

**PENSANA RARE EARTHS PLC
REGISTERED NUMBER 12206525**

EMPLOYEE INCENTIVE PLAN

Adopted by the Board on 29 November 2019

CONTENTS

1.	PURPOSE	3
2.	COMMENCEMENT	3
3.	MAXIMUM ALLOCATION	3
4.	ELIGIBILITY AND GRANT	3
5.	OPERATION OF PLAN	5
6.	OPTION TERMS	6
7.	EXERCISE OF OPTIONS	7
8.	EMPLOYEE SHARE TRUST	8
9.	PERFORMANCE RIGHT TERMS	9
10.	PERFORMANCE CRITERIA.....	10
11.	QUOTATION	10
12.	LAPSE OF OPTIONS AND PERFORMANCE RIGHTS.....	11
13.	ISSUE OF SHARES	13
14.	EMPLOYEE LOAN	14
15.	REPAYMENT OF EMPLOYEE LOAN.....	14
16.	RIGHTS ATTACHING TO PLAN SHARES	15
17.	DISPOSAL RESTRICTIONS ON PLAN SHARES.....	15
18.	RESTRICTION PERIOD AND RESTRICTIONS	16
19.	NOMINEE	16
20.	GOOD LEAVER	16
21.	BAD LEAVER	16
22.	FORFEITURE	16
23.	BUY-BACK.....	17
24.	BUY-BACK PRICE FOR SHARES	18
25.	CAPITAL RECONSTRUCTIONS	18
26.	CHANGE OF CONTROL	18
27.	CONTRAVENTION OF APPLICABLE LAWS.....	19
28.	ADMINISTRATION OF THE PLAN.....	20
29.	PLAN AMENDMENT	21
30.	TERMINATION OR SUSPENSION	22
31.	NO EMPLOYMENT CONTRACT	22
32.	ASIC RELIEF	22
33.	NON-EXCLUSIVITY	23
34.	GENERAL	23
35.	DEFINITIONS AND INTERPRETATION	23

SCHEDULE 1: PRO-FORMA OFFER LETTER - OPTIONS	30
SCHEDULE 2: PRO-FORMA OFFER LETTER - PERFORMANCE RIGHTS	36
SCHEDULE 3: PRO-FORMA OFFER LETTER - SHARES	42
SCHEDULE 4: PRO-FORMA EMPLOYEE LOAN AGREEMENT	48

1. PURPOSE

- 1.1 The purpose of the Plan is to:
- 1.1.1 assist in the reward, retention and motivation of Eligible Employees;
 - 1.1.2 link the reward of Eligible Employees to Shareholder value creation; and
 - 1.1.3 align the interests of Eligible Employees with Shareholders by providing an opportunity to Eligible Employees to earn rewards via an equity interest in the Company based on creating Shareholder value.

2. COMMENCEMENT

- 2.1 The Plan will commence on a date determined by resolution of the Board (and if no date is specified, on the date the Plan is approved by the Board).

3. MAXIMUM ALLOCATION

- 3.1 The Company must not make an Offer for Shares, Options or Performance Rights under this Plan if, immediately afterwards, the sum of:
- 3.1.1 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);
 - 3.1.2 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 (including for avoidance of doubt any unissued Shares that may be issued in connection with Options which were granted or Performance Rights which were issued during the preceding three years under the Pensana Metals Ltd Employee Incentive Plan); and
 - 3.1.3 the total number of Shares (not being Plan Shares) 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.
- 3.2 The maximum allocation and allocated pool provided for in this clause 3 may be increased by Board resolution, provided such an increase complies with the Listing Rules.

4. ELIGIBILITY AND GRANT

Participation

- 4.1 The Board may from time to time in its sole and absolute discretion determine that an Eligible Employee may participate in the Plan.

Selection

- 4.2 Following determination that an Eligible Employee may participate in the Plan, the Board may at any time, and from time to time, make an Offer to the Eligible Employee.

Offer

- 4.3 Subject to clause 4.4, the manner, form, content, timing and frequency of Offers will be as determined by the Board in its sole and absolute discretion.
- 4.4 An Offer must be set out in an Offer Letter delivered to the Eligible Employee and specify:
- 4.4.1 the number of Shares, Options or Performance Rights;
 - 4.4.2 the conditions on the Offer (**Offer Conditions**);
 - 4.4.3 the Grant Date;
 - 4.4.4 the Fee (if any);
 - 4.4.5 the Performance Criteria (if any);
 - 4.4.6 the Vesting Conditions (if any);
 - 4.4.7 the Exercise Price (if any);
 - 4.4.8 the Exercise Period (if applicable);
 - 4.4.9 the Performance Period (if applicable);
 - 4.4.10 the Expiry Date and Term (if applicable);
 - 4.4.11 the Forfeiture Conditions (if any);
 - 4.4.12 any Restrictions attaching to the Shares or Plan Shares together with the Restriction Period; and
 - 4.4.13 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).
- 4.5 An Offer must be accompanied by an Application and a copy of this Plan.
- 4.6 Pro-forma Offer Letters and pro-forma Applications are attached as Schedules 1 to 3 (as applicable) of this Plan, respectively.

Application

- 4.7 Unless otherwise determined by the Board in its sole and absolute discretion, an Eligible Employee that wishes to apply to participate in the Plan in response to an Offer must, on or before the period of time allowed for acceptance of the Offer, give an Application:
- 4.7.1 to the person specified in the Offer Letter; and
 - 4.7.2 in accordance with any instructions or conditions set out in the Offer Letter.
- 4.8 An Eligible Employee may accept less than the total number of Employee Incentives in an Offer.

Multiple Offers

- 4.9 Unless otherwise determined by the Board in its sole and absolute discretion, the Board may

make any number of issues to Eligible Employees, as set out in any Offer, notwithstanding that an issue or issues may have been previously made to any Eligible Employee.

Right to reject Applications

- 4.10 The Board is entitled to reject any Application by an Eligible Employee to participate in this Plan without giving any reason.

Acceptance of Offer

- 4.11 A person to whom an Offer is made may accept the Offer by completing the Application and giving it to the Board by 5.00pm on the last day of the acceptance period specified in the Offer Letter.
- 4.12 The Board must notify the Eligible Employee promptly, if the Board resolves to accept the Eligible Employee's Application.
- 4.13 Once that notice is given, a contract is formed under which an Eligible Employee:
- 4.13.1 becomes bound by the terms and conditions of the Offer Letter, this Plan and the Company's Constitution; and
 - 4.13.2 agrees to the issue of the Employee Incentives in accordance with the terms and conditions of the Eligible Employee's Application.
- 4.14 In accordance with the Company's reporting obligations under Australian and other tax legislation, each participant consents to the disclosure of information about this Plan and its participants to the Australian Tax Office or another tax authority.

5. OPERATION OF PLAN

- 5.1 This Plan is administered by the Board, which has power to:
- 5.1.1 determine appropriate procedures for administration of this Plan consistent with this Plan;
 - 5.1.2 resolve conclusively all questions of fact or interpretation in connection with this Plan;
 - 5.1.3 appoint a person to be the Plan Administrator;
 - 5.1.4 delegate to any persons (including, without limitation, a Plan Administrator) for such period and on such terms as it sees fit the exercise of any of its powers or discretions under this Plan; and
 - 5.1.5 take and rely on independent professional or expert advice in or in relation to the exercise of any of its powers or discretions under this Plan.
- 5.2 Where the Board is to make a determination, decision, approval or give any opinion under this Plan, the Board or the Company may do so in its absolute discretion.
- 5.3 Any power or discretion which is conferred on the Board or the Company by this Plan may be exercised by the Board in the interests, or for the benefit, of the Company and the Board is not, in exercising any such power or discretion, under any fiduciary or other obligation to any other person including, for the avoidance of doubt, any Eligible Employee or any Participant.

6. OPTION TERMS

Option entitlements

- 6.1 Subject to the Board determining otherwise prior to an Offer, each vested Option entitles the Participant holding the Option to subscribe for, or to be transferred, one Plan Share on payment of the Exercise Price (if any).

Participant rights

- 6.2 A Participant who holds Options is not entitled to:
- 6.2.1 notice of, or to vote or attend at, a meeting of the Shareholders;
 - 6.2.2 receive any dividends declared by the Company; or
 - 6.2.3 participate in any new issues of securities offered to Shareholders during the term of the Options,

unless and until the Options are exercised and the Participant holds Plan Shares.

Conditions for vesting and exercise

- 6.3 The Board will determine prior to an Offer being made and specify in the Offer any Performance Criteria and/or Vesting Conditions attaching to the Options.
- 6.4 Options will only vest and be exercisable if the applicable Performance Criteria and/or Vesting Conditions (if any) have been satisfied, waived by the Board, or are deemed to have been satisfied under these Rules.
- 6.5 In the event of a Liquidity Event, the Board in its absolute discretion may waive any vesting or exercise criteria in respect of some or all Options held by a Participant.

No transfer of Options

- 6.6 Options granted under this Plan may not be assigned, transferred, encumbered with a Security Interest in or over them, or otherwise disposed of by a Participant, unless:
- 6.6.1 the prior consent of the Board is obtained, which consent may impose such terms and conditions on such assignment, transfer, encumbrance with a Security Interest or disposal as the Board sees fit; or
 - 6.6.2 such assignment or transfer occurs by force of law upon the death of a Participant to the Participant's legal personal representative.

Options to be recorded

- 6.7 Options will be recorded in the appropriate register of the Company.

Adjustment for rights issue

- 6.8 If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{(E[P-(S+D)])}{N+1}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one new share.

Provided that the New exercise price shall not be less than the nominal value of a Share unless the Board determines to pay up the difference by way of a capitalisation of reserves.

Adjustment for bonus issue of Shares

6.9 If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

6.9.1 the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Participant would have received if the Participant had exercised the Option before the record date for the bonus issue; and

6.9.2 no change will be made to the Exercise Price provided that the Exercise Price shall not be less than the nominal value of a Share unless the Board determines to pay up the difference by way of a capitalisation of reserves.

7. EXERCISE OF OPTIONS

Exercise Period for Options

7.1 The Exercise Period for Options will be as determined by the Board in its sole and absolute discretion.

Method of exercise

7.2 Following the issuing of a Vesting Notification to the Participant, the Option is exercisable by the Participant within the Exercise Period specified by the Board in the Offer, subject to the Participant delivering to the registered office of the Company or such other address as determined by the Board of:

7.2.1 a signed Notice of Exercise; and

7.2.2 subject to clause 7.4, a cheque or cash or such other form of payment determined by the Board in its sole and absolute discretion as satisfactory for the amount of the Exercise Price (if any).

No issue unless cleared funds

- 7.3 Where a cheque is presented as payment of the Exercise Price on the exercise of Options, the Company will not, unless otherwise determined by the Board, allot and issue or transfer Plan Shares until after any cheque delivered in payment of the Exercise Price has been cleared by the banking system.

Cashless exercise of Options

- 7.4 The Board may determine in its sole and absolute discretion that a Participant will not be required to provide payment of the Exercise Price of Options by cash, cheque or some other method acceptable to the Company, but that on exercise of the Options, the Company will only allot and issue subject to paying up the nominal amount of the Plan Shares by way of capitalisation of reserves or transfer that number of Plan Shares to the Participant that are equal in value to the difference between the Exercise Price otherwise payable in relation to the Options and the then Market Value of the Plan Shares as at the time of the exercise (with the number of Plan Shares rounded down). Alternatively, where the Options are to be satisfied by the issue of new Plan Shares the Board may determine in its sole and absolute discretion that a Participant will not be required to provide payment of the full Exercise Price of Options by cash, cheque or some other method acceptable to the Company, but that on exercise of the Options, the Company will only allot and issue that number of Plan Shares to the Participant (a) that are equal in value to the difference between the Exercise Price otherwise payable in relation to the Options and the then Market Value of the Plan Shares as at the time of the exercise plus (b) such number of additional Plan Shares as have a Market Value at the time of the exercise equal to the total nominal value of the number of Shares to be issued under both (a) and (b) (with the total number of Plan Shares under (a) and (b) rounded down) and the Participant will pay such part of the Exercise Price of Options as equals the total nominal value of the Plan Shares to be issued under (a) and (b).

Minimum Exercise

- 7.5 Options must be exercised in multiples of 100 unless fewer than 100 Options are held by a Participant or the Board otherwise agrees.

Actions on exercise

- 7.6 On completion of the exercise of Options:
- 7.6.1 the Options will automatically lapse; and
 - 7.6.2 the Company will allot and issue, or transfer, the number of Plan Shares for which the Participant is entitled to subscribe for or acquire through the exercise of the Options.

8. EMPLOYEE SHARE TRUST

- 8.1 The Board may in its sole and absolute discretion use an employee share trust or other mechanism for the purposes of holding Plan Shares for Participants under the Plan and delivering Plan Shares to Participants upon exercise of the Options or the satisfaction of Performance Criteria of a Performance Right.

9. PERFORMANCE RIGHT TERMS

Offer of Performance Rights

- 9.1 The Board may offer Performance Rights to any Eligible Employee at its sole discretion. Each Performance Right confers an entitlement to be provided with one Plan Share, credited as fully paid, subject as provided below at no cost, upon the full satisfaction of the Performance Criteria specified by the Board in relation to that Performance Right. Where the Performance Right is to be satisfied by the issue of new Plan Shares the Participant must, prior to issue of the relevant Plan Shares, pay to the Company an amount equal to their nominal value unless the Company notifies the Eligible Employee that it has arranged for the nominal value to be paid up by way of capitalisation of reserves.

Participant rights

- 9.2 A Participant who holds Performance Rights is not entitled to:
- 9.2.1 notice of, or to vote or attend at, a meeting of the Shareholders; or
 - 9.2.2 receive any dividends declared by the Company,
- unless and until the Performance Criteria are satisfied and the Participant holds Plan Shares.

Board may add to or vary Performance Rights

- 9.3 The Board may add to or vary any Eligible Employee's Performance Rights, in a manner that increases the overall benefit to the Eligible Employee, if the Eligible Employee is promoted, receives an increase in remuneration, or if the Eligible Employee's professional circumstances change such that the Board considers the previous Performance Rights to be no longer appropriate.

Performance Rights subject to this Plan

- 9.4 Performance Rights will be governed by this Plan until the Performance Rights:
- 9.4.1 lapse; or
 - 9.4.2 the Performance Criteria to which the Performance Rights relate have been fully satisfied in accordance with this Plan and consequently Plan Shares have been issued in respect of those Performance Rights.

Performance Rights not property

- 9.5 A Participant's Performance Rights are personal contractual rights granted to the Participant only and do not constitute any form of property.

No transfer of Performance Rights

- 9.6 Unless otherwise determined by the Board, Performance Rights cannot be transferred to or vest in any person other than the Participant.

10. PERFORMANCE CRITERIA

Board may determine Performance Criteria

- 10.1 The Board may at its sole discretion determine the Performance Criteria which will apply to any Performance Rights granted under this Plan. The Performance Criteria will specify the criteria which the Eligible Employee is required to meet in the specified Performance Period in order to become entitled to receive Shares under this Plan.
- 10.2 The Board will provide written notice of the Performance Criteria before the commencement of the Performance Period to which those Performance Criteria relate. However, if the Board grants Performance Rights after a Performance Period has already commenced, then the Board will provide such notice no later than the time at which it grants those Performance Rights.
- 10.3 The Board may vary the Performance Criteria and/or the Performance Period after the grant of those Performance Rights, subject to:
- 10.3.1 the Company complying with any Applicable Laws;
 - 10.3.2 the Performance Criteria and/or the Performance Period as varied being no less favourable to the Participant than the terms upon which the Performance Rights were originally granted; and
 - 10.3.3 the Board promptly notifying a Participant of any such variation.
- 10.4 The Board will determine in its sole discretion whether (and, where applicable, to what extent) the Participant has satisfied the Performance Criteria applicable to the Performance Period at the end of the Performance Period. As soon as practicable after making that determination the Board must:
- 10.4.1 inform the Participant of that determination and of the number of Shares to be provided to the Participant in respect of the Performance Rights to which those Performance Criteria relate; and
 - 10.4.2 allot and issue, or transfer, the number of Plan Shares for which the Participant is entitled to acquire upon satisfaction of the Performance Criteria for the relevant number of Performance Rights held.
- 10.5 Where Performance Rights have not satisfied the Performance Criteria within the Performance Period, those Performance Rights will automatically lapse.

11. QUOTATION

- 11.1 The Company will not seek official quotation of any Options or Performance Rights.
- 11.2 The Company must use all reasonable endeavours to obtain the grant of quotation of Shares issued under this Plan or Plan Shares issued on exercise of Options or Performance Rights under this Plan as a CHESS depository interest on the ASX and, subject to Listing Rules, if the Company is listed on the London Stock Exchange, on the London Stock Exchange. Following listing on the London Stock Exchange the Company may agree with the Participant that the Shares will not be included within a CHESS depository interest on the ASX. This is subject to there being no applicable trading restrictions under:
- 11.2.1 this Plan;

- 11.2.2 the Listing Rules; or
 - 11.2.3 Applicable Law.
- 11.3 Subject to Applicable Law, the Company must within 20 business days (or such shorter period as may be required by ASIC, ASX, the Financial Conduct Authority or the London Stock Exchange (as applicable)) do one of the following:
- 11.3.1 issue and allot the applicable number of Shares; or
 - 11.3.2 transfer the applicable number of Shares.
- 11.4 Notwithstanding clause 11.3 above, the Company's obligation to issue such Shares in accordance with this clause 11 shall be postponed until excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information.
- 11.5 If clause 11.4 applies, upon issue of the Shares the Company shall either give ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares for resale under section 708A(11) of the Corporations Act.

12. LAPSE OF OPTIONS AND PERFORMANCE RIGHTS

When do Options and Performance Rights lapse?

- 12.1 Subject to clause 12.2 or the Board deciding otherwise, a Participant's Options and Performance Rights shall automatically be cancelled for no consideration on the earliest to occur of the following:
- 12.1.1 the cessation of employment or office of a Participant (other than in accordance with clauses 20 and 21);
 - 12.1.2 where clause 22 applies;
 - 12.1.3 if applicable Performance Criteria and/or Vesting Conditions are not achieved by the relevant time;
 - 12.1.4 if the Board determines in its reasonable opinion that the applicable Performance Criteria and/or Vesting Conditions have not been met and cannot be met prior to the Expiry Date or the end of the Performance Period (as applicable);
 - 12.1.5 (in the case of Options only) the Expiry Date;
 - 12.1.6 (in the case of Performance Rights only) a determination by the Board that the Participant has not satisfied the Performance Criteria specified by the Board in respect of those Performance Rights (in which case all such Performance Rights will immediately lapse);
 - 12.1.7 where the Board has determined that the Participant has, by any act or omission, brought the Company into disrepute;
 - 12.1.8 the receipt by the Company of notice from the Participant (after a Special Circumstance has arisen with respect to the Participant) that the Participant has elected to surrender the Employee Incentive; and

- 12.1.9 any other circumstances specified in any Offer Letter pursuant to which the Employee Incentive was issued.

Discretion of Board

- 12.2 The Board may decide to allow a Participant to:

- 12.2.1 exercise any or all of their Options, whether or not the Vesting Conditions have been satisfied, and whether or not the Options would otherwise have lapsed, provided that no Options will be capable of exercise later than the relevant Expiry Date for those Options; and

- 12.2.2 retain any Performance Rights regardless of:

- 12.2.2.1 the expiry of the Performance Period to which those Performance Rights relate; or

- 12.2.2.2 any failure by the Participant to satisfy in part or in full the Performance Criteria specified by the Board in respect of those Performance Rights;

in which case, the Board may:

- 12.2.2.3 determine that any or all of those retained Performance Rights shall vest and the corresponding Shares shall be provided to the Eligible Employee; or

- 12.2.2.4 determine a new Performance Period for those retained Performance Rights and notify the Participant of that Period as soon as practicable.

Determination whether to exercise discretion

- 12.3 The Board may have regard to whatever matters it thinks reasonable when making a decision about the matters in clause 12.2 with respect to a Participant, including any of the following factors:

- 12.3.1 the reason for the cessation of employment with the Company;

- 12.3.2 (in the case of Options only) the length of time between the date of cessation of employment and the Expiry Date;

- 12.3.3 (in the case of Performance Rights only), the Participant's reasons for any failure to satisfy any Performance Criteria;

- 12.3.4 the total length of service of the person as an employee with the Company;

- 12.3.5 if the cessation of employment is related to the person's performance, then the extent to which the person has been given warning of their performance inadequacies;

- 12.3.6 information provided by the person to the Board to support any claim to exercise the discretion in the person's favour; or

- 12.3.7 Applicable Law.

Effect of lapse

- 12.4 All rights of a Participant under this Plan in respect of an Option or Performance Right cease upon the Option or Performance Right lapsing. No consideration or compensation will be payable to any person in relation to that lapse.
- 12.5 The Company will, with respect to any Option or Performance Right that has lapsed in accordance with this clause 12:
- 12.5.1 notify the Participant that the relevant Options or Performance Rights held by them have lapsed;
 - 12.5.2 arrange for the Participant or the Participant's agent or attorney to sign any transfer documents as may be required to transfer or otherwise deal with the Options or Performance Rights; and
 - 12.5.3 not be liable for any damages, compensation or other amounts to the Participant in respect of the Options or Performance Rights.

13. ISSUE OF SHARES

Issue of Shares directly to Eligible Employee

- 13.1 The Company will issue Shares or acquire and transfer Shares directly to the Eligible Employee where Shares are to be provided under this Plan, unless the Board determines otherwise.
- 13.2 Shares issued to a Participant may be subject to any Offer Conditions specified in the Offer and will remain Restricted Shares until all applicable Offer Conditions have been satisfied.

Restrictions on Shares

- 13.3 A Participant must comply with any Restrictions applicable to any Shares held by the Participant during the Restriction Period. The Company may place a holding lock or similar arrangement (including a requirement that the Plan Shares be placed into the name of a nominee) to give effect to the Restrictions.

Removal of Restrictions

- 13.4 A Participant may submit a written request to the Board at any time to remove any Restrictions applicable to Shares held by the Participant during the Restriction Period. The Board may approve such a request at its absolute discretion.

Forfeiture of Shares

- 13.5 A Participant (and any person claiming through a Participant) will forfeit any right or entitlement in any Shares under the Plan, if during the Restriction Period, that Eligible Employee has:
- 13.5.1 been dismissed or removed from office for a reason which the Company is entitled to dismiss the Participant without notice or has committed any act of fraud, defalcation or gross misconduct in relation to the affairs of the Company (whether or not charged with an offence);
 - 13.5.2 by their act or omission, done anything which brings the Company into disrepute;
or

- 13.5.3 ceases to be employed by the Company and the Board directs that such Shares are to be forfeited.
- 13.6 The Board must not issue and allot any Shares to a person it:
 - 13.6.1 the issue of the shares is prohibited under the Corporations Act without a disclosure document, product disclosure statement or similar document; or
 - 13.6.2 any Employee Loan included in the Offer would not be 'exempted financial assistance' under section 260C(4) of the Corporations Act if accepted by the Participant.
- 13.7 The Company may require from the Participant a signed blank transfer in relation to those Shares or any other documentation upon the issue or transfer of Shares to a Participant. The Participant must provide such a transfer or such other documentation.

14. EMPLOYEE LOAN

- 14.1 Subject to Applicable Law, as part of any Offer, the Board may, in its absolute discretion, offer to a Participant, other than a Director, a limited recourse, interest free loan to be made by the Company to the Participant for an amount equal to the Issue Price for the Shares offered to the Participant pursuant to the relevant Offer (**Employee Loan**).
- 14.2 An Employee Loan must be used for the sole purpose of paying the Company the Issue Price for Shares to be issued to the Participant on acceptance of the relevant Offer, with the amount to be advanced to the Participant under the Employee Loan applied to payment of the Issue Price for such Shares.
- 14.3 In the event that the Employee Loan is repayable by the Participant to the Company, the Company's sole recourse in the event that the Employee Loan is not repaid will be limited to the Shares to which the Employee Loan relates and the Company may deal with those shares in accordance with clause 15.5 or 23.
- 14.4 The Company may require such Shares to be placed in the name of a nominee until such time as the Employee Loan is repaid.

15. REPAYMENT OF EMPLOYEE LOAN

- 15.1 A Participant may repay an Employee Loan in any of the following ways:
 - 15.1.1 by specific payments;
 - 15.1.2 by directing the Board to apply dividends (net of tax) from the Shares toward the repayment of the loan; or
 - 15.1.3 in accordance with clause 15.4 below.
- 15.2 If a Participant has more than one Employee Loan and makes a specific payment without specifying to which Employee Loan the payment is directed, payments will be directed to the earliest Employee Loan.
- 15.3 If a Participant ceases to be a Participant, fails to comply with any obligations under this Plan or seeks to Transfer any shares issued under this Plan other than in accordance with the terms of this Plan or the Constitution, the Board, may by written notice to the Participant, require repayment of all Employee Loans (**Employee Loan Repayment Notice**).

- 15.4 Unless the Board, in its absolute discretion, determines otherwise, the date on which an Employee Loan must be repaid by the Participant shall be the later of the date specified by the Board in the Employee Loan Repayment Notice (if any) and:
- 15.4.1 where the Company has the right to Buy-Back any Shares under this Plan, but does not exercise that right during the applicable Buy-Back Period, the date being 30 days after the expiry of the applicable Buy-Back Period; and
 - 15.4.2 where the Company has the right to Buy-Back any Shares under this Plan and exercises that right, the date of completion of the Buy-Back of the relevant Shares.
- 15.5 If an Employee Loan is not repaid in full by the date specified by the Board for repayment, the Board may sell the relevant Shares or dispose of such number of relevant Shares for their market price as the Board determines in its absolute discretion. The Board must apply the proceeds of the sale or disposal first, towards meeting the costs of the sale or disposal, second, towards repaying the outstanding amount under the relevant Employee Loan, third, towards repaying any amount owed (on any account) to the Company by the Participant, and fourth, any amounts remaining to the Participant.

16. RIGHTS ATTACHING TO PLAN SHARES

Shares to rank equally

- 16.1 Any Plan Shares allotted, issued or transferred by the Company to a Participant under the Plan will rank equally with all existing Shares, including those Shares issued, directly, under this Plan, on and from the date of allotment, issue or transfer in respect of all rights and bonus issues, and dividends which have a record date for determining entitlements on or after the date of allotment, issue, or transfer of those Plan Shares.

17. DISPOSAL RESTRICTIONS ON PLAN SHARES

- 17.1 A Participant must comply with any Restrictions applicable to any Plan Shares held by the Participant during the Restriction Period. The Company may place a holding lock or similar arrangement (including a requirement that the Plan Shares be placed into the name of a nominee) to give effect to the Restrictions.

Removal of Restrictions

- 17.2 A Participant may submit a written request to the Board at any time to remove any Restrictions applicable to Plan Shares held by the Participant during the Restriction Period. The Board may approve such a request at its absolute discretion.

Overriding restrictions on dealing with Plan Shares

- 17.3 Participants must not deal with Plan Shares if to do so would contravene Applicable Laws.

Plan Shares entitlements

- 17.4 A Participant's entitlement to receive a notice of, or to vote or attend at, a meeting of the members of the Company or Shareholders, and to receive any dividends declared by the Company during the relevant Restriction Period will not be affected by the imposition of a restriction on the Plan Shares held by a Participant pursuant to clause 17.1.

18. RESTRICTION PERIOD AND RESTRICTIONS

- 18.1 The Board may specify, in its absolute discretion, the Restriction Period and the Restrictions that apply to some or all of the Employee Incentives offered to a person in any Offer.

19. NOMINEE

- 19.1 Unless expressly permitted in the Offer, an Eligible Employee may only submit an Application in the Eligible Employee's name and not on behalf of any other person.
- 19.2 Despite anything to the contrary in this Plan, if an Employee Loan is offered to an Eligible Employee, the Eligible Employee is not able to nominate a Related Party to hold the Shares offered to the Eligible Employee.
- 19.3 If an Eligible Employee is permitted in the Offer, the Eligible Employee may nominate a Related Party to be issued the Shares, Options or Performance Rights the subject of the Offer. The nominated Related Party must execute any documents required by the Company in order to receive the grant of the Shares, Options or Performance Rights.
- 19.4 If Shares, Options or Performance Rights are granted to a Related Party nominated by an Eligible Employee, then to the extent necessary to give effect to these Rules, the Eligible Employee will continue to be treated as the Participant.
- 19.5 If a Participant ceases to Control its Related Party to whom Shares, Options, Performance Rights or Plan Shares have been granted under these Rules, then that Related Party must immediately transfer all Shares, Options, Performance Rights or Plan Shares held by it to the Participant. Each of the Participant and the Related Party will do (and hereby authorise the Company and its officers and agents to do) all things necessary, including executing all documentation necessary, to give effect to this clause.

20. GOOD LEAVER

- 20.1 Where a Participant who holds Employee Incentives becomes a Good Leaver:
- 20.1.1 all vested Options which have not been exercised in accordance with these Rules 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 Options will lapse; and
- 20.1.2 unless the Board determines otherwise, in its sole and absolute discretion, all unvested Employee Incentives will lapse.

21. BAD LEAVER

- 21.1 Where a Participant who holds Employee Incentives becomes a Bad Leaver, unless the Board determines otherwise, in its sole and absolute discretion, all vested and unvested Employee Incentives will lapse.

22. FORFEITURE

Forfeiture Conditions

- 22.1 The Board may determine prior to any Offer if any Forfeiture Conditions apply in respect of Employee Incentives and/or Plan Shares issued under that Offer.

Where Forfeiture Occurs

- 22.2 Where any Employee Incentives and/or Plan Shares are subject to Forfeiture Conditions and any such Forfeiture Condition(s) occur, such Employee Incentives and/or Plan Shares will be forfeited and the Company will:
- 22.2.1 notify the Participant that the relevant Employee Incentives and/or Plan Shares held by them have been forfeited;
 - 22.2.2 arrange for the Participant's agent or attorney to sign any transfer documents required to transfer or rely on clauses 28.5 and 28.6 and otherwise deal with the relevant Employee Incentives and/or Plan Shares; and
 - 22.2.3 not be liable for any damages, compensation or other amounts to the Participant in respect of the relevant Employee Incentives and/or Plan Shares that were subject to such forfeiture.

Fraudulent or dishonest actions

- 22.3 In addition to forfeiture in accordance with the Forfeiture Conditions (if any), where, in the reasonable opinion of the Board, a Participant:
- 22.3.1 acts fraudulently or dishonestly; or
 - 22.3.2 wilfully breaches his or her duties to the Company,
- then the Board may deem all Employee Incentives and/or Plan Shares held by the Participant will automatically be forfeited.

23. BUY-BACK

Buy-Back

- 23.1 Subject to any provisions to the contrary in the Constitution or Applicable Law, Shares issued pursuant to this Plan will be subject to the Company's right to Buy-Back and may at any time be immediately Bought- Back by the Company (or a person nominated by the Company) if:
- 23.1.1 the Participant holding the Shares ceases employment or office where the Offer Conditions, Performance Criteria and/or Vesting Conditions attaching to the Shares have not been met by the time of cessation. The time of cessation of employment or office shall be the time as determined by the Board in its sole discretion;
 - 23.1.2 where clause 22 applies; or
 - 23.1.3 if the Board determines in its reasonable opinion that the applicable Performance Criteria and/or Vesting Conditions have not been met by the end of the Expiry Date.
- 23.2 If the Company does not exercise its right to Buy-Back any Shares during the relevant Buy-Back Period, the Former Participant must repay any Employee Loan advanced to the Former Participant in respect of the purchase of such Shares in accordance with clause 15.4 and shall thereafter hold such Shares in accordance with the terms of the Constitution.
- 23.3 The Buy-Back of Shares under clause 23.1 may occur in one or more tranches within such time, as determined by the Board in its sole and absolute discretion.

Buy-Back mechanism

- 23.4 Each Participant will do all acts, matters and things at any time which are necessary or desirable in the sole opinion of the Board to give effect to any Buy-Back of his or her Shares and/or Plan Shares.

24. BUY-BACK PRICE FOR SHARES

- 24.1 Unless determined otherwise by the Board in its absolute discretion, the price on which each Share may be Bought-Back by the Company (**Buy-Back Price**) shall be the Issue Price of the Shares.

25. CAPITAL RECONSTRUCTIONS

- 25.1 Subject to any Applicable Laws, the number of Employee Incentives and/or Plan Shares held by a Participant under the Plan may, in the sole and absolute discretion of the Board, be determined to be such number as is appropriate and so that the Participant does not suffer any material detriment following any variation in the share capital of the Company arising from:

- 25.1.1 a reduction, subdivision or consolidation of share capital;
- 25.1.2 a reorganisation of share capital;
- 25.1.3 a distribution of assets in specie;
- 25.1.4 the payment of a dividend, otherwise than in the ordinary course, of an amount substantially in excess of the Company's normal distribution policy; or
- 25.1.5 any issue of ordinary shares or other equity securities or instruments which convert into ordinary shares by way of capitalisation of profits or reserves.

- 25.2 Upon any adjustment being made pursuant to this clause, the Board will notify each Participant (or his or her legal personal representative where applicable) in writing, informing them of the number of Employee Incentives and/or Plan Shares held by the relevant Participant.

Reorganisation

- 25.3 If there is any reorganisation of the issued share capital of the Company, the terms of Options and Performance Rights and the rights of the Participant who holds such Options and Performance Rights will be varied, including an adjustment to the number of Options and/or the Exercise Price (if any) applicable to Options and an adjustment to the number of Performance Rights, in accordance with the Listing Rules that apply to the reorganisation at the time of the reorganisation.

26. CHANGE OF CONTROL

Change of Control Event

- 26.1 For the purposes of this clause 26, a Change of Control Event occurs if:
- 26.1.1 the Company 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 the Company) and the Court, by order, approves the scheme of arrangement;

26.1.2 a Takeover Bid:

26.1.2.1 is announced;

26.1.2.2 has become unconditional; and

26.1.2.3 the person making the Takeover Bid has a Relevant Interest in more than 50% of the issued Shares;

26.1.3 any person acquires a Relevant Interest in more than 50% of the issued Shares by any other means;

26.1.4 the Company 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 the Company has been completed; or

26.1.5 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.

Effect of a Change of Control

26.2 Where a Change of Control Event has occurred or, in the opinion of the Board, will occur:

26.2.1 subject to clause **Error! Reference source not found.**, all granted Performance Rights which have not yet vested or lapsed shall automatically and immediately vest; and

26.2.2 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.

Aggregation

26.3 For the purposes of this clause 26, if a number of Options are exercised simultaneously, or a number of Shares or Performance Rights vest simultaneously, the number of Shares or fractions of Shares which are to be issued as a consequence, may be aggregated. Any fraction in that aggregate number only will be disregarded in determining the total entitlement of an Eligible Employee.

27. CONTRAVENTION OF APPLICABLE LAWS

27.1 No act will be done or determination made in accordance with these Rules where to do so would be a breach of any Applicable Laws, and where any such act is done or determination made it will be considered void and to the extent possible be unwound and of no effect in respect of Employee Incentives and/or Plan Shares.

28. ADMINISTRATION OF THE PLAN

Regulations

- 28.1 The Board may make such regulations for the operation of the Plan as it considers necessary, provided such regulations are consistent with these Rules.

Delegation

- 28.2 The Board may delegate any of its powers or discretions conferred on it by these Rules to a committee of the Board or to any one or more persons selected by it, including but not limited to the company secretary.
- 28.3 Any delegation will be for such period and upon such terms and conditions as determined by the Board from time to time.

Decisions final

- 28.4 Every exercise of a discretion by the Board (or its delegates) and any decision by the Board (or its delegates) regarding the interpretation, effect or application of these Rules will be final, conclusive and binding.

Attorney and agent

- 28.5 Each Participant hereby authorises and appoints the company secretary holding office at the relevant time (or their delegate) as their agent or attorney with power to do all things necessary in the name of and on behalf of the Participant to give effect to these Rules, including and without limitation, signing Option, Share or Plan Share transfers, and signing all documents and doing all acts necessary to effect a Buy-Back, and accounting for the proceeds of the sale of forfeited shares, but expressly excluding the power to exercise Options granted to the Participant under the Plan.
- 28.6 Each Participant agrees to indemnify and hold harmless any person acting as their agent or attorney in accordance with these Rules in respect of all costs, damages or losses of whatever nature arising from so acting, other than costs, damages or losses arising out of the agent's or the attorney's dishonesty, fraud or wilful breach of their duties.

Notice

- 28.7 Address for service:
- 28.7.1 Any notice required to be given to the Participants under the Plan will be sent to the address of the Participant as entered in the register unless delivered in person.
- 28.7.2 Any notice required to be given to the Company under the Plan will be sent to the registered office of the Company or such other address as is notified to Participants from time to time.
- 28.8 Delivery of notices:
- 28.8.1 Any notice to be given to Participants may be delivered by hand to the Participant.
- 28.8.2 Any notice to be given to the Company may be delivered by hand or by prepaid post. Notices may also be given to the Company by means of facsimile, email or other mode of electronic delivery to such address as is notified by the Company

to the Participant.

- 28.8.3 Notices delivered to Participants in accordance with the Constitution will be taken to be delivered in accordance with the Constitution. Notices delivered to the Company by pre-paid post will be taken to be delivered if properly addressed and stamped, 48 hours after mailing in the United Kingdom and seven days after mailing outside the United Kingdom. Notices delivered by facsimile, email or other mode of electronic delivery will be taken to be delivered on receipt of a successful transmission notice, return receipt or such other confirmation by which the sender can reasonably verify delivery.

29. PLAN AMENDMENT

Amendment of Plan

- 29.1 Subject to clause 29.2 and the Constitution, the Board may at any time amend these Rules or the terms and conditions upon which any Employee Incentives have been issued under the Plan.
- 29.2 No amendment to these Rules or to Employee Incentives granted under the Plan may be made if the amendment, in the opinion of the Board, materially reduces the rights of any Participant in respect of Employee Incentives granted to them prior to the date of the amendment, other than:
- 29.2.1 an amendment introduced primarily:
- 29.2.1.1 for the purposes of complying with or conforming to present or future legislation governing or regulating the Plan or like plans;
 - 29.2.1.2 to correct any manifest error or mistake;
 - 29.2.1.3 to allow the implementation of a trust arrangement in relation to the holding of Plan Shares granted under the Plan;
 - 29.2.1.4 for the purpose of complying with the Applicable Laws; and/or
 - 29.2.1.5 to take into consideration possible adverse taxation implications in respect of the Plan including changes to applicable taxation legislation or the interpretation of that legislation by a court of competent jurisdiction or any rulings from taxation authorities administering such legislation; or
- 29.2.2 an amendment agreed to in writing by the Participant(s).
- 29.3 The Board may determine that any amendment to these Rules or the terms of Employee Incentives granted under the Plan be given retrospective effect.
- 29.4 Amendment of these Rules or the terms and conditions upon which Employee Incentives are granted under the Plan by the Board will be of immediate effect unless otherwise determined by the Board.
- 29.5 As soon as reasonably practicable after making any amendment to these Rules or the terms and conditions of Employee Incentives granted under the Plan, the Board will give notice of the amendment to any Participant affected by the amendment. Failure by the Board to notify

a Participant of any amendment will not invalidate the amendment as it applies to that Participant.

Amendment by addendum

- 29.6 Subject to any other provision of these Rules, the Board may from time to time amend the terms of this Plan as they will apply in particular jurisdictions or circumstances by means of an addendum to these Rules.

30. TERMINATION OR SUSPENSION

Termination or suspension

- 30.1 Subject to clause 30.2, the Board may at any time terminate the Plan or suspend the operation of the Plan for such period or periods as it thinks fit.

Resolution to terminate, suspend, supplement or amend

- 30.2 In passing a resolution to terminate or suspend the operation of the Plan, the Board must consider and endeavour to ensure that there is fair and equitable treatment of all Participants.

31. NO EMPLOYMENT CONTRACT

- 31.1 Nothing in these Rules or the terms of any Employee Incentives:

- 31.1.1 confers upon an Eligible Employee a right to a grant or offer of a grant of Employee Incentives;
- 31.1.2 confers on an Eligible Employee or a Participant the right to continue as an employee or officer of the Company (as the case may be);
- 31.1.3 affects the rights of the Company to terminate the employment or office of an Eligible Employee or a Participant (as the case may be);
- 31.1.4 affects the rights and obligations of any Eligible Employee or Participant under the terms of their office or employment with the Company;
- 31.1.5 confers any legal or equitable right on an Eligible Employee or a Participant whatsoever to take action against the Company in respect of their office or employment; or
- 31.1.6 confers on an Eligible Employee or a Participant any rights to compensation or damages in consequence of the termination of their employment or office by the Company for any reason whatsoever including ceasing to have rights under the Plan as a result of such termination.

32. ASIC RELIEF

- 32.1 Notwithstanding any other provisions of the Plan, every covenant or other provisions set out in an exemption or modification granted from time to time by ASIC in respect of the Plan or which applies to the Plan pursuant to its power to exempt and modify the Corporations Act and required to be included in the Plan in order for that exemption or modification to have full effect, is deemed to be contained in the Plan. To the extent that any covenant or other provision deemed by this clause 32 to be contained in the Plan is inconsistent with any other provision in the Plan, the deemed covenant or other provision will prevail.

33. NON-EXCLUSIVITY

Non-exclusivity

- 33.1 This Plan will not be deemed to be the exclusive method of providing incentive compensation to Eligible Employees, nor will it preclude the Company from authorising or approving other forms of incentive compensation for employees of the Company.

Relationship to other equity plans

- 33.2 Participation in this Plan will not affect or be affected by any participation in any other employee equity plan operated by the Company, except as specifically provided in the terms of that other plan.

34. GENERAL

No fiduciary capacity

- 34.1 The Board may exercise any power or discretion conferred on it by these Rules in the interest or for the benefit of the Company, and in so doing the Board is not required to act in the interests of another person or as requested by another person and will not be under any fiduciary obligation to another person.

Listing Rules

- 34.2 On the Company being admitted to the list of companies quoted on a recognised stock exchange, the provisions of the Listing Rules will apply to the Plan, and to the extent that the Plan and the Listing Rules are inconsistent, the provisions of the Listing Rules will apply.

Enforcement

- 34.3 These Rules, any determination of the Board made pursuant to the Rules, and the terms of any Shares, Options or Performance Rights granted under the Plan, will be deemed to form a contract between the Company and the Participant.

Governing law

- 34.4 This Plan and any Shares, Options or Performance Rights granted under it will be governed by, and must be construed according to, the laws of England and Wales.

35. DEFINITIONS AND INTERPRETATION

Definitions

- 35.1 In these Rules, unless the context otherwise requires, the following terms and expressions will have the following meanings:

Applicable Law means any one or more or all, as the context requires of:

- (a) the Corporations Act and the UK Companies Act 2006;
- (b) the Listing Rules (as applicable);
- (c) the Constitution;

- (d) the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth), each as amended from time to time;
- (e) any practice note, policy statement, regulatory guide, class order, declaration, guideline, policy, procedure, ruling, judicial interpretation or other guidance note made to clarify, expand or amend paragraphs (a), (b), and (d) above; and
- (f) any other legal requirement that applies to the Plan.

Application means an application by an Eligible Employee to participate in the Plan made in response to an Offer substantially in the form set out in Schedules 1 to 3 (as applicable).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) trading as the Australian Securities Exchange.

Bad Leaver means, unless otherwise determined by the Board in its sole and absolute discretion, a Participant who ceases employment or office with the Company in any of the following circumstances:

- (a) the Participant's employment is terminated, or the Participant is dismissed from the office, for any of the following reasons:
 - (i) the Participant has committed any serious or persistent breach of the provisions of any employment contract entered into by the Participant with the Company;
 - (ii) the Participant being guilty of fraudulent or dishonest conduct in the performance of the Participant's duties, which in the reasonable opinion of the Company effects the Participant's suitability for employment with the Company, or brings the Participant or the Company into disrepute;
 - (iii) where the Board has determined that the Participant has, by any act or omission, brought the Company into disrepute;
 - (iv) the Participant has been convicted of any criminal offence which involves fraud or dishonesty;
 - (v) the Participant has committed any wrongful or negligent act or omission which has caused the Company substantial liability;
 - (vi) the Participant has become disqualified from managing corporations in accordance with Applicable Law or has committed any act that, pursuant to Applicable Law, may result in the Participant being banned from managing a corporation; or
 - (vii) the Participant has committed serious or gross misconduct, wilful disobedience or any other conduct justifying termination of employment without notice; or
 - (viii) the Participant has breached any term of the Employee Loan Agreement (if applicable).

Board means the board of directors of the Company, a committee appointed by the board of

directors of the Company as constituted from time to time, or any person who is provided with delegated authority by the board from time to time.

Buy-Back means the buy-back by the Company of Shares, pursuant to clause 23, and **Bought-Back** has a similar meaning.

Buy-Back Period means, with respect to any Share and any Participant, the period of 90 days from the date that the right to Buy-Back arises under clause 23.1 of the Plan.

Buy-Back Price means the price at which Shares are to be Bought-Back as determined under clause 24.1.

Company means Pensana Rare Earths Plc (registered number 12206525).

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

Constitution means the articles of association of the Company, as amended from time to time.

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

Director means a director of the Company or any of its subsidiaries.

Eligible Employee means:

- (a) Directors and Employees who are declared by the Board in its sole and absolute discretion to be eligible to receive grants of Employee Incentives under the Plan; or
- (b) any other person who is declared by the Board in its sole and absolute discretion to be eligible to receive grants of Employee Incentives under the Plan.

Employee means an employee or other consultant or contractor of the Company or any of its subsidiaries.

Employee Incentive means a Share, Option or Performance Right granted under this Plan.

Employee Loan has the meaning given to that term in clause 14.

Employee Loan Agreement means an agreement between the Company and an Employee with respect to an Employee Loan, substantially in the form set out in Schedule 4.

Employee Loan Repayment Notice has the meaning given to that term in clause 15.3.

Exercise Period means the period up to the Expiry Date during which a vested Option may be exercised, and as determined by the Board.

Exercise Price means the exercise price payable (if any) by a Participant to acquire a Plan Share upon the exercise of an Option as specified by the Board in the Offer in its sole and absolute discretion provided that such exercise price is not less than the nominal value of the Shares.

Expiry Date means:

- (a) with respect to any Options, the date determined by the Board and as specified in the Offer with respect to those Options, after which those Options lapse and may no longer be exercised; and
- (b) with respect to any Shares, the date determined by the Board and as specified in the Offer with respect to those Shares, after which the Company's right to Buy-Back the Shares arises pursuant to clause 23.1.

Fee means any fee payable by a Participant on the grant of an Option to them, and as determined by the Board in its sole and absolute discretion.

Forfeiture Conditions means any criteria, requirements or conditions as determined by the Board and as specified in the Offer or under these Rules with respect to any Employee Incentives and/or Plan Shares which, if they occur (notwithstanding the satisfaction or waiver of any applicable Performance Criteria and Vesting Conditions) will result in a Participant forfeiting such Employee Incentives and/or Plan Shares (as applicable).

Former Participant means a Participant who ceases to be an Employee.

Good Leaver means a Participant who ceases employment or office with the Company and is not a Bad Leaver.

Grant Date means the date on which Employee Incentives are granted to a Participant following the acceptance of an Application.

Issue Price means, with respect to a Share, the price per Share paid by the Participant pursuant to the relevant Offer.

Liquidity Event means:

- (a) a sale of all of the ordinary shares in the Company; or
- (b) a sale of all or substantially all of the assets of the Company.

Listing Rules means the listing rules, market rules or operating rules of a financial market in respect of which the Company's shares are quoted or are the subject of an application for quotation, including but not limited to, the official listing rules of the London Stock Exchange and ASX (as relevant).

Market Value means a value determined by application of a valuation methodology approved by the Board.

Notice of Exercise means a notice of exercise of Options in the form determined by the Board from time to time.

Offer means an offer to an Eligible Employee to apply for the grant of Employee Incentives under the Plan, in each case substantially in the form set out in Schedules 1 to 3 (as applicable) to this Plan pursuant to clause 4.6.

Offer Conditions has the meaning given to that term in clause 4.4.2.

Offer Letter means a letter containing an Offer to an Eligible Employee that sets out the terms and conditions of the Offer, substantially in the form set out in Schedules 1 to 3 (as applicable).

Option means an option granted under this Plan to subscribe for, acquire and/or be allocated (as determined by the Board in its sole and absolute discretion) one Plan Share subject to the satisfaction of any Vesting Conditions, and payment of the relevant Exercise Price.

Participant means an Eligible Employee who has been offered Employee Incentives and who has returned a corresponding Application to the Company that has been accepted by the Company pursuant to these Rules, or that Eligible Employee's Related Party nominated in accordance with clause 19.

Performance Criteria means any minimum performance requirements (as specified in the Offer Letter and determined by the Board in its sole and absolute discretion) which must be met prior to Options or Shares (as applicable) vesting in a Participant or a Performance Right entitling the holder to a Plan Share.

Performance Period means the period in which the Performance Criteria must be satisfied in respect of a Performance Right.

Performance Right means a right granted under this Plan to be issued a Plan Share subject to the satisfaction of any Performance Criteria.

Plan means the employee incentive plan established in accordance with these Rules.

Plan Administrator means a person or entity appointed to administer the Plan.

Plan Share means any Share issued or transferred to a Participant upon exercise of an Option or the satisfaction of Performance Criteria of a Performance Right.

Related Party in relation to an Eligible Employee means:

- (a) a trustee of a trust, in respect of which the Eligible Employee is the trustee or the Eligible Employee Controls a body corporate which is the trustee; or
- (b) a body corporate Controlled by such Eligible Employee.

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

Restricted Shares are those Shares subject to Restrictions.

Restrictions means a requirement that Participant must not:

- (a) dispose, sell, transfer or otherwise deal with the Shares or Plan Shares; or
- (b) grant a Security Interest in or over the Shares or Plan Shares,

and must comply with any other restriction as determined by the Board in its absolute discretion and set out in an Offer.

Restriction Period means such period as the Board may determine at its absolute discretion.

Rules means these rules in respect of the operation of the Plan, as amended from time to time.

Security Interest means a mortgage, charge, pledge, lien, encumbrance or other third party interest of any nature.

Share means a fully paid ordinary share of £0.001 each in the capital of the Company.

Share Trading Policy means any Company share trading policy as amended from time to time.

Shareholder means any holder of a Share.

Special Circumstances means any of the following:

- (a) the death of the Participant; or
- (b) the total and permanent disablement of the Participant such that the Participant is unlikely ever to engage in any occupation for which the Participant is reasonably qualified by education, training or experience.

Takeover Bid has the meaning given to that term under section 9 of the Corporations Act.

Term means the period commencing on the Grant Date and ending on the Expiry Date (inclusive).

Transfer means a transfer, sale or other disposal in whole or in part or an agreement to do so.

Vesting Conditions means any time based requirement or condition (as specified in the Offer and determined by the Board in its sole and absolute discretion) which must be met prior to Options or Shares (as applicable) vesting in a Participant.

Vesting Notification means a notice to a Participant informing the Participant that the Participant's Options have vested and are exercisable.

Interpretation

35.2 In these Rules, unless otherwise stated or the contrary intention appears:

- 35.2.1 the singular includes the plural and vice versa;
- 35.2.2 a gender includes all genders;
- 35.2.3 a reference to any legislation includes any modification or replacement of it and all regulations and statutory instruments issued under it and a reference to any provision of any legislation includes any modification or substitution of it;
- 35.2.4 a reference to these Rules means these Rules as amended from time to time and includes all recitals, annexures, addendums and schedules to these Rules;
- 35.2.5 a reference to a person includes a reference to the person's executors, administrators and successors or a body corporate including any person taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee; and
- 35.2.6 in these Rules any reference to include means to include without limitation.

Applicable Laws

35.3 These Rules, the offering and granting of any Options, the issuing and/or transferring of any Shares, including Plan Shares, and the rights attaching to or interests in the Options and Shares, including Plan Shares, will at all times be subject to all Applicable Laws.

Share Trading Policy

- 35.4 A Participant must comply with any Share Trading Policy at all times.

Currency

- 35.5 Where payment of the nominal value of Shares is to be paid in a currency other than pounds sterling, the amount to be paid shall be converted into pounds sterling using the then prevailing market rate and the aggregate amount, rounded up to the nearest whole penny.

Rounding

- 35.6 Where any calculation or adjustment to be made pursuant to these Rules produces a fraction of a cent or a fraction of an Option or a Plan Share, the fraction will be eliminated by rounding to the nearest whole number.

Headings

- 35.7 Headings are inserted in these Rules for convenience only and do not affect the interpretation of these Rules.

Constitution

- 35.8 The entitlements of Eligible Employees and Participants under these Rules are subject to the Constitution.
- 35.9 In the event of any inconsistency between these Rules and either of the Constitution, the terms of the Constitution will prevail to the extent of that inconsistency.

SCHEDULE 1: PRO-FORMA OFFER LETTER - OPTIONS

[ON COMPANY LETTERHEAD]

[insert participant name]

[address]

[date]

Dear [participant]

OFFER TO PARTICIPATE IN PENSANA RARE EARTHS PLC EMPLOYEE INCENTIVE PLAN

As you are aware, Pensana Rare Earths Plc ("**Pensana**") has established an Employee Incentive Plan dated [x] 2019 ("**Plan**").

To incentivise people important to the development prospects of Pensana and to ensure the interests and motivations of such key persons are aligned with the interests and motivations of shareholders of Pensana, the Board of Pensana ("**Board**") have elected to offer equity to some key individuals.

As a key member of the Pensana team, Pensana is delighted to offer you the opportunity to participate in the Plan on the terms set out in this letter ("**Offer**") and in accordance with the rules of the Plan as enclosed ("**Rules**").

The offer means such key persons will have an opportunity to be personally rewarded for developing the business of Pensana.

The Grant Date of the Employee Incentive Plan is the date on which Pensana receives and accepts the Application from you.

Enclosed is a copy of the Rules. Capitalised terms which are defined in the Rules have the same meaning in this Offer Letter.

KEY TERMS OF THE OFFER

Pensana is offering you the opportunity to acquire the following securities:

TYPE OF PLAN SECURITY	NUMBER OFFERED
Unlisted options to subscribe for fully paid ordinary shares in Pensana (Options)	[insert number of options]

The Options will only be issued to you if you continue to be employed or engaged by Pensana or one of its subsidiaries at the Grant Date.

Conditions

The Options to be issued shall be subject to the following conditions:

CONDITION TYPE	CONDITION DESCRIPTION
Vesting Condition - Time based conditions	<ul style="list-style-type: none">• [for the first 25% of Options, the 12-month anniversary of the Grant Date (i.e. one year after the Options are issued to you); and• in respect of the remaining 75% of the Options, 1/12th each quarter commencing from the 12-month anniversary of the Grant Date.]
Performance Criteria - Performance based conditions	<ul style="list-style-type: none">• [insert performance based conditions]

Grant Price

The Grant Price of the Options is nil.

Exercise Price

The Exercise Price of the Options is \$[insert exercise price] per Option.

Conversion Rate

Upon exercise each Option will convert to one Ordinary Share in Pensana.

Exercise Period

Your vested Options will be exercisable at any time before the Expiry Date.

Expiry Date

The Expiry Date of the Options is [x] years from the Grant Date

Nominee

You may nominate a Related Party to receive the Options in accordance with clause 19 of the Plan. In order to do so, you will need to include the nominee's details in the attached Application.

Quotation

The Options will not be quoted on the London Stock Exchange or ASX.

Other terms applicable to the Offer

The following are other key terms applicable to the Options offered to you:

- the Options may not be Transferred by you except as provided for under the Rules;
- you must not create any Security Interest or encumbrance in respect of the Options offered without the prior written consent of the Board; and
- the Options are issued subject to the Rules and the constitution of Pensana.

Financial and taxation consequences

This Offer does not purport to provide all of the information you may require in order to evaluate an investment in the Company. The Company in making the Offer is not giving you any financial, legal, tax or investment advice. You should make your own enquiries and evaluations as you deem necessary of the Offer (including your investment objectives, financial situation, and particular needs), and you should seek all necessary financial, legal, tax and investment advice.

In the event the Company does provide you with any advice in relation to Plan Shares, such advice does not take into account your objectives, financial situation and needs.

Risk

As with any investment in securities there can be no guarantee that the market value of the Company's shares will not fall in the future. There is also no assurance as to future dividends or distributions since these are dependent on earnings and the financial condition of the Company.

Market Price of Shares

Before deciding whether to accept the Offer, you should refer to the current market price of the Company's shares, which can be obtained from the financial pages of some daily newspapers, your stockbroker, your financial adviser, the London Stock Exchange or the ASX. The Company will also provide you upon request, within a reasonable time, either verbally or in writing, details of the current market price (in [Australian dollars]) of the Company's shares.

Please note that the market price of the Company's shares may rise or fall between the date of this Offer and the date when the Shares are issued to you upon exercise of the Options.

Next steps

If you wish to accept the Offer and apply for Options, you must:

- complete, sign and date the enclosed Application; and
- return the completed Application to Pensana at [insert address].

By delivering the attached application form to Pensana, you agree to be bound by the Rules and the terms of this Offer as a Participant in the Plan, as well as giving the acknowledgments contained in the Application.

Upon receipt of the Application, provided you remain employed or engaged by Pensana at that time, Pensana will take steps to issue the Options to you and to provide you with an Options Certificate confirming the issue.

This Offer must be accepted before 5pm on the date 14 days after the date of this letter and will expire after that time. Please get in contact with me if you need more time to consider the Offer for any reason and we can discuss.

Once again, you are a very important member of the Pensana team and we look forward to your participation in the Plan.

Yours sincerely

[Director of the Company]

Encl: Acceptance form
 Plan Rules

**PENSANA RARE EARTHS PLC INCENTIVE PLAN - OPTIONS
APPLICATION**

INSTRUCTIONS:

*When completing this form, please strike out language below that is not applicable
Please provide the original application form to Pensana at [insert address].*

PERSONAL DETAILS

Name:.....

Address:.....

I accept the offer of Options offered to me pursuant to a Letter of Offer dated _____
("Offer Letter") under the Pensana Rare Earths Plc Employee Incentive Plan ("Plan") in full/in
respect ofOptions.

USE OF NOMINEE

- ☐ I do not wish to nominate another person to accept my Options and apply for them personally
in my own name.
- ☐ I wish to nominate _____ to accept my Options and attach
evidence showing that they are a Related Party.

ACKNOWLEDGEMENT

By accepting the Offer and delivering this form to Pensana, I agree and acknowledge:

1. the Options are issued pursuant to the Plan and the Rules and I agree to be bound by the Rules and the terms of the Offer as a Participant in the Plan;
2. participation in the Plan does not create a right to employment or interfere with the ability to terminate my employment or service relationship (if any), subject to applicable law;
3. the future value of the Options and any Shares is uncertain and the value may increase or decrease in value from time to time;
4. any rights acquired under the Plan are an extraordinary item of compensation, which is outside the scope of my employment agreement, if any, and are not part of ordinary compensation or salary for any purpose;
5. no claim or entitlement to compensation or damages shall arise from forfeiture of Options under the Plan resulting from my service to Pensana coming to an end for any reason;
6. the ultimate liability for all taxes payable in respect of my participation in the Plan and the acquisition and disposal of Options and Shares is and remains my responsibility;
7. Pensana may be required by law to provide information about me to Tax authorities and I will allow Pensana to provide such information; and
8. the Offer Letter provided to me is not financial product advice and I have been advised to consult an independent investment or taxation advisor prior to accepting Options if I have any concerns.

THIS APPLICATION IS HEREBY EXECUTED BY _____:
Signature

Date

Address

If a related Party is nominated, please also complete the required details below and have the related party execute:

(if related party is a trust for which you are the trustee in your personal capacity)

THIS APPLICATION IS HEREBY EXECUTED BY _____ as
trustee for the _____ Trust:

Signature

Date

Address

(if related party is a company you control which is the trustee of a trust)

Executed by _____

as trustee of the _____
_____ Trust

acting by

.....
Signature of director

.....
Signature of director/company secretary

.....
Name of director (print)

.....
Name of director/company secretary (print)

(if related party is a company you control, not in the capacity of trustee)

Executed by _____
acting by

.....
Signature of director

.....
Signature of director/company secretary

.....
Name of director (print)

.....
Name of director/company secretary (print)

SCHEDULE 2: PRO-FORMA OFFER LETTER - PERFORMANCE RIGHTS

[ON COMPANY LETTERHEAD]

[insert participant name]

[address]

[date]

Dear [participant]

OFFER TO PARTICIPATE IN PENSANA RARE EARTHS PLC EMPLOYEE INCENTIVE PLAN

As you are aware, Pensana Rare Earths Plc ("**Pensana**") has established an Employee Incentive Plan dated [x] 2019 ("**Plan**").

To incentivise people important to the development prospects of Pensana and to ensure the interests and motivations of such key persons are aligned with the interests and motivations of shareholders of Pensana, the Board of Pensana ("**Board**") have elected to offer equity to some key individuals.

As a key member of the Pensana team, Pensana is delighted to offer you the opportunity to participate in the Plan on the terms set out in this letter ("**Offer**") and in accordance with the rules of the Plan as enclosed ("**Rules**").

The offer means such key persons will have an opportunity to be personally rewarded for developing the business of Pensana.

The Grant Date of the Employee Incentive Plan is the date on which Pensana receives and accepts the Application from you.

Enclosed is a copy of the Rules. Capitalised terms which are defined in the Rules have the same meaning in this Offer Letter.

KEY TERMS OF THE OFFER

Pensana is offering you the opportunity to acquire the following:

TYPE OF PLAN SECURITY	NUMBER OFFERED
A right to be issued shares in Pensana , credited as fully paid, [at no cost][subject to payment by you of the nominal value], subject to the satisfaction of any Performance Criteria (Performance Right)	[insert number of Performance Rights]

The Performance Right will only be issued to you if you continue to be employed or engaged by Pensana or one of its subsidiaries at the Grant Date.

Performance Criteria

The following Performance Criteria must be met by you in order to become eligible to receive shares under this Plan.

PERFORMANCE CRITERIA

[insert Performance Criteria]

Grant Price

The Grant Price of the Performance Rights is nil.

Price

The amount payable by you on conversion of the Performance Rights is [nil][nominal value].

Conversion Rate

Upon exercise each Performance Right will convert to one Ordinary Share in Pensana.

Performance Period

The Performance Period of the Performance Right is [x] years, commencing from the Grant Date.

Nominee

You may nominate a Related Party to receive the Performance Rights in accordance with clause 19 of the Plan. In order to do so, you will need to include the nominee's details in the attached Application.

Other terms applicable to the Offer

The following are other key terms applicable to the Performance Rights offered to you:

- the Performance Rights may not be Transferred by you except as provided for under the Rules;
- you must not create any Security Interest or encumbrance in respect of the Performance Rights offered without the prior written consent of the Board of Pensana; and
- the Performance Rights are issued subject to the Rules and the constitution of Pensana.

Financial and taxation consequences

This Offer does not purport to provide all of the information you may require in order to evaluate an investment in the Company. The Company in making the Offer is not giving you any financial, legal, tax or investment advice. You should make your own enquiries and evaluations as you deem necessary of the Offer (including your investment objectives, financial situation, and particular needs), and you should seek all necessary financial, legal, tax and investment advice.

In the event the Company does provide you with any advice in relation to Plan Shares, such advice does not take into account your objectives, financial situation and needs.

Risk

As with any investment in securities there can be no guarantee that the market value of the Company's shares will not fall in the future. There is also no assurance as to future dividends or distributions since these are dependent on earnings and the financial condition of the Company.

Market Price of Shares

Before deciding whether to accept the Offer, you should refer to the current market price of the Company's shares, which can be obtained from the financial pages of some daily newspapers, your stockbroker, your financial adviser, the ASX or the London Stock Exchange. The Company will also provide you upon request, within a reasonable time, either verbally or in writing, details of the current market price (in [Australian dollars]) of the Company's shares.

Please note that the market price of the Company's shares may rise or fall between the date of this Offer and the date when the Shares are issued to you upon conversion of Performance Rights.

Next steps

If you wish to accept the Offer and apply for Performance Rights, you must:

- complete, sign and date the enclosed Application; and
- return the completed Application to Pensana at [insert address].

By delivering the attached application form to Pensana, you agree to be bound by the Rules and the terms of this Offer as a Participant in the Plan, as well as giving the acknowledgments contained in the Application.

Upon receipt of the Application, provided you remain employed or engaged by Pensana at that time, Pensana will take steps to issue the Performance Rights to you and to provide you with a Certificate confirming the issue.

This Offer must be accepted before 5pm on the date 14 days after the date of this letter and will expire after that time. Please get in contact with me if you need more time to consider the Offer for any reason and we can discuss.

Once again, you are a very important member of the Pensana team and we look forward to your participation in the Plan.

Yours sincerely

[Director of the Company]

Encl: Acceptance form
 Plan Rules

PRO-FORMA ACCEPTANCE FORM - PERFORMANCE RIGHTS

PENSANA RARE EARTHS PLC INCENTIVE PLAN

APPLICATION FORM

INSTRUCTIONS:

When completing this form, please strike out language below that is not applicable

Please provide the original application form to Pensana at [insert address].

PERSONAL DETAILS

Name:.....

Address:.....

I accept the offer of Performance Rights offered to me pursuant to a Letter of Offer dated _____ ("Offer Letter") under the Pensana Rare Earths Plc Employee Incentive Plan ("Plan") in full/in respect ofPerformance Rights.

USE OF NOMINEE

☐ I do not wish to nominate another person to accept my Performance Rights and apply for them personally in my own name.

☐ I wish to nominate _____ to accept my Performance Rights and attach evidence showing that they are a Related Party.

ACKNOWLEDGEMENT

By accepting the Offer and delivering this form to Pensana, I agree and acknowledge:

1. the Performance Rights are issued pursuant to the Plan and the Rules and I agree to be bound by the Rules and the terms of the Offer as a Participant in the Plan;
 2. participation in the Plan does not create a right to employment or interfere with the ability to terminate my employment or service relationship (if any), subject to applicable law;
 3. the future value of the Performance Rights and any Shares is uncertain and the value may increase or decrease in value from time to time;
 4. any rights acquired under the Plan are an extraordinary item of compensation, which is outside the scope of my employment agreement, if any, and are not part of ordinary compensation or salary for any purpose;
 5. no claim or entitlement to compensation or damages shall arise from forfeiture of Performance Rights under the Plan resulting from my service to Pensana coming to an end for any reason;
 6. the ultimate liability for all taxes payable in respect of my participation in the Plan and the acquisition and disposal of Performance Rights and Shares is and remains my responsibility;
 7. Pensana may be required by law to provide information about me to Tax authorities and I will allow Pensana to provide such information; and
-

8. the Offer Letter provided to me is not financial product advice and I have been advised to consult an independent investment or taxation advisor prior to accepting Performance Rights if I have any concerns.

THIS APPLICATION IS HEREBY EXECUTED BY _____:
Signature

Date

Address

If a related Party is nominated, please also complete the required details below and have the related party execute:

(if related party is a trust for which you are the trustee in your personal capacity)

THIS APPLICATION IS HEREBY EXECUTED BY _____ as
trustee for the _____ Trust:

Signature

Date

Address

(if related party is a company you control which is the trustee of a trust)

Executed by _____

as trustee of the _____
_____ Trust

acting by

.....
Signature of director

.....
Name of director (print)

.....
Signature of director/company secretary

.....
Name of director/company secretary (print)

(if related party is a company you control, not in the capacity of trustee)

Executed by _____
acting by

.....
Signature of director

.....
Signature of director/company secretary

.....
Name of director (print)

.....
Name of director/company secretary (print)

SCHEDULE 3: PRO-FORMA OFFER LETTER - SHARES

[ON COMPANY LETTERHEAD]

[insert participant name]
[address]

[date]

Dear [participant]

OFFER TO PARTICIPATE IN PENSANA RARE EARTHS PLC EMPLOYEE INCENTIVE PLAN

As you are aware, Pensana Rare Earths Plc ("**Pensana**") has recently established an Employee Incentive Plan dated [x] ("**Plan**").

To incentivise people important to the development prospects of Pensana and to ensure the interests and motivations of such key persons are aligned with the interests and motivations of shareholders of Pensana, the Board of Pensana ("**Board**") have elected to offer equity to some key individuals.

As a key member of the Pensana team, Pensana is delighted to offer you the opportunity to participate in the Plan on the terms set out in this letter ("**Offer**"), loan agreement ("**Loan Agreement**") and in accordance with the rules of as enclosed ("**Rules**").

The offer means such key persons will have an opportunity to be personally rewarded for developing the business of Pensana.

The Grant Date of the Employee Incentive Plan is the date on which Pensana receives and accepts the Application and signed Loan Agreement from you.

Enclosed is a copy of the Rules. Capitalised terms which are defined in the Rules have the same meaning in this Offer Letter.

KEY TERMS OF THE OFFER

Pensana is offering you the opportunity to acquire the following securities:

TYPE OF PLAN SECURITY	NUMBER OFFERED
Fully paid ordinary shares in Pensana (" Shares ")	[insert number of shares]

The Shares will only be issued to you if you continue to be employed or engaged by Pensana or one of its subsidiaries at the Grant Date.

Offer Conditions

The Shares are issued to you with the following Performance Criteria and Vesting Conditions ("**Offer Conditions**") and the Shares will remain Restricted until such Offer Conditions are satisfied:

OFFER CONDITION TYPE	OFFER CONDITION DESCRIPTION
Time based Vesting Conditions	<ul style="list-style-type: none"> [insert time based conditions]
Performance Criteria	<ul style="list-style-type: none"> [insert performance based conditions]

Should the Offer Conditions not be satisfied, you consent to your Shares being bought-back and cancelled by Pensana in exchange for the Issue Price on those Shares as if the Buy-Back mechanism contained at clause 23 of the Plan applied.

Issue Price

The Issue Price of the Shares will be the Volume Weighted Average Price ("VWAP") of Pensana shares over the 5 trading days on which trades in Pensana shares were recorded immediately preceding the date of issue.

Employee loan

Pensana will provide a limited recourse, interest free loan to you for an amount equal to the issue price for the Shares you have been offered ("**Employee Loan**"), the Employee Loan must be used for the sole purpose of paying Pensana the issue price for Shares to be issued to the Participant on acceptance of the relevant Offer. On the sale of any Shares issued to you in connection with the Employee Loan, you must immediately repay the relevant portion of the Employee Loan outstanding with respect to those Shares in accordance with any requirements of the Company at the time. The full terms of the Employee Loan are set out in the Employee Loan Agreement provided to you with this Offer Letter.

You acknowledge that while the precise dollar amount of the Employee Loan may not be able to be specified at the time the Employee Loan Agreement is signed (i.e. because the Issue Price, being the 5 day VWAP is still being calculated), this amount is known and agreed as the number of Shares issued multiplied by the Issue Price, and you authorise the Company to update the Employee Loan.

The term of the Employee Loan will be [x]-years from the Grant Date. The Employee Loan will be repayable at the expiry of its term. Full details in relation to the Employee Loan can be found in the Loan Agreement.

Buy-Back of Shares

Pensana may, in its absolute discretion, buy-back all or any of the Shares held by you based on the Buy-Back mechanism and Buy-Back Price set out in the Rules.

Expiry Date

The Expiry Date of the Shares is [insert years] from the Grant Date, after which the Company's right to Buy-Back the Shares arises pursuant to clause 23.1.

Nominee

You may not nominate a Related Party to receive the Shares on your behalf.

Other terms applicable to the Offer

The following are other key terms applicable to the Shares offered to you:

- the Shares may not be Transferred by a Participant, while they are Restricted Shares;
- you must not create any Security Interest or encumbrance in respect of the Shares offered without the prior written consent of the Board of Directors of Pensana; and
- the Shares are issued subject to the Rules and the constitution of the Company.

Financial and taxation consequences

This Offer does not purport to provide all of the information you may require in order to evaluate an investment in the Company. The Company in making the Offer is not giving you any financial, legal, tax or investment advice. You should make your own enquiries and evaluations as you deem necessary of the Offer (including your investment objectives, financial situation, and particular needs), and you should seek all necessary financial, legal, tax and investment advice.

In the event the Company does provide you with any advice in relation to Plan Shares, such advice does not take into account your objectives, financial situation and needs.

Risk

As with any investment in securities there can be no guarantee that the market value of the Company's shares will not fall in the future. There is also no assurance as to future dividends or distributions since these are dependent on earnings and the financial condition of the Company.

Market Price of Shares

Before deciding whether to accept the Offer, you should refer to the current market price of the Company's shares, which can be obtained from the financial pages of some daily newspapers, your stockbroker, your financial adviser, or the ASX. The Company will also provide you upon request, within a reasonable time, either verbally or in writing, details of the current market price (in Australian dollars) of the Company's shares.

Please note that the market price of the Company's shares may rise or fall between the date of this Offer and the date when the Shares are issued to you.

Next steps

If you wish to accept the Offer and apply for Shares, you must:

- complete, sign and date the enclosed Application;
- complete, sign and date the enclosed Employee Loan Agreement; and
- return the completed Application to Pensana at [insert address].

By delivering the attached application form to Pensana, you agree to be bound by the Rules and the terms of this Offer as a Participant in the Plan, as well as giving the acknowledgments contained in the Application.

Upon receipt of the Application, provided you remain employed or engaged by Pensana at that time, Pensana will take steps to issue the Shares to you and to provide you with an Share Certificate confirming the issue.

This Offer must be accepted before 5pm on the date 14 days after the date of this letter and will expire after that time. Please get in contact with me though if you need more time to consider the Offer for any reason and we can discuss.

Once again, you are a very important member of the Pensana team and we look forward to your participation in the Plan.

Yours sincerely

[Director of the Company]

Encl:

Acceptance form

Plan Rules

Employee Loan Agreement

PRO-FORMA APPLICATION - SHARES
PENSANA RARE EARTHS PLC INCENTIVE PLAN
APPLICATION - SHARES

INSTRUCTIONS:

*When completing this form, please strike out language below that is not applicable
Please provide the original application form to Pensana Rare Earths Plc at [insert address].*

PERSONAL DETAILS

Name:.....

Address:.....

I accept the offer of Shares offered to me pursuant to a Letter of Offer dated _____
("Offer Letter") under the Pensana Rare Earths Plc Employee Incentive Plan ("Plan") in full/in
respect ofShares.

ACKNOWLEDGEMENT

By accepting the Offer and delivering this form to Pensana, I agree and acknowledge:

1. the Shares are issued pursuant to the Plan and the Rules and I agree to be bound by the Rules and the terms of the Offer as a Participant in the Plan;
 2. participation in the Plan does not create a right to employment or interfere with the ability to terminate my employment or service relationship (if any), subject to applicable law;
 3. the future value of the Shares is uncertain and the value of such Shares may increase or decrease in value from time to time;
 4. any rights acquired under the Plan are an extraordinary item of compensation, which is outside the scope of my employment agreement, if any, and are not part of ordinary compensation or salary for any purpose;
 5. no claim or entitlement to compensation or damages shall arise from forfeiture of Shares under the Plan resulting from my service to Pensana coming to an end for any reason;
 6. the ultimate liability for all taxes payable in respect of my participation in the Plan and the acquisition and disposal of Shares is and remains my responsibility;
 9. any Employee Loan amount(s) outstanding with respect to any Shares must be repaid immediately on sale or transfer of such Shares, and at any time while the Employee Loan is outstanding I must not sell or transfer any Shares issued in connection with the Employee Loan without (a) written approval from the Company of the specific repayment arrangements in place by me to ensure repayment of the relevant amount to the Company, and (b) making the relevant repayments to the Company in accordance with those arrangements;
 7. Pensana may be required by law to provide information about me to Tax authorities and I will allow Pensana to provide such information; and
-

8. the Offer Letter provided to me is not financial product advice and I have been advised to consult an independent investment or taxation advisor prior to accepting shares if I have any concerns.

THIS APPLICATION IS HEREBY EXECUTED BY _____:
Signature

Date

Address

SCHEDULE 4: PRO-FORMA EMPLOYEE LOAN AGREEMENT

DATED

2019

**EMPLOYEE INCENTIVE PLAN
– EMPLOYEE LOAN
AGREEMENT**

between

PENSANA RARE EARTHS PLC

and

[insert employee name]

CONTENTS

1.	DEFINITIONS AND INTERPRETATION	2
2.	LOAN	3
3.	SPECIAL CIRCUMSTANCES.....	4
4.	REPAYMENT OF LOAN.....	4
5.	MISCELLANEOUS	5
6.	INTERPRETATION.....	5

THIS AGREEMENT is made on

BETWEEN:

- (1) **PENSANA RARE EARTHS PLC** (registered number 12206525) of Suite 1, 3rd Floor 11 - 12 St. James's Square, London, United Kingdom, SW1Y 4LB (**Company**)
- (2) **[INSERT EMPLOYEE NAME]** of **[insert address]** (**Participant**)

BACKGROUND:

- A The Participant is an Employee of the Company;
- B The Company is desirous of providing a long term incentive with respect to the Participant's employment and aligning his/her outcomes with those of the shareholders of the Company through the Plan;
- C The Company has agreed to loan funds to the Participant. These funds will be used by the Participant to acquire Shares in the Company;
- D The Participant agrees to borrow such funds on the terms and conditions set out in this Agreement.

IT IS AGREED:

1. DEFINITIONS AND INTERPRETATION

Definitions

- 1.1 In this agreement the following definitions apply:

Applicable Law means all applicable laws, subordinate legislation or regulations and includes the ASX Listing Rules and the UK Listing Rules.

ASX means ASX Limited (ABN 90 008 624 691).

ASX Listing Rules means the official listing rules of ASX which apply to the Company from time to time.

Board means the board of directors of the Company

Buy-Back Period has the meaning given to that term in the Plan;

Dividend means the amount of dividend declared by the Company in respect of Shares from time to time;

Employee means employees of the Company and directors of the Company or other consultants to the Company;

Employee Loan Repayment Notice has the meaning given to that term in clause 4.1;

Loan means the Loan Amount less any repayments made from time to time;

Loan Amount means the amount as set out in the Schedule;

Maturity Date means the maturity date of the Loan as set out in the Schedule;

Offer means a written offer to an Employee of the Company to participate in the Plan;

Offer Conditions has the meaning given to that term in the Plan;

Plan means the Pensana Rare Earths plc Employee Incentive Plan adopted by the Board on [insert date] 2019;

Repayable Portion means the amount of the Loan repayable by the Participant at the Maturity Date, being the lower of:

- (a) the then outstanding Loan Amount after any reductions pursuant to clause 2.5; and
- (b) the market value, as determined in accordance with the Plan, of the ordinary shares in the Company as at 5.00 pm on the business day immediately prior to the Maturity Date;

Restricted Shares means Shares under the Plan to which Offer Conditions still apply;

Resulting Shares means Shares issued to the Participant under or in connection with the Offer, the acquisition of which has been funded by the Loan.

Shares means fully paid ordinary shares of £0.001 each in the capital of the Company;

Special Circumstances means any of the following:

- (a) the death of the Participant; or
- (b) the total and permanent disablement of the Participant such that the Participant is unlikely ever to engage in any occupation for which the Participant is reasonably qualified by education, training or experience; and

UK Listing Rules means the listing rules published by the Financial Conduct Authority.

2. LOAN

- 2.1 The Company shall lend to the Participant the Loan Amount and Participant shall borrow the Loan Amount on the terms and conditions set out in this Agreement.

Purpose of Loan & acknowledgement

- 2.2 The Participant acknowledges that the sole purpose of the Loan is for the acquisition of Shares in the Company under the Plan and the entire Loan Amount is to be applied for such a purpose.

No interest or charges

- 2.3 No interest or other charges shall be payable by the Participant on the Loan Amount or on any amount outstanding under the Loan.

Repayment of Loan

- 2.4 Subject to this clause 2 and the Plan, the Participant shall repay the Loan:

- 2.4.1 in accordance with clauses 2.5 and 4.2.2 of this Agreement;
- 2.4.2 with respect to any Resulting Share immediately on the date that the Participant disposes of such Resulting Share; or
- 2.4.3 otherwise as required by the Plan and the Offer.

Repayment at Participant's option

- 2.5 Without limiting any other provision of this Agreement but subject to the rules of the Plan and the offer to the Participant, the Participant may, at any time, make specific payments to repay part or all of the amount of the Loan.

Repayment on Maturity Date

- 2.6 The Participant agrees that on the Maturity Date, the Participant must pay the Company the Repayable Portion of the Loan.
- 2.7 If an Employee Loan is not repaid in full by the Maturity Date, the Board may buy back or sell the Shares or dispose of such Shares for their market price in its absolute discretion. The Board must apply the proceeds of the sale or disposal first, towards meeting the costs of the sale or disposal, second, towards repaying the Repayable Portion, and third, towards repaying any amount owed (on any account) to the Company by the Participant. Any balance remaining will be paid to the Participant.

Limited recourse

- 2.8 Notwithstanding any other clause in this Agreement the Participant shall have no obligation to pay any more than the Repayable Portion of the Loan at the Maturity Date, nor shall the Company have any recourse beyond the Participant's Resulting Shares under the Plan.

3. SPECIAL CIRCUMSTANCES

- 3.1 If a Special Circumstances event occurs, the Board may, in its absolute discretion:
 - 3.1.1 permit the sale or transfer of any Shares acquired under the Plan on such terms as the Board shall determine (including permitting the sale of Shares which are subject to restrictions on their sale under the Plan), and require the consideration received on the sale of the Shares to be applied to the benefit of the Company until such time as the Loan outstanding on those Shares is repaid); and/or
 - 3.1.2 waive part or all of the existing Loan attributable to any Shares acquired under the Plan.

4. REPAYMENT OF LOAN

- 4.1 If a Participant ceases to be a Participant, fails to comply with any obligations under the Offer or the Plan (including failing to meet any relevant Performance Criteria) or seeks to Transfer any shares issued under this Plan not in accordance with the terms of this Plan or the Constitution, the Board, may by written notice to the Participant, require repayment of all Loans (**Employee Loan Repayment Notice**).
- 4.2 The date on which a Loan must be repaid shall be the later of the date specified by the Board in the Employee Loan Repayment Notice (if any) and:
 - 4.2.1 where the Company has the right to buy-back any Shares under this Plan, but does not exercise that right during the applicable Buy-Back Period, the date being 30 days after the expiry of the applicable Buy-Back Period; and

- 4.2.2 where the Company has the right to buy-back any Shares under this Plan and exercises that right, the date of completion of the buy-back of the relevant shares.

5. MISCELLANEOUS

Power of attorney

- 5.1 The Participant agrees to the appointment of the Company and its respective directors as the several attorneys of the Participant with the power to sign all documents and do all other things in the name of the Participant which are reasonably necessary to effect the buyback or sale of the Shares as described in this agreement.

Compliance with laws

- 5.2 If the Plan is inconsistent with the Corporations Act (or any other rules that apply to the Company), the Corporations Act (or any other rules that apply to the Company) shall prevail.

Severability

- 5.3 If a section or part of a section can be read in a way that makes it illegal, unenforceable or invalid, but can also be read in a way that makes it legal, enforceable and valid, it must be read in the latter way. If any clause or part of a section is illegal, unenforceable or invalid, that section or part is to be treated as removed from this document, but the rest of this document is not affected.

Governing law and jurisdiction

- 5.4 This document is governed by the law of England and Wales. The Company and the Participants submit to the non-exclusive jurisdiction of its courts.

Tax

- 5.5 The Participant will be responsible for all tax consequences arising in relation to the Loan and the Plan.

6. INTERPRETATION

- 6.1 In this Agreement, unless the context otherwise requires:
- 6.1.1 Headings are inserted for convenience only and do not affect the interpretation of this Agreement.
 - 6.1.2 A reference in this Agreement to a business day means a day other than a Saturday or Sunday on which banks are open for business generally in Perth, Western Australia.
 - 6.1.3 If the day on which any act, matter or thing is to be done under this Agreement is not a business day, the act, matter or thing must be done on the next business day.
 - 6.1.4 A reference in this Agreement to 'dollars' or '\$' means Australian dollars and all amounts payable under this Agreement are payable in Australian dollars.
 - 6.1.5 A reference in this Agreement to any law, legislation or legislative provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision.
 - 6.1.6 An expression importing a natural person includes any company, trust, partnership, joint venture, association, body corporate or governmental agency.

- 6.1.7 Where a word or phrase is given a defined meaning, another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning.
- 6.1.8 A word which indicates the singular also indicates the plural, a word which indicates the plural also indicates the singular, and a reference to any gender also indicates the other genders.
- 6.1.9 A reference to the word 'include' or 'including' is to be interpreted without limitation.
- 6.1.10 Any schedules and attachments form part of this Agreement.

EXECUTION AND DATE

Executed as a deed.

Date:

Executed by **PENSANA RARE EARTHS PLC**
(registered number 12206525):

.....
Signature of director

.....
Signature of director/company secretary

.....
Name of director (print)

.....
Name of director/company secretary (print)

Signed by **[Participant]** in the presence of:

.....
Signature of witness

.....
Signature of **[Participant]**

.....
Name of witness (print)

Schedule: Details

Name of Participant:	[insert employee name]
Address of Participant:	[insert employee address]
Loan Amount:	<p>\$....., being an amount equal to: the number of Shares to be acquired in connection with the Loan under the Offer, multiplied by: the Issue Price under the Offer.</p> <p>The 'Issue Price' under the Offer is the volume weighted average price of the Company's shares on the ASX over the 5 trading days on which trades in the Company's shares were recorded immediately preceding the date of issue.</p> <p>The Participant acknowledges that the Company may update this document after the date hereof to insert the actual Loan Amount number above.</p>
Maturity Date:	[x] years from the date of this Agreement.