



26 April 2016

Companies Announcement Office  
Via Electronic Lodgement

## **PENINSULA SECURES FINANCING TO ACCELERATE LANCE PROJECTS EXPANSION AND BOARD RESTRUCTURE ADDS ADDITIONAL URANIUM EXPERTISE**

### **Highlights**

- **Project funding has been secured to accelerate Lance Projects well field rollout and to commence CPP expansion;**
- **Completed expansion expected to reduce projected all-in sustaining cash costs by US\$9-10/lb.;**
- **Funding comprises a US\$15m convertible loan facility provided by major shareholders Resource Capital Fund VI L.P. and Pala Investments Ltd;**
- **Revenue Streaming Facility Term Sheet for US\$25m for Stage 2 expansion signed and due diligence is at an advanced stage;**
- **Additional uranium experience added to the Board with appointment of non-executive director;**
- **Production ramp up continues; 3.3% average daily head grade increase over last 40 days.**

### **Summary**

Peninsula Energy Limited (**Peninsula, the Company**) is pleased to announce that it has entered into convertible loan agreements with major shareholders Resource Capital Fund VI L.P. (**RCF VI**) and Pala Investments Ltd (**Pala**) for a total of US\$15 million.

This funding is the first component of a broader funding package which also includes a Revenue Streaming Facility (**RSF**) for which a Term Sheet has been signed and due diligence is well advanced. Proceeds from the convertible loans will be used for general well field development activities at the Lance Projects, resource development drilling, final stage 2 engineering design, feasibility studies at the Karoo Projects in South Africa and for general working capital purposes.

The RSF will allow commencement of Stage 2 development at the Lance Projects. This will include the engineering and construction of the Stage 2 Central Processing Plant (**CPP**), increasing the ion exchange capacity and bringing the elution, precipitation, drying and packaging processes in-house. This phase of the expansion is forecast to reduce cash operating costs by US\$4-5/lb U<sub>3</sub>O<sub>8</sub>.

Additional Stage 2 construction, funded by the RSF, will include a further seven header houses and associated wellfield production units. Ramp-up to Stage 2 production rates are forecast to further reduce cash operating costs by US\$5-6 per pound U<sub>3</sub>O<sub>8</sub>.

Expansion of well field capacity in Stage 2 has been timed to coincide with the ramp-up in delivery commitments under existing and expected new long term uranium concentrate sale and purchase

---

Unit 17, Level 2, 100 Railway Road, Subiaco WA 6008      PO Box 8129, Subiaco East WA 6008

Phone: +61 (0)8 9380 9920      Fax: +61 (0)8 9381 5064

**Peninsula Energy Limited - ABN: 67 062 409 303**

agreements. Peninsula currently has 75% of Stage 1 and 54% of Stage 2 production over the next 10 years committed under five term agreements with investment grade US and European utilities.

The weighted average delivery price for the five contracts over the next 10 years is US\$56/lb U<sub>3</sub>O<sub>8</sub> and at steady state production rates the Stage 2 expansion of the Lance Projects is forecast to reduce all-in sustaining cash costs from US\$41/lb to US\$31-32/lb.

Peninsula's Managing Director/CEO Gus Simpson commented; *"Peninsula is pleased to have secured this funding as it enables the Company to accelerate development activity at the Lance Projects and move to the next production phase which is aimed at generating an increased operating margin and subsequent financial sustainability."*

Peninsula would like to acknowledge institutional shareholders RCF VI and Pala who continue to support the strategic partnership with the Company.

The Peninsula Board would also like to announce the appointment of Mr. Mark Wheatley as a Non-Executive Director and nominee of RCF VI, effective 26 April 2016. Mr. Wheatley is a senior mining professional with extensive uranium and ISR experience and his appointment will add significant support to the board and management team.

With the appointment of Mr. Wheatley, Mr. Neil Warburton has retired from his role as Non-Executive Director to pursue other business ventures. The Board would like to thank Neil for his valuable contribution as a Non-Executive Director and wish him the very best in his expanding endeavours.

In other changes, Mr. John Harrison (currently Non-Executive Director), will replace Mr. Richard Lockwood as Non-Executive Chairman who is experiencing increased time pressure from his other business commitments. Mr. Lockwood will remain as a Non-Executive Director of Peninsula. The Board would like to thank Richard for his substantial contribution as Chairman and look forward to his continued involvement as a Non-Executive Director.

### **Lance Projects Update**

The Lance Projects development plan comprises a three (3) stage ramp-up strategy:

- Stage 1 – production rate of between 500,000 and 700,000 lbs U<sub>3</sub>O<sub>8</sub> per annum;
- Stage 2 – production rate of 1,200,000 lbs U<sub>3</sub>O<sub>8</sub> per annum; and
- Stage 3 – production rate of 2,300,000 lbs U<sub>3</sub>O<sub>8</sub> per annum.

On 2 December 2015 Peninsula received final regulatory approvals to commence in-situ recovery (ISR) production and since the initial injection of O<sub>2</sub> and CO<sub>2</sub> production well flow-rates are meeting expectations and substantially confirm the permeability of the ore body, a key risk factor in ISR operations.

The second header house came online on January 27, 2016 and the third header house came online on 15 April, 2016. Since 10 March 2016 when the minimum target level of NaHCO<sub>3</sub> (sodium bicarbonate) rates were achieved, uranium head grade has averaged a daily increase of 3.3% (170% over the past 6 weeks) across both header houses, substantially confirming the increasing solubility of the uranium, another key risk factor in ISR operations.

The Company is now seeing an increase in the concentration of uranium in solution through March and April and with the third header house now online this trend is expected to continue. Head grades are already at 72% of life of mine average head grade (38mg/L per production unit) and are at 61% of the peak head grade (45mg/L per production unit) which is expected to be reached during the first 12 months of operations.

The 4th header house is expected to come online during June and the remaining header houses are forecast to progressively come online during the second half of the 2016 calendar year. Stage 1 full production will see seven header houses in operation.

In parallel to the continuing Stage 1 ramp up, Peninsula will commence initial development activities for Stage 2 at the Lance Projects. On establishment of the RSF or alternate funding, Stage 2 CPP construction will commence along with the roll out of a further seven header houses and associated well field production units.

The Stage 2 expansion will see the termination of the Toll Milling Agreement, bringing these functions in-house. When combined with the cost benefits of increased production and economies of scale, forecast all-in sustaining cash costs are expected to reduce by US\$9-10/lb from US\$41/lb to US\$31-32/lb.

Peninsula currently has 7.9 million pounds of U<sub>3</sub>O<sub>8</sub> under contract with major utilities located in the United States and Europe. Projected revenue under these existing long term contracts has expanded to US\$440 million. These contracts provide a substantial earnings stream to the Company whilst allowing it to retain significant quantities of planned U<sub>3</sub>O<sub>8</sub> production for future contracting during periods of anticipated improved uranium prices.

The weighted average delivery price for these five contracts over the next 10 years is US\$56/lb U<sub>3</sub>O<sub>8</sub>. The progressive expansion to Stage 2 will generate increased operating margins, (both in aggregate and on a per pound basis), and it is projected that the Company will be profitable at Stage 2 steady state production.

The Lance Projects have a minimum mine life of at least 20 years, underpinned by 53.7 million pounds<sup>1</sup>, the largest uranium ISR JORC-Code compliant resource in North America.

### **Convertible Loan Agreements**

Peninsula has executed convertible loan agreements with major shareholders RCF VI and Pala for a total of US\$15 million (**Convertible Loans**).

Under these agreements, RCF VI and Pala (**Lenders**) have each provided Peninsula with a convertible loan facility, with participation in proportion to their existing shareholdings in the Company. The US\$15 million total loan amount is comprised of a US\$9.63 million convertible loan provided by RCF VI and a US\$5.37 million convertible loan provided by Pala.

Under the terms of the Convertible Loans, the Lenders may elect to convert all or part of the principal amount of the Convertible Loans (including any capitalised interest) into fully paid ordinary shares at any time prior to maturity at a conversion price that is the lower of \$0.80 per share or the price of any equity raised prior to repayment. The Convertible Loans will bear interest at the rate of 8% per annum, payable quarterly in arrears in cash or shares at the Lenders election. The Maturity Date of the Convertible Loans is 22 April 2017.

Additionally, an arrangement fee of 2% of the amount available under the Convertible Loans is also payable in cash or in fully paid ordinary shares (at the Lenders election) using a conversion price of \$0.80 per share.

The Convertible Loans will be secured by a charge over certain assets of the Company, but will be subordinated to the existing Investec working capital facility. The Company intends to seek shareholder approval in respect of the security to the Lenders in accordance with ASX Listing Rule 10.1 and also the conversion shares under the Convertible Loans in accordance with section 611(7) of the Corporations Act as soon as practicable.

The provision of the Convertible Loans continues the strategic support provided by RCF VI and Pala who are committed to partnering with Peninsula as it ramps up production at the Lance Projects.

### **Use of Funds**

The funds received under the convertible loan facilities, together with funds raised from other financing alternatives currently being negotiated, will be used for the following purposes:

- Well field ramp up activities and Stage 2 final engineering designs at the Lance Projects;

- Resource development drilling and feasibility studies at the Karoo Projects in South Africa; and
- General working capital purposes.

### **Other Funding – Revenue Streaming**

In addition to the Convertible Loans, Peninsula is currently at term sheet stage on a Revenue Streaming Facility and is evaluating other non-equity funding alternatives for Stage 2 of the Lance Projects.

As previously advised, the Company has received several proposals and has executed one non-binding term sheet for a revenue streaming facility with technical and commercial due diligence activities now well advanced.

Revenue streaming is a non-dilutive mechanism that sees a proportion of future sales revenue, over a finite time period and finite quantity of annual production, being exchanged for a one-off upfront cash payment that is to be used for development or expansion capital expenditure.

### **Board Changes**

Mr. Mark Wheatley has joined the Board of Peninsula as a Non-Executive Director and nominee of RCF VI, effective 26 April 2016. Mr. Wheatley is an experienced resources company CEO, Non-Executive Director and Chairman with a career spanning more than 30 years in mining and related industries.

Mr. Wheatley has 10 years' experience in the uranium industry and been involved in ISR project feasibility studies, start up, production, rehabilitation and closure. His uranium experience includes the roles of Chairman and CEO of Southern Cross Resources Inc., the operator of the Honeymoon ISR uranium project and Non-Executive Director of Uranium One Inc. and Uranium Resources Inc. He is currently Executive Chairman of Xanadu Mines Ltd.

With the appointment of Mr Wheatley, Mr. Neil Warburton has retired from his role as Non-Executive Director. Mr. Wheatley brings significant uranium experience to the Board and Mr. Warburton felt it was therefore an opportune time to step down from the Board to pursue his other commitments. The Board extends its thanks to Mr. Warburton for his contribution to the Company and wishes him well with his future endeavours.

In addition to the above changes, Mr. Richard Lockwood has stepped down from the role of Non-Executive Chairman, but will remain on the Board as Non-Executive Director. Existing Non-Executive Director Mr. John Harrison has accepted the position of Non-Executive Chairman.

### **Trading Halt / Voluntary Suspension**

This is the announcement that was referred to in the Company's request for a trading halt on 21 March 2016 and subsequent voluntary suspension requests.

Yours sincerely



**John Andrew Simpson (Gus)**  
**Managing Director/CEO**  
**Peninsula Energy Limited**

For further information, please contact our office on +61 (0)8 9380 9920 during normal business hours.

Note: All references to currency are Australian Dollars unless otherwise stated.

### Competent Person

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Jim Guilinger. Mr. Guilinger is a Member of a Recognised Overseas Professional Organisation included in a list promulgated by the ASX (Member of Mining and Metallurgy Society of America and SME Registered Member of the Society of Mining, Metallurgy and Exploration Inc.). Mr. Guilinger is Principal of independent consultants World Industrial Minerals. Mr. Guilinger 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 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. Guilinger consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

<sup>1</sup> Current JORC Compliant Resource Estimate

Resource Classification	Tonnes Ore (M)	U3O8 kg (M)	U3O8lbs (M)	Grade (ppm U3O8)
<b>Measured</b>	4.1	2.1	4.5	495
<b>Indicated</b>	11.6	5.7	12.7	497
<b>Inferred</b>	35.5	16.6	36.5	467
<b>Total</b>	51.2	24.4	53.7	476

(The JORC resource is reported above a lower grade cut-off of 200ppm and a GT of 0.2)

*JORC Table 1 included in an announcement to the ASX released on 27th March 2014: "Company Presentation – Mines and Money Hong Kong". Peninsula confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.*