Pensana metals

ABN: 86 121 985 395

Half Year Financial Report

31 December 2019

CORPORATE DIRECTORY

DIRECTORS

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

CEO

Tim George

COMPANY SECRETARY

Scott Mison

REGISTERED OFFICE

Ground Floor, 10 Outram Street,
West Perth WA 6005
www.pensanametals.com
info@pensanametals.com

ASX CODE

PM8

SOLICITORS

DLA Piper Australia
Level 31, Central Park
152-158 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges terrace
Perth WA 6000

AUDITORS

Ernst and Young
11 Mounts Bay Rd,
Perth WA 6000

CONTENTS

DIRECTORS' REPORT

Your directors present their report on the consolidated entity for the half-year ended 31 December 2019.

DIRECTORS

The names of directors who held office during or since the end of the half-year and up to the date of this report are:

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

Review of Operations

The consolidated entity incurred an operating loss after income tax of $2,984,795 for the half-year ended 31 December 2019 (31 December 2018 $2,778,279).

A summary of the Company's operations over the last six months and to the date of this Director's Report follows.

Longonjo NdPr Project Development Programmes

Preliminary Feasibility Study

During the period, results of the Preliminary Feasibility Study were reported (''**Study**'') for the Longonjo NdPr Project ("**Longonjo Project**") located in an infrastructure rich region of Angola (ASX: 15 November 2020).

The Study was co-ordinated by Wood Group and is based on open pit mining and two-phase development of a 2 million tonnes per year processing plant and associated infrastructure, producing on average 56,000 tonnes per year of NdPr concentrate for export.

Strong Project Economics Indicated

- An upfront capital cost of US$131 million, including mine development, process plant and infrastructure, and 15% cost growth allowance.

- Estimated 14 months construction and commissioning.

- Project economics have been evaluated under base, high and low-price forecasts developed by Roskill.

	Gross Revenue	EBITDA	Pre-tax IRR	Payback
	$ million	$ million	%	Months
High	2,733	2,068	129%	11
Base	1,984	1,319	101%	13
Low	1,448	782	64%	17

Notes: See Table 1 for material assumptions.

Financial highlights are reported in US dollars as at November 2019 on a 100% project basis. The production target and financial information is based on the stated material assumptions and additional information set out in the Study. Financial highlights are reported before corporation and other taxes including royalties.

- Access to major rail and power infrastructure significantly reduces the capital cost and allows for the development of the mine as a simple flotation operation producing a concentrate for export avoiding the need to invest in a complex and expensive chemical processing plant.

- The open pit mine, which has an average depth of 25 metres and a negligible strip ratio may be extended if infill drilling of some of the large amount of Inferred Mineral Resources is successful. There is also the potential to extend the near surface of blanket weathered mineralisation in several areas where it remains open along strike through additional drilling.

- As the mine progresses it will expose the underlying fresh rock material from which the company has reported some promising intersections with the potential to add a further new dimension to the project.

- The mine has the potential to be a significant NdPr producer outside China and the first major rare earth mine to be developed since 2012.

- For the first three years of operation, the project intends to process 1.5 mtpa higher grade resources, producing 60,000 tonnes of concentrate in each year and containing 4,600 tpa NdPr and 20,700 tpa REO. From the fourth year of operation the front end of the plant will be expanded to process 2 mtpa and maintain concentrate and NdPr production.

- Detailed front-end engineering studies have commenced, including investigation of the potential deferral of capital expenditure thereby further reducing the initial capital cost.

ESG designed in from day one

- The Company is designing into the project the highest standards of ESG compliance from the outset. The main frameworks which have been used are the Equator Principles, the very highest environmental standards and Scope 1, 2 and 3 emissions under the Green House Gas protocol (GHGP).

- Access to low carbon power from the Luaca hydro-electric dam via the national grid and local PV and storage facilities at the mine site and the use of rail rather than road transport for the concentrates will give the mine a low carbon footprint.

- The operation will use a closed circuit zero discharge process water circuit and a tailings storage facility designed to store benign tailings during operations which will be rehabilitated at the end of the mine life.

- The mine will have a positive impact on the local community by providing training for the approximately 370 jobs the mine will create, Local businesses will benefit from the opportunity to provide services to the mine. Community consultations are well advanced and ongoing with baseline studies completed. A particular focus is on training young women for technical and engineering roles.

Neodymium oxide market moving into deficit

- A number of commodity analysts have forecast that the NdPr oxide market will move into deficit in the next few years as demand for magnets in EVs and other forms of transport, offshore wind turbines, military applications and a growing universe of green energy applications increases.

- Adamas Intelligence noted in its report Rare Earth Elements: Market Issues and Outlook Adamas Intelligence Q2 2019 that “Demand for Neodymium oxide will substantially exceed global average production by 2030 leading to shortages of these critical magnet metals if additional sources of supply are not developed".

- The processing of rare earth concentrates is currently limited to a small number of Chinese companies which control nearly 90% of the market. The market for sustainably sourced concentrates is expected to grow as most industries prepare to diversify concentrate supply away from the environmentally damaging local sources.

- In addition, due to the strategic importance of rare earths in general and neodymium in particular, a number of governments and companies around the world are looking to develop local processing capability. These are seen as potential future customers for the mine.

Table 1: Material Assumptions and Outcomes

PRODUCTION ASSUMPTIONS		
Life of Mine	9	years
Average grade, NdPr*	0.61	%
Average strip ratio	0.1:1	waste:feed
Average concentrate production	55,900	tpa_{dry}
Average contained NdPr in concentrate	4,200	tpa
OPERATING COSTS		
Average annual operating cost	65.5	USD million
Total site operating cost per tonne	36.2	USD / tonne
CAPITAL COSTS including growth allowance		
Mine	3.2	USD million
Process Plant	50.5	USD million
Plant Infrastructure & TSF	20.7	USD million
Area Infrastructure	3.3	USD million
Regional Infrastructure	9.7	USD million
Miscellaneous	6.3	USD million
Indirect Costs	18.0	USD million
Growth Allowance	19.3	USD million
Total Capital Pre-production	130.6	USD million
Year 4 Expansion Capital cost (funded by cashflow)	12.5	USD million
TSF expansions (funded by cashflow)	19.4	USD million
Average Annual sustaining Capital	2.9	USD million from year 6
FINANCIAL METRICS (BASE CASE)		
Consolidated total revenue	1,984	USD million
Consolidated average annual revenue	220	USD million
Total Consolidated cash generation (pre-tax and royalties)	1,130	USD million
Average annual EBITDA	146	USD million
IRR pre-tax and royalties	101	%
Payback period (from start of operations)	13	months
CONCENTRATE ASSUMPTIONS		
Concentrate grade	7.5	% NdPr
Concentrate Price (year 1)	3,821	USD / tonne

*NdPr = neodymium+praseodymium oxide

7,000 metre infill and extension drilling programmes commence

During the period, the Company commenced a 7,000-metre reverse circulation (RC) infill drilling programme at Longonjo in support of the Definitive Feasibility Study. The drilling is designed to provide detailed data to support an upgrade of Mineral Resources currently in the Inferred category to Measured and Indicated Mineral Resource categories, as well as to test several potential extensions to known mineralisation.

On 13 January 2020 assay results from the first 16 drill holes were reported to the ASX as highlighted below:

- The results confirm the continuity of high-grade weathered mineralisation from surface over an area extending 250 by 450 metres immediately to the west of the current pit design.
- The results demonstrate the potential to significantly extend the open pit and 9 year mine life of the recently reported Preliminary Feasibility Study (ASX announcement 15 November 2020).
- Several of the infill drill holes intersected higher NdPr grades than estimated by the current Mineral Resource estimate block model in this area.

<u>Drill hole</u>	<u>Intersection</u>
LRC175:	**16 metres** at **4.19% REO** including **0.93% NdPr** from surface **LRC180:**
	18 metres at **5.69% REO** including **1.06% NdPr** from surface **LRC181:**
	10 metres at **4.60% REO** including **0.88% NdPr** from surface ***and***
	8 metres at **3.52% REO** including **0.59% NdPr** from 16 metres to end of hole
LRC182:	**16 metres** at **6.53% REO** including **1.27% NdPr** from surface to end of hole
LRC189:	**13 metres** at **6.19% REO** including **1.01% NdPr** from surface to end of hole

*NdPr = neodymium – praseodymium oxide. REO = total rare earth oxides. Intersections reported at a +0.4% NdPr lower grade cut off. See ASX of 13 January 2020, for details of all new results.

Bulk sample shipment to Perth

Four containers carrying over 60 tonnes of near surface weathered mineralisation were loaded at the Longonjo rail siding for despatch to Perth Australia via the Benguela rail line and the Port of Lobito.

In January 2020, the containers arrived at Fremantle Port and were trucked to ALS Metallurgy ahead of the planned pilot plant test-work programme.

Loading samples into container for transportation to Port Lobito

Mining licence application

During the period significant progress was made towards the completion of the Technical, Economic and Financial Viability Study, Environmental Impact Assessment study and the application required for the issuance of a Mining Licence in compliance with the Angolan Mining Code.

In January 2020, the Company lodged a submission for a Mining Licence with the Ministry of Mineral Resources and Petroleum.

LSE / ASX Listing of Pensana Rare Earths Plc

During the period, the company progressed with the planned dual listing on the ASX and the London Stock Exchange's Main Board.

Post period end, on 15 January 2020, Shareholders approved the scheme of arrangement (the "Scheme") whereby Pensana Rare Earths Plc ("Pensana UK") would acquire all of the ordinary shares in Pensana Metals Ltd. The Supreme Court of Western Australia made orders approving the Scheme on 22 January 2020 pursuant to which each shareholder of the Pensana Metals Ltd would receive 1 (one) Pensana UK CDI for every 1 (one) share held in Pensana Metals Ltd. On 4 February 2020 the Scheme was implemented and the Company will become a wholly owned subsidiary of Pensana UK.

The company's planned listing on the LSE is now expected to be completed by the end of Q2 2020 depending on market conditions and subject to the receipt of relevant regulatory approvals.

Tanzania (Rift Valley 100%)

Miyabi Gold Project

The Company has received a proposal for the acquisition of the company's 100% interests in the Miyabi Gold Project. A non-binding terms sheet has been signed and due diligence is being completed.

The Company is finalising an application for a mining licence and is expected to lodge by 31 March 2020.

Kitongo Gold Project - Sale agreement executed

During the year ended 30 June 2019, the company executed a conditional sale agreement to sell the Kitongo Gold Project tenements for a total consideration of US$550,000. The purchaser, Busolwa Mining Limited (Managing Director – Baraka Ezekiel) a private company incorporated in the United Republic of Tanzania, has paid US$364,000 of the total consideration price during 2019.

All conditions on the sale have been met and the licence has been transferred to the purchaser. During the current period, the Company has received US$67,448 with the remaining $118,552 due and payable by the purchaser.

Canuck Prospecting Licence – Mineral prospecting rights agreement executed

During the year ended 30 June 2019, a Mineral Prospecting rights agreement was executed by Pensana and the Purchaser for the sale of the company's 100% owned Tanzania prospecting licence PL 11016/2017 - "Canuck". The purchaser, Pamoja Mining Company Limited, (Director – Nathan Conradie), a private company incorporated in the United Republic of Tanzania, agreed to purchase the licence for a total consideration of US$250,000 subject to the transfer of the prospecting licence to the purchaser. During 2019 the licence was transferred and US$100,000 of the consideration prices has been received with the remaining US$150,000 due and payable by the purchaser.

Subsequent Events

On 11 March 2020, the Company announced that it had raised just over A$2 million from Fundo Soberano de Angola ("FSDEA"), the Angolan Sovereign Wealth Fund which currently manages a significant portfolio of investments, distributed across various industries and asset classes, including the mining sector.

FSDEA has agreed to subscribe for 7,648,670 ordinary shares in the Company at A$0.27 per share, to raise gross proceeds of A$2,065,141 million before expenses.

On completion FSDEA will become a strategic cornerstone investor in the Company, holding approximately 4.8% of the enlarged share capital of the Company.

The funds raised will be used to progress the Definitive Feasibility Study for the Company's flagship Longonjo Project and to provide working capital.

The 7,648,670 fully paid ordinary shares will be issued under the Company's placement capacity in accordance with ASX Listing Rule 7.1.

For further information please contact:

Paul Atherley
Chairman

Pensana Metals Limited
Tel +61 8 9221 0090
Fax +61 8 9221 0095
info@pensanametals.com

Auditor's independence declaration

The auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 25 and forms part of the directors' report for the half year ended 31 December 2019.

This report is signed in accordance with a resolution of Board of Directors.

Paul Atherley
Chairman
Dated this 15 day of March 2020

Competent Persons Statements

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

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

The information in this report that relates to the Study, including the mining, process design, tailings, preliminary engineering, operating and capital cost estimates summaries is based on work completed by Wood Group.

Compliance Statement

Information relating to Infrastructure, project execution, cost estimating, metallurgical test work, exploration results, Mineral Resource estimates is extracted from the report entitled "Preliminary Feasibility Study" announced on the 15th of November 2019.

The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources estimates,that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

DIRECTOR'S DECLARATION

In the opinion of the Directors:

a. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

I. giving a true and fair view of the financial position of the consolidated entity as at 31 December 2019 and the performance for the half-year ended on that date, and

II. complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

b. Subject to the matters disclosed at note 1(d), there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Paul Atherley

Chairman

Dated this 15 day of March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2019

	Half-year ended 31 Dec 2019 A$	Half-year ended 31 Dec 2018 A$
Interest income	342	3,508
Administration expenses	(1,622,442)	(579,266)
Corporate expenses	(1,301,601)	(1,734,228)
Other expenses	-	(496,087)
Foreign currency exchange (loss) / gain	(61,094)	27,794
Loss before income tax	**(2,984,795)**	**(2,778,279)**
Income tax benefit	-	-
Total loss for the period	**(2,984,795)**	**(2,778,279)**
Other comprehensive income		
Items which may be subsequently reclassified to profit or loss		
Foreign currency translation	(119,012)	704,747
Other comprehensive (loss) / income for the period	(119,012)	704,747
Total comprehensive loss for the period	**(3,103,807)**	**(2,073,532)**
Net loss for the period is attributable to:		
Owners of Pensana Metals Limited	**(2,984,795)**	**(2,778,279)**
Total comprehensive loss is attributable to:		
Owners of Pensana Metals Limited	**(3,103,807)**	**(2,073,532)**
Loss per share attributable to owners of Pensana Metals Limited:		
Basic (cents per share)	(2.00)	(2.63)
Diluted (cents per share)	(2.00)	(2.63)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	31 December 2019 A$	30 June 2019 A$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,230,365	4,712,730
Trade and other receivables		77,711	45,553
Prepayments		14,511	31,923
Assets held for sale	5	3,573,875	3,556,840
Other financial assets		156	156
TOTAL CURRENT ASSETS		**4,896,618**	**8,347,202**
NON-CURRENT ASSETS			
Property, plant and equipment		14,414	8,195
Exploration and evaluation expenditure	6	11,324,672	9,170,349
TOTAL NON-CURRENT ASSETS		**11,339,086**	**9,178,544**
TOTAL ASSETS		**16,235,704**	**17,525,746**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,732,502	574,587
Liabilities associated with held for sale assets	5	61,158	60,866
TOTAL CURRENT LIABILITIES		**1,793,660**	**635,453**
TOTAL LIABILITIES		**1,793,660**	**635,453**
NET ASSETS		**14,442,044**	**16,890,293**
EQUITY			
Issued capital	4	52,463,499	50,991,922
Reserves	7	5,912,329	6,847,360
Accumulated losses	8	(43,933,784)	(40,948,989)
TOTAL EQUITY		**14,442,044**	**16,890,293**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

	Fully paid ordinary shares	Accumulated Losses	Foreign Currency Reserve	Share Based Payments Reserve	Equity Reserve	Total
	A$	A$	A$	A$	A$	A$
Balance at 1 July 2018	**41,149,646**	**(35,115,093)**	**1,572,052**	**3,228,042**	**-**	**10,834,647**
Loss for the period	-	(2,778,279)	-	-	-	(2,778,279)
Other comprehensive income	-	-	704,747	-	-	704,747
Total comprehensive (loss) / income for the period	-	(2,778,279)	704,747	-	-	(2,073,532)
Issue of shares	5,500,000	-	-	-	-	5,500,000
Share issue costs	(328,301)	-	-	-	-	(328,301)
Share based payments	-	-	-	1,331,219	-	1,331,219
Purchase of additional 14% interest in Ozango (refer to Note 7)	-	-	-	-	(683,260)	(683,260)
Balance at 31 December 2018	**46,321,345**	**(37,893,372)**	**2,276,799**	**4,559,261**	**(683,260)**	**14,580,773**
Balance at 1 July 2019	**50,991,922**	**(40,948,989)**	**2,152,839**	**5,377,781**	**(683,260)**	**16,890,293**
Loss for the period	-	(2,984,795)	-	-	-	(2,984,795)
Other comprehensive loss	-	-	(119,012)	-	-	(119,012)
Total comprehensive loss for the period	-	**(2,984,795)**	**(119,012)**	**-**	**-**	**(3,103,807)**
Issue of shares – conversion of performance shares	1,471,577	-	-	(1,471,577)	-	-
Share based payments	-	-	-	655,558	-	655,558
Balance at 31 December 2019	**52,463,499**	**(43,933,784)**	**2,033,827**	**4,561,762**	**(683,260)**	**14,442,044**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2019

	Note	Half-year ended 31 Dec 2019 A$	Half-year ended 31 Dec 2018 A$
Cash flows from operating activities			
Payments to suppliers and employees		(1,564,718)	(915,208)
Net cash used in operating activities		**(1,564,718)**	**(915,208)**
Cash flows from investing activities			
Interest received		342	3,508
Payments for exploration expenditure		(2,008,888)	(1,538,280)
Money received from sale of assets		98,522	207,146
Payment for additional 14% interest in Ozango	7	-	(683,260)
Payment for property, plant and equipment		(7,951)	(11,071)
Net cash used in investing activities		**(1,917,975)**	**(2,021,957)**
Cash flows from financing activities			
Proceeds from issue of shares		-	5,500,000
Costs associated with issue of shares		-	(328,302)
Net cash provided by financing activities		**-**	**5,171,698**
Net decrease in cash and cash equivalents		**(3,482,693)**	**2,234,533**
Cash and cash equivalents at the beginning of the period		4,712,730	242,768
Effects of exchange rate changes on the balance of cash held in foreign currencies		328	11,194
Cash and cash equivalents at the end of the period		**1,230,365**	**2,488,495**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General information

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

Pensana is exploring and developing its NdPr Project in Angola to determine the potential for a very large and high grade NdPr deposit that could rank amongst the world's best.

The financial statements for Pensana Metals Limited and its subsidiaries (the Group) for the half year ended 31 December 2019 were approved and authorised for issue by the Board of Directors on 15 March 2020.

(b) Statement of compliance

The half-year financial report is a general purpose condensed financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual report. It is also recommended that the half-year financial report be considered together with any public announcements made by the Group during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(c) Basis of preparation

The half-year financial report has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities. All amounts are presented in Australian dollars.

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

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

(d) Going concern

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

At 31 December 2019, the Group has a net current asset position of $3.102 million (30 June 2019: $7.712 million) and cash and cash equivalents of $1.230 million. For the Group to settle current outstanding creditors and undertake its planned development of the Longonjo NdPr Project in Angola and to fund ongoing working capital requirements throughout the 2020 financial year, additional capital will need to be secured.

On 11 March 2020, the Group announced that it had secured unconditional firm commitments to raise $2.065 million with the Group receiving the funds on 13 March 2020.

The funds raised will be used to settle outstanding creditors and progress the Definitive Feasibility Study for the Company's flagship Longonjo Project, however based on current forecasts, further capital will need to be secured within 12 months from the date of this report.

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

(e) Summary of significant accounting policies

The accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2019, except for the adoption of the new accounting standards. All new and amended accounting standards and interpretations effective 1 July 2019 have been adopted by the Group. The adoption of new standards and amendments from 1 July 2019 has not had a significant impact on the financial results of the Group.

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective.

(f) New Accounting Standards and Interpretations adopted by the Group

The Group has adopted AASB 16 with the date of initial application being 1 July 2019. This standard has no impact to the Group on transition on 1 July 2019 or for the half year ended 31 December 2019 as the property lease held by the Group is short term in nature and is exempt from having to be recognised a right of use asset and lease liability under AASB 16.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

The Group has not elected to early adopt any new or amended standards or interpretations that are issued but not yet effective.

(g) Update to accounting judgements – Balance Sheet classification and recoverability of asset carrying values – current assets held for sale

The classification of the group's capitalised Tanzanian mineral exploration and evaluation assets as a current asset held for sale was reviewed during the first half of 2020. The Company has received a non- exclusive term sheet, which the board is considering for the sale of the Miyabi Project and on this basis management believe the classification of the capitalised Tanzanian mineral exploration and evaluation assets as a current asset held for sale continues to meet the AASB 5 criteria.

There has been no impairment charge necessary for the current period related to current assets held for sale.

(h) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controlled from time to time during the year and at balance date.

Subsidiaries are all those entities controlled by the Company. Control exists where the parent entity has the capacity to govern the financial and operating policies of the subsidiary so as to obtain benefits from their activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. The financial information of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies.

2. OPERATING SEGMENTS

Description of segments

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

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

All significant exploration and evaluation expenditure are domiciled in Angola.

Non-current assets

	As at 31 December 2019 $	As at 30 June 2019 $
Australia	12,773	6,554
Angola	11,326,313	9,171,990
	11,339,086	**9,178,544**

3. DIVIDENDS

There were no dividends paid or proposed during the half-year (31 December 2018: nil).

4. ISSUED CAPITAL

Company/Consolidated Fully paid ordinary shares	6 months ended 31 December 2019 No.	6 months ended 31 December 2019 $	12 months ended 30 June 2019 No.	12 months ended 30 June 2019 $
Balance at beginning of the period	1,452,148,932	50,991,922	791,903,044	41,149,646
Share Placement	-	-	616,665,517	10,500,000
Share issue costs	-	-	-	(657,724)
Shares issued - conversion of performance rights	21,500,000	394,500	43,580,371	-
Balance pre 10:1 share consolidation[1]	1,473,648,932	51,386,422		
Balance post 10:1 share consolidation[1]	147,365,277	51,386,422		
Shares issued - conversion of performance rights	5,608,037	1,077,077		
Balance at end of the period	**152,973,314**	**52,463,499**	**1,452,148,932**	**50,991,922**

[1] On 21 August 2019, the Company completed its 1 for 10 share consolidation. The consolidation involved the conversion of each ten fully paid ordinary shares held at the record date (14 August 2019) into one new fully paid ordinary share. The consolidation of shares was approved by shareholders at the Company's General Meeting held on 9 August 2019.

5. ASSETS HELD FOR SALE

The fair value of the Group's capitalised Tanzanian mineral exploration and evaluation assets at 31 December 2019 has been determined based on comparable market transactions. The fair value methodology adopted at 31 December 2019 is categorised as Level 3 in the fair value hierarchy. In determining the fair value less cost to dispose (FVLCD), estimates are made in relation to transaction value from sales agreements or offers received, which are significant inputs to the valuation. Any changes in these estimates could impact the FVLCD of the underlying asset.

The major classes of assets and liabilities for Tanzania classified as held for sale as at 31 December 2019 are as follows:

	As at 31 December 2019 $
Assets	
Exploration and valuation assets	3,573,875
Other debtors	383,909
Less provision estimated credit losses[1]	(383,909)
Assets held for sale	3,573,875
Liabilities	
Trade and other payables	61,158
Net assets directly associated with disposal group	3,512,717

[1] Relates to receivables from the sale of the Kitongo and Canuck tenements that are past due.

Miyabi Gold Project

The Company has received a proposal for the acquisition of the company's 100% interests in the Miyabi Gold Project. A non-binding terms sheet has been signed and due diligence is being completed.

The Company is finalising an application for a mining licence and is expected to be lodge by 31 March 2020.

Kitongo Gold Project - Sale agreement executed

During the year ended 30 June 2019, the company executed a conditional sale agreement to sell the Kitongo Gold Project tenements for a total consideration of US$550,000. The purchaser, Busolwa Mining Limited (Managing Director – Baraka Ezekiel) a private company incorporated in the United Republic of Tanzania, has paid US$364,000 of the total consideration price during 2019.

All conditions on the sale have been met and the licence has been transferred to the purchaser. During the current period, the Company has received US$67,448 with the remaining US$118,552 due and payable by the purchaser.

Canuck Prospecting Licence – Mineral prospecting rights agreement executed

During the year ended 30 June 2019, a Mineral Prospecting rights agreement was executed by Pensana and the Purchaser for the sale of the company's 100% owned Tanzania prospecting licence PL 11016/2017 - "Canuck". The purchaser, Pamoja Mining Company Limited, (Director – Nathan Conradie), a private company incorporated in the United Republic of Tanzania, agreed to purchase the licence for a total consideration of US$250,000 subject to the transfer of the prospecting licence to the purchaser. During 2019 the licence was transferred and US$100,000 of the consideration prices has been received with the remaining US$150,000 due and payable by the purchaser.

6. EXPLORATION AND EVALUATION EXPENDITURE

	6 months ended 31 December 2019 $	12 months ended 30 June 2019 $
Carrying value:		
Balance at beginning of period	9,170,349	5,596,961
Additions	2,303,445	3,203,623
Impairment	-	-
Foreign exchange	(149,122)	369,765
Balance at end of the period	**11,324,672**	**9,170,349**

During the current period, the Group assessed that the carrying value of its exploration assets continued to meet the group's accounting policy for the capitalised cost to be carried forward.

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

7. RESERVES

	As at 31 December 2019 $	As at 31 December 2018 $
Share based Payments Reserve		
Balance at the beginning of the period	5,377,781	3,228,042
Share based payment expense	655,558	1,331,219
Shares issued – conversion of performance shares	(1,471,577)	-
Balance at the end of the period	**4,561,762**	**4,559,261**
Foreign Currency Translation Reserve		
Balance at the beginning of the period	2,152,839	1,572,052
Effect of foreign currency exchange differences	(119,012)	704,747
Balance at the end of the period	**2,033,827**	**2,276,799**
Equity Reserve		
Balance at the beginning of the period	(683,260)	-
Purchase of additional 14% interest in Ozango	-	(683,260)
Balance at the end of the period	**(683,260)**	**(683,260)**

The prior period movement in the equity reserve relates to the Company's acquisition of an additional 14% equity in Angolan subsidiary company Ozango Minerais SA (Ozango) for US$500,000, from non-controlling interest. Ozango holds the title to the Longonjo NdPr project.

8. ACCUMULATED LOSSES

	As at 31 December 2019 $	As at 31 December 2018 $
Balance at the beginning of the period	(40,948,989)	(35,115,093)
Net loss for the period	(2,984,795)	(2,778,279)
Balance at the end of the period	**(43,933,784)**	**(37,893,372)**

9. SUBSEQUENT EVENTS

On 11 March 2020, the Company announced that it has raised just over A$2 million from Fundo Soberano de Angola (FSDEA), the Angolan Sovereign Wealth Fund which currently manages a significant portfolio of investments, distributed across various industries and asset classes, including the mining sector.

FSDEA has agreed to subscribe for 7,648,670 ordinary shares in the Company at A$0.27 per share, to raise gross proceeds of A$2,065,141 million before expenses with the funds received on 13 March 2020.

FSDEA has become a strategic cornerstone investor in the Company, holding approximately 4.8% of the enlarged share capital of the Company.

The funds raised will be used to progress the Definitive Feasibility Study for the Company's flagship Longonjo Project and to provide working capital.

The 7,648,670 fully paid ordinary shares will be issued under the Company's placement capacity in accordance with ASX Listing Rule 7.1.

No other matters or circumstances have arisen since 31 December 2019 that have significantly affected, or may significantly affect:

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

10. COMMITMENTS FOR EXPENDITURE

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

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

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

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

Exploration commitments

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

	As at 31 December 2019 $	As at 30 June 2019 $
No longer than 1 year	14,842	20,160
Longer than 1 year and not longer than 5 years	55,259	63,946
Longer than 5 years	-	9,135
Total	**70,101**	**93,241**

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

11. SHARED-BASED PAYMENTS

Performance Rights

31 December 2019

There were no performance rights issued during the current period.

During the current period there were 7,758,037 performance shares converted to ordinary shares (2018: nil). This number of performance shares is based on a post 10:1 share consolidation basis.

During the period 1,000,000 performance shares expired (31 December 2018: nil). This number of performance shares is based on a post 10:1 share consolidation basis. A reversal of $230,000 is recognised in the Consolidated Statement of Financial Performance in relation to the expired performance shares, as the non-market conditions were not satisfied.

A share based payments expense of $860,651 was recognised in the Consolidated Statement of Financial Performance in relation to performance shares for the current period (31 December 2018: $1,312,719).

As at 31 December 2019 there are 6,858,037 performance rights on issue.

31 December 2018

During the prior half year the following performance rights were issued. All figures below are on a post 10:1 share consolidation basis.

Director / KMP	Number of Rights	Vesting Conditions	Grant date	Expiry date	Vesting date
David Hammond	1,000,000	Delivery of an inferred mineral resource of at least 46.4Mt	17 Sep 2018	17 Sep 2020	Upon vesting conditions being met
David Hammond	1,000,000[1]	Delivery of a pre-feasibility study and the Company making the decision to proceed to a definitive feasibility study of the project	17 Sep 2018	17 Sep 2023	Upon vesting conditions being met
David Hammond	1,000,000[2]	Delivery of a positive definitive feasibility study and the Company making the decision to proceed with financing and development of the project.	17 Sep 2018	17 Sep 2023	Upon vesting conditions being met
Paul Atherley	3,858,037	Completion of a capital raising of at least an aggregate amount of A$5.5m, via the issue of new Shares by no later than 13 November 2018.	13 May 2018	13 Nov 2018	25 Sep 2018

Paul Atherley	3,858,037	Delivery of a positive Pre-Feasibility Study and the Company making a decision to proceed to a Definitive Feasibility Study of the 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 a decision to proceed with financing and development of the Project.	13 May 2018	13 May 2023	Upon vesting conditions being met

[1] This performance rights issue replaced David Hammond's 250,000 performance rights granted on 14 November 2017 vesting upon delivery of a Pre-Feasibility Study, expiring on 14 November 2019.
[2] This performance rights issue replaced David Hammond's 250,000 performance rights granted on 14 November 2017 vesting upon the delivery of a Bankable Feasibility Study, expiring on 14 November 2017.

The fair value of performance rights granted to directors and KMP is estimated as at the grant date using the share price on the date of granting. During the prior period, there were 2,000,000 performance rights issued which replaced 500,000 performance rights issued in 2017 (as detailed above). The incremental fair value of the original performance rights and the replacement performance rights is calculated on the grant date of the replacement rights. Together with the fair value of the original performance rights, this incremental fair value is expensed over the estimated vesting period of the replacement performance rights.

The following table lists the inputs to the models for the half year ended 31 December 2018:

	Director Performance Rights
Grant date	17 September 2018
Number of performance rights	14,574,111
Share price	0.18 cents
Exercise price	-
Weighted average fair value	0.18 cents
Total amount[1]	$2,683,340
Expensed in the current period[2]	$1,312,719

[1] Total amount is the incremental fair value of all replacement performance rights, plus the original value of all replaced performance rights.
[2] This amount includes the incremental fair value of all replacement performance rights, plus the original value of all replaced performance rights, recognised over the estimated vesting period.

Options

31 December 2019

There were no options issued during the period.

A share based payments expense of $24,907 was recognised in the Consolidated Statement of Financial Performance in relation to performance shares for the current period (31 December 2018: $18,500).

During the period, 1,750,000 options expired, leaving 450,000 options on issue as at 31 December 2019. These number of options are based on a post 10:1 share consolidation basis.

31 December 2018

During the prior half year the following options were issued. All figures below are on a post 10:1 share consolidation basis.

Name	Share options Number	Exercise price	Grant date fair value	Grant date	Expiry date	Volatility	Risk free rate	Vesting date
Corporate Advisor	500,000	$0.40	$0.025	17 Sep 2018	25 Sep 2019	90%	1.63%	Vested at date of grant
Corporate Advisor	500,000	$0.60	$0.012	17 Sep 2018	25 Sep 2019	90%	1.63%	Vested at date of grant

$18,500 was expensed in relation to these options in the prior period.

The following table lists the inputs to the models for the valuation of the options. All figures below are on a post 10:1 share consolidation basis.

	Corporate Advisor	**Corporate Advisor**
Grant date	17 September 2018	17 September 2018
Number of options	500,000	500,000
Share price	18.0 cents	18.0 cents
Exercise price	40.0 cents	60.0 cents
Weighted average fair value	2.5 cents	1.2 cents
Total amount	$12,500	$6,000
Expensed in the current period	$12,500	$6,000

12. EARNINGS PER SHARE

During the half year period the number of ordinary shares outstanding decreased as a result of the Company undertaking a 1 for 10 share consolidation. The consolidation involved the conversion of each ten fully paid ordinary shares held at the record date into one new fully paid ordinary share. The weighted average number of shares used in the basic and diluted earnings per share is 149,280,534 (December 2018: 105,592,906).

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent Auditor's Review Report to the Members of Pensana Metals Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Pensana Metals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of matter – material uncertainty related to going concern

We draw attention to Note 1 of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Ernst & Young

Darryn Hall
Partner
Perth
15 March 2020

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

As lead auditor for the review of the half-year financial report of Pensana Metals Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review.

b) No contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Darryn Hall
Partner
15 March 2020