

# 31 MARCH 2017 QUARTERLY ACTIVITIES REPORT

27 April 2017

ASX: PEN, PENOD

Peninsula Energy Limited  
ABN 67 062 409 303

#### Directors

John Harrison - Non Exec Chairman  
Wayne Heili - MD/CEO  
David Coyne - Finance Director  
Evgenij Iorich - Non Exec Director  
Harrison Barker - Non-Exec Director  
Mark Wheatley - Non-Exec Director

#### Management

Wayne Heili - MD/CEO  
Ralph Knode - CEO, Strata Energy Inc  
Willie Bezuidenhout - CEO, South Africa  
David Coyne - CFO

Jonathan Whyte - Co Secretary

#### Head Office

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#### Website

www.pel.net.au

#### Capital Structure at 31 March 2017

226.5 million shares  
43.3 million \$2.00 2018 options

#### Cash at 31 March 2017

US\$17.2 million

#### Market cap at 31 March 2017

A\$114.4 million

For further information please

contact:

info@pel.net.au

## HIGHLIGHTS

### OPERATING PERFORMANCE

- Cash proceeds received from sales of US\$11.1 million in line with forecasts
- 250,000lbs U<sub>3</sub>O<sub>8</sub> delivered under term contracts in January and March 2017 at a weighted average cash price of US\$54/lb U<sub>3</sub>O<sub>8</sub>
- Average realised price greater than 200% of average spot price
- Positive cash flow from the production, purchase and sale of U<sub>3</sub>O<sub>8</sub> in March Quarter
- 100,000lbs U<sub>3</sub>O<sub>8</sub> Lance production delivered in March Quarter
- 25,293lbs U<sub>3</sub>O<sub>8</sub> produced in March Quarter
- Significant cost reductions implemented

### SOUTH AFRICA – KAROO URANIUM PROJECTS

- Pre-feasibility activities near completion

### CORPORATE

- New Managing Director/CEO appointed
- A\$14.2 million Share Purchase Plan successfully completed
- Working capital debt extinguished
- Cash as at 31 March 2017 of US\$17.2 million
- Receivables from uranium sales at 31 March 2017 of a further US\$7.2 million



## COMPANY LEADERSHIP AND BOARD CHANGES

As part of a planned transition in leadership, on 28 March 2017 the Company announced that Mr Wayne Heili would replace Mr John (Gus) Simpson as Managing Director and Chief Executive Officer, with Mr Heili commencing in the role on 3 April 2017. In conjunction with Mr Simpson, the Board appointed Mr Heili in order to drive a greater focus on operational performance at the Lance Projects and to continue on the achievements made to date in reducing costs across the Company.

Mr Heili has spent the bulk of his 30-year professional career in the uranium mining industry. He most recently served as President and Chief Executive Officer of Ur-Energy, Inc. where he successfully oversaw the design, construction, commissioning and ramp-up of the Lost Creek in-situ uranium project in Wyoming USA. Prior to joining Ur-Energy, Inc., Mr Heili served as Operations Manager of the Christensen/Irigaray in-situ uranium mines in Wyoming and also has experience on conventional uranium mines in Texas. He holds a Bachelor of Science in Metallurgical Engineering from Michigan Technological University and is a past President of the Uranium Producers of America.

Mr Heili resides in Wyoming USA and had already been working closely with the management team in place at the Lance Projects as a consultant to the Company. With the assistance of the project management team, Mr Heili has quickly developed and implemented an action plan to address areas of operational performance improvement as the Company continues the ramp up process at the Lance Projects.

The Board thanks Mr Simpson for his leadership of the Company over the past 10 years, which saw the Company successfully explore, permit, fund, develop and commission the Lance Projects in Wyoming, USA.

In addition to the change in Managing Director/CEO, Mr Warwick Grigor and Mr Richard Lockwood stepped down from the Board to focus on their other business interests. Mr David Coyne accepted an invitation to join the Board in an executive capacity as Finance Director, effective 27 March 2017. The addition of Mr Coyne to the Board strengthens the financial and commercial skillset of the Board.

## OPERATING PERFORMANCE

### *Positive Operating Cash Generation and Cost Reductions*

Approximately US\$4.1 million of production costs were incurred and US\$5.3 million was paid for the purchase of U<sub>3</sub>O<sub>8</sub> during the quarter for an aggregate cash expenditure on U<sub>3</sub>O<sub>8</sub> of US\$9.4 million. With cash proceeds from sales received during the quarter of US\$11.1 million, positive cash flow from the production, purchase and sale of U<sub>3</sub>O<sub>8</sub> during the quarter was US\$1.7 million. This amount excludes the US\$7.2 million receivable that was received by the Company during the first week of April.

Consistent with the interim operating strategy, the Company has implemented across the board cost reductions including reducing the number of drilling rigs and contractors on site at the Lance Projects to reflect a lower level of ongoing wellfield development activity in 2017. Cash expenditure on production for the quarter ending 30 June 2017 is forecast to reduce to less than US\$4 million and wellfield development costs to less than US\$1.5 million. These reductions have been driven by the actions taken to reduce project costs that have included rationalisation of service providers and re-negotiation of supplier contract rates.

The Company has reduced costs further during the quarter, through the recent Board and management changes and an overall reduction in overheads. Overhead cost reductions include reduction in personnel numbers, appointment of the new Managing Director and CEO on a lower salary, forthcoming relocation of the head office to lower cost premises in Perth, reduced travel and renegotiation of rates for certain service providers. Cost saving benefits from these actions will be realised over the remainder of 2017 and into 2018.

With the US\$7.2 million already received in the June quarter and the reduction in project level expenditure, the Company is on track for positive free cash generation (operating cashflow less investing cashflow) for the June quarter.



**Lance Projects Operational Performance and Production Guidance**  
 (Peninsula Energy 100% ownership of Lance Projects)

Peninsula’s wholly-owned subsidiary Strata Energy Inc. (Strata) began in-situ uranium recovery operations from the Ross Permit Area at the Lance Projects in Wyoming, USA in December 2015.

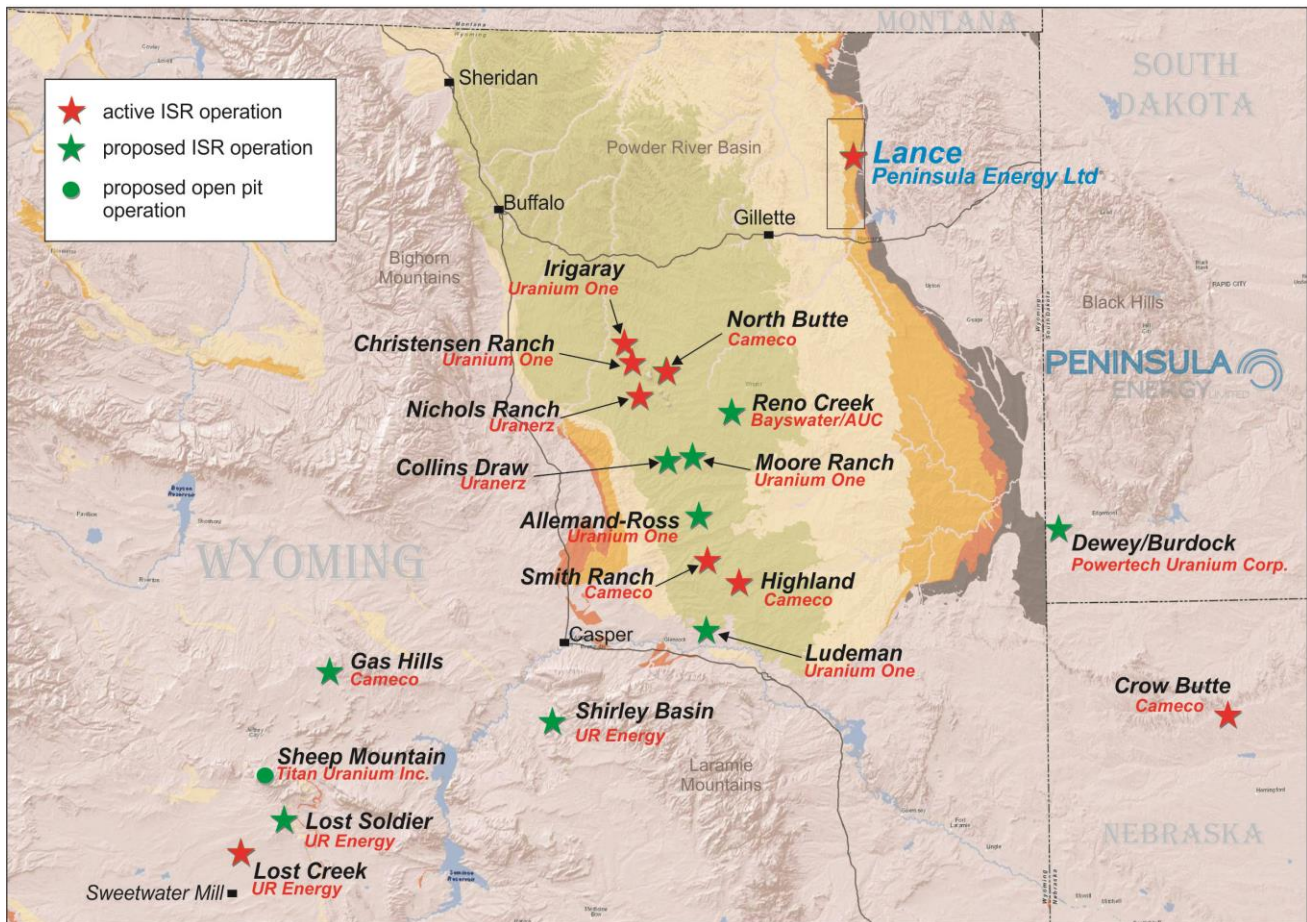


Figure 1: Lance Projects location, Wyoming USA

Due to the 2016 uranium price pull back, the Company reviewed its operating plan during Q3 CY2016 and implemented an interim operating strategy in Q4 until uranium prices improve. Current production is focused on meeting its Lance Projects sourced delivery commitments under existing term contracts. The Company is also taking advantage of the current low spot price to enter the market where required to purchase uranium to meet additional commitments under term contracts.

Production for the quarter ended 31 March 2017 was 25,293lbs U<sub>3</sub>O<sub>8</sub> which was below expectations for the quarter, however for the majority of the quarter it was sourced primarily from header houses 1, 2 and 3 only. Production was below forecast due to a number of factors. Grade performance through Mine Unit 1 (comprising header houses 1 to 4) was lower than forecast. Inclement weather throughout January continued to hamper ongoing wellfield maintenance, with staff often unable to access the wellfield due to the extreme cold. While grades were below forecast in Mine Unit 1, the Company has seen a solid increase in the grade performance of Mine Unit 2 during initial ramp up, however this occurred post quarter end and is therefore not reflected in quarterly production numbers. Alkaline leach chemistry continues to be refined as part of ongoing ramp up activities to determine the appropriate mix to optimise the rate of uranium extraction.



Inclement weather also contributed to delays in the completion of construction and commissioning of header houses 5, 6 and 7. No meaningful uranium was produced from header house 6 during the quarter and while header house 7 commenced in re-circulation mode during the quarter, at the time of this report it is yet to be turned to the CPP.

Average flowrates from extraction wells within Mine Unit 2 were below forecast during the quarter, however the Company is addressing these issues through the implementation of a range of action items including the installation of additional filtration on the injection lines, more aggressive well swabbing and other targeted maintenance activities. It is noted that flow rates in header house 5 and 6 have responded positively during April to this work.

Two deliveries of drummed product were made to a North American conversion facility during the first week of January 2017.

For the 2017 calendar year the Company expects production from the Lance Projects to be a minimum of 150,000lbs U<sub>3</sub>O<sub>8</sub> to meet its committed deliveries of uranium sourced from the Lance Projects. Despite the operational challenges during the quarter, the Company met all contract delivery commitments and delivered on its revenue and cash generation targets in full.

As at 31 March 2017, a total of 38 full time employees are now directly employed on the project (excluding drilling and geophysical contractor personnel).

#### *Interim Operating Strategy*

The implementation of the interim operating strategy means that the planned Stage 2 expansion at the Lance Projects, including the construction of seven additional header houses, remains on hold until a sustainable improvement in the uranium market occurs and additional term contracts are secured.

The Company will however continue with the roll out of additional header houses, as construction of header houses 8 thru 10 will allow flowrates across all production wells to be optimised and balancing of average uranium head-grades across header houses. Lower operating costs combined with existing high value term contracts should see Peninsula move to sustainable cash generation in the first half of the 2017 calendar year, a significant achievement in the current market.

#### *Sales and Marketing*

The Company delivered 100,000lbs U<sub>3</sub>O<sub>8</sub> in January 2017 (sourced from the Lance Projects) and a further 150,000lbs U<sub>3</sub>O<sub>8</sub> (purchased on market) was delivered in March 2017. Revenue from these deliveries was US\$13.5 million, resulting in an average realised cash price of US\$54/lb U<sub>3</sub>O<sub>8</sub> during the quarter which is more than twice the average spot price for the quarter (UxC average Spot price for the quarter was US\$23.96/lb U<sub>3</sub>O<sub>8</sub>). Up to 150,000lbs U<sub>3</sub>O<sub>8</sub> remains to be delivered in the 2017 calendar year, with the next delivery currently scheduled for August 2017.

Peninsula currently has up to 7,700,000lbs of U<sub>3</sub>O<sub>8</sub> remaining under contract for delivery to major utilities located in the United States and Europe. Projected revenue remaining under these existing long term contracts is up to US\$420 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 contracting during future periods.

The weighted average delivery price under the existing term contracts over the next 10 years is US\$55/lb U<sub>3</sub>O<sub>8</sub>.





Figure 2: CPP and Admin Building, Lance Projects, Wyoming USA

## **SOUTH AFRICA – KAROO PROJECTS**

(Peninsula Energy 74% / BEE Groups 26%)

Peninsula continued to implement the restructuring strategy embarked on during Q2 2016 aimed at reducing the Company's existing tenement landholdings and applying for mining and prospecting rights over areas considered to hold the most significant development potential. Subject to completion of the various regulatory processes, Peninsula's total tenement holding will amount to 3,818 km<sup>2</sup>, of which Peninsula has freehold ownership over 322 km<sup>2</sup> (Figure 3). Black Economic Empowerment (BEE) partners hold a residual 26% interest in these tenements, as required by South African law.

During the quarter, Peninsula continued to conduct the major activities in support of a Pre-Feasibility Study (PFS) for the Quaggasfontein, Ryst Kuil and Kareepoort mining right application areas at the Karoo Projects. The PFS follows a preliminary technical and economic assessment concluded by DRA in late 2013 and subsequent metallurgical test work conducted. The mine designs, production schedules and capital cost estimates are nearing completion.

During the quarter, a draft Environmental Impact Assessment (EIA) and Environmental Management Plan report was completed for the Eastern Cape (Kareepoort) mining right application and made available for public review. The final version of these documents need to be submitted to the Department of Mineral Resources (DMR) by the end of May 2017.

Draft EIA/EMP reports will also be completed and made available for public review during Q2 2017 for the Western Cape (Ryst Kuil and Quaggasfontein) applications. A decision regarding the Environmental Authorisation applications for the five prospecting right applications submitted in the Western Cape is also expected during Q2 2017.

As reported previously, closure applications were submitted to the DMR for all other prospecting rights deemed less prospective or which have expired. Final closure certificates will be issued by the DMR once the closure applications have



been evaluated, the timing of which is uncertain as it is not subject to a regulatory timeframe. See Figure 4 and the tables below.

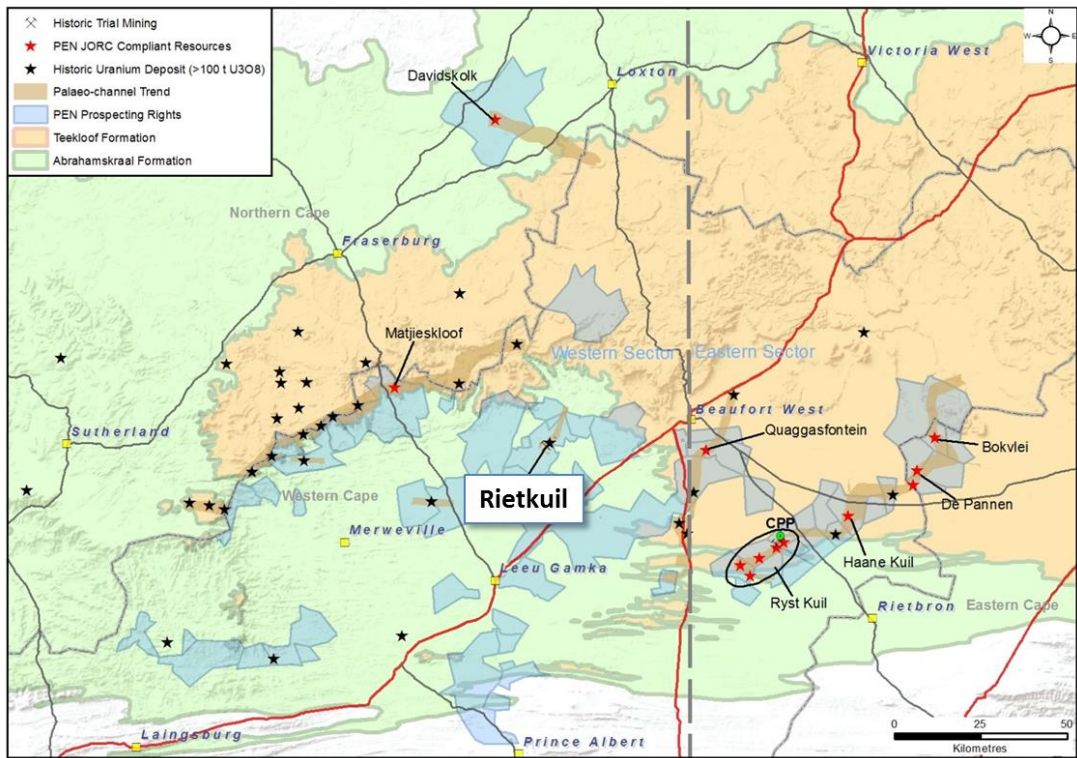


Figure 3: South Africa – Karoo Uranium Project Area Original Locations

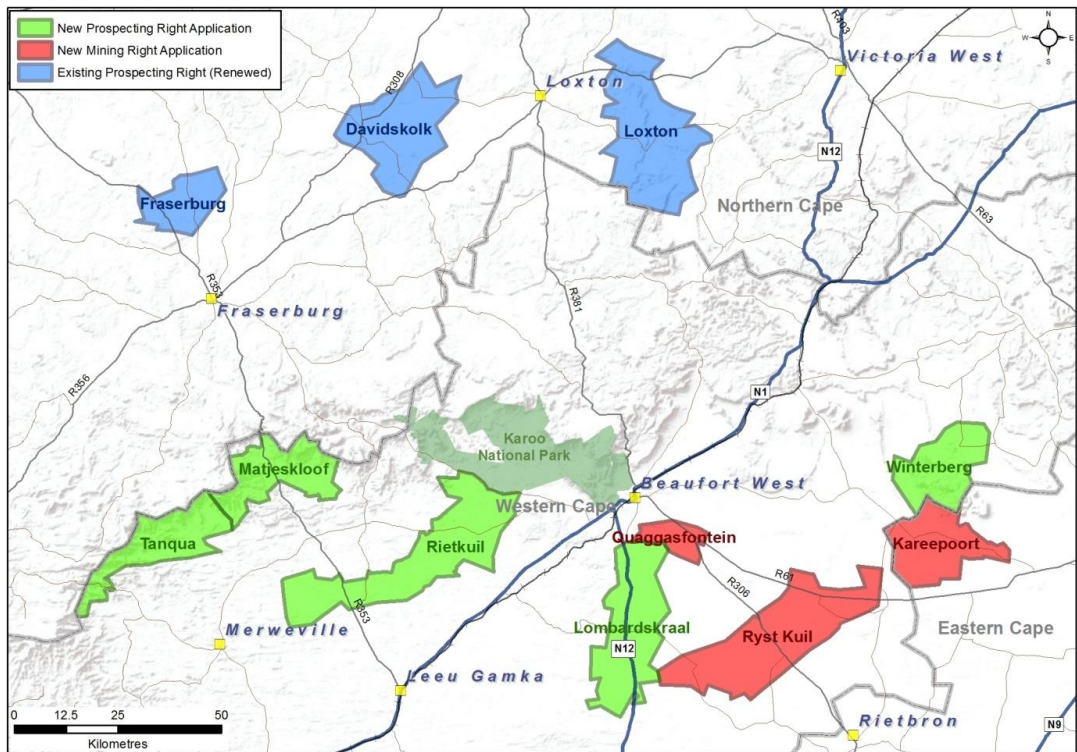


Figure 4: South Africa – New Prospecting and Mining Right Applications



## CORPORATE

### Share Purchase Plan

On 6 February 2017 the Company announced a fully underwritten Share Purchase Plan (SPP) to raise A\$6.5 million. Under the SPP, Eligible Shareholders were invited to subscribe for up to \$15,000 worth of Shares at \$0.50 per Share, being the same price as the December 2016 institutional placement.

The SPP closed on 3 March 2017 with the Company receiving more than 1,340 applications from eligible shareholders for a total of A\$15.02 million. In light of this overwhelming demand, the Board of Peninsula increased the SPP limit to A\$14.2 million, being its existing share issue capacity under Listing Rule 7.1 with applications scaled back on a pro-rata basis. Eligible shareholders received approximately 94.56% of their application amount.

In line with the Company's debt reduction drive additional proceeds from the SPP were used to repay all debt drawn on the Investec revolving loan facility and for working capital purposes, thereby strengthening the Company's balance sheet. The drawn amount of US\$3.5 million was repaid during the first week of April 2017.

### NYSE MKT Listing

No activities were undertaken during the quarter for the NYSE MKT listing, while Stage 2 expansion and associated funding remain on hold. Following the successful completion of the SPP, the Company re-commenced discussions with the NYSE during the quarter, although at the time of this report no formal decision has been made to re-commence the listing application process.

### Shareholder Approval of Convertible Note Extension

On 20 April 2017, at an extraordinary general meeting, shareholders passed resolutions to extend the term of the convertible notes with RCF VI and Pala (Convertible Note Facility) by 12 months to April 2018 and to fix the conversion price at A\$0.625 per share.

### Cash Position

The Company's cash position at the end of the quarter, including commercial bills, bonds and security deposits was US\$17.2 million. Receivables from the sale of uranium were US\$7.2 million at 31 March 2017 and are not included in the cash balance on this date. The full amount of this receivable was paid to the Company during the first week of April, further strengthening the cash position of the Company.

Drawn debt at 31 March 2017 was US\$27.8 million, of which US\$20 million is through the recently extended Convertible Note Facility. US\$8.3 million is available in undrawn facility limits (subject to the Company maintaining minimum liquidity levels in the form of cash or undrawn debt). In early April 2017, the Company repaid in the full the US\$3.5 million drawn on the Investec revolving credit facility.

### Webcast

The Company will be holding an investor update webcast including a presentation to cover the March quarter at **11am AEST (9am AWST) on Wednesday 3 May 2017**.

To listen live, please click on the link below and register your details.

<http://webcasting.boardroom.media/broadcast/59000776ea95116b1e97eee2>



**For further information please contact:**

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**Managing Director/Chief Executive Officer**  
**Telephone: +61 9380 9920**

**Competent Persons Statement**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves at the Lance Projects 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 have 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'.

The information in this report that relates to Exploration Results and Exploration Potential at Peninsula's Karoo projects is based on information compiled by Mr George van der Walt. Mr van der Walt is a member of a Recognised Overseas Professional Organisation included in a list promulgated by the ASX (The South African Council of Natural Scientific Professions, Geological Society of South Africa). Mr van der Walt is a Director of Geoconsult International. Mr van der Walt 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 Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Guilinger and Mr van der Walt consent to the inclusion in the report of the matters based on their information in the form and context in which it appears

Disequilibrium Explanatory Statement: eU<sub>3</sub>O<sub>8</sub> refers to the equivalent U<sub>3</sub>O<sub>8</sub> grade. This is estimated from gross-gamma down hole measurements corrected for water and drilling mud in each hole. Geochemical analysis may show higher or lower amounts of actual U<sub>3</sub>O<sub>8</sub>, the difference being referred to as disequilibrium. Disequilibrium factors were calculated using the Peninsula PFN database and categorised by area and lithological horizon. Specific disequilibrium factors have been applied to the relevant parts of the resource based on comparative studies between PFN and gamma data. There is an average positive 11% factor applied. All eU<sub>3</sub>O<sub>8</sub> results above are affected by issues pertaining to possible disequilibrium and uranium mobility.

**1 Detailed Classified JORC-Compliant Resource Estimate, Lance Projects: U3O8**

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

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

**2 Detailed Classified JORC-Compliant Resource Estimate, Karoo Projects: eU3O8**

Classification	Sector	eU <sub>3</sub> O <sub>8</sub> (ppm) CUT-OFF	Tonnes (millions)	eU <sub>3</sub> O <sub>8</sub> Grade(ppm)	eU <sub>3</sub> O <sub>8</sub> (million lbs)
Indicated	Eastern	600	7.1	1,206	18.7
	Western	600	0.9	1,657	3.2
Inferred	Eastern	600	11.8	1,046	27.2
	Western	600	3.5	1,019	7.8
<b>Total</b>	<b>Total</b>	<b>600</b>	<b>23.3</b>	<b>1,108</b>	<b>56.9</b>



Schedule of Interests in Mining Tenements at 31 March 2017

**Karoo Projects, South Africa**

**Mining Right Applications**

Tenement	Project Area	Company	PEL % Held	Extent (ha)	Date of Submission
MR (EC) 10029	Kareepoort	Lukisa JV Company	74%	34,448	18/05/2015
MR (WC) 10085	Ryst Kuil	Lukisa JV Company	74%	68,926	20/06/2016
MR (WC) 10086	Quaggasfontein	Tasman Pacific Minerals	74%	9,917	20/06/2016
<b>Total Extent</b>				<b>113,291</b>	

**Prospecting Right Applications**

Tenement	Project Area	Company	PEL % Held	Extent (ha)	Date of Submission
PR (WC) 10247	Matjeskloof	Tasman-Mmakau JV Company	74%	33,694	21/06/2016
PR (WC) 10248	Lombardskraal	Beaufort West Minerals	74%	52,568	21/06/2016
PR (WC) 10249	Winterberg	Beaufort West Minerals	74%	29,775	21/06/2016
PR (WC) 10250	Rietkuil	Beaufort West Minerals	74%	69,696	04/07/2016
PR (WC) 10251	Tanqua	Beaufort West Minerals	74%	34,718	04/07/2016
<b>Total Extent</b>				<b>220,451</b>	

**Current Prospecting Rights**

Tenement	Project Area	Company	PEL % Held	Extent (ha)	Expiry
PR (NC) 330	Davidskolk	Tasman Pacific Minerals	74%	48,074	19/04/2019
<b>Total Extent</b>				<b>48,074</b>	

**Prospecting Right Closures Submitted**

Tenement	Project Area	Company	PEL % Held	Extent (ha)	Status
PR (WC) 154	Prince Albert	Lukisa JV Company	74%	40,966	Awaiting closure certificate
PR (WC) 178	Various	Lukisa JV Company	74%	69,687	Awaiting closure certificate
PR (WC) 180	Hans Rivier	Lukisa JV Company	74%	7,262	Awaiting closure certificate
PR (WC) 187	Prince Albert	Lukisa JV Company	74%	2,426	Awaiting closure certificate
PR (WC) 207	Laingsburg	Lukisa JV Company	74%	40,075	Awaiting closure certificate
PR (WC) 228	Laingsburg	Lukisa JV Company	74%	6,933	Awaiting closure certificate
PR (WC) 257	Vaalkuil	Lukisa JV Company	74%	3,752	Awaiting closure certificate
PR (NC) 331	Fraserburg	Tasman Pacific Minerals	74%	20,496	Awaiting closure certificate
PR (NC) 347	Loxton	Tasman Pacific Minerals	74%	63,387	Awaiting closure certificate
<b>Total Extent</b>				<b>254,983</b>	



**Lance Projects, Wyoming, USA**

Location/Project Name	Tenement	Percentage held
<p><b><u>Wyoming, USA (Lance Projects)</u></b></p> <p>Lance Projects are located within the area contained within Township and Range A Township and Range System in Crook County, Wyoming USA. USA, including various surface and mineral right holdings, hence tenement references are not applicable.</p> <p>Private Land (FEE) – Surface Access Agreements (approx. 25,784 acres)</p> <p>Private Land (FEE) – Mineral Rights (approx. 10,042 acres)</p> <p>Federal Mining Claims – Mineral Rights (approx. 13,422 acres)</p> <p>Federal Mining Claims – Surface Access – Grazing Lease (approx. 40 acres)</p> <p>State Leases – Mineral Rights (approx. 10,604 acres)</p> <p>State Leases – Surface Access (approx. 1,229 acres)</p> <p>Strata Owned – Surface Access (approx. 320 acres)</p>	N/A	100%

**RakiRaki Joint Venture, Fiji**

Location/Project Name	Tenement	Percentage held
<p><b><u>VitiLevu, Fiji (RakiRaki Project)</u></b></p> <p>Raki Raki (Geopacific JV)</p> <p>Raki Raki (Geopacific JV)</p> <p>Raki Raki (Geopacific JV)</p>	<p>SPL 1231</p> <p>SPL 1373</p> <p>SPL 1436</p>	<p>50%</p> <p>50%</p> <p>50%</p>

