded to Shareholders of the Company by the ASX Listing Rules will continue to apply to their holding in Pensana UK.

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
Share capital	<p>The Corporations Act does not:</p> <ul style="list-style-type: none"> • prescribe the minimum amount of share capital that the Company should have; • prescribe a minimum issue price for each share in the Company; or • require the Company to place a maximum limit on the share capital for which its members may subscribe. <p>Australian law does not contain any concept of authorised capital or par value per share.</p> <p>The issue price of shares is set by the directors of the Company collectively at the time of each issue.</p> <p>A public company cannot hold shares in itself or shares "in treasury" other than in limited prescribed circumstances.</p>	<p>The UK Companies Act requires:</p> <ul style="list-style-type: none"> • a public company's shares to have a fixed nominal value; • a public company to have a minimum nominal value share capital of £50,000; and • that a public company must not allot shares at a discount to the nominal value and must not allot partly paid shares unless at least one quarter of the nominal value and the whole of any premium is paid up on issue. <p>Subject to compliance with the UK Companies Act, the issue price of shares is set by the directors of a company collectively at the time of each issue.</p> <p>A public company can hold shares in treasury meaning that it can hold shares in itself. However, a public company can only hold treasury shares where the shares have been purchased by the company from a shareholder out of distributable profits.</p>
Issues of additional shares	<p>The Company's constitution authorises the Board to allot and issue shares in the Company to persons, including members, directors or employees of the Company on such terms and with such rights as the Board determines.</p> <p>The issue of securities to directors and other related parties of the Company is regulated under the Corporations Act and the ASX Listing Rules. Generally, various requirements must be met for such an issue, including shareholder approval, unless the issue falls within a specified exception.</p>	<p>Unless the articles contain a provision granting such authority, the UK Companies Act, requires the Pensana UK Directors to obtain the approval of shareholders by way of an ordinary resolution (which requires a general majority) to issue and allot new shares and to grant rights to subscribe for or to convert any securities into shares.</p> <p>Whilst the Pensana UK Articles do not contain such a provision, prior to the Scheme becoming Effective, Pensana UK, acting in accordance with the UK Companies Act, will obtain authority from the Pensana UK</p>

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
	<p>Under the ASX Listing Rules, the Company is prohibited from issuing or agreeing to issue securities in any 12 month period which amount to more than 15% of the Company's fully paid ordinary securities unless it obtains shareholder approval or unless one of a number of specified exceptions apply.</p> <p>There are also restrictions on issuing securities where the Company is subject to a takeover or where a majority shareholder has notified the Company of its intention to call a general meeting to appoint or remove directors.</p>	<p>shareholders to give the Pensana UK directors authority to:</p> <ul style="list-style-type: none"> • allot and issue the relevant number of Pensana UK Shares to satisfy the Scheme Consideration; • allot and issue the relevant number of Pensana UK Shares which might arise on exercise of the Options and Performance rights in issue when the Scheme is implemented; • allot and issue shares or grant rights to subscribe for, or convert any security into, shares in Pensana UK representing approximately one-third (33.33 per cent) of Pensana UK's issued ordinary share capital on admission to trading of the Pensana UK Shares on ASX; and • allot and issue shares or grant rights to subscribe for, or convert any security into, shares in Pensana UK representing approximately one-third (33.33 per cent) of Pensana UK's Shares in connection with a pre-emptive offer by way of a rights issue to Pensana UK Shareholders representing approximately two-thirds (66.67 per cent) of Pensana UK's issued ordinary share capital on admission to trading of the Pensana UK Shares on ASX. <p>Pensana UK intends to update this shareholder authority on an annual basis at its annual general meetings.</p>
Pre-emption rights	<p>The Company's constitution does not provide any pre-emptive rights in respect of transfers or issues of Shares.</p>	<p>Under the UK Companies Act, subject to certain exceptions, prior to an allotment of equity securities for cash, those securities must first be offered to existing shareholders proportionate to their existing holdings. These rights may be excluded or varied by a special resolution which requires approval by not less than 75 per cent of shareholders voting in person or by proxy at a general meeting.</p> <p>Acting in accordance with the UK Companies Act, Pensana UK will obtain express authority by way of a special resolution from the Pensana UK shareholders granting Pensana UK Directors the authority to dis-apply pre-emption rights to the allotment and issue of the:</p> <ul style="list-style-type: none"> • Pensana UK Shares in respect of the Scheme Consideration; • Pensana UK Shares which might arise on exercise of the Options and Performance rights in issue when the Scheme is implemented; and

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
		<ul style="list-style-type: none"> Pensana UK Shares representing approximately one tenth (10 per cent) of Pensana UK's Shares following the issue of the Scheme Consideration. <p>There are no pre-emption rights on the transfer of Pensana UK Shares.</p>
Issues of preference and/or redeemable shares	<p>Subject to the Corporations Act, the Company's constitution authorises preference shares to be issued on terms that they are, or at the option of the Company are liable, to be redeemed.</p> <p>Voting rights attached to the preference shares are limited to voting only in certain circumstances (such as proposals to reduce the Company's share capital or to wind up the Company) under the ASX Listing Rules.</p> <p>The ASX also imposes other prescribed requirements impacting rights to dividends, shareholder information and other matters.</p>	<p>English law permits a company to issue shares with preferred, deferred or other special rights. The Pensana UK Articles permit shares to have such rights conferred as determined by shareholders by ordinary resolution or, in the absence of such determination, as the directors may determine.</p> <p>The Pensana UK Articles also permit redeemable shares to be issued in accordance with English law.</p>
Share certificates	<p>The Company's constitution provides that the Directors may determine not to issue a share certificate or may determine to cancel a certificate without issuing any certificate in its place, if that determination is not contrary to the Corporations Act or ASX Listing Rules.</p> <p>Where the Directors make such a determination, a member shall have the right to receive such statements of the holdings of the member as are required to be distributed under the Corporations Act and Listing Rules.</p>	<p>The Pensana UK Articles provide that any registered holder of certificated Pensana UK Shares is entitled to receive without charge and within the time periods prescribed in the UK Companies Act, a share certificate for such shares held by them.</p> <p>The Pensana UK Articles also provide that Pensana UK may issue shares in uncertificated form and permit any Pensana UK Shares held in uncertificated form to be transferred in dematerialised form pursuant to the relevant regulations.</p>
Buy back of shares	<p>The Corporations Act allows the Company to buy-back its own shares through a specific buy-back procedure provided that:</p> <ul style="list-style-type: none"> the buy-back does not materially prejudice the Company's ability to pay its creditors; and the Company follows the procedures set out in the Corporations Act. <p>The buy-back procedure which includes the form of shareholder approval (for example, ordinary, special or unanimous resolutions), notice period and disclosure to be given to the shareholders, depends on the type of buy back.</p> <p>In accordance with the Corporations Act and the Listing Rules, the Company may buy back shares (in accordance with certain additional disclosure and timetable requirements).</p>	<p>A public company may buy-back its own shares (including redeemable shares) provided that it complies with the procedural requirements set out in the UK Companies Act and it is not prohibited or restricted from doing so by its articles.</p> <p>A public company may buy back its shares 'on-market' pursuant to an ordinary resolution of its shareholders.</p> <p>A buy-back can only be funded out of:</p> <ul style="list-style-type: none"> distributable profits; or from the proceeds of a fresh issue of shares made for the purpose of financing the buyback. <p>Public companies are not permitted to buy back their own shares out of capital.</p> <p>Any shares bought back by a public company:</p> <ul style="list-style-type: none"> may be cancelled or held in treasury if purchased out of distributable profits; or

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
		<ul style="list-style-type: none"> must be cancelled if purchased from the proceeds of a new issue of shares.
Transfer/transmission of shares	<p>Under the Company's constitution, securities in the Company are generally freely transferable.</p> <p>The directors may refuse to register a transfer of shares where the ASX Listing Rules or the ASX Settlement Operating Rules permit the Company to do so.</p>	<p>Under the Pensana UK Articles, the Pensana UK Shares are generally freely transferrable.</p> <p>A transfer of certificated shares must be in writing and all transfers of uncertificated shares shall be made by means of the relevant system or any other manner permitted by English law and approved by the Pensana UK Directors.</p> <p>The Pensana UK Directors have discretion to refuse to register a transfer of certificated shares in limited permitted circumstances as set out in the Pensana UK Articles.</p>
Dividends and distributions	<p>Under the Company's constitution, the Directors may declare a dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to its members of such dividend.</p> <p>Before declaring a dividend, the directors should be satisfied that:</p> <ul style="list-style-type: none"> the Company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend; the payment of the dividend is fair and reasonable to the Company's shareholders as a whole; and the payment of the dividend does not materially prejudice the Company's ability to pay its creditors. 	<p>Under the Pensana UK Articles, Pensana UK may by ordinary resolution, declare a dividend to be paid to the Pensana UK shareholders, according to their respective rights and interests in the profit.</p> <p>Dividends may only be paid out of distributable profits of Pensana UK.</p> <p>The Pensana UK Directors may pay such interim dividends as appear to the board to be justified by the financial position of Pensana UK.</p> <p>No dividends payable in respect of a Pensana UK Share shall bear interest.</p> <p>The Pensana UK Directors may, if authorised by an ordinary resolution, offer the Pensana UK shareholders the right to elect to receive further UK Pensana Shares, credited as fully paid instead of cash in respect of all or part of a dividend.</p>
Voting rights	<p>The Company's constitution provides that:</p> <ul style="list-style-type: none"> each member entitled to vote may vote in person or by proxy, attorney or representative; on a show of hands, every person present who is a member or a proxy, attorney or a representative of a member has one vote; and on a poll, every person present who is a member or a proxy, attorney or representative of a member shall, in respect of each fully paid share held by him, or in respect of which he or she is appointed a proxy, attorney or representative have one vote for the share, but in respect of partly paid shares, shall have a fraction of a vote for each partly paid share. 	<p>Pursuant to the Pensana UK Articles on a show of hands:</p> <ul style="list-style-type: none"> every Pensana UK shareholder who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote; and every proxy appointed by a Pensana UK shareholder shall have one vote. <p>On a vote on a resolution on a poll every Pensana UK shareholder present in person or by proxy shall have one vote for every share of which he is the holder.</p> <p>There are limited circumstances when a Pensana UK shareholder will not be entitled to attend or vote (either in person or by proxy) at a general meeting of Pensana UK.</p>

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
	<p>Further, if the Corporations Act or ASX Listing Rules require that some members are not to vote on a resolution or that votes cast by some members be disregarded in order for the resolution to have the intended effect, and the notice of meeting at which the resolution was proposed states that fact, the Company must not count any votes purported to be cast by those members.</p>	
Variation of rights	<p>The Company's constitution provides that if at any time the Company's share capital is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the shares in that class) be varied or abrogated in any way with the consent in writing of the holders of 75% of the issued shares in that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.</p> <p>The Corporations Act provides that where shareholders in an affected class do not all agree (whether by resolution or written consent) to the:</p> <ul style="list-style-type: none"> • variation or cancellation of their rights; or • a modification to the Company's constitution to allow rights to be varied or cancelled, <p>shareholders with at least 10% of the votes in the affected class may apply to the court (within a limited time frame) to have the variation, cancellation or modification set aside.</p> <p>Subject to the shares' terms of issue, the rights attached to a class of shares are not deemed varied by the issue of further shares of that class.</p>	<p>The Pensana UK Articles provide that all or any of the rights attaching to a class of shares in Pensana UK may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of the class (excluding any shares of the class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of the relevant class.</p> <p>The quorum for the separate general meeting shall be two persons holding, or represented by proxy, not less than one-third in nominal value of the issued shares of the relevant class (excluding any shares of the class held as treasury shares).</p>
Continuous disclosure	<p>Subject to certain limited exceptions, the ASX Listing Rules require the Company to immediately disclose to ASX any information concerning the Company that a reasonable person would expect to have a material effect on the price or the value of the Company's shares.</p> <p>The Corporations Act also imposes obligations on the Company to require it to notify the ASX of relevant information where the Company is required under the ASX Listing Rules to notify ASX of information about specified events or matters as they arise for market disclosure.</p>	<p>Whilst Pensana UK remains listed on ASX, the requirements of the ASX Listing Rules will also continue to apply, including requirements in respect of continuous disclosure.</p>

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
	<p>There are also periodic reporting and disclosure rules that apply to the Company, requiring it (among other things) to report to the ASX at the end of every half year and annually in respect of its financial statements and reports. In respect of its mining and exploration activities, the Company is also required to report quarterly to the ASX.</p>	
<p>Powers of the board and matters that require shareholder approval</p>	<p>The Company's constitution grants the Board the power to manage the Company's business.</p> <p>The ASX Listing Rules also impose restrictions on the disposal of a Company's main undertaking, requiring compliance with the ASX's requirements (including shareholder approval).</p> <p>However, the Corporations Act provides that the following matters (among others and in addition to others set out in this table) require shareholder approval, and are therefore not within the powers of the Board:</p> <ul style="list-style-type: none"> • removal of directors; • appointment of an auditor; • amending or changing the constitution; and • adopting a new company name. 	<p>Subject to the provisions of the UK Companies Act, the Pensana UK Articles grant the Pensana UK Board the general power to manage the business of Pensana UK.</p> <p>The UK Companies Act provides that the following matters (among others and in addition to others set out in this table) require shareholder approval:</p> <ul style="list-style-type: none"> • appointment and removal of an auditor; • amending or changing the articles of association; • reducing the share capital of the company; and • re-registering the company as a private company. <p>The Pensana UK Board also has the authority to adopt a new company name, borrow money subject to the UK Companies Act and appoint a new director pursuant to the Pensana UK Articles</p>
<p>Director duties</p>	<p>Under Australian law, the Directors of the Company have a wide range of both general law and statutory duties to the Company.</p> <p>These duties are of a fiduciary nature and include the duty to:</p> <ul style="list-style-type: none"> • act in good faith in the best interests of the Company as a whole; • act for a proper purpose; • not improperly use information or their position; • exercise care, skill and diligence; and • avoid actual or potential conflicts of interest. 	<p>Under English law, the Pensana UK Directors have a wide range of duties under both common law and statute and include the following fiduciary duties:</p> <ul style="list-style-type: none"> • to act within powers; • to promote the success of the company; • to exercise independent judgement; • to exercise reasonable care, skill and diligence; • to avoid conflicts of interest; • not to accept benefits from third parties; and • to declare any interest in a proposed transaction or arrangement with the company.

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
Compensation of directors	<p>The Company's constitution provides that the remuneration of the non-executive Directors will not:</p> <ul style="list-style-type: none"> • be more than the aggregate fixed sum which is determined by general meeting, or until so determined, such sum as determined by the Directors; • be by way of a commission on, or a percentage of, profits or operating revenue, <p>and the remuneration will accrue from day to day.</p> <p>Under the Company's constitution the remuneration of the executive Directors:</p> <ul style="list-style-type: none"> • will, subject to the provisions of any contract between each of them and the Company, be fixed by the Directors; and • must not be by way of commission on, or percentage of, operating revenue. <p>Termination or retirement benefits to directors and other officers of the Company are subject to restrictions under the Corporations Act and ASX Listing Rules.</p>	<p>The remuneration of the Pensana UK Directors is determined by the directors. The aggregate fees for acting as directors shall not exceed £500,000 per annum or such larger sum as Pensana UK may, by ordinary resolution determine.</p> <p>The Pensana UK Directors may be paid all reasonable travelling, hotel and other expenses properly incurred in and about the discharge of their duties including expenses of travelling to and from meetings of the board, committee meetings, general meetings.</p> <p>The Pensana UK Board may grant special remuneration (by way of lump sum, salary, commission, participation in profits or otherwise) to any director who performs any special or extra services to or at the request of Pensana UK in addition to the aggregate fees.</p>
Transactions involving directors or other related parties (including large shareholders)	<p>The Corporations Act prohibits the Company from giving a director (or other related party (including a shareholder who controls the Company) a financial benefit unless either:</p> <ul style="list-style-type: none"> • the Company obtains shareholder approval (in compliance with the Corporations Act requirements) and gives the benefit within 15 months after approval; or • giving the financial benefit falls within a specific exception set out in the Corporations Act (eg a benefit given on arms' length terms or reasonable remuneration or reimbursement of an officer or employee of the Company). <p>Subject to limited exceptions, the ASX Listing Rules prohibit the Company from acquiring a substantial asset from, or disposing of a substantial asset to, any of its directors (or other person of influence including shareholders holding voting power of more than 10% of the issued shares of the Company) unless it obtains shareholder approval. Additionally, the ASX Listing Rules prohibit the Company from issuing securities to any of its directors unless it obtains shareholder approval prior to the issue or an exemption applies to the share issue (such as pro rata issues to all shareholders).</p>	<p>Under the Pensana UK Articles, provided that a Pensana UK Director has disclosed to the Pensana UK Board the nature and extent of his interest (direct or indirect) in relation to a transaction or arrangement with Pensana UK, such director shall, amongst other things, not be accountable to Pensana UK for any benefit which he derives from such transaction or arrangement.</p> <p>A Pensana UK Director cannot vote on any resolution or be counted in quorum at those parts of the meeting regarding such resolution, concerning a matter in which he has an interest, subject to certain exceptions as set out in the Pensana UK Articles, or the other Pensana UK Directors resolving that the director is entitled to do so as the director's interest cannot be reasonably regarded as causing a conflict.</p> <p>Pursuant to the Pensana UK Articles, the Pensana UK Board may authorise any matter which would otherwise involve a Pensana UK Director breaching his duties to avoid conflicts of interest, provided that such conflicted director is not counted in the quorum to vote on the resolution regarding the authorisation.</p> <p>In addition, the UK Companies Act provides that certain arrangements between a</p>

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
	<p>Directors, when entering into transactions with the Company, are subject to the Australian common law and statutory duties to avoid actual and potential conflicts of interest.</p> <p>There are also disclosure requirements and voting restrictions imposed on directors under the Corporations Act on matters involving a material personal interest.</p> <p>Subject to the Corporations Act and the ASX Listing Rules, under the Company's constitution a director may:</p> <ul style="list-style-type: none"> • hold any other office or place of profit in or in relation to the Company (except that of auditor) in conjunction with his or her office of Director and on such terms as to remuneration or otherwise as the Directors shall approve; • become a shareholder in or director of or hold any office or place of profit in or in relation any company promoted by the Company or in which the Company may be interested, whether as to vendor, shareholder or otherwise; and • in all respects act as a Director in relation to any contract or arrangement in which he or she is interested, including in relation to the execution of the contract or agreement or the use of the Company's common seal, but he or she may not vote in relation to any contract or proposed contract or arrangement in which he or she has directly or indirectly a material interest and in that respect he or she shall comply with the requirements of the Corporations Act. • in all respects act as a Director in relation to any contract or arrangement in which he or she is interested, including in relation to the execution of the contract or agreement or the use of the Company's common seal, but he or she may not vote in relation to any contract or proposed contract or arrangement in which he or she has directly or indirectly a material interest and in that respect he or she shall comply with the requirements of the Corporations Act. 	<p>company and its directors require shareholder approval and includes:</p> <ul style="list-style-type: none"> • long-term service contracts between the company and a director; • substantial property transactions; • loans, quasi-loans and credit transactions; and • payments for loss of office. <p>Following completion of the Proposed London Listing, Pensana UK will also be required to comply with the related party transaction provisions of the UK Listing Rules and Disclosure Guidance Transparency Rules. Under these provisions, material related party transactions (material being determined by reference to the size of the transactions relative to that of Pensana UK) must be publically announced by Pensana UK when the terms of such transaction are agreed.</p>

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
Number and nomination of directors	<p>Number</p> <p>As a public company in Australia, the Company must have:</p> <ul style="list-style-type: none"> • no fewer than three directors (not counting alternate directors); • at least two directors ordinarily resident in Australia; • at least one secretary; and • at least one secretary must ordinarily reside in Australia. <p>The Company's constitution provides that the Directors can determine the number of Directors, subject to there being not less than 3.</p> <p>The Company in general meeting can increase or reduce the number of Directors.</p> <p>Nomination</p> <p>Under the ASX Listing Rules, the Company must accept nominations for the election of directors up to 35 business days (or 30 business days in the case of a meeting requested by shareholders) before the date of a general meeting at which the directors may be elected, unless the Company's constitution provides otherwise.</p> <p>Under the Company's constitution, a person other than a Director seeking re-election shall be eligible for election as a Director at any general meeting unless that person or some shareholder intending to propose that person has given notice in accordance with the Company's constitution.</p>	<p>Number</p> <p>Under English law, a public company must have a minimum of two directors and a company secretary. There is no restriction on their residency nor a maximum number of directors.</p> <p>Under the Pensana UK Articles, Pensana UK may have at least 2 directors and no more than 8 directors.</p> <p>Nomination</p> <p>Any person willing to act can be appointed a Pensana UK Director by an ordinary resolution of the Pensana UK shareholders or by the Pensana UK Board.</p>
Removal of directors	<p>The shareholders of the Company may remove a director from office by passing an ordinary resolution to do so at a general meeting.</p> <p>Under the Corporations Act, a notice of intention to move the resolution must be given to the Company at least two months before the meeting is to be held. However, if the Company calls a meeting after the notice of intention is given, the meeting may pass the resolution even though the meeting is held less than two months after the notice of intention is given. The director is entitled to put their case to members and to receive a copy of the notice.</p> <p>The Company's constitution further provides that a person will automatically cease to be a Director if that person (among other things):</p>	<p>A Pensana UK Director can be removed from office by the passing of an ordinary resolution of the Pensana UK shareholders or service of notice on him which has been signed by all of the other Pensana UK Directors.</p> <p>Without prejudice to the provisions under the Pensana UK Articles in respect of the rotation and removal of directors, the office of a Pensana UK Director shall be vacated if:</p> <ul style="list-style-type: none"> • he ceases to be a director by virtue of the UK Companies Act (or other relevant statutory instruments) or is removed from office pursuant to the Pensana UK Articles; • is prohibited by law from being a director; • he becomes bankrupt or makes any arrangement or composition with his creditors generally;

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
	<ul style="list-style-type: none"> • becomes of unsound mind; • retires from office; • becomes bankrupt; or • becomes disqualified by law from being a director (under the Corporations Act or otherwise). 	<ul style="list-style-type: none"> • a registered medical practitioner gives a written opinion to Pensana UK stating that that director has become physically or mentally incapable of acting as a director and may remain so for more than three months; • for more than six months he is absent without special absence leave from the Pensana UK Board; or • he gives notice to Pensana UK that he wishes to resign.
Rotation of directors	<p>The ASX Listing Rules require that:</p> <ul style="list-style-type: none"> • the Company hold an election of directors each year; • a director, other than the managing director and directors appointed to fill casual vacancies or as additions to the Board, must not hold office past the third annual general meeting following the director's appointment or three years, whichever is longer, without submitting himself or herself for re-elections; and • directors appointed to fill casual vacancies or as additions to the Board do not hold office (without re-election) past the next annual general meeting. <p>The Company's constitution also provides that at every annual general meeting one-third of the directors must retire from office, as well as any other director who has been in office for three years or more since that directors' last election or re-election (provided that the Company has 3 or more directors). The Company's constitution provides that directors required to retire are those who have been longest in office since last being elected.</p>	<p>At each annual general meeting, one third of the Pensana UK Directors shall retire by rotation. The Pensana UK Directors required to retire are those who have been longest in office since last elected. Such retiring directors can stand for re-election at the annual general meeting if they wish to continue to act.</p>
Directors' indemnity	<p>The Corporations Act prohibits the indemnification of persons against the following specific liabilities incurred as an officer or auditor of the Company:</p> <ul style="list-style-type: none"> • owed to the Company or a related body corporate; • for a pecuniary penalty order or a compensation order under the Corporations Act; or • owed to someone other than the Company or a related body corporate and did not arise out of conduct in good faith. <p>Further, the Corporations Act prohibits an indemnity for legal costs incurred in defending an action for a liability incurred as</p>	<p>Subject to the provisions, and so far as may be permitted by and consistent with the UK Companies Act (and other relevant statutory instruments), each current and former Pensana UK Director may be indemnified against:</p> <ul style="list-style-type: none"> • any liability incurred by or attaching to him in connection with any negligence, default, breach of duty or breach of trust in relation to the Pensana UK other than in the case of a current or former director any liability to Pensana UK or any associated company and any liability of the kind referred to the UK Companies Act;

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
	<p>an officer or auditor of the Company in specific circumstances including where an officer is found to have a liability for which they could not be indemnified or found guilty in criminal proceedings, or where the grounds for a court order have been made out (in proceedings brought by the Australian Securities and Investments Commission or a liquidator).</p> <p>Payments by the Company of insurance premiums which cover conduct involving a wilful breach of duty in relation to the Company or a breach of a director's statutory duty not to improperly use their position or improperly use information is also prohibited under the Corporations Act.</p>	<ul style="list-style-type: none"> any liability incurred by or attaching to him in connection with the activities of the Pensana UK or any associated company in its capacity as a trustee of an occupational pension scheme (as defined under the UK Companies Act); and any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers. <p>The Pensana UK Board may purchase and maintain for any current or former Pensana UK Director, insurance against any liability or expense incurred by him in relation to Pensana UK or any associated company or any third party in respect of any act or omission in the actual or purported discharge of his duties or otherwise in connection with holding his office.</p>
Directors' liability	Under the Corporations Act, there is a general prohibition on a company or a related body corporate exempting officers from any liability incurred as an officer of the company.	Under the UK Companies Act, there is a general prohibition on a company exempting officers from any liability incurred as an officer of the company.
Corporate governance	The structures of the Company's Board and the Company's corporate policies as a whole, must comply with the requirements of ASX Listing Rules in relation to corporate governance.	Pensana UK intends to comply with the requirements of ASX Listing Rules in relation to corporate governance.
Insider trading	Under the Corporations Act, any person who possesses price sensitive information relating to the Company or its securities is prohibited (subject to exceptions) from buying or selling those securities or procuring others doing so, or from communicating the information to third parties.	<p>Following application for the Proposed London Listing, Pensana UK will be subject to the Market Abuse Regulation (Regulation (EU) No 596/2014) which governs the disclosure of inside information and the restrictions on dealings that can be made by people who possess inside information. Inside information is information which is precise in nature, relates to the company or financial instruments and if were made public, would be likely to have a significant effect on the price of such financial instruments.</p> <p>As a general rule, inside information should be disclosed by Pensana UK as soon as possible, subject to certain exemptions. The Securities and Trading Policy to be adopted by Pensana UK when the Scheme becomes Effective, will include procedures in respect of dealings in Pensana UK Securities by persons discharging managerial responsibilities for the company.</p>

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
Quorum of shareholders	Under the Company's constitution, the quorum for a general meeting of Shareholders is two Shareholders entitled to vote.	Pursuant to the Pensana UK Articles, two persons entitled to attend and vote on the business to be transacted at a general meeting, each being a Pensana UK shareholder present in person or by proxy or a duly authorised representative of a corporation which is a Pensana UK shareholder shall be a quorum.
AGM	Under the Corporations Act, the annual general meeting of the Company is required to be held at least once every calendar year and within five months after the end of each financial year (unless an extension is granted by ASIC).	Under the UK Companies Act, Pensana UK must hold an annual general meeting in each period of 6 months beginning with the day following its accounting reference date.
Notice of shareholders meetings	<p>Under the Company's constitution and the Corporations Act, not less than 28 days notice of a general meeting must be given to Shareholders.</p> <p>The notice of a meeting must specify the date, time and place of the meeting and state the general nature of the business to be transacted at the meeting.</p>	<p>Under the Pensana UK Articles and UK Companies Act, annual general meetings must be called by notice of at least 21 days and general meetings with 14 days' notice. Shorter notice may be agreed by 95 per cent majority in number of Pensana UK shareholders who have the right to attend and vote at the meeting.</p> <p>After the Proposed London Listing, general meetings will only be able to be called on 14 days' notice if a special resolution has been passed and Pensana UK offers its shareholders a facility to vote by electronic means.</p> <p>The notice shall specify the date, time and place of the meeting, means, or all different means, of attendance and participation and the general nature of the business to be transacted.</p>
Calling meetings	<p>Under the Corporations Act, a general meeting of Shareholders may be called by individual directors, or by Shareholders holding at least 5% of the total votes that may be cast at the meeting, or at least 100 members who are entitled to vote.</p> <p>Additionally, under the Company's constitution, the Board is given the power to convene a general meeting at any time.</p>	<p>Under the UK Companies Act, Pensana UK Directors must call a general meeting where they received a request to do so by Pensana UK shareholders who represent at least 5 per cent of the paid-up capital of Pensana UK as carries the right to vote at general meetings and in certain other circumstances.</p> <p>The Pensana UK Board can also convene a general meeting whenever it thinks fit.</p>
Shareholder proposed resolutions	Under the Corporations Act, Shareholders holding at least 5% of the votes that may be cast at a general meeting, or at least 100 Shareholders who are entitled to vote at the meeting may, by written notice to the Company, propose a resolution for consideration at the next general meeting occurring more than two months' after the date of their notice.	<p>Under the UK Companies Act, UK Pensana is required to give notice of a resolution for an annual general meeting if it receives requests to do so from:</p> <ul style="list-style-type: none"> • Pensana UK shareholders representing at least 5 per cent of the total voting rights of all members entitled to vote at an annual general meeting; or • at least 100 Pensana UK shareholders who are entitled to vote at an annual general meeting and hold Pensana UK

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
		<p>Shares on which there has been paid up an average sum, per member, of at least £100.</p> <p>A request: (a) may be in hard copy form or in electronic form; (b) must identify the statement to be circulated; (c) must be authenticated by the person or persons making it; and (d) must be received by Pensana UK at least one week before the meeting to which it relates.</p>
Business at annual meetings	<p>Under the Corporations Act, the business of an annual general meeting may include any of the following, even if not referred to in the notice of meeting:</p> <ul style="list-style-type: none"> • consideration of the annual financial report, directors' report (including remuneration report) and auditor's report; • advisory (non-binding) resolution to adopt the remuneration report, with the rule that if 25% or more of the shareholders vote against its adoption in 2 consecutive years, a resolution to spill the board is put to shareholders at that second meeting ("two strikes rule"); • election of directors; • appointment of the auditor; and • fixing the auditor's remuneration. 	<p>The UK Companies Act does not specify what business must be transacted at an annual general meeting, nor are there any restrictions on business. Usually the meeting is used for matters which must be dealt with each financial year, such as the re-election of directors, fixing the remuneration of auditors and consideration of the annual accounts, directors' report and auditors' report.</p>
Attending meetings	<p>Shareholders entitled to vote at a meeting of Shareholders can attend and vote by:</p> <ul style="list-style-type: none"> • by attending the shareholder meeting and voting in person; • by appointing an attorney to attend the Shareholder meeting and vote on their behalf, or, in the case of corporate shareholders, a corporate representative to attend the meeting and vote on its behalf; or • by appointing a proxy to attend the shareholder meeting and vote on their behalf. 	<p>Pensana UK shareholder entitled to vote a general meeting can attend and vote either in person or by proxy or a duly authorised representative of a corporation which is a Pensana UK shareholder.</p> <p>Each Pensana UK Director shall also be entitled to attend and speak at any general meeting of Pensana UK and at any separate general meeting of the holders of any class of shares of Pensana UK.</p>
Derivative action and shareholder class action	<p>Under the Australian common law, Shareholders do not have the right to bring a common law action on behalf of the Company.</p> <p>Under the Corporations Act, a statutory derivative action may be instituted by a shareholder, former shareholder or person entitled to be registered as a shareholder. In</p>	<p>Under the UK Companies Act, a Pensana UK shareholder can, subject to court approval, bring an action in their own name seeking a remedy on behalf of Pensana UK in respect of a wrong done to it.</p> <p>Such shareholder who is seeking permission to continue a derivative claim is (a) required to make a prima facie case for permission to</p>

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
	<p>all cases, leave of the court is required. Such leave will be granted if:</p> <ul style="list-style-type: none"> • it is probable that the company will not itself bring the proceedings or properly take responsibility for them; • the applicant is acting in good faith; • it is in the best interests of the company; • there is a serious question to be tried; and • either: <ul style="list-style-type: none"> ○ at least 14 days before making the application, the applicant gave written notice to the company of the intention to apply for leave and of the reasons for applying; or ○ it is otherwise appropriate for the court to grant leave. 	<p>continue the claim, and (b) is required to file evidence in respect of its claim.</p> <p>A court may not give permission to continue the claim if (a) it is satisfied that a person acting in accordance with a duty to promote the success of the company would not seek to continue the claim, or (b) the act or omission giving rise to the cause of action has been authorised or ratified by the company.</p> <p>On hearing the application, the court may (a) give permission to continue the claim as a derivative claim on such terms as it thinks fit, (b) refuse permission and dismiss the application, or (c) adjourn the proceedings and give such directions as it thinks fit.</p>
Relief from oppression	<p>Under the Corporations Act, any shareholder can bring an action in cases of conduct which is either contrary to the interests of Shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any Shareholders in their capacity as a shareholder, or themselves in a capacity other than as a shareholder. Former Shareholders can also bring an action if it relates to the circumstances in which they ceased to be a shareholder.</p>	<p>Under the UK Companies Act, a Pensana UK shareholder may apply to the court by petition for an order against unfair prejudice on the ground that Pensana UK's affairs are being or have been conducted in a manner that is unfairly prejudicial to the interests of the Pensana UK shareholders generally or of some part of its shareholders or that an actual or proposed act or omission of the company is or would be so prejudicial.</p> <p>If the court is satisfied that a petition is well founded, it may make such order as it thinks fit for giving relief in respect of the matters complained of.</p>
Statutory rights of action for misrepresentations	<p>Under the Corporations Act, any Shareholder who suffers loss as a result of misleading or deceptive conduct relating to securities can bring an action against the person engaged in the conduct. Similarly, any shareholder who suffers loss as a result of a misleading or deceptive statement contained in a disclosure document (i.e. a prospectus) can bring an action against the company, any director or the underwriter to the offer made through the disclosure document.</p>	<p>There are no similar protections for Pensana UK shareholders in respect of misrepresentation under the UK Companies Act. However there are general commercial protections under the Misrepresentation Act 1967 for fraudulent or negligent misrepresentation if one party (A) has been induced by another (B) to enter into a contract and thereby causes B loss.</p>
Inspection of books	<p>Under the Corporations Act, a shareholder must obtain a court order to obtain access to the Company's books and records.</p>	<p>Under the UK Companies Act, a Pensana UK shareholder is entitled to inspect, without charge, the register of members, records of resolutions, and copies of director's service contracts.</p>

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
Financial records and reports	<p>Under the Corporations Act, the Company must report annually to its members, which report must include a financial report, directors' report (which includes the remuneration report) and the auditor's report on the financial report for each relevant year. The ASX Listing Rules also require the company to provide a preliminary financial report to the ASX annually.</p>	<p>Under the UK Companies Act, Pensana UK must prepare annual accounts to report on their performance and activities during the past year. Such accounts should include a strategic report, directors' report, a directors' remuneration report (following the Proposed London Listing) and an auditors' report on the auditable part of the directors' remuneration report.</p>
Takeovers	<p>Under the Corporations Act any acquisition by a person of a "relevant interest" in a "voting share" of the Company is restricted where, because of a transaction, that person or someone else's percentage "voting power" in the Company increases above 20% (or, where the person's voting power was already above 20% and below 90%, increases in any way at all).</p> <p>There is an exception from these restrictions where the shares are acquired under takeover offers made under the Corporations Act to all shareholders (which must be on the same terms for all the Company Shareholders (subject to minor exceptions) and which must comply with the timetable and disclosure requirements of the Corporations Act).</p> <p>There are also other exceptions from the 20% limit for acquisitions made through permitted gateways such as acquisitions with shareholder approval or "creeping" by acquiring up to 3% every six months (if throughout the six months before the acquisition the person has had voting power in the company of at least 19%).</p> <p>The purpose of these provisions is to attempt to ensure that the shareholders in the target company have a reasonable and equal opportunity to share in any premium for control and that they are given reasonable time and enough information to assess the merits of the proposal.</p>	<p>Pensana UK is subject to the City Code on Takeovers and Mergers (the "City Code") as its registered office is in the UK and it is considered by the Panel on Takeovers and Mergers (the "Panel") to have its place of central management and control in the United Kingdom as a result of half of the board, including the chairman who has a casting vote, being resident in the United Kingdom. Accordingly, the City Code applies to any offer made to Pensana UK shareholders in relation to their shares in Pensana UK. The City Code operates principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment. The City Code provides an orderly framework within which takeovers are conducted and is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.</p> <p>The City Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. General Principle One states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment and if a person acquires control of a company, the other holders of securities must be protected. This is reinforced by Rule 9 of the City Code which requires a person, together with persons acting in concert with him, who acquires shares carrying voting rights which amount to 30 per cent. or more of the voting rights to make a general offer. "Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting. A general offer will also normally be required where a person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights, acquires additional shares which increase his percentage of the voting rights. Unless the Panel consents, the offer must be made to all other shareholders, be in cash (or have a cash alternative) and cannot</p>

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
		<p>be conditional on anything other than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50 per cent. of the voting rights.</p> <p>There are not in existence any current mandatory takeover bids in relation to Pensana UK.</p>
Disclosure of substantial holdings	<p>Under the Corporations Act, a shareholder who begins or ceases to have a substantial holding in a company listed on ASX or has a substantial holding in a company listed on ASX and there is a movement by at least 1% in their holding, must give a notice to the company and ASX. A person has a substantial holding if that person and that person's associates have a relevant interest in 5% or more of the voting shares in the company.</p>	<p>Before completion of the Proposed London Listing, Pensana UK will be required to hold and maintain a register of people with significant control.</p> <p>A person/body corporate will be considered to have significant control over Pensana UK if they meet one or more of the following conditions:</p> <ul style="list-style-type: none"> • directly or indirectly holds more than 25 percent of the Pensana UK Shares; • directly or indirectly holds more than 25 percent of the voting rights; • directly or indirectly holds the right to appoint or remove the majority of directors; • otherwise has the right to exercise, or actually exercises, significant influence or control over the company; or • has the right to exercise, or actually exercises, significant influence or control over the activities of a trust or firm, which itself satisfies one or more of the first four conditions. <p>After completion of the Proposed London Listing, pursuant to the Disclosure Guidance Transparency Rules, significant Pensana UK shareholders (i.e. those holding 3 per cent or more of any class of securities) must notify Pensana UK of any increases or decreases in their shareholding through a single percentage. Pensana UK must make public such information within 2 trading days of receiving a notification from such shareholder.</p>
Winding up	<p>Under Australian law, an insolvent company may be wound up by a liquidator appointed by either creditors or the court. Directors cannot use their powers after a liquidator has been appointed. If there are funds left over after payment of the costs of the liquidation, and payments to other priority creditors, including employees, the liquidator will pay these to unsecured creditors. The Shareholders rank behind the creditors.</p>	<p>Pursuant to the Pensana UK Articles, the Pensana UK Board shall have power in the name and on behalf of Pensana UK to present a petition to the court for the company to be wound up.</p>

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
	<p>Under Australian law, shareholders of a solvent company may decide to wind up the company if the directors are able to form the view that the company will be able to pay its debts in full within 12 months after the commencement of the winding-up. A meeting at which a decision is made to wind up a solvent company requires at least 75% of votes cast by the shareholders present and voting.</p> <p>The Company's constitution states that if the Company is wound up and there is a surplus, the liquidator may, with the sanction of a special resolution, divide among the Shareholders in kind, the whole or any part of the property of the Company representing that surplus, and may for that purpose set whatever value the liquidator considers fair on any property to be so divided and determine how the division should be carried out.</p>	
Restricted securities and mandatory lock up periods	<p>The ASX Listing Rules impose restrictions on certain securities, usually issued as part of an entity's listing on ASX, that are issued to seed capitalists, vendors of classified assets, promoters, professionals and consultants and persons under an employee incentive scheme, who were involved with the entity prior to its admission to the ASX (restricted securities). The restricted securities are placed in escrow for a specific period (usually ranging from 12 to 24 months).</p> <p>This prevents the transfer of effective ownership or control of the restricted securities. The ASX considers that the delay allows the value of assets or services sold to an entity to become more apparent, and for the market price of the entity's securities to adjust before the vendor receives full consideration.</p>	There are no similar provisions under the UK Companies Act.
Accounts	Under Australian law, the Company must prepare its financial accounts and present its financial statements in accordance with the financial reporting standards determined by the Australian Accounting Standards Board.	The UK Companies Act, requires the balance sheet and the profit and loss account of a company to give a true and fair view. Provided that there is consistency within a group, the UK Companies Act allows companies to prepare their accounts in accordance with either UK Generally Accepted Accounting Practice or International Financial Reporting Standards.

Area	Rights of holders of Shares in the Company	Rights of holders of Pensana UK Shares
Auditors	<p>Under the Corporations Act, a company must appoint an auditor within one month after the day on which the company is registered, unless the company, at a general meeting, has appointed an auditor. The auditor holds office until the company's first AGM, where the appointment is confirmed by the members or another auditor is appointed.</p> <p>The auditor holds office until one of the following occurs:</p> <ul style="list-style-type: none"> • the auditor obtains ASIC consent to resign; • the auditor is removed by the company; • the auditor is deceased; • the auditor ceases to be capable of acting as an auditor; • the auditor ceases to be an auditor; or • the company is being wound up. 	<p>Under the UK Companies Act, Pensana UK must appoint an auditor for each financial year of the company. For each financial year, the appointment of the auditor must be made by ordinary resolution before the end of the accounts meeting at which Pensana UK's annual accounts and reports are for the previous financial year are laid.</p>

ANNEXURE 7 – NOTICE OF SCHEME MEETING

PENSANA METALS LIMITED
ACN 121 985 395

NOTICE OF SCHEME MEETING

**The general meeting of the Company will be held at
Ground Floor, 10 Outram Street, West Perth WA 6005 on Monday, 15 January 2020 at
10:00am (WST).**

This Notice of general meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9221 0090

Shareholders are urged to attend or vote by lodging the Proxy Form attached to this Notice.

NOTICE OF SCHEME MEETING

By an order of the Supreme Court of Western Australia (**Court**) made on 29 November 2019 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a meeting of the holders of ordinary shares (**Shareholders**) in Pensana Metals Limited ACN 121 985 395 (**Pensana** or the **Company**) will be held at Ground Floor, 10 Outram Street, West Perth WA 6005 on Monday, 15 January 2020 at 10:00am (WST) (**Scheme Meeting**).

The Court has also directed that Michael Choon Ming Ng act as chairman of the Scheme Meeting or failing him Hedley James Roost, and has directed the chairman to report the results of the Scheme Meeting to the Court.

The purpose of the Scheme Meeting is to consider and, if thought fit, to approve (with or without modification) a scheme of arrangement proposed to be made between Pensana and Shareholders (**Scheme**).

To enable you to make an informed voting decision, important information on the Scheme is set out in the booklet accompanying this Notice (**Scheme Booklet**). The Scheme Booklet and Explanatory Memorandum to this Notice and Proxy Form both form part of this Notice. Terms and abbreviations used in this Notice and in the Scheme Booklet are defined in the Scheme Booklet.

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The general meeting of the Shareholders of the Company will be held at:

Ground Floor, 10 Outram Street, West Perth WA 6005 on Monday, 15 January 2020 at 10:00am (WST)

VOTING ENTITLEMENTS

The Pensana board of directors has determined, and the Court has ordered, that a person's entitlement to vote at the Scheme Meeting will be the entitlement of that person as set out in the Pensana share register as at 4:00pm (WST) on Saturday, 13 January 2020.

HOW TO VOTE

The business of the Scheme Meeting affects your shareholding and your vote is important. Please take action by voting in person (or authorised representative) or by proxy.

VOTING IN PERSON

To vote in person, attend the Scheme Meeting on the date and at the place set out above. The Scheme Meeting will commence at 10:00am (WST).

PROXIES

A Proxy Form accompanies this Notice of Scheme Meeting. To be effective, the Proxy Form must be completed and received at the Company's share registry, Computershare Investor Services Pty Limited, by 10:00am (WST) on Saturday, 13 January 2020, being no later than 48 hours before commencement of the Scheme Meeting.

- (a) Online at:
www.investorvote.com.au and following the instructions provided
- (b) Mail to:
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia
- (c) Fax to:
1800 783 447 (within Australia)

+61 3 9473 2555 (outside Australia)
- (d) Mobile voting:
Scan the QR Code on your Proxy Form and follow the prompts
- (e) Custodian voting:
For Intermediary Online subscribers only (custodians) please visit
www.intermediaryonline.com to submit your voting intentions

If you are entitled to attend and cast a vote at the Scheme Meeting, you may appoint up to two proxies. A proxy may be an individual or a corporation but need not be a Shareholder. If you appoint two proxies each proxy may exercise half of your votes if no proportion or number of votes is specified.

If you appoint a proxy but attend the Scheme Meeting yourself, the rights of the proxy to speak and vote on your behalf at the Scheme Meeting will be suspended while you are present

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

CORPORATE REPRESENTATIVES

A corporation may appoint an individual as a representative to exercise its powers as Shareholder or as a Shareholder's proxy. The representative should bring to the Scheme Meeting evidence of his or her appointment, including any authority under which it is signed, unless it has been previously given to the Company's share registry.

POWERS OF ATTORNEY

A person appearing as an attorney for a Shareholder should produce a properly executed original (or certified copy) of an appropriate power of attorney for admission to the annual general meeting.

AGENDA

1. Resolution - Approval of the scheme

To consider and, if thought fit, to pass with or without amendment, the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

"That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Pensana Metals Limited and the holders of its ordinary shares as contained in and more particularly described in the Scheme Booklet of which the Notice forms part, is approved, and the directors of Pensana Metals Limited are authorised to agree to such alterations or conditions as are thought fit by the Court, and subject to approval by the Court, to implement the Scheme with any such alterations or conditions."

Dated: 29 November 2019

By order of the Board

Scott Mison
Company Secretary

EXPLANATORY MEMORANDUM

1. INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Scheme Meeting to be held at Ground Floor, 10 Outram Street, West Perth WA 6005 on Monday, 15 January 2020 at 10:00am (WST).

This Explanatory Memorandum should be read in conjunction with, and forms part of, the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the resolution set out in the Notice.

A Proxy Form is located at the end of this Explanatory Memorandum.

2. REQUIRED VOTING MAJORITY

In order for the Scheme to become effective, the resolution set out in the Notice must be passed at a meeting by:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of Shareholders present and voting at the Scheme Meeting (whether in person or by proxy, attorney or, in the case of corporate shareholders, a corporate representative) at the meeting; and
- (b) at least 75% of the votes cast on the resolution.

The Court has the discretion under section 411(4)(a)(ii)(A) of the Corporations Act to approve the Scheme if it is approved by at least 75% of the votes cast on the resolution but not by a majority in number of Shareholders (other than excluded shareholders) present and voting at the Scheme Meeting.

Voting at the Scheme Meeting will be by poll rather than by a show of hands.

3. COURT APPROVAL

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without alteration or conditions) is subject to approval of the Court. If the resolution proposed at the Scheme Meeting is approved by the requisite majority, and the relevant conditions of the Scheme (other than approval by the Court) are satisfied, or waived, by the time required under the Scheme, Pensana intends to apply to the Court for the necessary orders to give effect to the Scheme.

4. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice including this Explanatory Memorandum carefully before deciding how to vote on the Resolution.

CORPORATE DIRECTORY

Directors

Mr Paul Atherley (Chairman)

Mr David Hammond (Director / Chief Operation Officer)

Mr Mark Hohnen (Non-Executive Director)

Mr Neil Maclachlan (Non-Executive Director)

Company Secretary

Mr Scott Mison

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000
Tel +61 3 9415 4000

Australian Legal Advisers

DLA Piper Australia
Central Park, Level 31
152-158 St Georges Terrace
Perth WA 6000
Tel +61 8 6467 6000

UK Legal Advisers

Bryan Cave Leighton Paisner LLP
Adelaide House
London Bridge
EC4R 9HA
United Kingdom

Registered and Corporate Office

Ground Floor, 10 Outram Street
West Perth WA 6005

Independent Expert

BDO Corporate Finance (WA) Pty Limited
38 Station St
Subiaco WA 6008
Australia
Tel +61 8 6382 4600

Stock Exchange Listing

ASX Code: **PM8**

