

For personal use only

Pensana metals

(formerly Rift Valley Resources Limited)

**Annual Report
for the financial year ended 30 June 2018**

**Pensana Metals Ltd
and Controlled Entities**

ABN 86 121 985 395

Corporate directory

Directors	Paul Atherley - Executive Chairman David Hammond - Executive Director / Chief Operating Officer Neil Maclachlan - Non-Executive Director Mark Hohnen - Non-Executive Director
Company Secretary	Mr Scott Mison
Registered Office	Ground Floor 10 Outram Street West Perth WA 6000 www.riftvalleyresources.com.au info@riftvalleyresources.com.au
Share Registry	Boardroom Pty Ltd Grosvenor Place Level 12, 225 George Street Sydney NSW 2000
Auditors	Ernst & Young 11 Mounts Bay Road PERTH WA 6000
Lawyers	DLA Piper Australia Level 31, Central Park 152-158 St Georges Terrace Perth WA 6000 PO Box Z5470 Perth WA 6831 Australia
ASX Code	PM8 (formerly RVY)

For personal use only

Contents	Page
Directors' report	4
Remuneration report	14
Corporate governance statement	21
Auditor's independence declaration	27
Independent auditor's report	28
Directors' declaration	30
Financial statements	31
Annual financial report	
Consolidated statement of comprehensive income	32
Consolidated statement of financial position	33
Consolidated statement of changes in equity	34
Consolidated statement of cash flows	35
Notes to the financial statements	36
ASX Additional Information	61
Tenement schedule	63

For personal use only

Directors' Report

The Directors of Pensana Metals Ltd (formerly Rift Valley Resources Limited) ("the Company") submit herewith the annual financial report of Pensana Metals Limited and its controlled entities ("Consolidated Entity") for the year ended 30 June 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors and Directors' Details

The names and particulars of the Directors of the Company during or since the end of the financial year are:

<p>Paul Atherley Non-Executive Chairman</p> <p>Appointed 13 May 2018</p>	<p>Mr Atherley is a highly experienced senior resources executive with wide ranging international and capital markets experience. He graduated as mining engineer from Imperial College London and held a number of mine management, senior executive and board positions during his career.</p> <p>He served as Executive Director of the investment banking arm of HSBC Australia where he undertook a range of advisory roles in the resources sector. He has completed a number of acquisitions and financings of resource projects in Europe, China, Australia and Asia.</p> <p>Mr Atherley was based in Beijing from 2005 to 2015 and developed strong connections within Chinese business, industry bodies and senior government officials, including the most senior levels of the state owned energy companies. He was the Chairman of the British Chamber of Commerce in China, Vice Chairman of the China Britain Business Council in London and served on the European Union Energy Working Group in Beijing.</p> <p>He has been a regular business commentator on China and the resources sector, hosting events in Beijing and appearing on CCTV News and China Radio International as well as BBC, CNBC and other major news channels. Mr Atherley is a strong supporter of Women in STEM and has established a scholarship which provides funding for young women to further their education in science and engineering.</p> <p><i>Other Current Directorships of Listed Companies</i> Berkeley Energia Limited (ASX/AIM) Leyshon Resources Limited (May 2004 – present) Leyshon Energy Limited (January 2014 – present).</p> <p><i>Former Directorships of Listed Companies in last three years</i> None</p>
<p>David Hammond Executive Director / Chief Operation Officer</p> <p>Appointed 14 November 2017</p>	<p>Mr Hammond has over 28 years' technical, resource definition and project development experience in Africa, Australia and South America. He was most recently the Technical Director with Peak Resources Ltd for seven years where he led all exploration, resource definition and technical study teams, from the second drill hole of the deposit through resource, reserve, scoping study, prefeasibility.</p> <p>David holds a Master of Science (M.Sc.) and a Diploma of Imperial College (DIC) from the Royal School of Mines Imperial College London. He is a member of AUSIMM and a competent person for JORC reporting.</p> <p><i>Other Current Directorships of Listed Companies</i> None</p> <p><i>Former Directorships of Listed Companies in last three years</i> None</p>

For personal use only

<p>Mark Hohnen Non-Executive Director</p> <p>Appointed: 25 August 2017</p>	<p>Mr. Hohnen has experience in the Japanese, Chinese and Korean markets, all of which play a significant role in the production of lithium ion batteries and the development of electric vehicle technology. Mr. Hohnen has been involved in the mineral resource sector since the late 1970s. He has had extensive international business experience in a wide range of industries including mining and exploration, property, investment, software and agriculture. He has held a number of directorships in both public and private companies and was founding Chairman of Cape Mentelle and Cloudy Bay wines, as well as being on the board of oil and coal company Anglo Pacific Resources Plc. Mr. Hohnen was also a director of Kalahari Minerals and Extract Resources, having successfully negotiated the sale of both companies to Taurus (CGN). He is also chairman of ASX listed, Boss Resources Limited and director of Salt Lake Potash Limited.</p> <p><i>Other Current Directorships of Listed Companies</i> Boss Resources Limited (ASX) (26 April 2016 – present) Bacanora Minerals Limited (AIM / TSX listed) (27 April 2016 – Present)</p> <p><i>Former Directorships of Listed Companies in last three years</i> Salt Lake Potash Limited (ASX) (February 2010 – December 2017)</p>
<p>Neil Maclachlan Non-Executive Director</p> <p>Appointed: 17 January 2018</p>	<p>Mr. Maclachlan, has over 35 years' investment banking experience in Europe, South East Asia and Australia and has extensive experience in public company directorships. He currently serves as chairman and a major shareholder in Markham Associates, a private UK partnership, which undertakes financial consultancy and direct investment activities in the junior mining sector in Europe, Australia and South East Asia.</p> <p>Mr. Maclachlan was a director of Extract Resources Ltd and Kalahari Minerals Plc. Both Extract Resources and Kalahari Minerals were the subject of successful takeovers for \$2.1billion and £651million respectively.</p> <p>Mr Maclachlan has considerable public company experience in the mining sector having been on the boards of several companies listed on the ASX, AIM and TSX.</p> <p><i>Other Current Directorships of Listed Companies</i> None</p> <p><i>Former Directorships of Listed Companies in last three years</i> None</p>
<p>Stephen Dobson Executive Director</p> <p>Appointed: 2 November 2016 Resigned 16 May 2018</p>	<p>Stephen Dobson is a financial specialist with more than 25 years' experience in global capital debt and equity markets. He was previously Managing Director of Mirabaud Securities Australia; part of the Swiss based Mirabaud Group. Mirabaud is a leader in corporate finance in the UK, ranking number 1 and 2 on the London Stock Exchange's AIM market for mine development capital raising's, within the oil & gas and natural resources sectors respectively in 2014. He has been a director of ASX and AIM listed companies and was most recently a director of Carbine Resources Limited.</p> <p>Stephen also has previous experience at Merrill Lynch & Co, where he held leadership positions in Sydney, New York, London, Singapore and Perth.</p> <p><i>Other Current Directorships of Listed Companies</i> None</p> <p><i>Former Directorships of Listed Companies in last three years</i> Carbine Resources Limited</p>

For personal use only

<p>Akram Aziz Non-executive Director</p> <p>Appointed: 21 October 2015 Resigned: 28 May 2018</p>	<p>Mr. Aziz is a Tanzanian national and Founder and Principal Shareholder of Caspian Limited, a specialist civil engineering, building and mining contractor. Caspian is perhaps the largest contractor in Tanzania.</p> <p>With 30 years of business experience, Akram has been the driving force behind the growth and expansion of Caspian, specifically spearheading and diversifying the company's services into the fields of mining, construction and bulk earthworks services. Specializing in Plant and Equipment, Akram heads the technical directorate of the company.</p> <p>Akram is a significant sponsor and key stakeholder for Tanzania wildlife conservation and anti-poaching initiatives.</p> <p><i>Other Current Directorships of Listed Companies</i> None</p> <p><i>Former Directorships of Listed Companies in last three years</i> None</p>
--	--

Other directors that resigned during the year were:

Geoffrey Gilmour – resigned 25 August 2017

Greg Cunnold – resigned 17 January 2018

Company Secretary – Mr. Scott Mison - B.Bus, CA, AGIA.

Scott holds a Bachelor of Business degree majoring in Accounting and is a Member of the Institute of Chartered Accountants in Australia and Governance Institute of Australia.

Scott has more than 18 years of corporate and operational experience across Australia, UK, Central Asia, Africa and the US. He is currently a Director of ASX-listed New World Cobalt and Zyber Holdings Ltd. He is also a member of the Board of Rebound WA Inc. (formerly Wheelchair Sports WA Inc.).

Principal Activities

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

Operating and Financial Review

The consolidated entity incurred an operating loss after income tax of \$1,824,990 (30 June 2017: \$9,192,599) for the year ended 30 June 2018.

2018 REPORT ON PROJECTS

Corporate overview

Led by a new Board and Chairman, the year saw a re-emphasis of focus on the Longonjo NdPr Project in infrastructure rich Angola.

Subsequent to the year end, on 2 July 2018, the Company announced an over-subscribed placement to raise \$5.5 million to fund a major exploration drilling programme and associated works at Longonjo designed to evaluate the potential for a globally significant high grade NdPr deposit.

Preparations are well advanced for drilling to commence in August 2018.

NdPr strategy at Longonjo

The Company has a clear and focussed strategy to realise a valuable asset at Longonjo.

Drilling and associated field and test work programs have been designed to determine the potential for a very large and high grade NdPr deposit that could rank amongst the world's best NdPr Projects.

The successful delineation of a large Mineral Resource estimate would allow the Company to identify and select the most favourable, highest quality mineralisation for development. Depending on final size, this may comprise only about 10% of the total Mineral Resource estimate but could still have the potential to support a mine life of many years.

The definition of quality mineralisation at surface in the 'free dig' weathered zone combined with the favourable location of the Project close to modern infrastructure will create a valuable asset of global significance to the expanding NdPr market.

NdPr and the clean energy revolution

The move to clean energy and the electrification of mobility is driving increased demand for the speciality metals neodymium and praseodymium (NdPr), which are used in the electric motors of EVs, wind turbines and more generally in the electrification of modern society.

For personal use only

From hairdryers to electric vehicles to grid scale wind turbines, electric motors will be at the core of our clean energy future.

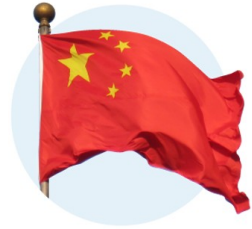
EV makers are investing US\$90 billion developing 200 new models



Each 3MW direct drive Wind Turbine uses 1.7 tonnes of NdPr



The concern is that China now controls over 96% of the supply of NdPr metals



From buses to trains to trucks, drones, heating, cooling, industrial automation and robotics the electric motor will be the driver of our clean and automated energy future.

Following a series of acquisitions over recent years, China now controls over 90% of the production of NdPr, which is essential for the manufacture of powerful electric motors. Currently there is only one listed NdPr producer outside of China (ASX:LYC), which sells most of its production to China.

Longonjo NdPr Project

The Company has a potentially world class NdPr project at Longonjo, located close to modern road and rail links to a new port development in the infrastructure rich country of Angola

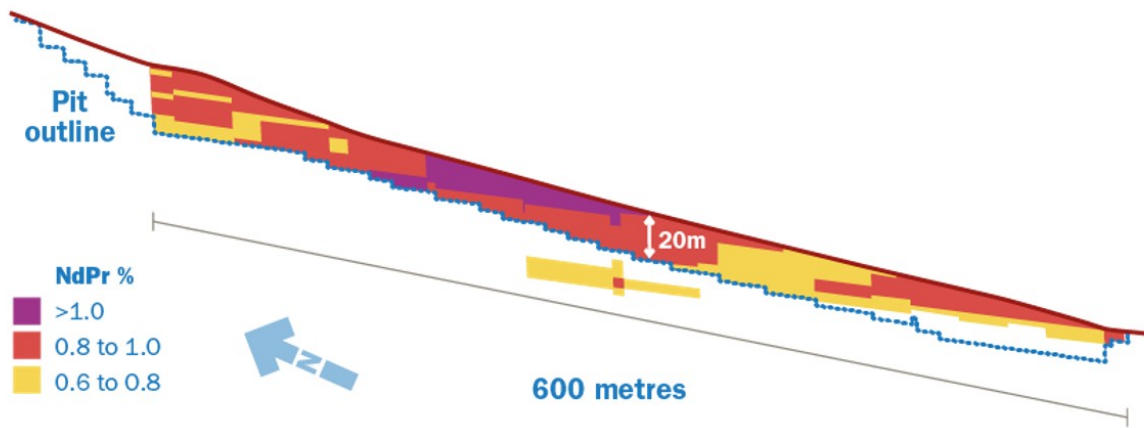


Location of Longonjo NdPr Project close to major transport links

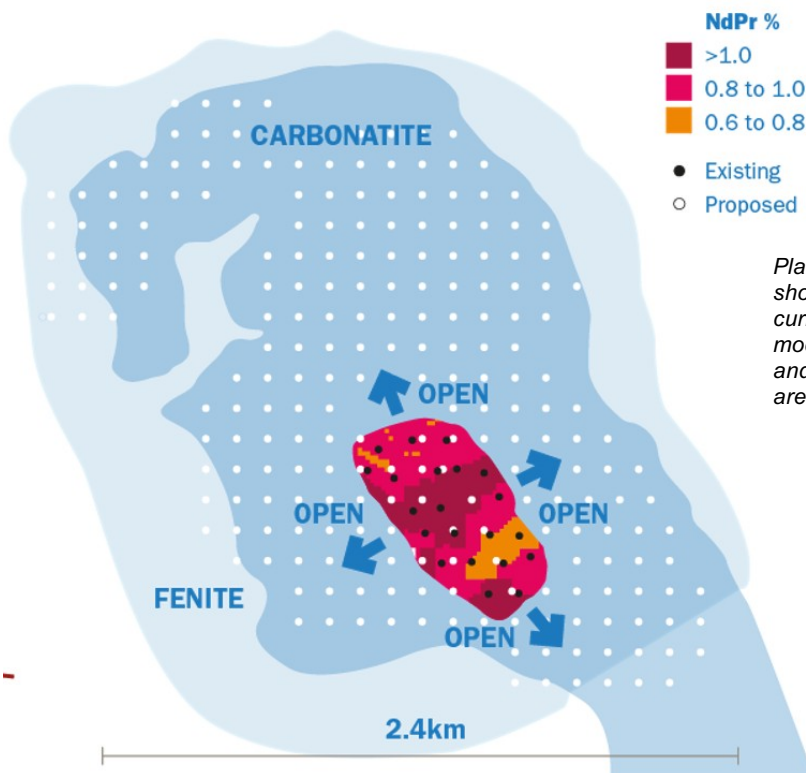
Following a short exploration programme in 2017 the Company announced a substantial Mineral Resource estimate (See ASX announcement “Maiden JORC Mineral Resource Estimate - Longonjo Project” of 26 September 2017 for further details).

The shallow, high grade NdPr mineralisation remains open in all directions, with only a tenth of the prospective carbonatite area drill tested to date.

For personal use only



Perspective cross section view of high grade NdPr mineralisation that forms a consistent blanket with the highest grades occurring from surface in the top ~30 metres



Plan view of the Longonjo Carbonatite showing the current and proposed drilling and current Mineral Resource estimate block model, which remains open in all directions and extends over just 10% of the total target area to be drill tested.

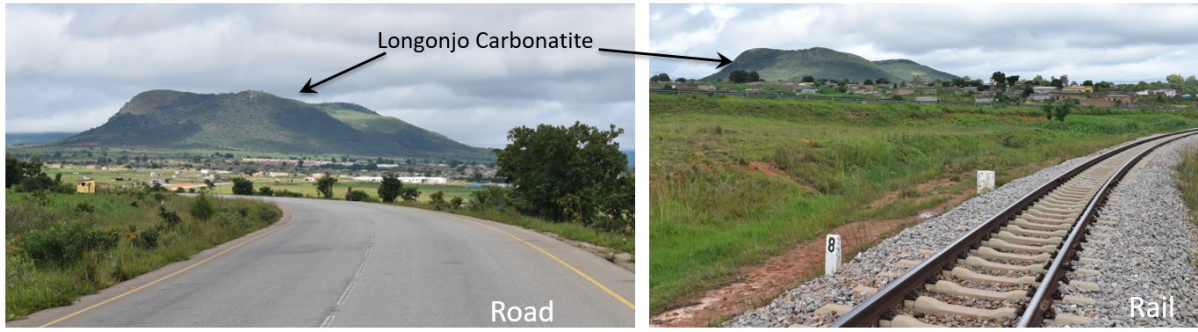
Note: the proposed drilling program is illustrative in nature and will be implemented in two phases, with the Phase 2 hole locations dependent on the results of Phase 1.

Infrastructure advantages

The Project has an enviable location compared to many NdPr development projects, close to established infrastructure.

The Project lies just 4.3km from the sealed national highway and rail line that run from the port at Benguela 200km to the west, to the provincial capital of Huambo 60km to the east. A power transmission line from the Gove Dam hydroelectric power plant currently extends to Caala, 38km to the east of the Project.

For personal use only



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

The location of the project close to established modern infrastructure is a major advantage to the practical and financial development of the Longonjo NdPr Project

The refurbished National Highway EN260 runs 315km from Angola's second largest city of Huambo through the municipality of Longonjo to the deep-sea port of Benguela/Lobito. The rehabilitation of the road was reported to have cost US\$128 million. The Benguela Railway was reconstructed between 2006 and 2014 by the China Railway Construction Corporation at a cost of US\$1.83 billion employing 100,000 Angolans. The railway extends from Zambia through the Democratic Republic of Congo and services the ports of Benguela and Lobito on the Atlantic coast of Angola.

The railway is Cape gauge, 1,067 mm (3 ft 6 in), which is used by most mainline railways in southern Africa. The maximum design speed is 90 km per hour. The design capacity is 20 million tons of cargo and 4 million passengers per year. There are 67 stations and 42 bridges along the route of the railway.

The Angolan Government invested about US\$2billion for the rehabilitation of the Lobito port. The dry dock, container terminal and ore terminal at the port of Lobito, in Angola's Benguela province, cost an estimated US\$1.247 billion. The container terminal is 414 metres long, the ore terminal has a 310-metre jetty and the dry dock is directly connected by road and rail to the port of Lobito and the Benguela Railroad, providing an area of 90,000 square meters.



Lobito Port infrastructure directly connects to the Benguela rail line

Exploration programmes

Lead by Pensana's experienced NdPr geologist and Chief Operating Operator Dave Hammond, the Company plans a 9,000m drilling programme to test the potential for a world class NdPr deposit at Longonjo.

The programme will be implemented in two phases, with Phase 1 scheduled to commence in August and comprising 200m x 100m spaced reverse circulation drill holes over the entire area of the Longonjo Carbonatite.. The aim of the first drilling programme is to scope out the full extent and nature of high grade NdPr mineralisation in the near surface weathered zone. Samples will be assayed for a range of important elements that, together with mineralogical and bench scale metallurgical characterisation testwork will identify the most favourable style of mineralisation for processing within what could become a very large deposit.

Associated topographic and satellite based surveys will provide an accurate surface for future Mineral Resource estimation.

For personal use only

After the results of Phase 1 are received, a Phase 2 drilling programme of RC and diamond drilling, again accompanied by mineralogical and metallurgical evaluation programmes, will infill areas of high quality NdPr mineralisation and provide data for a Mineral Resource estimate to be completed.

The exploration camp has been re-opened to support preliminary field activities now in progress of drill hole pegging, topographic surveying and geological mapping. A drilling contractor has been appointed for the programme, which remains on schedule with first assay results to follow a few weeks after commencement.

The Company looks forward to providing regular updates of the progress of the exploration programmes and the evaluation of this potentially world class NdPr Project.



Angolan team completes training ahead of commencement of Longonjo NdPr drill program

For personal use only

Tanzanian Assets

The Company continues to divest its interest in the Tanzania projects. During the quarter, the Company received US\$300,000 for one of the milestones for the sale of Kitongo. The Company is working with the Purchasers to finalise the remaining conditions of the sales.

As previously announced, the Company has entered into a “non-binding” and “non-exclusive” option agreement for the acquisition of the Company’s 100% interests in the Miyabi Gold Project.

Significant Changes in the State of Affairs

Other than the above there was no significant change in the state of affairs of the Consolidated Entity during the financial year.

Subsequent Events

Subsequent to the year end the following events occurred:

- On 2 July 2018, the company received firm commitments from sophisticated and institutional investors for the private placement of 366,666,667 fully paid ordinary shares at \$0.015 to raise \$5,500,000. The placement is to be completed in 2 tranches:
 - 126,549,809 New Shares under Tranche 1 to raise approximately A\$1.898 million; and
 - 240,116,858 New Shares under Tranche 2 to raise approximately A\$3.602 million.

126,549,809 shares were issued on 6 July 2018 to raise approximately A\$1.898 million.

On 28 August 2018, the Company announced that it had commenced its 9,000 metre drilling programme at the Longonjo NdPr Project, which will test the full extent of the shallow weathered NdPr mineralisation across the six square kilometre Longonjo carbonatite

Shareholder General Meeting

On 17 September 2018, the Company held a General Meeting for shareholders. At that meeting shareholders approved the following resolution:

- tranche 1 of the capital raising under both LR7.1 and 7.1A to issue 126,549,809 to raise A\$1.898 million;
- tranche 2 of the capital raising under LR7.1 to issue 240,116,858 to raise \$ A\$3.602 million;
- to give authority for Mr Paul Atherley and Mr Neil Maclachlan to participate in the placement;
- an Employee Incentive Plan;
- the issue of up to 115,741,113 Performance Rights to Mr Paul Atherley;
- the issue of up to 30,000,000 Performance Rights to Mr David Hammond;
- the issue of 5,000,000 unquoted options exercisable at \$0.04 per share and 5,000,000 unquoted options exercisable at \$0.06 per share to Ashanti Capital Pty Ltd (or its nominee), and expiring on the date that is 12 months following the date of issue;
- adopt Pensana Metals Limited as the new name of the Company;
- the Company adopt the Proposed Constitution tabled at the Meeting with effect from the close of the Meeting.

All resolutions were passed by show of hands.

On 18 September 2018 the company changed its name to Pensana Metals Ltd with ASIC.

On 25 September 2018, the company completed the tranche 2 placement issuing 240,116,858 to raise \$3.602m.

Future Developments

The Directors intend to continue to explore and develop the Company’s key existing projects.

Health and Safety Policy

The Company is committed to developing a culture which supports the health and safety of all employees, contractors, customers and communities associated with its business and operations.

Environmental Regulations

Angola

The Company’s exploration and evaluation activities on its tenements are subject to Angolan laws and regulations regarding environmental matters and the discharge of hazardous waste and materials. As with all exploration, these projects would be expected to have a variety of environmental impacts should development proceed. The Company intends to conduct its

activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by Angolan laws and regulations.

Tanzania

The Company's exploration and evaluation activities on its tenements are subject to Tanzanian laws and regulations regarding environmental matters and the discharge of hazardous waste and materials. As with all exploration, these projects would be expected to have a variety of environmental impacts should development proceed. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by Tanzanian laws and regulations.

COMPETENT PERSON STATEMENT

The information in this report that relates to the Mineral Resource estimate for the Longonjo Magnet Metal Project was first reported by the Company on 26 September 2017, and the Company confirms that it is not aware of any new information that materially affects the information included in the original announcement. The Mineral Resource estimate is based on work conducted by Mrs Heather King who is a member of the South African Council for Natural Scientific Professions, a Recognised Professional Organisation included in the list posted by the ASX from time to time, and Mrs King is a Professional Natural Scientist (Pr. Sci. Nat.). Mrs King is a full time employee of Amec Foster Wheeler. Mrs Heather King has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mrs King consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

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

The information in this report that relates the Exploration Results and Mineral Resources for the Kitongo and Miyabi gold deposits is based on information compiled by Mr Paul Payne, a full time employee of Payne Geological Services and a Member of The Australasian Institute of Mining and Metallurgy. Mr Payne is a consultant to and a shareholder of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Dividends

No dividends have been paid or proposed since the start of the financial year, and the Directors do not recommend the payment of a dividend in respect of the financial year.

Shares under option or issued on exercise of options

At the date of this report there are 87,355,000 unissued shares or interests under option.

Indemnification of Directors and Officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company and any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or of any related body corporate against a liability incurred by an officer.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

Directors' Meetings

The following table sets out the number of Directors' meetings and committee meetings held during the financial year and the number of meetings attended by each Director while they were a Director:

Directors	Board meetings	
	Number eligible to attend	Attended
P Atherley	-	-
D Hammond	2	2
M Hohnen	3	3
N Maclachlan	2	2
S Dobson	4	4
G Gilmour	1	1
G Cunnold	2	2
A Aziz	4	-

During the year, there were also 5 circular resolutions approved by directors.

Directors' Interests in the Company

The following table sets out each Director's relevant interest in fully paid ordinary shares and options in the Company at the date of this report.

Directors	Fully paid ordinary shares	Performance Rights	Options
P Atherley	10,000,000	115,741,113	-
D Hammond	460,000	30,000,000	5,000,000
M Hohnen	43,186,913	-	14,778,619
N Maclachlan	28,840,509	-	1,827,700

Remuneration Report (Audited)

The remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. For the purposes of this report, key management personnel (KMPs) of the Group are identified as those persons having the authority and responsibility for planning, directing and controlling major activities of the Company and the Group, directly or indirectly. The prescribed details for each person covered by this remuneration report are detailed below under the following headings:

- A. Key management personnel and relevant Group executives' details
- B. Remuneration policy for key management personnel
- C. Relationship between remuneration policy and Company performance
- D. Remuneration of the key management personnel and relevant Group executives
- E. Key terms of employment contracts

A. Key Management Personnel and Relevant Group Executives' Details

The following persons have been identified as acting as key management personnel and/or relevant Group executives of the Company and the Consolidated Entity during the financial year:

P Atherley	Chairman (appointed 13 May 2018)
David Hammond	Executive Director / Chief Operating Officer (appointed 14 November 2017)
Mark Hohnen	Non-Executive Director (appointed 25 August 2017)
Neil Maclachlan	Non-Executive Director (appointed 17 January 2018)
S Dobson	Executive Director (appointed 2 November 2016 and resigned 16 May 2018)
Akram Aziz	Non-Executive Director (resigned 28 May 2018)
Gregory Cunnold	Technical Director (resigned 17 January 2018)
Geoffrey Gilmour	Executive Director (resigned 25 August 2017)
S Mison	Company Secretary appointed 27 September 2013

B. Remuneration Policy for Key Management Personnel

The Board is responsible for determining and reviewing compensation arrangements for key management personnel. The Company may issue options or performance rights subject to shareholder approval, where required, as determined by the Board.

Executive Remuneration

To achieve its objectives of discovery of economic resources in a cost effective manner, the Company aims to attract and retain a senior management team focused upon contributing to that objective. The Board has established a principle of offering competitive remuneration packages. There are no guaranteed pay increases included in the senior executives' contracts and the executives are not entitled to any retirement benefits other than those provided under the superannuation guarantee legislation.

Non-Executive Directors

Non-Executive Directors' fees are reviewed on a regular basis against industry benchmarks. Other than compulsory payments made under the superannuation guarantee legislation or salary sacrifice agreements, there are no retirement benefits provided to Non-Executive Directors. Director's fees are currently set at \$50,000 per annum plus superannuation. The approved aggregate limit of fees that may be paid to Non-Executive Directors is \$400,000 per annum.

C. Relationship Between Remuneration Policy and Company Performance

The Key Management Personnel remuneration do not comprise of elements that are related to performance. The performance of the Company in the mining industry will be dependent upon the Company meeting the following corporate objectives:

- conducting successful exploration;
- seeking long term cash flow profitability through production or sale; and
- actively pursuing acquisition opportunities to enhance the Company's exploration discovery capacity.

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholders wealth for the five years to 30 June 2018:

Description	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Income	\$2,288	\$3,117	\$3,627	\$14,142	\$84,501
Net loss before tax	\$1,824,990	\$9,192,599	\$1,348,853	\$1,525,914	\$1,129,479
Net loss after tax	\$1,824,990	\$9,192,599	\$1,348,853	\$1,525,914	\$1,129,479
Share price at start of	2.8 cents	2.8 cents	2.5 cents	1.8 cents	2.2 cents
Share price at end of	1.7 cents	2.8 cents	2.8 cents	2.5 cents	1.8 cents
Market capitalisation	\$13.5m	\$20.7m	\$16.6m	\$12.4m	\$5.9m
Basic (loss) per share	(0.020) cents per share	(0.15) cents per share	(0.36) cents per share	(0.46) cents per share	(0.34) cents per share
Diluted (loss) per share	(0.020) cents per share	(0.15) cents per share	(0.36) cents per share	(0.46) cents per share	(0.34) cents per share

D. Remuneration of the Key Management Personnel and Relevant Group Executives

The following tables provide information about the remuneration of the Consolidated Entity's key management personnel for the current and previous financial year:

	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment		% of remuneration performance related
	Salary & fees	Bonus	Non-monetary	Other (i)	Super-annuation		Options & rights	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	%
2018									
Non-Executive Directors									
P Atherley (a)	6,250	-	-	7,524	-	-	142,104	155,878	-
M Hohnen	-	-	-	-	-	-	-	-	-
N Maclachlan	25,000	-	-	-	-	-	-	25,000	-
A Aziz	-	-	-	-	-	-	-	-	-
Executive Directors									
S Dobson	45,833	-	-	45,833	8,708	-	70,158	170,532	-
D Hammond	166,667	-	-	-	15,833	-	94,375	276,875	-
G Gilmour	6,667	-	-	70,000	633	-	6,250	83,550	-
G Cunnold	20,000	-	-	30,000	4,750	-	6,250	60,000	-
Executives									
S Mison	96,000	-	-	-	-	-	-	96,000	-

(a) Performance rights issued to P Atherley as at 30 June 2018 were still subject to shareholder approval. The share based payment expense was determined based on service period completed, the number of performance rights expected to vest and the company's closing share price as at 30 June 2018.

(i) Other relates to fees for consulting services provided that are out of the scope of non-executive directors.

	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment		% of remuneration performance related
	Salary & fees	Bonus	Non-monetary	Other (i)	Super-annuation		Options & rights	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	%
2017									
Non-Executive Directors									
G Clatworthy	26,667	-	-	72,530	6,004	-	10,695	115,895	-
A Aziz	-	-	-	-	-	-	-	-	-
Executive Directors									
S Dobson	33,333	-	-	47,108	7,642	-	179,841	267,924	-
G Gilmour	40,000	-	-	100,000	3,800	-	10,695	154,495	-
G Cunnold	40,000	-	-	97,200	13,034	-	10,695	160,929	-
Executives									
S Mison	96,000	-	-	-	-	-	-	96,000	-

(ii) Other relates to fees for consulting services provided that are out of the scope of non-executive directors.

For personal use only

Share-based Payments

Performance Rights

2018

During the year the following performance rights were issued.

Director / KMP	Number of Rights	Vesting Conditions	Grant date	Expiry date	Vesting date
David Hammond	2,500,000	at a delivered Pre Feasibility Study	14 November 2017	14 November 2019	Upon vesting conditions being met
David Hammond	2,500,000	at a delivered Bankable Feasibility Study	14 November 2017	14 November 2019	Upon vesting conditions being met

The fair value of performance rights granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2018:

	Director	Performance Rights Director
Grant date	14 November 2017	14 November 2017
Number of performance rights	2,500,000	2,500,000
Share price	3.0 cents	3.0 cents
Exercise price	0 cents	0 cents
Weighted average fair value	3.0 cents	3.0 cents
Total amount	\$75,000	\$75,000
Expensed to 30 June 2018	\$23,438	\$23,438

2017

During the 2017 financial year, the following performance rights were issued to directors and key management personnel:

Director / KMP	Number of Rights	Vesting Conditions	Grant date	Expiry date	Vesting date
Stephen Dobson	5,000,000	VWAMP of \$0.06 for 90 days	16 June 2017	16 June 2019	Upon vesting conditions being met
Stephen Dobson	3,000,000	Raising at least \$5m	16 June 2017	16 December 2018	Upon vesting conditions being met
Stephen Dobson	2,000,000	12 months service	16 June 2017	16 June 2018	16 June 2018

The fair value of performance rights granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2017:

	Director	Performance Rights Director	Director
Grant date	16 June 2017	16 June 2017	16 June 2017
Number of performance rights	2,000,000	5,000,000	3,000,000
Share price	2.4 cents	2.4 cents	2.4 cents
Exercise price	0 cents	6 cents	0 cents
Weighted average fair value	2.4 cents	0.009 cents	2.4 cents
Total amount	\$48,000	\$45,000	\$72,000
Expensed to 30 June 2017	\$1,841	\$45,000	\$48,000
Expensed to 30 June 2018	\$48,000	\$45,000	\$72,000

The director performance rights were approved by the board to be issued on 2 November 2016, however they were subject to shareholder approval, which were approved on 16 June 2017.

Options

2018

During the 2018 financial year, the following options were issued to directors and key management personnel:

Name	Share options Number	Exercise Price	Grant date fair value	Grant date	Expiry date	Vesting date
David Hammond	2,500,000	\$0.04	\$0.011	14 November 2017	14 November 2019	Vested at date of grant
David Hammond	2,500,000	\$0.06	\$0.008	14 November 2017	14 November 2019	Vested at date of grant

The fair value of options granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2018:

	Unlisted Options	
	Director	Director
Grant date	14 November 2017	14 November 2017
Number of options	2,500,000	2,500,000
Share price	3.0 cents	3.0 cents
Exercise price	6 cents	4 cents
Weighted average fair value	0.08 cents	1.1 cents
Total amount	\$20,000	\$27,500
Expensed to 30 June 2018	\$20,000	\$27,500

2017

During the 2017 financial year, the following options were issued to directors and key management personnel:

Name	Share options Number	Exercise Price	Grant date fair value	Grant date	Expiry date	Vesting date
Stephen Dobson	5,000,000	\$0.04	\$0.028	2 November 2016	2 November 2019	Vested at date of grant
Stephen Dobson	5,000,000	\$0.06	\$0.07	2 November 2016	2 November 2019	Vested at date of grant

The fair value of options granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2017:

	Unlisted Options	
	Director	Director
Grant date	2 November 2016	2 November 2016
Number of options	5,000,000	5,000,000
Share price	2.8 cents	2.8 cents
Exercise price	6 cents	4 cents
Weighted average fair value	0.7 cents	1.0 cents
Total amount	\$35,000	\$50,000
Expensed to 30 June 2017	\$35,000	\$50,000

For personal use only

Shareholdings of KMP

Fully paid ordinary shares of Pensana Metals Limited held directly or indirectly by KMP are as follows:

	Balance at 1 July No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.
2018					
P Atherley	-	-	-	-	-
D Hammond	-	-	-	460,000	460,000
M Hohnen	-	-	-	43,186,913	43,186,913
N Maclachlan	-	-	-	12,173,842	12,173,842
S Dobson	12,603,244	-	-	2,228,572	14,831,816*
G Gilmour	25,483,489	-	-	-	25,483,489*
G Cunnold	13,184,000	1,000,000	-	-	14,184,000*
A Aziz	14,266,173	-	-	-	14,266,173*
2017					
S Dobson	-	-	-	12,603,244	12,603,244
G Gilmour	19,816,019	-	-	5,667,470	25,483,489
G Clatworthy	11,450,000	-	-	-	11,450,000*
G Cunnold	11,536,000	-	-	1,648,000	13,184,000
A Aziz	14,266,173	-	-	-	14,266,173

* Shareholding at time of resignation.

Option holdings of KMP

Name	Balance at 1 July No.	Granted Compensation No.	Issued as part of Merger No.	Net other change No.	Bal at 30 June (beneficial interest) No.	Bal vested at 30 June No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
2018									
P Atherley	-	-	-	-	-	-	-	-	-
D Hammond	-	5,000,000	-	-	5,000,000	5,000,000	5,000,000	-	-
M Hohnen	-	-	-	14,778,619	14,778,619	14,778,619	14,778,619	-	-
N Maclachlan	-	-	-	1,827,700	1,827,700	1,827,700	1,827,700	-	-
S Dobson	12,500,000	-	-	-	12,500,000	12,500,000	12,500,000	-	-
G Gilmour	-	-	-	-	-	-	-	-	-
G Cunnold	-	-	-	-	-	-	-	-	-
A Aziz	-	-	-	-	-	-	-	-	-
2017									
S Dobson	-	10,000,000	-	2,500,000	12,500,000	12,500,000	12,500,000	-	-
G Gilmour	-	-	-	-	-	-	-	-	-
G Clatworthy	-	-	-	-	-	-	-	-	-
G Cunnold	-	-	-	-	-	-	-	-	-
A Aziz	-	-	-	-	-	-	-	-	-

For personal use only

Performance Rights holdings of KMP

Name	Balance at 1 July No.	Granted Compensation No.	Issued as part of Merger No.	Net other change No.	Bal at 30 June (beneficial interest) No.	Bal vested at 30 June No.	Vested No.	Vested and exercisable No.	vested during year No.
2018									
P Atherley (a)	-	-	-	-	-	-	-	-	-
D Hammond	-	5,000,000	-	-	5,000,000	5,000,000	-	-	-
M Hohnen	-	-	-	-	-	-	-	-	-
N Maclachlan	-	-	-	-	-	-	-	-	-
S Dobson	10,000,000	-	-	-	10,000,000	10,000,000	5,000,000	-	-
G Gilmour	1,000,000	-	-	(1,000,000)	-	-	-	-	-
G Cunnold	1,000,000	-	-	(1,000,000)	-	-	-	-	-
A Aziz	-	-	-	-	-	-	-	-	-
2017									
S Dobson	-	10,000,000	-	-	-	10,000,000	-	-	-
G Gilmour	-	1,000,000	-	-	-	1,000,000	-	-	-
G Clatworthy	-	1,000,000	-	-	-	1,000,000	-	-	-
G Cunnold	-	1,000,000	-	-	-	1,000,000	-	-	-
A Aziz	-	-	-	-	-	-	-	-	-

(a) 115,741,113 performance rights were issued to P Atherley during year as part of his employment contract, but were still subject to shareholder approval as at 30 June 2018.

E. Key Terms of Employment Contracts

Contracts for services of key management personnel and relevant executives

Remuneration and other terms of employment for the Directors and other key management personnel are formalised in service agreements. The contractual arrangements contain certain provisions typically found in contracts of this nature. The termination provisions are as follows:

Paul Atherley, Non- Executive Chairman (Effective – 13 May 2018)

Mr Atherley has entered into a Letter of Appointment with the Company in respect of his appointment as Non-Executive Directors.

Base Terms

- This agreement was effective from 13 May 2018 and has no set term.
- Base Salary of AUD\$75,000 inclusive of superannuation.

The Company has also entered into an agreement with Selection Capital Ltd (of which Mr Atherley is a Director and controlling shareholder) for the provision of consultancy services at a rate of AUD\$1,500 per day.

Subject to shareholder approval, the Company would also issue Performance Rights to Mr Paul Atherley with the following Performance Criteria and expiring on the following dates:

Tranche	Number	Performance Criteria	Performance Period
1	38,580,371	Completion of a capital raising of at least an aggregate amount of A\$5.5m, via the issue of new Shares by no later than 13 November 2018.	Date of grant until 13 November 2018
2	38,580,371	Delivery of a positive Pre-Feasibility Study and the Company making a decision to proceed to a Definitive Feasibility Study of the Project.	5 years from the date of grant
3	38,580,371	Delivery of a positive Definitive Feasibility Study and the Company making a decision to proceed with financing and development of the Project.	5 years from the date of grant

The termination provisions are as follows:

	Notice period	Payment in lieu of notice
Company - initiated termination without reason	3 months	3 months
Termination for serious misconduct	None	None
Contractor – initiated termination	3 months	3 months

David Hammond – Executive Director / Chief Operations Officer

Base Terms:

- Base Salary of \$250,000 per annum, plus superannuation.

Incentive package:

- 2,500,000 unlisted options exercisable at \$0.04 each, expiring 2 years from issue;
- 2,500,000 unlisted options exercisable at \$0.06 each, expiring 2 years from issue;
- 2,500,000 performance rights at a delivered Pre Feasibility Study;
- 2,500,000 performance rights at a delivered Bankable Feasibility Study;

The termination provisions are as follows:

	Notice period	Payment in lieu of notice
Company - initiated termination without reason	3 months	3 months
Termination for serious misconduct	None	None
Contractor – initiated termination	3 months	3 months

Stephen Dobson – Executive Chairman (resigned 16 May 2018)

Base Terms:

- Director fee of \$50,000 per annum, plus superannuation.
- Consulting fee of \$50,000 per annum, plus superannuation.

Incentive package:

- 5,000,000 unlisted options exercisable at \$0.04 each, expiring 2 years from issue;
- 5,000,000 unlisted options exercisable at \$0.06 each, expiring 2 years from issue;
- 5,000,000 performance rights at a VWAMP of \$0.06 for 90 days.;
- 3,000,000 performance rights at raising at least \$5m;
- 2,000,000 performance rights vesting upon 12 months service.

The termination provisions are as follows:

	Notice period	Payment in lieu of notice
Company - initiated termination without reason	3 months	3 months
Termination for serious misconduct	None	None
Contractor – initiated termination	None	None

Contracts for services of key management personnel and relevant executives

Remuneration and other terms of employment for the Directors and other key management personnel are formalised in service agreements. The contractual arrangements contain certain provisions typically found in contracts of this nature.

The termination provisions are as follows:

	Notice period	Payment in lieu of notice
Employer - initiated termination without reason	3 months	3 months
Termination for serious misconduct	None	None
Employee – initiated termination	3 months	3 months

Non-Executive Directors

The Company's Constitution provides that the Directors may be paid out of Company funds, as remuneration for their services, a sum determined from time to time by the Company's Shareholders in general meeting, with that sum to be divided amongst the Directors in such manner as they agree.

Directors' remuneration for their services as Directors is by a fixed sum and not a commission on a percentage of profits or operating revenue. The maximum sum of Directors' remuneration may not be increased except at a general meeting in which particulars of the proposed increase have been provided in the notice convening the meeting to shareholders. There is provision for Directors who devote special attention to the business of the Company or who perform services which are regarded as being outside the scope of their ordinary duties as directors, or who at the request of the Board engage in any journey on Company business, to be paid extra remuneration determined by the Board. Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending Company or Board meetings, or meetings of any committee engaged in the Company's business.

End of remuneration report

Non-audit services

For personal use only

During the year, no non-audit services were provided by the Company's auditor.

Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the period ended 30 June 2018, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

The Company is committed to implementing the best standards of corporate governance appropriate for the Company's size and scale. In determining what those standards should involve, the Company has turned to the ASX Corporate Governance Council's Principles and Recommendations. The ASX Corporate Governance Council ("the Council") issued the third edition of the Corporate Governance Principles and Recommendations in March 2014.

Introduction

Pensana Metals Limited has adopted systems of control and accountability as the basis for the administration of corporate governance.

Additional information about the Company's corporate governance policies and practices is set out on the Company's website at www.riftvalleyresources.com.au, including:

- Code of Conduct;
- Securities Trading Policy;
- Health, Safety and Environment Policy;
- Shareholder Communications and Continuous Disclosure Strategy;
- Risk Management Policy;
- Board Charter; and
- Diversity Policy.

ASX Corporate Governance Council Principles and Recommendations

In accordance with ASX Listing Rules, the Company hereby discloses the extent to which each of the ASX Corporate Council Governance Recommendations have been followed during the financial year. Where a departure from the recommendation has been identified, an explanation for this departure has been provided. Further details can be found on the Company's website at www.riftvalleyresources.com.au.

Principle 1: Lay solid foundations for management and oversight	Recommendation 1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	The Company complies with this recommendation. The board has set out the responsibilities of the Board in the Board Charter which can be accessed on the company website. Any functions not reserved for the Board and not expressly reserved by the Resources Act and ASX Listing Rules are reserved for senior executives.
	Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	The Company complies with this recommendation.
	Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The Company complies with this recommendation.
	Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Company complies with this recommendation. The company secretary is accountable directly to the board.

	<p>Recommendation 1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>The Company partly complies with this recommendation. A diversity policy was adopted on 14 August 2012 and a copy of the Company's Diversity policy is available on the Company's website. The policy does not contain measurable objectives for achieving gender diversity as the Company is not of a sufficient size or scale to justify application of such objectives. The Company currently employs no women and there are no women on the board of Directors.</p>
	<p>Recommendation 1.6: A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Company complies with this recommendation. The Chairman will undertake a periodic review in relation to the performance of each Director of the Company. The Board will also meet to discuss its performance as a whole. No review was undertaken during the year ended 30 June 2018.</p>
	<p>Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Company complies with this recommendation. Arrangements put in place by the Board to monitor the performance of the Group's executives include:</p> <ul style="list-style-type: none"> • a review by the Board of the achievement of performance targets set based on the organisation's objectives in accordance with its strategy; • comparison of executive remuneration levels to industry benchmarks; and • annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company. <p>No review was undertaken during the year ended 30 June 2018.</p>
<p>Principle 2: Structure the board to add value</p>	<p>Recommendation 2.1 The board of a listed entity should: (a) have a nomination committee which: 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director, and disclose: 3) the charter of the committee; 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>The Company complies with part b) of this recommendation. The board has not established a nomination committee. Given the composition of the Board and the size of the Company, it is felt that a nomination committee is not yet warranted. The full board will review such items.</p>
	<p>Recommendation 2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The company complies with this recommendation</p>
	<p>Recommendation 2.3 A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.</p>	<p>The company complies with this recommendation. Currently no board members are independent.</p>

For personal use only

	<p>Recommendation 2.4 A majority of the board of a listed entity should be independent directors.</p>	<p>The Company does not comply with this recommendation. The Board believes that it is able to exercise independence and judgement and possesses the necessary skills, expertise and experience required to effectively discharge their duties. The focus has been on the ability of the Board to add value by effectively exercising independence and discharging their duties, rather than on meeting the independence test in the guidelines.</p>
	<p>Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>The Company complies with this recommendation. In November 2016, Mr Stephen Dobson became Non-Executive Chairman, however in August 2017, Mr Geoffrey Gilmour resigned. As a result Mr Dobson moved to an executive role. However in May 2018 Mr Paul Atherley was appointed as Non-Executive Chairman.</p>
	<p>Recommendation 2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>The Company complies with this recommendation.</p>
Principle 3: Act ethically and responsibly	<p>Recommendation 3.1 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.</p>	<p>The Company complies with this recommendation. The Company has a Code of Conduct which can be accessed on the company website.</p>
Principle 4: Safeguard integrity in corporate reporting	<p>Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The Company complies with part b) of this recommendation. An audit committee has not been established. Given the composition of the Board and the size of the Company, it is felt that an audit committee is not yet warranted, however it is expected that as the Company's operations expand that an audit committee will be established. The current policy of the external auditor is to rotate the engagement partner every five years.</p>
	<p>Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>The Company complies with this recommendation. The Board receives assurance from the managing director and the chief financial officer in the form of a declaration, prior to approving the financial statements.</p>
	<p>Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>The Company complies with this recommendation. The Company's external auditors attend the AGM each year.</p>
Principle 5: Make timely and balanced disclosure	<p>Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.</p>	<p>The Company complies with this recommendation. The Company has adopted a Continuous Disclosure Policy which is available on its website.</p>
Principle 6: Respect the rights of security holders	<p>Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>The Company complies with this recommendation. Information regarding the Company, its activities and its corporate governance is available on its website.</p>
	<p>Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>The Company complies with this recommendation. The Company has adopted a Shareholder Communication Policy which is available on its website.</p>

For personal use only

	<p>Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>The Company complies with this recommendation. The Company has adopted a Shareholder Communication Policy which is available on its website.</p>
	<p>Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>The Company complies with this recommendation. Shareholders are able to the option to receive communications from, and send communications to, the entity and its security registry electronically via email or by submitting queries via the Company's website.</p>
<p>Principle 7: Recognise and manage risk</p>	<p>Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>The Company complies with part b) of this recommendation. The Company has a Risk Management Policy outlining the processes it employs for overseeing the entity's risk management framework and is available on the website.</p>
	<p>Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>The Company complies with this recommendation. A review was not completed in 2018.</p>
	<p>Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The Company complies with part b) of this recommendation. The Company does not have an internal audit function. Due to the size and scale of the Company, it was agreed that effectiveness of its risk management and internal control processes should be considered by the full Board.</p>
	<p>Recommendation 7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>The Company complies with this recommendation. Refer to the Directors Report.</p>
<p>Principle 8: Remunerate fairly and responsibly</p>	<p>Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Company complies with part b) of this Recommendation. Due to the size and scale of the Company, it was agreed that a separate committee would not increase efficiency or effectiveness and that remuneration matters are of such significance that they should be considered by the full Board.</p>

	<p>Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>The Company complies with this recommendation. The board remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive. The Board believes that the best way to achieve this objective is to provide Executive Directors and Executives with a remuneration package that may consist of;</p> <ul style="list-style-type: none"> (i) fixed components that reflect the person's responsibilities, duties and personal performance; and (ii) share based payments in the form of performance rights and/or options as an incentive for performance that achieves medium term or longer term goals. <p>The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry. The aggregate amount payable to the Company's Non-Executive Directors in respect of non-executive director fees must not exceed the maximum annual amount approved by the Company's shareholders, which is currently set at \$400,000 per annum.</p>
	<p>Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.</p>	<p>The Company complies with this Recommendation. The Company has established a Performance Rights Plan, which is available on the Company's website.</p>

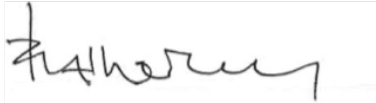
For personal use only

Auditor's independence declaration

The auditor's independence declaration is included on page 27 of the Annual Report.

Signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the *Corporations Act 2001*.

On behalf of the Directors,

A handwritten signature in black ink, appearing to read 'P. Atherley', is written over a light grey rectangular background.

Mr. Paul Atherley
Non- Executive Chairman
Perth, 30 September 2018

For personal use only



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

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

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

As lead auditor for the audit of Pensana Metals Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Darryn Hall
Partner
30 September 2018

For personal use only

Independent auditor's report to the members of Pensana Metals Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Pensana Metals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the director's declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 3 of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report. Our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters, provide the basis for our audit opinion on the accompanying financial report.

Carrying value of capitalised exploration and evaluation assets

Why significant

At 30 June 2018 the Group held capitalised exploration and evaluation assets of \$5,596,961.

The carrying value of exploration and evaluation expenditure is assessed for impairment by the Group when facts and circumstances indicate that the exploration and evaluation expenditure may exceed its recoverable amount.

The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgments including whether the Group has tenure, will be able to perform ongoing expenditure and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable. The directors did not identify any impairment indicators.

Refer to Note 14 in the financial report for capitalised mineral exploration and evaluation asset balances and related disclosures.

How our audit addressed the key audit matter

We considered the Group's assessment as to whether there were impairment indicators present that required the capitalised exploration and evaluation assets to be tested for impairment as at 30 June 2018.

In performing our procedures, we:

- ▶ Considered whether the Group's right to explore was current, which included obtaining and assessing supporting documentation such as license agreements;
- ▶ Considered the Group's intention to carry out significant ongoing exploration and evaluation activities in the relevant areas of interest which included reviewing the Group's Board approved cash-flow forecast and enquiring of senior management and Directors as to their intentions and the strategy of the Group;
- ▶ Considered the Group's assessment of whether the commercial viability of extracting mineral resources had been demonstrated and whether it was appropriate to continue to classify the capitalised expenditure for the area of interest as an exploration and evaluation asset; and
- ▶ Assessed the adequacy of the disclosures in Note 14 of the financial report.

For personal use only

Share based payments

Why significant

In the current year the Group awarded share based payments, in the form of performance rights, as detailed in Note 27. The awards vest subject to the achievement of various vesting conditions.

Due to the complex and judgmental estimates used in determining the valuation of the share based payment awards, including share price volatility and probability factors that vesting conditions will be achieved, we considered the Group's calculation of the share based payment expense to be a key audit matter.

How our audit addressed the key audit matter

For awards granted during the year, we:

- ▶ Considered the appropriateness of the Group's valuation method for the performance rights issued during the year;
- ▶ Involved our valuation specialists, to assess the assumptions used in the Group's calculation of fair value at grant date, in particular the share price of the underlying equity, volatility, dividend yield, time to maturity (expected life) and grant date; and
- ▶ Assessed the adequacy of the disclosure in Note 27 of the financial report.

Assets held for sale

Why significant

At 30 June 2018, as disclosed in Note 10, the Group has Assets held for sale of \$5,645,553, consisting of capitalised exploration and evaluation assets in Tanzania.

An asset is to be classified as held for sale where the carrying amount will be recovered principally through a sale transaction rather than through continuing use and the likelihood of a sale being completed within 12 months of the assets being classified as held for sale is highly probable.

Assets classified as held for sale are to be measured at the lower of their carrying amount and fair value less costs to sell.

How our audit addressed the key audit matter

In performing our procedures, we:

- ▶ Considered the Group's assessment of the probability of the various transactions being completed within 12 months, which included reading sale and purchase agreements and related documents, reviewing minutes of directors' meeting and enquiring of senior management and directors as to whether it highly probable that the assets will be sold within the 12 month period;
- ▶ Considered resource multiples for comparable projects and proposed offer amounts for sale of these assets in assessing the appropriateness of the Group's measurement of fair value less costs to sell for the various tenement interests;

For personal use only

Due to the judgement involved in determining whether it is highly probable that the Tanzania exploration and evaluation assets will be sold within a 12 month period and the significant estimation involved in determining the fair value less cost to sell of these assets the classification of the Tanzania exploration and evaluation assets as held for sale assets is considered to be a key audit matter.

- ▶ Assessed whether the carrying amount of the capitalised exploration and evaluation assets in Tanzania, on an area of interest basis, was stated at the lower of their respective carrying amounts and the Group's estimates of their fair value less costs to sell; and
- ▶ Assessed the adequacy of disclosure in Note 10 of the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

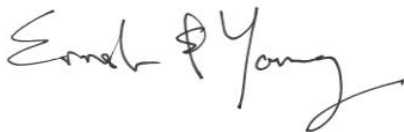
Opinion on the remuneration report

We have audited the Remuneration Report as referenced in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Pensana Metals Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Darryn Hall
Partner
Perth
30 September 2018

Directors' declaration

In accordance with a resolution of the directors of Pensana Metals Ltd, I state that:

1. In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards and Corporations Regulations 2001; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 3; and
- (c) Subject to the matter set out in Note 3, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

On behalf of the Directors,



Mr. Paul Atherley
Non- Executive Chairman
Perth, 30 September 2018

For personal use only

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

Consolidated Statement of Comprehensive Income for the year ended 30 June 2018

	Note	30 June 2018 A\$	30 June 2017 A\$
Interest Income	6	2,288	3,117
Administration expenses		(795,198)	(336,911)
Corporate expenses		(909,361)	(1,074,729)
Impairment of exploration assets	14	(110,827)	(7,797,899)
Foreign currency exchange (loss)/gain		(11,892)	13,823
Loss from operations before finance costs		(1,824,990)	(9,192,599)
Finance costs		-	-
Loss before income tax		(1,824,990)	(9,192,599)
Income tax benefit/(expense)	7	-	-
Total loss for the period		(1,824,990)	(9,192,599)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		598,161	(331,676)
Total comprehensive (loss)/income for the period		(1,226,829)	(9,524,275)
Net (loss)/ income for the period is attributable to:			
Owners of Pensana Metals Limited		(1,226,829)	(9,524,275)
Total comprehensive (loss)/ income is attributable to:			
Owners of Pensana Metals Limited		(1,226,829)	(9,524,275)
(Loss)/ Gain per share attributable to owners of Pensana Metals Ltd:			
Basic (cents per share)	19	(0.24)	(1.52)
Diluted (cents per share)	19	(0.24)	(1.52)

Notes to the financial statements are included on pages 36 to 60.

Consolidated Statement of Financial Position as at 30 June 2018

		30 June 2018	30 June 2017
	Note	A\$	A\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	242,769	1,848,248
Trade and other receivables	9	9,372	9,372
Deposits		32,185	32,185
Prepayments		74,648	48,190
Assets held for sale	10	5,645,553	-
Available-for-sale financial assets	11	156	156
TOTAL CURRENT ASSETS		6,004,683	1,938,151
NON-CURRENT ASSETS			
Property, plant and equipment	13	5,922	66,394
Exploration and evaluation expenditure	14	5,596,961	8,800,077
TOTAL NON-CURRENT ASSETS		5,602,883	8,866,471
TOTAL ASSETS		11,607,566	10,804,622
LIABILITIES			
CURRENT LIABILITIES			
Liabilities associated with the held for sale assets	10	57,726	-
Sundry creditors	15	392,968	-
Trade and other payables	15	322,225	341,901
TOTAL CURRENT LIABILITIES		722,919	341,901
TOTAL LIABILITIES		722,919	341,901
NET ASSETS		10,834,647	10,462,721
EQUITY			
Issued capital	16	41,149,646	39,734,149
Reserves	17	4,800,094	4,018,675
Accumulated losses	18	(35,115,093)	(33,290,103)
TOTAL EQUITY		10,834,647	10,462,721

Notes to the financial statements are included on pages 36 to 60.

Consolidated Statement of Changes in Equity for the financial year ended 30 June 2018

	Fully paid ordinary shares	Accumulated Losses	Foreign Currency Reserve	Share Based Payments Reserve	Available for sale Reserve	Total
	A\$	A\$	A\$	A\$	A\$	A\$
Balance at 1 July 2016	36,444,285	(24,097,504)	1,305,567	2,790,205	-	16,442,552
Loss for the year	-	(9,192,599)	-	-	-	(9,192,599)
Other comprehensive income	-	-	(331,676)	-	-	(331,676)
Total comprehensive income for the year	-	(9,192,599)	(331,676)	-	-	(9,524,275)
Transactions with owners in their capacity as owners						
Issue of shares	3,398,743	-	-	-	-	3,398,743
Cost of issue	(108,879)	-	-	-	-	(108,879)
Share based payments	-	-	-	254,580	-	254,580
Balance at 30 June 2017	39,734,149	(33,290,103)	973,891	3,044,785	-	10,462,721
Balance at 1 July 2017	39,734,149	(33,290,103)	973,891	3,044,785	-	10,462,721
Loss for the year	-	(1,824,990)	-	-	-	(1,824,990)
Other comprehensive income	-	-	598,161	-	-	598,161
Total comprehensive income for the year	-	(1,824,990)	598,161	-	-	(1,226,829)
Transactions with owners in their capacity as owners						
Issue of shares	1,510,500	-	-	-	-	1,510,500
Cost of issue	(95,003)	-	-	-	-	(95,003)
Share based payments	-	-	-	183,257	-	183,257
Balance at 30 June 2018	41,149,646	(35,115,093)	1,572,052	3,228,042	-	10,834,647

Notes to the financial statements are included on pages 36 to 60.

Consolidated Statement of Cash Flows for the financial year ended 30 June 2018

		Year ended 30 June 2018	Year ended 30 June 2017
	Note	A\$	A\$
Cash flows from operating activities			
Payments to suppliers and employees	24	(1,363,455)	(1,074,150)
Net cash used in operating activities		(1,363,455)	(1,074,150)
Cash flows from investing activities			
Interest received		2,288	3,117
Proceeds from deposits for Tanzanian assets		392,968	-
Payments for exploration expenditure		(2,059,214)	(1,760,442)
Net cash used in investing activities		(1,663,958)	(1,757,325)
Cash flows from financing activities			
Proceeds from issues of equity securities		1,510,500	3,398,743
Share issue costs		(95,003)	(108,879)
Net cash provided by financing activities		1,415,497	3,289,864
Net increase/(decrease) in cash and cash equivalents		(1,611,916)	458,389
Cash and cash equivalents at the beginning of the period		1,848,248	1,389,239
Effects of exchange rate changes on the balance of cash held in foreign currencies		6,436	620
Cash and cash equivalents at the end of the period	24	242,768	1,848,248

Notes to the financial statements are included on pages 36 to 60.

For personal use only

1. General information

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

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

2. New accounting standards and interpretations

(a) Changes in accounting policies and disclosures

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

From 1 July 2017, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on 1 July 2015. Adoption of these standards and interpretations did not have any significant effect on the financial position or performance of the Group:

AASB 2013-9 - Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

AASB 2015-3 - Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

AASB 2015-4 - Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

The application of these standards have not had a material impact on the financial statements.

(b) Accounting standards and interpretations issued but not yet effective:

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2018. These are outlined in the following table.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	<i>Financial Instruments</i>	<p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p>	1 January 2018	The assessment is ongoing. The preliminary results to date indicate a change in disclosure with no material premeasurement change at 1 July 2018.	1 July 2018

<p>AASB 9 (continued)</p>	<p><i>Financial Instruments</i></p>	<p><i>Financial assets</i></p> <p>a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p><i>Financial liabilities</i></p> <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p><i>Impairment</i></p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p><i>Hedge accounting</i></p> <p>Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>	<p>1 January 2018</p>		<p>1 July 2018</p>
-------------------------------	-------------------------------------	--	---------------------------	--	--------------------

For personal use only

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 15	Revenue from Contracts with Customers	<p>AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).</p> <p>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <p>(a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</p> <p>AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p> <p>AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.</p>	1 January 2018	Given the group's current principal activates being that of exploration and evaluation, adoption of AASB 15 is not expected to have a significant impact. The group's revenue recognition policy will be review to ensure compliance with AASB 15 upon adoption.	1 July 2018

For personal use only

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 16	Leases	<p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. <p>Lessor accounting</p> <ul style="list-style-type: none"> • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. <p>AASB 16 supersedes:</p> <ul style="list-style-type: none"> (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases—Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p>	1 January 2019	The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.	1 July 2019
AASB 2016-5	Classification and Measurement of Share-based Payment Transactions [Amendments to AASB 2]	<p>This standard amends to AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> ▶ The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ▶ Share-based payment transactions with a net settlement feature for withholding tax obligations <p>A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled</p>	1 January 2018	The group has not yet determined the financial impact of the change.	1 July 2018

3. Significant accounting policies and Going Concern

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The financial statements were authorised for issue by the Directors on 30 September 2018.

Basis of preparation and Going Concern

The financial report has been prepared on an historical cost basis, except for available-for-sale financial assets that have been measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets.

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

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

At 30 June 2018 the Group has a net current asset position of \$5.229 million, due to Tanzanian assets of \$5.630 million being classified as Assets held for sale. Subsequent to year end the Company has raised \$5.5 million (before costs). For the Group to undertake its planned exploration on the Longonjo NdPr Project in Angola and to fund ongoing working capital requirements beyond the 2019 financial year, additional capital will need to be secured.

The Directors are currently reviewing a range of financing options should the Group be unable to secure the required capital through sale of its Tanzanian assets within the 2019 financial year, as the timing of when these sales will be completed is uncertain and dependent on factors outside of the Group’s control. If additional financing is required it is expected to be finalised during 2019 to allow the Group to fund its planned exploration and ongoing working capital requirements, however there is no certainty that this will be completed as anticipated.

The Directors are confident of being able to raise the required capital either through the sale of the Tanzanian assets or through financing, but note that the required capital has not been secured at the date of this report. Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern. The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a) Principles of Consolidation

The consolidated financial information comprises the financial statements of Pensana Metals Ltd and its subsidiaries as at 30 June 2018.

Subsidiaries are all those entities controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A list of controlled entities is shown at note 22. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. All controlled entities have a June financial year-end. Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased through an equity transaction.

For personal use only

b) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

c) Segment Information

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team.

d) Foreign Currency Translation*Functional and presentation currency*

The functional currency of each of the Group's operations is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company and its Australian subsidiaries.

The functional currency of the non-Australian subsidiaries is US dollars and Euro.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge. The gain and loss arising from translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (ie translation differences on items whose fair value gain or loss is recognised in Equity or profit and loss are also recognised in equity or profit and loss respectively).

The financial results and position of foreign subsidiaries whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of less than three months, and bank overdrafts.

f) Investment and Other Financial Assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139 Financial Instruments: Recognition and Measurement. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit and loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has a positive intention to hold these investments to maturity. Investments intended to be held for an undefined period are not included in this classification. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation cost using the effective interest rate method. This calculation includes all fees and points paid or other premiums or discounts. For investments carried at amortised cost, gains or losses are recognised when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets that are non-derivative that are designated available-for-sale or are not included in the above categories. After initial recognition available-for-sale investments are recognised at fair value, with gains or losses recognised in profit and loss being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

g) Exploration and Evaluation Expenditure*Exploration and evaluation expenditure*

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past evaluation expenditure in respect of the area of interest is reclassified as capitalised costs of development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment

The Group assesses at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation costs whether the above carry forward criteria are met. The recoverable amount of exploration and evaluation assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss.

Accumulated costs in respect of areas of interest are written off or a provision made in the statement of comprehensive income when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis. Provisions are made where farm-in partners are sought and there is a possibility that carried forward expenditures may have to be written off in the future if a farm-in partner is not found. In the event that farm-in agreements are reached or the Group undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back.

Farm-in Arrangements

Expenditure incurred under a farm-in arrangement is accounted for in the same way as directly incurred exploration and evaluation expenditure.

h) Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. The carrying value of the plant and equipment also includes costs eligible for capitalisation. Other costs relating to plant and equipment are expensed when incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Asset	Depreciation Rate
Motor Vehicles	25%
Plant and equipment	5% - 40%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

i) Impairment of Non-Financial Assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

j) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the period that are unpaid and arise when the Group becomes obligated to make future payments in respect of the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

k) Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the balance date. Employee benefits expected to be settled within one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows.

For personal use only

l) Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising fair value of the original debt less principal payments and amortisation. The fair value of original debt is measured by discounting the balance due at the Company's estimated weighted average cost of capital.

m) Share Based Payment Transactions

Equity Settled Transactions

The Company provides benefits to certain key management personnel in the form of share-based payments and/or options. The Group currently has an Performance Rights Plan (PRP), which may be used to provide benefits to directors and senior executives.

The cost of such equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to relevant market rates for the time, commitment and responsibilities for the work performed. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, at the date of the granting of the shares and options.

n) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

o) Revenue Recognition

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the asset.

p) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

q) Goods & Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the Australian Taxation Office or other Government authorities. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

GST or VAT receivable from or payable to, either the Australian Taxation Office or other Government authorities has been accounted for and included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis except for the GST or VAT component of investing activities, which are disclosed as operating cash flow.

r) Loss per Share (EPS)

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group, excluding any costs of servicing equity other than shares, by the weighted average number of shares outstanding during the financial year, adjusted for any bonus elements in shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential shares.

s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration and development activities undertaken, it is probable that an outflow of benefits will be required to settle the obligation and the provision can be measured reliably. The estimated future obligations include the costs of restoring the affected exploration and evaluation areas contained in the Group's tenements.

The provision for future restoration is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs will be reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date. The initial estimate of restoration and rehabilitation relating to exploration and evaluation assets is capitalised into the cost of the related asset and is amortised on the same basis as the related asset. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same way, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

4. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgments

Impairment of assets and exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related mineral title itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of measured, indicated and inferred mineral resources, proven and probable ore reserves, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations), changes to commodity prices, ability to finance, renewal of the exclusive prospecting licence and the issue of a mining licence. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

Recoverability of Deferred Tax Assets

Deferred tax assets are not recognised for deductible temporary differences as Directors consider that it is not probable that future taxable profits will be available to utilise those temporary differences.

(ii) Significant accounting estimates and assumptions

Contingent Liabilities and Contingent Assets

The Company assesses contingent liabilities and contingent assets at each reporting date and will account for them only if:

- a) they can be reliably measured;
- b) the probability that an asset or liability will eventually be recognised is greater than remote; and
- c) the items are considered material.

Estimate of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. In addition the condition of the assets is assessed at least once per year and considered against the remaining useful life.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with directors and others by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Binomial model.

5. Operating Segments

Description of segments

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

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

All significant exploration and evaluation expenditure are domiciled in Angola.

Non-current assets	2018	2017
	\$	\$
Australia	5,922	12,030
Angola	5,596,961	3,456,437
	<u>5,602,883</u>	<u>3,468,467</u>

Non-current assets for this purpose consist of plant and equipment and evaluation and evaluation assets. The assets in Tanzanian held for sale have been reclassified to current and therefore not presented above.

6. Revenue and Other Expenses

	2018	2017
	\$	\$
Revenue		
Interest Revenue	2,288	3,117
	<u>2,288</u>	<u>3,117</u>
Loss for the year includes the following expenses:		
Operating lease rental expenses:		
Lease payments	59,090	68,411
Depreciation on non-current assets:		
Property, plant and equipment	60,321	122,969
Employee Benefits		
<i>Charged to statement of comprehensive income</i>		
Performance rights and options granted to directors, officers and employees	183,257	230,580
Directors fees, superannuation and salaries & wages	535,441	363,117
	<u>718,698</u>	<u>593,697</u>
<i>Capitalised to exploration and evaluation costs</i>		
Salaries & wages and superannuation	30,000	97,200

Key management personnel remuneration disclosed in note 26 includes amounts in "Employee benefits" disclosed above.

7. Income Taxes

	2018	2017
	\$	\$
Tax expense/(benefit) comprises:		
Current tax expense/(benefit)	-	-
Total tax expense/(benefit)	<u>-</u>	<u>-</u>

The tax rate used in the reconciliation below is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law. The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Loss from continuing operations	(1,824,990)	(9,192,599)
Income tax benefit calculated at 27.5% (2017: 30%)	(501,872)	(2,757,780)
Tax effects of amounts which are not deductible in calculating taxable income	50,396	69,174
Tax assets not brought to account	451,476	2,688,606
Total tax expense/(benefit)	<u>-</u>	<u>-</u>

The following deferred tax assets have not been brought to account:

Share issue costs	61,739	68,982
Unused tax losses (a)	4,277,934	6,803,237
Accruals	(29,765)	54,702
Exploration and evaluation expenditure	(566,284)	(528,133)

(a) Tax loss information is an estimate of available losses.

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

- (i) assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- (ii) conditions for deductibility imposed by the law are complied with; and
- (iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

No deferred tax asset has been recognised as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax losses can be utilised in the foreseeable future. Unrecognised tax losses as at 30 June 2018 aggregate \$15,556,122 (2017: \$22,677,456).

8. Cash and Cash Equivalents

	2018	2017
	\$	\$
Cash at bank and on hand	242,769	1,848,248
	<u>242,769</u>	<u>1,848,248</u>

9. Trade and Other Receivables

Other debtors	9,372	480,780
Less provision for doubtful debt	-	(471,408)
	<u>9,372</u>	<u>9,372</u>

Due to uncertainties in recovering the Tanzanian VAT debtor balance, the amount has been provided based on the expected recovery.

10. Assets held for sale

The fair value of the Group's capitalised Tanzanian mineral exploration and evaluation assets at 30 June 2018 has been determined based on comparable market transactions. The fair value methodology adopted at 30 June 2018 is categorised as Level 3 in the fair value hierarchy. In determining the fair value less cost to dispose (FVLCD), estimates are made in relation to the underlying resources and the valuation multiple and agreed transaction value from sales agreements or offers received, which are significant inputs to the valuation. Any changes in these estimates could impact the FVLCD of the underlying asset.

As a result of the change in legislation which will amend the legal framework governing the resources sector in Tanzania, the Board considers the impairment and cost carried forward of the Group's exploration and evaluation assets fairly reflects the situation.

In July 2017, legislation was passed by the Tanzanian Parliament which amended the legal framework governing the resources sector in Tanzania. On 31 October 2017, the Company provided an update on the negotiations on the divestment of the Tanzanian Assets.

At 30 June 2018, the Tanzanian assets are classified as held for sale.

The Major classes of assets and liabilities for Tanzania classified as held for sale as at 30 June 2018 are as follows:\

	30 June 2018
	\$
Assets	
Exploration and valuation assets	5,645,553
Other debtors	471,408
Less provision for doubtful debt	<u>(471,408)</u>
Assets held for sale	<u>5,645,553</u>
Liabilities	
Trade and other payables	57,726
	<u>57,726</u>
Net assets directly associated with disposal group	<u>5,587,827</u>

On 13 March 2018, the Company provided an update regarding the divestment of the company's Tanzanian gold exploration assets.

Kitongo Gold Project - Sale agreement executed

The company has executed a conditional sale agreement to sell the Kitongo Gold Project tenements for a total consideration of US\$550,000. The purchaser has deposited a non-refundable US\$50,000 commitment fee as per the agreement.

The company is working with the purchaser to satisfy the remaining conditions of the sale as follows:

- Work together on all issues related to relinquishing any part of the licences grounds to the Artisanal Miners or for any other purposes
- Sign an agreement with the local artisanal miners
- Provide the buyer with all geological and geophysical data

To date the abovementioned conditions are well advanced and the company is confident that all conditions will be satisfied to enable completion.

Canuck Prospecting Licence – Mineral prospecting rights agreement executed

A Mineral Prospecting rights agreement has been executed by Pensna and the Purchaser for the sale of the company's 100% owned Tanzania prospecting licence PL 11016/2017 - "Canuck". The purchaser has agreed to purchase the licence for a total consideration of US\$250,000 subject to the transfer of the prospecting licence to the purchaser.

The Company has received a US\$100,000 cash deposit. The remaining US\$150,000 will be transferred upon the transfer of the licence.

The cash deposit is refundable should the transfer of the prospecting license not proceed. The transfer documentation and lodgement process is currently underway.

Miyabi Gold Project - Update

the Company has recently received a proposal to enter into a "non-binding" and "non-exclusive" option agreement for the acquisition of the company's 100% interests in the Miyabi Gold Project. The board is currently considering the proposal.

11. Available for sale assets

(a) Available for sale financial assets

During the 2013 financial year, the Company divested its shareholding in Tasman Goldfields NSW Pty Ltd, which held Mt Adrah tenement assets in New South Wales. The transaction resulted in the Company receiving \$62,500 cash and 625,000 fully paid ordinary shares in ASX-listed Sovereign Gold Company Ltd ("Sovereign").

	2018	2017
	\$	\$
Opening balance	<u>156</u>	<u>156</u>
Impairment of asset	-	-
Listed shares classified as available for sale	<u>156</u>	<u>156</u>

12. Parent Entity Disclosure

The following details information related to the parent entity, Pensana Metals Ltd as at 30 June 2018. The information presented has been prepared using consistent accounting policies as presented in Note 3.

	2018 \$	2017 \$
Current assets	139,155	1,834,857
Non-current assets	-	-
Total assets	139,155	1,834,857
Current liabilities	322,224	286,080
Non-current liabilities – intercompany loan	6,206,676	6,207,253
Total liabilities	6,528,900	6,493,333
Contributed equity	41,149,646	39,734,149
Accumulated losses	(50,767,435)	(47,437,410)
Reserves	3,228,044	3,044,785
Total equity	(6,389,745)	(4,658,476)
Loss for the year	(3,330,025)	(25,146,759)
Total comprehensive gain / (loss) for the year	(3,330,025)	(25,146,759)

No guarantees have been entered into by the parent entity on behalf of subsidiaries during the period.

13. Property, Plant and Equipment

	Motor Vehicles \$	Plant and equipment at cost \$	Total \$
Balance at 1 July 2017	325,196	492,522	817,718
Additions	-	-	-
Disposals	-	-	-
Exchange differences	-	(151)	(151)
Balance at 30 June 2018	325,196	492,371	817,567
Accumulated depreciation			
Balance at 1 July 2017	(325,196)	(426,128)	(751,324)
Transfers	-	-	-
Disposals	-	-	-
Depreciation expense	-	(60,321)	(60,321)
Exchange differences	-	-	-
Balance at 30 June 2018	(325,196)	(486,449)	(811,645)
Net book value as at 30 June 2018	-	5,922	5,922

	Motor Vehicles \$	Plant and equipment at cost \$	Total \$
Balance at 1 July 2016	325,196	483,432	808,628
Additions	-	9,090	9,090
Disposals	-	-	-
Exchange differences	-	-	-
Balance at 30 June 2017	325,196	492,522	817,718
Accumulated depreciation			
Balance at 1 July 2016	(305,739)	(318,276)	(624,015)
Transfers	-	-	-
Disposals	-	-	-
Depreciation expense	(19,457)	(103,512)	(122,969)
Exchange differences	-	(4,340)	(4,340)
Balance at 30 June 2017	(325,196)	(426,128)	(751,324)
Net book value as at 30 June 2017	-	66,394	66,394

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

	2018 \$	2017 \$
Computer Equipment	6,107	-
Furniture & Fittings	54,214	103,512
Plant and equipment	-	-
Motor vehicles	-	19,457
Total depreciation	<u>60,321</u>	<u>122,969</u>

14. Exploration and Evaluation Expenditure

	2018 \$	2017 \$
Carrying value:		
Balance at beginning of period	8,800,077	15,203,174
Additions	2,059,214	1,760,442
Impairment	(110,827)	(7,797,899)
Transfer to held for sale	(5,645,553)	-
Foreign exchange	494,050	(365,640)
Balance at end of financial year	<u>5,596,961</u>	<u>8,800,077</u>
Accumulated depreciation/amortisation and impairment		
Balance at beginning of period	(7,797,899)	-
Impairment expense	(110,827)	(7,797,899)
Balance at end of financial year	<u>(7,908,726)</u>	<u>(7,797,899)</u>
At the end of the financial year book value net of accumulated amortisation and impairment (ii)	5,596,961	8,800,077

(i) During the financial year, the Consolidated Group made an assessment of the carrying value of its exploration assets. Impairment of capitalised mineral exploration and evaluation expenditure relates to assets for which the expenditure are not expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

(ii) The above amounts represent capitalised costs of exploration carried forward as an asset in accordance with the accounting policy set out in note 3 (g). The ultimate recoupment of the exploration and evaluation expenditure in respect to the areas of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively the sale of the underlying areas of interest for at least their carrying value.

15. Trade and Other Payables

	2018 \$	2017 \$
Trade, other payables and accrued expenses (i)	322,225	341,901
Sundry creditors	392,968	-
	<u>715,192</u>	<u>341,901</u>

(i) There has been no interest charged on the trade payables

(ii) Sundry creditors relates to a refundable deposits received for payment for the sale of the Canuck asset in Tanzania.

16. Issued Capital

	2018 No.	2018 \$	2017 No.	2017 \$
Company/Consolidated Fully paid ordinary shares				
Balance at beginning of the period	738,778,046	39,734,149	592,978,280	36,444,284
Share Placement	50,124,998	1,510,500	40,000,000	800,000
Share issue costs	-	(95,003)	-	-
Rights Issue	-	-	90,568,325	2,264,308
Shares issued on vesting of performance rights	3,000,000	-	1,850,000	-
Share Placement	-	-	13,381,441	334,436
Share issue costs	-	-	-	(108,879)
Balance at end of financial year	<u>791,903,044</u>	<u>41,149,646</u>	<u>738,778,046</u>	<u>39,734,149</u>

Ordinary shares participate in dividends and proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands. Management controls the capital of the Group in order to fund its operations and continue as a going concern. The Consolidated Entity does not have any externally imposed capital requirements.

	Consolidated	
	2018 \$	2017 \$
791,903,044 fully paid ordinary shares (2017: 738,778,046)	41,149,646	39,734,149
	<u>41,149,646</u>	<u>39,734,149</u>

Share options on issue

The following options are on issue as at year end:

- 45,355,000 unlisted options exercisable at 6 cents and expiring 27 July 2018
- 5,000,000 unlisted options exercisable at 4.0 cents and expiring 2 November 2019
- 5,000,000 unlisted options exercisable at 6.0 cents and expiring 2 November 2019
- 20,000,000 unlisted options exercisable at 3.5 cents and expiring 18 November 2018
- 2,000,000 unlisted options exercisable at 5.0 cents and expiring 6 April 2020

17. Reserves

	Consolidated	
	2018 \$	2017 \$
Share Option Reserve	3,228,042	3,044,785
Foreign Currency Translation Reserve	1,572,052	973,891
	<u>4,800,094</u>	<u>4,018,676</u>
Foreign Currency Translation Reserve		
Balance at beginning of financial year	973,891	1,305,567
Movements:		
Translation adjustments (i)	598,161	(331,676)
Balance at end of financial year	<u>1,572,052</u>	<u>973,891</u>
Share Option Reserve		
Balance at beginning of financial year	3,044,785	2,790,205
Movements:		
Issue of performance rights and options(ii)	94,349	254,580
Shares issue costs refund / (expense)	-	-
Vested performance rights	88,908	-
Balance at end of financial year	<u>3,228,042</u>	<u>3,044,785</u>

(i) Represents foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(ii) The Share option reserve includes the grant of share options and performance rights to executives, senior employees and consultants. Amounts are transferred out of the reserve and into issued capital when the options or performance rights are converted to equity. Further information about share-based payments can be found in note 26 to the financial statements.

18. Accumulated Losses

	Consolidated	
	2018 \$	2017 \$
Balance at beginning of financial year	(33,290,103)	(24,097,504)
Net loss for the year	(1,824,990)	(9,192,599)
Balance at end of financial year	<u>(35,115,093)</u>	<u>(33,290,103)</u>

19. Loss per Share

	2018	2017
	cents per share	cents per share
Basic loss per share		
From continuing operations	0.24	1.52
Total basic loss per share	<u>0.24</u>	<u>1.52</u>
Diluted loss per share		
From continuing operations	0.24	1.52
Total diluted loss per share	<u>0.24</u>	<u>1.52</u>

Basic loss per share

The net loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2018 \$	2017 \$
Net loss	(1,824,990)	(9,192,599)
Losses used in the calculation of basic loss per share from continuing operations	(1,824,990)	(9,192,599)
Losses used in the calculation of diluted loss per share attributable to ordinary shareholders	(1,824,990)	(9,192,599)
	2018 No.	2017 No.
Weighted average number of ordinary shares for the purposes of calculating basic loss per share and diluted loss per share	764,685,579	604,461,858
Options	77,355,000	107,855,000
Performance Rights	10,000,000	10,000,000

The above options and performance rights have not been included in the diluted earnings per share as they are anti dilutive in the current period, however they could potentially dilute basic earnings per share in the future

20. Dividends

No dividends were paid or proposed during the current or previous financial year.

21. Commitments for Expenditure

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

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

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

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

(i) Operating leases

The Group has entered into commercial property lease. The lease is currently on a rolling monthly lease.

There are no restrictions placed upon the lessee by entering into these leases.

	Consolidated	
	2018 \$	2017 \$
<u>Operating lease expenditure</u>		
Not longer than 1 year	7,000	33,020
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>7,000</u>	<u>33,020</u>

(ii) Exploration Commitments

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

	Consolidated	
	2018 \$	2017 \$
<u>Exploration and evaluation expenditure</u>		
Not longer than 1 year	53,614	66,592
Longer than 1 year and not longer than 5 years	-	51,844
Longer than 5 years	-	-
	<u>53,614</u>	<u>118,436</u>

22. Contingent Liabilities and Contingent Assets

Pursuant to the agreement for the acquisition of the Kitongo Gold Project the Company will be required to pay an amount of \$750,000 to the vendor on the commencement of production. This contingent liability is associated with the held for sale assets refer to note 10.

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

23. Interests in Controlled Entities

Name of entity	Country of incorporation	Ownership interest	
		2018 %	2017 %
Parent entity:			
Pensana Metals Ltd (formerly Rift Valley Resources Limited) (i)	Australia		
Controlled entities:			
Carlton Resources Pty Ltd	Australia	100	100
Carlton Miyabi Tanzania Limited	Tanzania	100	100
Carlton Kitongo Tanzania Limited	Tanzania	100	100
Bright Star Tanzania Limited	Tanzania	100	100
Rift Valley Resources (Africa) Pty Ltd	Australia	100	100
Rift Valley Resources Tanzania Limited	Tanzania	100	100
Tasman Goldfields Australia Operations Pty Ltd	Australia	100	100
Sable Minerals Pty Ltd	Australia	100	100
Sable Minerals GmbH	Germany	100	100
Ozango Minerais S.A.	Angola	70	70
Mtemi Resources Pte Ltd	Singapore	100	100
Mtemi G Pte Ltd	Singapore	100	100
Mtemi O Pte Ltd	Singapore	100	100
Mtemi U Pte Ltd	Singapore	100	100
Mtemi G (Tanzania) Ltd	Tanzania	100	100
Mtemi O (Tanzania) Ltd	Tanzania	100	100
Mtemi U (Tanzania) Ltd	Tanzania	100	100

(i) Pensana Metals Ltd (formerly Rift Valley Resources Ltd) is the ultimate holding Company.

The parent entity and its controlled entities are not within a tax-consolidated Group.

24. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2018	2017
	\$	\$
Cash and cash equivalents	242,769	1,848,248

(b) Reconciliation of profit / (loss) for the period to net cash flows from operating activities

	Consolidated	
	2018	2017
	\$	\$
Net loss	(1,824,990)	(9,192,599)
Add/less non cash items		
Interest income	-	(3,711)
Doubtful debt expense	-	-
Depreciation	60,321	155,873
Share based payments	183,257	254,580
Unrealised FX (gain)/loss	(162,494)	159,102
Impairment of exploration assets	110,827	7,797,899
(Increase)/decrease in assets:		
Trade and other receivables	(26,459)	36,759
Prepayments	-	19,083
Increase/(decrease) in liabilities:		
Trade and other payables	296,083	(301,730)
Net cash used in operating activities	(1,363,455)	(1,074,150)

25. Financial Instruments

(a) Financial risk management objectives

The senior management and Board monitor and manage the financial risk relating to the operations of the Group. The Group's activities include exposure to market price risk, foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk. The overall risk management program focuses on managing these risks and implementing and monitoring controls over the cash management function. Owing to the unpredictability of finance markets, the senior management and Board seek to minimise potential adverse effects on financial performance. There has been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing these risks or the methods to measure them.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in notes 3 and 4 to the financial statements.

(c) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Group includes cash and cash equivalents, equity attributable to equity holders of the parent, comprising of issued capital, reserves and accumulated losses as disclosed in notes 16, 17 and 18 respectively. The Group undertakes its exploration and evaluation activities through its wholly owned subsidiaries. None of the Group's entities are subject to externally imposed capital requirements. The Group intends to use a variety of capital market issues to meet anticipated funding requirements. The Group currently has no short-term or long-term borrowings.

(d) Market price risk

The Group is involved in the exploration and development of mining tenements for base metals including gold and copper. Revenue from any future mining associated with metal sales, the acquisition and disposal consideration for mining tenements and the ability to raise funds through equity and debt will be largely dependent upon the commodity price for resources at the time of the transaction.

(e) Interest rate risk

The Group's cash-flow interest rate risk for assets primarily arises from cash at bank and deposits which are subject to market bank rates. There is no interest receivable or payable on the Group's trade and other receivables or payables. Details of the interest rates and maturities are located in this note. The Group will be exposed to further interest rate risk if it intends to borrow funds in the future for acquisition and development.

(f) Credit risk management

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements. The Group does not have any material credit risk exposure to any single debtor or Group of debtors under financial instruments entered into by the Group. The Group internal policy requires deposits to be held with financial institutions holding a benchmark credit rating. At balance date cash and deposits were held with the National Australia Bank.

(g) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- (i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- (ii) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- (iii) the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

(h) Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services and the holding of assets and liabilities in currencies other than the Group's measurement currency.

At balance date, the Group had the following exposure to United States Dollars (USD) foreign currency that is not designated in cash flow hedges:

	Consolidated	
	2018	2017
	\$	\$
Financial Assets		
Cash and cash equivalents		
United States Dollars	191,417	35,777
	191,417	35,777
Net exposure	191,417	35,777

A 5% change in the United States Dollar will increase or decrease net loss and accumulated losses by \$9,571 (2016: \$17,459)

Maturity profile of financial instruments

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The table has been drawn up based on undiscounted cash flows and details the Group's exposure to interest rate risk as at 30 June 2018 and as at 30 June 2017:

	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5 + years \$	Total
2018							
Financial assets							
Non-interest bearing		-	-	-	-	-	-
Variable interest rate instrument		242,769	-	-	-	-	242,769
Fixed interest rate instruments		-	32,815	-	-	-	32,815
		242,769	32,815	-	-	-	275,584
Financial liabilities							
Non-interest bearing		379,950	-	-	-	-	379,950
		379,950	-	-	-	-	379,950

	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5 + years \$	Total
2017							
Financial assets							
Non-interest bearing		-	-	-	-	-	-
Variable interest rate instrument		1,848,248	-	-	-	-	1,848,248
Fixed interest rate instruments		-	32,815	-	-	-	32,815
		<u>1,848,248</u>	<u>32,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,881,063</u>
Financial liabilities							
Non-interest bearing		341,901	-	-	-	-	341,901
		<u>341,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>341,901</u>

A 1% change in interest rates on interest bearing assets will increase or decrease net loss and accumulated losses by \$2,427 (2017: \$18,811).

26. Key Management Personnel Compensation

	2018 \$	2017 \$
Short-term employee benefits	519,774	552,838
Post-employment benefits	29,924	30,480
Termination benefits	-	-
Share-based payment	319,137	211,926
	<u>868,835</u>	<u>795,244</u>

Further details of the key management personnel compensation can be found in the Remuneration Report section of the Directors' Report.

27. Share-based Payments

2018

During the year the following performance rights were issued.

Director / KMP	Number of Rights	Vesting Conditions	Grant date	Expiry date	Vesting date
David Hammond	2,500,000	at a delivered Pre Feasibility Study	14 November 2017	14 November 2019	Upon vesting conditions being met
David Hammond	2,500,000	at a delivered Bankable Feasibility Study	14 November 2017	14 November 2019	Upon vesting conditions being met

The fair value of performance rights granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2018:

	Director	Performance Rights Director
Grant date	14 November 2017	14 November 2017
Number of performance rights	2,500,000	2,500,000
Share price	3.0 cents	3.0 cents
Exercise price	0 cents	0 cents
Weighted average fair value	3.0 cents	3.0 cents
Total amount	\$75,000	\$75,000
Expensed to 30 June 2018	\$23,438	\$23,438

2017

During the 2017 financial year the following performance rights were issued.

Director / KMP	Number of Rights	Vesting Conditions	Grant date	Expiry date	Vesting date
Stephen Dobson	5,000,000	VWAMP of \$0.06 for 90 days	16 June 2017	16 June 2019	Upon vesting conditions being met
Stephen Dobson	3,000,000	Raising at least \$5m	16 June 2017	16 December 2018	Upon vesting conditions being met
Stephen Dobson	2,000,000	12 months service	16 June 2017	16 June 2018	16 June 2018

The fair value of performance rights granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2017:

	Performance Rights		
	Director	Director	Director
Grant date	16 June 2017	16 June 2017	16 June 2017
Number of performance rights	2,000,000	5,000,000	3,000,000
Share price	2.4 cents	2.4 cents	2.4 cents
Exercise price	0 cents	6 cents	0 cents
Weighted average fair value	2.4cents	0.009 cents	2.4 cents
Total amount	\$48,000	\$45,000	\$72,000
Expensed to 30 June 2017	\$1,841	\$45,000	\$48,000

The director performance rights were approved by the board to be issued on 2 November 2016, however they were subject to shareholder approval, which were approved on 16 June 2017.

Options

2018

During the 2018 financial year, the following options were issued to directors and key management personnel:

Name	Share options Number	Exercise Price	Grant date fair value	Grant date	Expiry date	Vesting date
David Hammond	2,500,000	\$0.04	\$0.011	14 November 2017	14 November 2019	Vested at date of grant
David Hammond	2,500,000	\$0.06	\$0.008	14 November 2017	14 November 2019	Vested at date of grant

The fair value of options granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2018:

	Unlisted Options	
	Director	Director
Grant date	14 November 2017	14 November 2017
Number of options	2,500,000	2,500,000
Share price	3.0 cents	3.0 cents
Exercise price	6 cents	4 cents
Weighted average fair value	0.08 cents	1.1 cents
Total amount	\$20,000	\$27,500
Expensed to 30 June 2018	\$20,000	\$27,500

2017

Name	Share options Number	Exercise Price	Grant date fair value	Grant date	Expiry date	Vesting date
Stephen Dobson	5,000,000	\$0.04	\$0.01	2 November 2016	2 November 2019	Vested at date of grant
Stephen Dobson	5,000,000	\$0.06	\$0.007	2 November 2016	2 November 2019	Vested at date of grant
Corporate Advisors	2,000,000	\$0.05	\$0.012	27 June 2017	6 April 2020	Vested at date of grant

The fair value of options granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2017:

	Unlisted Options	
	Director	Director
Grant date	2 November 2016	2 November 2016
Number of options	5,000,000	5,000,000
Share price	2.8 cents	2.8 cents
Exercise price	6 cents	4 cents
Weighted average fair value	0.7 cents	1.0 cents
Total amount	\$35,000	\$50,000
Expensed to 30 June 2017	\$35,000	\$50,000

Reconciliation of options outstanding

The following reconciles outstanding share options provided as share-based payments at the beginning and end of the financial year:

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial year	12,500,000	\$0.05	-	-
Issued or to be issued during the financial year	5,000,000	\$0.05	12,500,000	\$0.05
Vested during the financial year			12,500,000	\$0.05
Expired during the financial year	-	-	-	-
Balance at end of the financial year	17,500,000	\$0.05	12,500,000	\$0.05
Exercisable at end of the financial year	17,500,000	\$0.05	12,500,000	\$0.05

28. Related party transactions

Parent entity

The parent entity in the Group is Pensana Metals Ltd (formerly Rift Valley Resources Ltd) which was incorporated in Victoria Australia on 29 September 2006.

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 23 to the financial statements.

(b) Transactions with key management personnel and related parties

The aggregate compensation made to KMPs are disclosed in note 26 of the financial statements and details of the compensation has been provided in the remuneration report which forms part of the Directors' Report.

(c) Other Transactions with Key Management Personnel and Related Parties

The following amounts have been disclosed as remuneration in note 27:

- The Company paid Willowood Corporate Pty Ltd, a Company associated with Mr. G Gilmour, consultancy fees of \$70,000 during the current financial year (2017: \$100,000). \$60,000 was paid as outstanding consulting fees that were accrued in previous years.

29. Remuneration of auditors

	Consolidated	
	2018	2017
	\$	\$
Remuneration of Ernst & Young as the auditor of the parent entity		
Audit or review of the financial report	61,500	52,000
Remuneration of Ernst & Young as the auditor of the foreign subsidiaries		
An audit or review of the financial report of the entity and any other entity in the Consolidated Entity	-	5,000

30. Subsequent events

Subsequent to the year end the following events occurred:

- On 2 July 2018, the company received firm commitments from sophisticated and institutional investors for the private placement of 366,666,667 fully paid ordinary shares at \$0.015 to raise \$5,500,000. The placement is to be completed in 2 tranches:
 - 126,549,809 New Shares under Tranche 1 to raise approximately A\$1.898 million; and
 - 240,116,858 New Shares under Tranche 2 to raise approximately A\$3.602 million.

126,549,809 shares were issued on 6 July 2018 to raise approximately A\$1.898 million.

On 28 August 2018, the Company announced that it had commenced its 9,000 metre drilling programme at the Longonjo NdPr Project, which will test the full extent of the shallow weathered NdPr mineralisation across the six square kilometre Longonjo carbonatite

Shareholder General Meeting

On 17 September 2018, the Company held a General Meeting for shareholders. At that meeting shareholders approved the following resolution:

- tranche 1 of the capital raising under both LR7.1 and 7.1A to issue 126,549,809 to raise A\$1.898 million;
- tranche 2 of the capital raising under LR7.1 to issue 240,116,858 to raise \$ A\$3.602 million;
- to give authority for Mr Paul Atherley and Mr Neil Maclachlan to participate in the placement;
- an Employee Incentive Plan;
- the issue of up to 115,741,113 Performance Rights to Mr Paul Atherley;
- the issue of up to 30,000,000 Performance Rights to Mr David Hammond;
- the issue of 5,000,000 unquoted options exercisable at \$0.04 per share and 5,000,000 unquoted options exercisable at \$0.06 per share to Ashanti Capital Pty Ltd (or its nominee), and expiring on the date that is 12 months following the date of issue;
- adopt Pensana Metals Limited as the new name of the Company;
- the Company adopt the Proposed Constitution tabled at the Meeting with effect from the close of the Meeting.

All resolutions were passed by show of hands.

On 18 September 2018 the company changed its name to Pensana Metals Ltd with ASIC.

On 25 September 2018, the company completed the tranche 2 placement issuing 240,116,858 to raise \$3.602m.

No other matters or circumstances have arisen since 30 June 2018 that have significantly affected, or may significantly affect:

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

ASX ADDITIONAL INFORMATION

DISTRIBUTION OF EQUITY SECURITIES

The distribution of members and their holdings of fully paid ordinary shares and listed options as at 25 September 2018 were as follows:

Shares held	No. of Shareholders	Ordinary shares
1-1,000	69	9,912
1,001-5,000	43	143,688
5,001-10,000	111	915,992
10,001-100,000	555	24,435,362
100,001 and over	616	1,133,064,755
Totals	1,394	1,158,569,709

Less than Marketable Parcel	Min Parcel size	Holders	Units
Shares	29,412	440	5,149,842

RESTRICTED SECURITIES

There are no restricted securities.

TWENTY LARGEST SHARE SECURITY HOLDERS

The names of the 20 largest holders of fully paid ordinary shares as at 25 September 2018 are listed below:

Name	Number of Shares	Percentage
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	115,263,800	9.949%
BPM CAPITAL LIMITED	33,333,333	2.877%
PERSHING AUSTRALIA NOMINEES PTY LTD <PATERSONS SECURITIES A/C>	30,300,009	2.615%
MR RICHARD ARTHUR LOCKWOOD	30,000,000	2.589%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,270,162	1.922%
J P MORGAN NOMINEES AUSTRALIA LIMITED	20,808,366	1.796%
ASHANTI INVESTMENT FUND PTY LTD <ASHANTI INVESTMENT FUND A/C>	20,666,667	1.784%
ARREDO PTY LTD	20,000,000	1.726%
VYNBEN PTY LIMITED <MARK HOHNEN SUPER FUND A/C>	20,000,000	1.726%
MR NEIL THACKER MACLACHLAN	18,823,842	1.625%
WESTERN CONDOR PTY LTD <W & C GILMOUR SUPER FUND A/C>	17,020,408	1.469%
STARFIN PTY LTD <MICHAEL SALMON SUPER A/C>	16,030,000	1.384%
EAST AFRICA INTERNATIONAL LTD	14,266,173	1.231%
MR GREGORY ROLLAND CUNNOLD & MS LARA CHERYL GROVES <STRATFORD A/C>	14,184,000	1.224%
TASMAN FUND TRUSTEE LIMITED <THE TASMAN RETIREMENT A/C>	13,333,333	1.151%
OSIRIS CAPITAL INVESTMENTS PTY LTD	13,333,333	1.151%
OCEAN VIEW WA PTY LTD	12,726,033	1.098%
WILLOWOOD CORPORATE PTY LTD	12,348,414	1.066%
VYNBEN PTY LTD	11,758,342	1.015%
FLUE HOLDINGS PTY LTD	11,460,362	0.989%
	467,926,577	40.388%

SUBSTANTIAL SHAREHOLDERS

The Company's Register of Substantial Shareholders, prepared in accordance with Chapter 6C of the Corporations Act 2001, showed the following substantial shareholders as at 25 September 2018:

Name	Number of Shares	Percentage
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	100,000,028	8.63%

VOTING RIGHTS

Under the Company's constitution, all ordinary shares carry one vote per share without restriction. Options over ordinary shares do not carry any voting rights.

For personal use only

TENEMENT SCHEDULE

Country	Project Name	License Name	License no.	% Held
Angola	Ozango	Ozango Minerais SA	Nº013/03/09/T.P/A NG-MGM/2015	70%
Tanzania	Kitongo	Ugambilo East	PL11175/2017	100%
	Kitongo	Kitongo West	PL10655/2015	100%
	Kitongo	Mwagimagi	PL6499/2010	100%
	Kitongo	Mwamazengo SE (2)	PL6543/2010	100%
	Kitongo	Mwamazengo South (2)	PL6631/2010	100%
	Kitongo	Ugambilo	PL10067/2014	100%
	Kitongo	Kitongo	PL10068/2014	100%
	Kitongo	Mwamazengo	PL10069/2014	100%
	Kitongo	Isengwa Hills North	PL10060/2014	100%
	kitongo	Busongo Northeast	PL10065/2014	100%
	Kitongo	Gulumungu	PL10656/2015	100%
	Kitongo	Ntalebujika	PL10660.2015	100%
	Miyabi	Miyabi Dyke	PL8933/2013	100%
	Miyabi	Miyabi South New	PL10149/2014	100%
	Miyabi	Miyabi North	PL10908/2016	100%
	Miyabi	Miyabi Airport New	PL10556/2015	100%
	Miyabi	Mwabombo	PL10836/2016	100%
	Miyabi	Miyabi Airport	PL6593/2010	100%
	Mtemi G	Kitongo	PL8148/2013	100%
	Canuck	Canuck North	PL11016/2017	100%
	Canuck	Canuck South	PL11017/2017	100%

For personal use only