PENINSULA ENERGY LIMITED

# Annual Report 2017

Creating clean energy, *from nuclear power*

Peninsula Energy Limited (PEN), is an ASX listed uranium mining company conducting in-situ recovery uranium operations at its flagship Lance Projects in Wyoming, USA. Peninsula also holds a uranium development project in the Karoo Basin, South Africa.

Operation Wells in Mine Unit 1

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Operation Wells in Mine Unit 2, Lance Projects, Wyoming USA

# Chairman's Report

Dear Shareholder

I am pleased to present Peninsula Energy Limited's ("Peninsula" or "the Company") Annual Report and Financial Statements for the year ended 30 June 2017.

The 2017 financial year saw the first full year of operations from the Lance Projects with approximately 145,000 pounds of uranium produced. Production levels are currently aligned with Lance sourced delivery commitments under existing term contracts. Pleasingly the plant and well fields continue to operate smoothly and safely.

Revenue for the year was approximately US$18 million from the sale of 350,000 pounds of uranium at an average price of US$52 per pound, including sales of 100,000 pounds of uranium mined from the Lance Projects. The Company sold a further 250,000 pounds of uranium which was purchased on market, taking advantage of the current low spot price. During the year the Company entered into a contract to acquire a further 900,000 pounds of uranium at an average purchase cost of US$25 per pound to meet non-Lance sourced delivery commitments under term contracts. These purchases have provided attractive margins and revenue streams that have helped insulate the Company from the challenging uranium market at present.

Peninsula has existing long term contracts of up to 7.7 million pounds $U_3O_8$ with US and European utilities with a weighted average delivery price out to 2030 of US$54 per pound $U_3O_8$. These contracts provide the Company with an attractive and sizeable level of projected committed revenue while still maintaining quantities of estimated future production to be contracted at a later date, thus maintaining exposure to what is expected to be an improving pricing environment in the longer term.

At the operational level, the Company experienced lower than expected grade performance and while production improvement initiatives have yielded some positive results, further improvement in head grade is required to meet targeted levels. Construction activity continues with Header House 9 recently coming online and Header House 10 expected to come online in the middle of the 2018 calendar year. In parallel, research activities continue into increasing the Company's understanding of the nature of the Lance deposit and improving performance further.

It is important to note that at current production levels, through existing high value contracts coupled with lower operating costs, the Company has recorded positive operating cash flows in the past two quarters.

At the Karoo Projects, internal pre-feasibility work has been completed and the results are currently being assessed to determine the future strategy in South Africa. The proposed changes to the Mining Charter also have implications for Peninsula and the Company is monitoring the current legal developments. The Company continues to rationalise its existing tenement holding in South Africa into key priority areas and areas containing the existing JORC compliant resource.

From a funding perspective, proceeds from the successful Share Purchase Plan in March 2017 allowed the Company to repay all debt drawn on the Investec loan facility and strengthen the Company's balance sheet. We continue to be supported by our major shareholders Resource Capital Funds and Pala Investments, who together have provided a total of US$20 million in financing through the existing convertible notes.

At the Board level, the Company appointed Wayne Heili as Managing Director in April 2017. Wayne has brought significant uranium industry expertise to the Company and is leading the endeavours to improve operational performance at Lance. David Coyne also joined the Board as Finance Director and together with Wayne form the nucleus of a strong executive team tasked with driving the business and creating value for our shareholders in a difficult market.

Looking forward, the 2018 financial year will present challenges with a uranium market that is largely forecast to remain at current levels or marginally improve in the short term. Despite this, Peninsula's healthy contract portfolio secured at prices well above the current and forecast term contract prices, enables it to remain commercially viable and position itself strongly once the uranium market improves. The Board also continues to look at value accretive acquisition opportunities as they present.

Lastly, on behalf of the Board of Directors, I would like to extend my thanks again to our staff across the Peninsula group for their efforts over the past twelve months and also to our shareholders for their continued support.

John Harrison
Non-Executive Chairman
29 September 2017


Wells in Header House 9 (Mine Unit 2), Lance Projects, Wyoming USA

# Corporate Governance Statement

Unless disclosed below, all of the best practice recommendations of the 3rd edition of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2017.

## Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the Directors' Report.

The names of the Directors of the Company, or who have served as a Director during the year, are:

- John Harrison — Non-Executive Chairman (Independent)
- Wayne Heili — Managing Director / CEO (appointed 3 April 2017)
- Evgenij Iorich — Non-Executive Director
- Harrison Barker — Non-Executive Director (Independent)
- Mark Wheatley — Non-Executive Director (Independent)
- David Coyne — Finance Director / CFO (appointed 27 March 2017)
- John Simpson — Managing Director / CEO (resigned 31 March 2017)
- Warwick Grigor — Non-Executive Director (resigned 27 March 2017)
- Richard Lockwood — Non-Executive Director (resigned 27 March 2017)

When determining whether a Non-Executive Director is independent, the Director must not fail any of the following materiality thresholds:

- Less than 10% of Company shares are held by the Director and any entity or individual directly or indirectly associated with the Director;
- No sales are made to or purchases made from any entity directly or indirectly associated with the Director; and
- None of the Directors' income or the income of an individual or entity directly or indirectly associated with the Director is derived from a contract with any member of the economic entity other than income derived as a Director of the entity.

Non-Executive Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the Company.

The Board has formally adopted a Nomination Committee Charter but given the present size of the Company, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Nomination Committee Charter. When the Company is of sufficient size, a separate Nomination Committee will be formed. The Company regularly assesses the skills and competencies required on the Board.

## Ethical Standards

The Board acknowledges and emphasises the importance of all Directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring Directors and employees to:

- Act honestly and in good faith;
- Exercise due care and diligence in fulfilling the functions of office;
- Avoid conflicts and make full disclosure of any possible conflict of interest;
- Comply with the law; and
- Encourage the reporting and investigating of unlawful and unethical behaviour.

Directors are obliged to be independent in judgement and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

## Diversity

The Board has adopted a Diversity Policy as per the recommendations. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy outlines the processes by which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company.

The Company is committed to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees and is utilised to enhance the Company's performance.

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives. The Company has operations on four continents and is focused on providing a range of business and employment opportunities for all members of the communities in which it operates in.

## Gender Diversity

Given the current challenges facing the uranium mining industry, and the relatively small size of the Company at this point in time, the Board has not determined measurable objectives for increasing gender diversity. All personnel are employed and/or promoted on their merits.

### Women Employees, Executives and Board Members

The Company and its consolidated entities have six female employees/executives:

- one senior accountant;
- a personal assistant;
- an accounts payable officer;
- a laboratory supervisor;
- a land administrator; and
- a field technician,

whom represent approximately 13% of the total employees, executives and/or board members of the Company and its consolidated entities. There are currently no female members on the Board of the Company.

## Trading Policy

The Board has formally adopted a Share Trading Policy in line with Corporate Governance guidelines which restricts Directors and employees/consultants from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

## Audit and Risk Management Committee

The Audit and Risk Management Committee consists of three Non-Executive Directors and has an independent Chairman, consistent with the ASX Corporate Governance Council recommendations, and appropriate for the size of the Company and the financial expertise of the Committee members. The Company Secretary is also present at all Audit and Risk Management Committee meetings. The Audit and Risk Management Committee operates under a formal charter.

The names and qualifications of those appointed to the Audit and Risk Management Committee and their attendance at meetings of the Committee are included in the Directors' Report.

## Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of Directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Peninsula Energy Limited, to lodge questions to be responded to by the Board and/or the CEO, and are able to appoint proxies.

## Risk Management

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. The Finance Director/Chief Financial Officer has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed as required. The volatile economic environment has emphasised the importance of managing and reassessing the Company's key business, social and environmental risks.


Mine Unit 1 Header Houses and Wells , Lance Projects, Wyoming USA

## Remuneration Policies

The Remuneration Committee is responsible for determining and reviewing the appropriate compensation arrangements and policies for the Key Management Personnel, in accordance with the policies and procedures outlined in the Remuneration Committee Charter. The Remuneration Committee reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies.

The Company's Remuneration Policy is to ensure remuneration packages properly reflect each person's duties and responsibilities and support the Company's business objectives. The Policy is designed to attract the highest calibre directors, executives and senior staff, and reward them for performance which results in long-term growth in shareholder value.

Executives and selected senior staff are also entitled to participate in the employee share, restricted share units and option arrangements.

The amount of remuneration for all Key Management Personnel of the consolidated group, including all monetary and non-monetary components, is detailed in the Remuneration Report within the Directors Report. Shares given to Key Management Personnel are valued at the market price of those shares. Options are valued independently using a Black-Scholes model.

The Board believes that the remuneration structure implemented as of 1 July 2015 results in the Company being able to attract and retain the best directors, executives and senior staff to run the consolidated group. It will also provide executives with the necessary incentives to work and grow long-term shareholder value.

The payment of cash bonuses, share options and other incentive payments are reviewed by the Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All cash bonuses, share options and other incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, cash bonuses and share options and can recommend changes to the Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

## Remuneration Committee

The Remuneration Committee consists of three Non-Executive Directors and has an independent Chairman, consistent with the ASX Corporate Governance Council recommendations.

The names of the members of the Remuneration Committee and their attendance at meetings of the committee are detailed in the Directors' Report.

There are no schemes for retirement benefits for Directors other than the statutory superannuation for Non-Executive Directors.

## Other Information

Further information relating to the Company's corporate governance practices and policies has been made available publicly on the Company's web site at www.pel.net.au.

Manifold inside Header House 9, Lance Projects, Wyoming USA

# Directors' Report

Your Directors present their report, together with the financial statements of the consolidated group (or Peninsula), being the Company and its controlled entities, for the financial year ended 30 June 2017.

## Directors

The names of Directors in office at any time during or since the end of the year are:

- John Harrison
- Wayne Heili (appointed 3 April 2017)
- Evgenij Iorich
- Harrison Barker
- Mark Wheatley
- David Coyne (appointed 27 March 2017)
- John Simpson (resigned 31 March 2017)
- Richard Lockwood (resigned 27 March 2017)
- Warwick Grigor (resigned 27 March 2017)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## Principal Activities

The principal activities of the consolidated group during the financial year consisted of uranium development and mining. There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

## Operating Results and Review of Operations for the Year

The year ended 30 June 2017 represented the first full year of operations at the Lance Projects and also the first full year of uranium concentrate deliveries under the Company's long term uranium concentrate sale and purchase agreements. Revenue for the year was US$18.27 million from the sale of 350,000 pounds of uranium concentrate. These sales were comprised of uranium concentrate mined from the Lance Projects (100,000 pounds), complemented by uranium concentrate purchased by the Company (250,000 pounds).

During the year, the Company entered into a uranium concentrate purchase agreement to acquire 900,000 pounds of uranium concentrate over 3 years at an average purchase cost of US$25 per pound. Purchased uranium is being delivered into one of the existing long term contracts held by the Company. As a result of this transaction, the Company has recognised a net derivative finance asset of US$9.38 million which is the fair value of future revenue and costs under the respective sale and purchase agreements.

The consolidated loss of the consolidated group after providing for income tax for the year ended 30 June 2017 amounted to US$75.15 million (2016: loss of US$3.53 million). The majority of the consolidated loss consists of a US$74.79 million non-cash impairment charge, as foreshadowed in the 31 August 2017 ASX news release.

## Review of Operations 2017

Peninsula Energy Limited (PEN) is an ASX listed uranium mining company which commenced in-situ recovery (ISR) uranium operations in December 2015 at its Lance Projects in Wyoming, USA (Lance Projects).

In parallel, Peninsula continued to conduct activities in support of an internal Pre-Feasibility Study at its Karoo Uranium Projects in South Africa (Karoo Projects).

An overview of operations during the year is as follows:

### Wyoming, USA – Lance Uranium Projects

(Peninsula Energy 100%)

#### Background

The Lance Projects are located on the north-east flank of the Powder River Basin in Wyoming. The original NuBeth Joint Venture between Nuclear Dynamics Inc, Bethlehem Steel Corporation and later Pacific Power and Hydro (NuBeth JV), discovered 13 substantial zones of uranium mineralisation associated with an extensive system of roll fronts confirmed by drilling between 1970 and 1979. As part of this exploration program, the NuBeth JV drilled more than 5,000 exploration and development holes, totalling in excess of 912,000 metres. A proprietary database of the historic drilling and pilot plant data was acquired by Peninsula in 2007, defining a then relatively unknown uranium district of which Peninsula is now the dominant mineral rights holder.

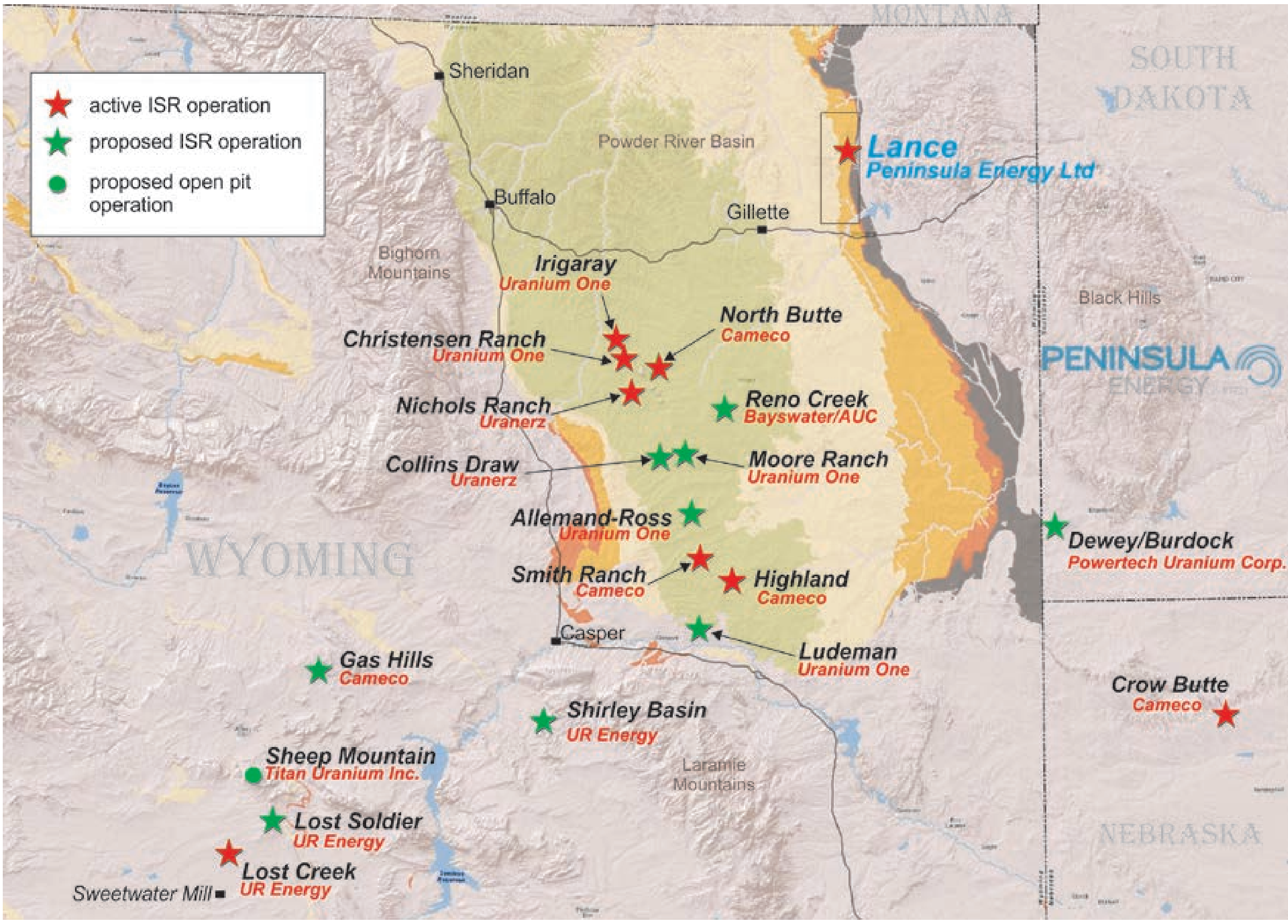



Figure 1: Lance Projects Location, Wyoming, USA

The Lance Projects have 305 line kilometres of identified roll fronts and an exploration target of 158-217mlbs $U_3O_8$ (169-196mt@426-530ppm $U_3O_8$) inclusive of JORC 2012 Code-compliant resource. These roll fronts stretch over 50 kilometres north-south and are open to the north, south and west. The Company has explored only part of this area since 2007 and has already successfully delineated over 53.7mlbs $U_3O_8$ JORC 2012 Code-compliant resource[1].

[1] JORC Table 1 included in an announcement to the ASX presentation released on 27 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.

## Lance Projects Operational Performance

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.

Operational performance for the 2017 financial year is shown in Table 1.

### Table 1: Lance Projects Operating Performance Summary

| | Lance Projects Operating Performance & Uranium Sales | | | | | |
|---|---|---|---|---|---|---|
| | Units | Sept 2016 | Dec 2016 | March 2017 | June 2017 | Total |
| $U_3O_8$ Captured | lbs | 53,635 | 35,000 | 25,293 | 30,574 | 144,502 |
| $U_3O_8$ Dried and Drummed | lbs | 38,417 | 40,291 | 5,296 | 44,059 | 128,063 |
| $U_3O_8$ Sold | lbs | - | 100,000 | 250,000 | - | 350,000 |
| Cash Sale Price | US$/lb | N/A | 47.39 | 54.07 | N/A | 52.16 |
| Production Expenditure [1] | US'm | 2.8 | 3.5 | 4.1 | 3.1 | 13.5 |

[1] Expenditure on production activities is determined in accordance with Item 1.2(c) of Appendix 5B released on the ASX each quarter and excludes development and capital expenditure costs.


CPP and Admin Building, Lance Projects, Wyoming USA

Due to the 2016 uranium price pull back, the Company reviewed its operating plan and implemented an interim operating strategy in the second half of 2016. Current production is focused on meeting its Lance Projects sourced delivery commitments under existing term contracts. The Company continues to take advantage of the current low spot price when it can purchase uranium to meet additional commitments under term contracts.

Production for the 2017 financial year was approximately 145,000 pounds $U_3O_8$. For the first three quarters production was sourced primarily from header houses 1, 2 and 3 only. Lower than forecast grade performance together with inclement weather, which hampered ongoing wellfield maintenance, resulted in a decrease in production during the March 2017 quarter.

Production for the quarter ended 30 June 2017 was 30,574 pounds $U_3O_8$ which was a 21% improvement over the March 2017 quarter. The improvement in production was a function of increased uranium production from header houses 5 and 6 as they ramped-up during the June 2017 quarter, initial commissioning of header house 7 and moderation of natural head grade decreases in mature header houses 1 through 3 following implementation of production improvement initiatives. The production improvement initiatives consist of a number of actions including returning the lixiviant chemical concentrations to the levels approximating the June to August 2016 time period, commencement of wellfield pattern reversals and installation of additional filtration equipment. Progress was made on all of these items during the June 2017 quarter and further improvement in head grade is required to increase production rates up to targeted levels

Header house 7 was turned to the Central Processing Plant (CPP) during May 2017 and has produced steady quantities of uranium through the back half of the June 2017 quarter. Construction on header house 8 was completed during the June 2017 quarter and the house was turned to the CPP on 13 July 2017. Drilling activity has been completed for the wells that will serve header house 9 and construction of the header house was completed post financial year end. Header house 9 commenced re-circulation mode in August 2017.

Drying runs were carried out during the year by the toll milling service provider with approximately 128,000 pounds $U_3O_8$ dried and drummed during the financial year. A new drying run was completed during July 2017 with over 30,000 pounds $U_3O_8$ dried and drummed during this drying run.

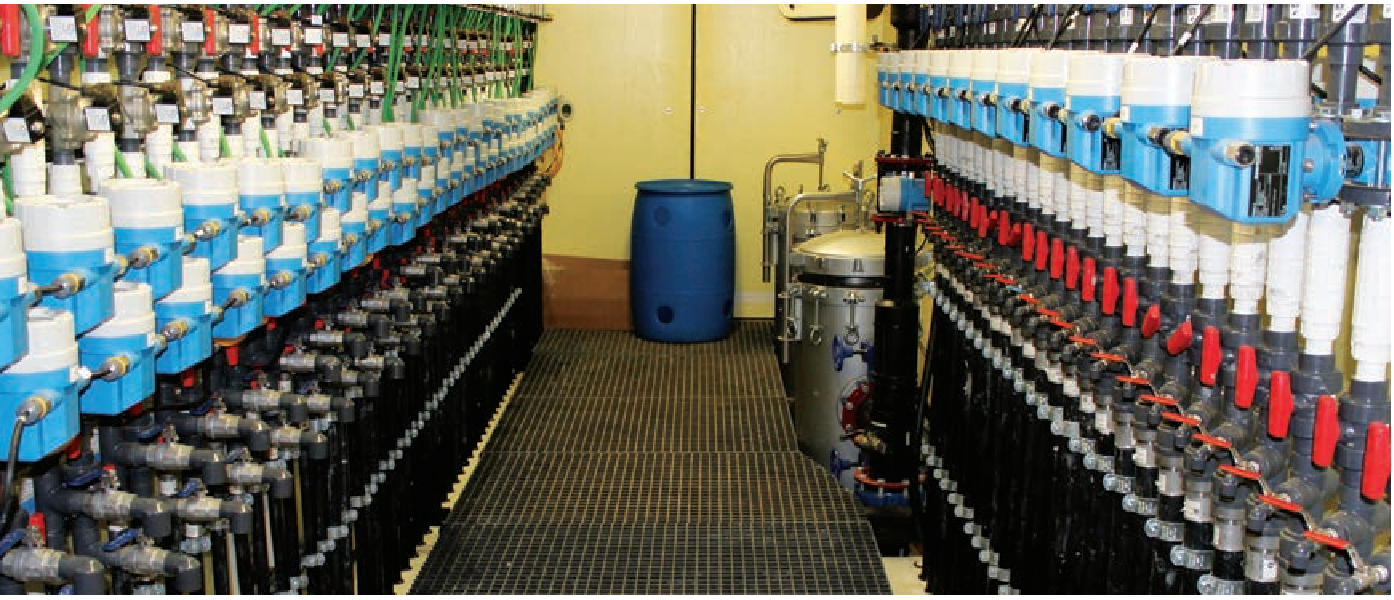
As at 30 June 2017, a total of 38 full time employees are directly employed on the project (excluding drilling and geophysical contractor personnel).

### Operating Strategy

Planned Stage 2 expansion at the Lance Projects, including installation of elution and precipitation circuits, a dryer and all additional header houses, remains on hold until Lance operating performance improves and there is a sustainable improvement in the uranium market allowing additional term contracts to be secured at commercially accepted prices.

The Company is continuing with drilling wells for header house 10 which will add more flexibility in allowing optimization of average uranium solution grades across the header houses. Lower operating costs combined with existing high value term contracts have seen Peninsula deliver positive free cash flow during the June 2017 quarter (operating cash flow less investing cashflow), a significant achievement in the current market.

Wellfield and Header Houses, Mine Unit 1, Lance Projects Wyoming USA



Header House 9 Interior, Lance Projects, Wyoming USA

Drill Rig, Header House 10, Lance Projects, Wyoming USA

## Uranium Sales and Marketing

Peninsula sold 350,000 pounds of $U_3O_8$ pursuant to long-term contracts during the 2017 financial year at an average realised cash price of US$52 per pound $U_3O_8$.

100,000 pounds of $U_3O_8$ sales were made by the Company in December 2016 (purchased on market) at a realised cash price of US$47 per pound $U_3O_8$.

100,000 pounds of $U_3O_8$ sales were made by the Company in January 2017 (sourced from the Lance Projects) at an average realised cash price of US$55 per pound $U_3O_8$.

150,000 pounds of $U_3O_8$ sales were made by the Company in March 2017 (purchased on market) at an average realised cash price of US$54 per pound $U_3O_8$.

Gross revenue from these deliveries was US$18.3 million, resulting in an average realised cash price of US$52 per pound $U_3O_8$ during the 2017 financial year which is more than twice the average spot price for the financial year.

In August 2017 the Company delivered a further 132,934 pounds of $U_3O_8$ (92,934 pounds sourced from the Lance Projects) at an average realised cash price of US$50 per pound $U_3O_8$.

In the current low uranium spot price environment, the Company has contracted to purchase 900,000 pounds $U_3O_8$ over the next 3 years commencing from January 2018 at an average cost of US$25/lb to meet non-Lance sourced delivery commitments under term contracts.

Peninsula currently has up to 7.7 million pounds of $U_3O_8$ remaining under contract for delivery to major utilities located in the United States and Europe through to 2030 at a weighted average delivery price of US$54 per pound $U_3O_8$. 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 $U_3O_8$ production for contracting during future periods.

## Regulatory Activities

In June 2016 the Commissioners of the Nuclear Regulatory Commission (NRC) ruled in favour of the Company and denied a petition to appeal by the Natural Resources Defence Council and the Powder River Basin Resource Council (together, the Joint Intervenors). The Joint Intervenors petitioned to appeal against the Atomic Safety and Licensing Board's (ASLB) previous dismissal of all remaining environmental contentions (EC) brought against the Lance Projects.

In denying the petition to appeal the previous dismissal, the NRC Commissioners have reiterated that the Joint Intervenors are unable to substantiate the claims upon which the contentions are based. The Joint Intervenors retain the right to further appeal the findings through the United States Federal Court.

On 19 July 2016, the Intervenors submitted a Petition for Review of Final order of the US NRC in the Court of Appeals for the District of Columbia Circuit. Submissions are being made and arguments heard during the course of 2017 with the Court expected to make a ruling by the first half of 2018.

# South Africa - Karoo Uranium Exploration Projects

(Peninsula Energy 74%, BEE Group 26%)

## Background

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 3,669 km2, of which Peninsula has freehold ownership over 322 km$^2$ (Figure 2). Black Economic Empowerment (BEE) partners hold a residual 26% interest in these tenements, as required by South African law.

## Pre-Feasibility Study Work

Peninsula continued to conduct the major activities in support of an internal Pre-Feasibility Study (PFS) for the Quaggasfontein, Ryst Kuil and Kareepoort mining right application areas at the Karoo Uranium Project to progress the project to meet regulatory milestones and to retain tenure. The internal PFS work follows a preliminary technical and economic assessment concluded by DRA in late 2013 and subsequent metallurgical test work. Key activities completed during the year included drafting of mine designs, production schedules, further metallurgical test work, operating cost and capital cost estimates. A detailed analysis of this new technical and economic data is underway, and the Company has commenced determination of a future strategy.

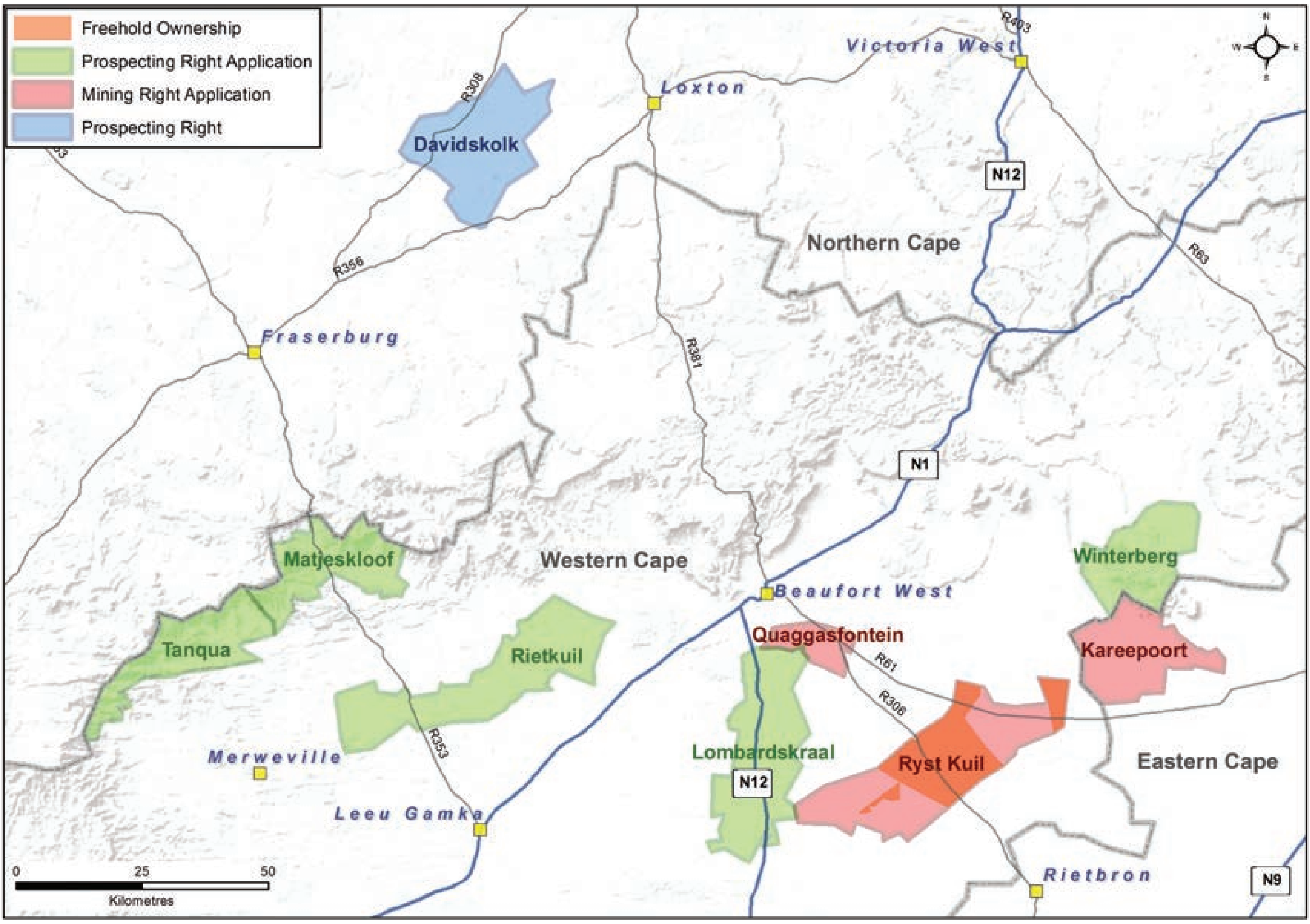



Figure 2: Karoo Uranium Project New Prospecting and Mining Right Locations, South Africa

During 2017, 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. Extension for the submission of final EIA's and Environmental Management Plans (EMP) was granted by the Department of Mineral Resources (DMR) as follows:

| Application area | Province | Due Date |
|---|---|---|
| Quaggasfontein | Western Cape | 17 November 2017 |
| Ryst Kuil | Western Cape | 28 September 2017 |
| Kareepoort | Eastern Cape | 31 August 2017 |

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.

### Mining Charter

On June 15th, 2017 the DMR gazetted a revised Mining Charter in line with the Mineral and Petroleum Resources Development Act, 2002. This revised Mining Charter sets new black economic ownership requirements as follows:

- exploration rights (50% plus one vote, up from 26%);
- mining rights (30%, up from 26%).

The Mining Charter contains various revisions of broad based black economic targets relating to areas of procurement, employment equity, beneficiation, human resource development, mine community development, housing and living conditions and sustainable development.

The South African Chamber of Mines have initiated legal proceedings contesting the validity of the revised Mining Charter and in mid-July the DMR announced that the implementation of the revised Mining Charter has been suspended, pending the results of these legal proceedings. Peninsula will continue to monitor developments in this regard, as the revised Mining Charter in its current form has significant implications for Peninsula, most notably in terms of ownership and potential economic returns on future project development.

## Mineral Resource Governance

Peninsula Energy Limited ensures that the Mineral Resource estimates for its Lance and Karoo Projects are subject to appropriate levels of governance and internal controls. The Mineral Resource estimation procedures are well established and are subject to annual review internally and externally undertaken by suitably competent and qualified professionals. This review process has not identified any material issues or risks associated with the existing Mineral Resource estimates. The Company periodically reviews the governance framework in line with the development of the business.

Peninsula reports its Mineral Resources in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) 2012 edition'.

Competent Persons named by the Company are Members or Fellows of the Australian Institute of Mining and Metallurgy and/or Members of Recognised Overseas Professional Organisations included in the list promulgated by ASX and qualify as Competent Persons as defined in the JORC Code.

The tables below set out the Company's Mineral Resources for 2016 and 2017.

### Mineral Resource Statement

| Resource Classification | Tonnes Ore (M) | $U_3O_8$ kg (M) | $U_3O_8$ lbs (M) | Grade (ppm $U_3O_8$) | Location |
|---|---|---|---|---|---|
| Measured | 3.7 | 2.0 | 4.3 | 489 | Wyoming, USA |
| Indicated | 10.0 | 5.1 | 12.7 | 466 | Wyoming, USA |
| Inferred | 37.0 | 17.5 | 36.5 | 463 | Wyoming, USA |
| **Total** | **50.7** | **24.6** | **53.5** | **473** | |

Figure 3: Lance Projects Classified Resource Summary ($U_3O_8$) June 2017

| Resource Classification | Tonnes Ore (M) | $U_3O_8$ kg (M) | $U_3O_8$ lbs (M) | Grade (ppm $U_3O_8$) | Location |
|---|---|---|---|---|---|
| Measured | 4.1 | 2.1 | 4.5 | 495 | Wyoming, USA |
| Indicated | 11.6 | 5.7 | 12.7 | 497 | Wyoming, USA |
| Inferred | 35.5 | 16.6 | 36.5 | 467 | Wyoming, USA |
| **Total** | **51.2** | **24.4** | **53.7** | **476** | |

Figure 4: Lance Projects Classified Resource Summary ($U_3O_8$) June 2016

Production totalling 206,316 pounds $U_3O_8$ has been extracted from areas of measured resources within Mine Units 1 and 2 since December 2015. Revised measured resources now total 4.3 million pounds $U_3O_8$. On an annual basis resources are updated in the Mining Units along with an annual reduction from measured resources of pounds mined for the year. Well installation is nearly completed in Mine Unit 2 and any resource updates will be calculated later in 2017 to reflect the drilling results.

| Classification | $eU_3O_8$ (ppm) CUT-OFF | Tonnes (millions) | $eU_3O_8$ (ppm) | $eU_3O_8$ (million lbs) | Location |
|---|---|---|---|---|---|
| Indicated | 600 | 8.0 | 1,242 | 21.9 | Karoo, South Africa |
| Inferred | 600 | 15.3 | 1,038 | 35.0 | Karoo, South Africa |
| **Total** | **600** | **23.3** | **1,108** | **56.9** | |

Figure 5: Karoo Projects Classified Resource Summary ($eU_3O_8$) June 2017

| Classification | $eU_3O_8$ (ppm) CUT-OFF | Tonnes (millions) | $eU_3O_8$ (ppm) | $eU_3O_8$ (million lbs) | Location |
|---|---|---|---|---|---|
| Indicated | 600 | 8.0 | 1,242 | 21.9 | Karoo, South Africa |
| Inferred | 600 | 15.3 | 1,038 | 35.0 | Karoo, South Africa |
| **Total** | **600** | **23.3** | **1,108** | **56.9** | |

Figure 6: Karoo Projects Classified Resource Summary ($eU_3O_8$) June 2016

There have been no changes in the mineral resources at the Karoo Projects from the previous financial year.

## Competent Person 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 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'.

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 the Australian Institute of Mining and Metallurgy and 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'.


$CO_2$ Storage Tank, Lance Projects, Wyoming USA

## Corporate

### Board Changes

On 3 April 2017 the Company appointed Mr Wayne Heili to replace Mr John (Gus) Simpson as Managing Director and Chief Executive Officer. The appointment of Mr Heili recognised the need 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.

In addition to the change in Managing Director/CEO, Mr Warwick Grigor and Mr Richard Lockwood stepped down from the Board in March 2017 to focus on their other business interests. Mr David Coyne accepted an invitation to join the Board in an executive capacity as Finance Director at that time.

### Oversubscribed 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 A$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.

### Institutional Placement

In December 2016 the Company raised A$8.5 million through a placement of 17 million ordinary shares at an issue price of A$0.50 per share to key institutional and sophisticated investors, including A$5.1 million to existing shareholders Resource Capital Fund VI L.P. (RCF VI) and Pala Investments Limited (Pala) (Placement).

Proceeds from the Placement were used to roll-out additional header houses at the Lance Projects, for general working capital purposes and to repay debt drawn on the Investec revolving loan facility.

### Convertible Loan Facility – Additional Project Funding Secured

In October 2016 RCF VI and Pala demonstrated their continued support of Peninsula by increasing the convertible loan facility from US$15 million to US$20 million. The US$20 million total loan amount is comprised of a US$12.84 million convertible loan provided by RCF VI and a US$7.16 million convertible loan provided by Pala (Convertible Notes).

In addition, RCF VI and Pala agreed to a variation of the Convertible Notes whereby the maturity date is extended by 12 months to 22 April 2018 and the conversion price is set at a fixed price of A$0.625 per share (a premium of 25% over the Placement Price). The new set fixed price is an improvement of 25% from the conversion price that would otherwise have applied. On 20 April 2017, at an extraordinary general meeting, shareholders passed resolutions to approve these variations.

### NYSE MKT Listing

With Stage 2 expansion and associated funding remaining on hold, the Board has resolved to place the NYSE MKT listing application on hold until further notice.

## Financial Position

The consolidated group's cash position excluding security deposits and performance bonds as at 30 June 2017 was US$9.62 million. The net assets of the consolidated group have decreased by US$53.05 million from 30 June 2016 to US$79.48 million at 30 June 2017, predominantly due to a non-cash impairment charge of US$74.79 million.

The Company had 229,591,666 shares on issue as at 30 June 2017, 51,713,436 PENOD listed options and 2,634,748 unlisted options.

## Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- Due to the 2016 uranium price pull back, the Company reviewed its operating plan and implemented an interim operating strategy in the second half of 2016. Current production is focused on meeting its Lance Projects sourced delivery commitments under existing term contracts. The Company continues to take advantage of the current low spot price when it can purchase uranium to meet additional commitments under term contracts.
- In October 2016 RCF VI and Pala increased the convertible loan facility from US$15 million to US$20 million. The US$20 million total loan amount is comprised of a US$12.84 million convertible loan provided by RCF VI and a US$7.16 million convertible loan provided by Pala (Convertible Notes). In addition, RCF VI and Pala agreed to a variation of the Convertible Notes whereby the maturity date is extended by 12 months to 22 April 2018 and the conversion price is set at a fixed price of A$0.625 per share (a premium of 25% over the December 2016 Placement price). The new set fixed price is an improvement of 25% from the conversion price that would otherwise have applied. On 20 April 2017, at an extraordinary general meeting, shareholders passed resolutions to approve these variations.
- In February 2017 the Company conducted 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 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.
- In April 2017 the Company appointed Mr Wayne Heili to replace Mr John (Gus) Simpson as Managing Director and Chief Executive Officer.
- During the 2017 financial year the Company implemented a restructuring strategy at the Karoo Projects 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.
- Forecasts for future spot uranium prices prepared by industry analysts and investment banks decreased during the course of the 2017 financial year. The Company also altered its operating strategy for the Lance Projects during the financial year. Both of these items were indicators that warranted the Company to test the carrying value of the Lance Projects for possible impairment. Impairment testing has been undertaken using forecast uranium spot prices compiled by Consensus Economics even though the Company intends to sell the majority of its future production under term contracts (term contracts historically attract a price premium to the prevailing spot price). An impairment expense of US$74.79 million has been recognised for the 2017 financial year, which includes an impairment expense for the Karoo Projects of US$6.88 million.
- The Company has been able to take advantage of the prevailing uranium price weakness by contracting to purchase 900,000 lbs $U_3O_8$ over 3 years commencing in January 2018. Purchased $U_3O_8$ will be delivered into certain existing term contracts over the 4 years between 2018 and 2021. A net fair value gain of US$9.38 million has been recognised in the comprehensive statement of profit or loss and other income for the 2017 financial year from these sale and purchase agreements.

## Dividends Paid or Recommended

The Directors of the parent entity do not recommend the payment of a dividend in respect of the current financial year ended 30 June 2017.

## Events Since the End of the Financial Year

In August 2017 the Company delivered a further 132,934 pounds of $U_3O_8$ (92,934 pounds sourced from the Lance Projects) at an average realised cash price of US$50 per pound $U_3O_8$.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

## Likely Developments and Expected Results of Operations

Likely future developments in the operations of the consolidated group are referred to in the Annual Report. Other than as referred to in this report, further information as to likely developments in the operations of the consolidated group and expected results of those operations, to the date of this report, are considered insufficiently developed or so variable in nature as to quantification they remain unable to be accurately reported.

## Environmental Regulations

The consolidated group's operations are subject to significant environmental regulation and penalties under relevant jurisdictions in relation to its conduct of exploration, development and mining of uranium deposits. The Directors are of the opinion that sufficient procedures and reporting processes have been established to enable the consolidated group to meet its responsibilities and that the consolidated group's other business segment operations are not subject to any significant environmental regulations under Australian Law and International Legislation where applicable.

## Information on Directors

The names and details of the Directors of Peninsula in office as at the date of this report are:

### Mr John Harrison
Non-Executive Chairman

Mr Harrison brings to Peninsula a wealth of experience and resource sector knowledge acquired over a 45 year career including 20 years of investment banking in London. During this time Mr Harrison has developed an extensive international contact base advising companies across a range of commodities, (including uranium) and raising more than £500m in equity capital in the process. Mr Harrison is the former Non-Executive Chairman (UK) of international advisory and broking firm RFC Ambrian Ltd and is currently the Non-Executive Chairman of UK coking coal development company West Cumbria Mining Limited. Prior to joining RFC Ambrian Ltd and following a successful career in the Lloyd's reinsurance market, Mr Harrison was Managing Director at Numis Securities Ltd where he worked on the development and listing of the then-new Lloyd's corporate underwriting vehicles, an activity upon which the Numis corporate finance franchise was built. Mr Harrison has the following interest in shares and options in the Company as at the date of this report – 20,000 ordinary shares and 47,849 unlisted options exercisable at $1.52 on or before 1 December 2019.

### Mr Wayne Heili
Managing Director/Chief Executive Officer

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 has the following interest in shares and options in the Company as at the date of this report – 115,000 ordinary shares and nil interest in options.

### Mr Evgenij Iorich
Non-Executive Director

Mr Iorich is currently Vice President, Investment Team at Pala Investments Limited (Pala) and has extensive experience in the natural resources sector across a broad range of commodities with a focus on M&A opportunities, operational, financial planning and corporate structuring. Prior to joining Pala in 2006, Mr Iorich was a financial manager at Mechel, the Russian metals and mining company, where his responsibilities included all aspects of budgeting and financial modelling. Mr Iorich graduated from the University of Zurich with a Master of Arts degree and is currently a Non-Executive Director of TSX-listed Serinus Energy and TSX-V-listed Asian Mineral Resources. Mr Iorich has the following interest in shares and options in the Company as at the date of this report – nil interest in shares and 47,849 unlisted options exercisable at $1.52 on or before 1 December 2019.

### Mr Harrison (Hink) Barker
Non-Executive Director

Harrison (Hink) Barker retired 1 June 2015 from the Generation segment of Dominion Resources with over 40 years of fossil and nuclear fuel commercial and technical responsibilities. Since 1992, Mr Barker had been the manager responsible for Dominion's procurement of nuclear fuel and the related processing steps of conversion from $U_3O_8$ to UF6, enrichment of UF6, and fabrication of nuclear fuel assemblies. He is a former Chair of the Nuclear Energy Institute's Utility Fuel Committee, and a past member of the World Nuclear Fuel Market Board of Directors (Chairman for two years). He served on an Advisory Board to American Uranium Corporation while they attempted to develop the Wyoming Reno Creek uranium deposit. From 1975 to 1984 he worked as an engineer and supervisor in the areas of nuclear fuel quality assurance, nuclear core design, nuclear fabrication contract administration, nuclear fuel procurement, spent fuel transportation and disposal planning during a period when Dominion was building its regulated nuclear operating fleet in Virginia. Mr Barker holds a Bachelor of Science degree in Electrical Engineering and a Master's in Nuclear Engineering Science both from the University of Florida. Mr Barker has the following interest in shares and options in the Company as at the date of this report – nil interest in shares and 54,737 unlisted options exercisable at $1.52 on or before 1 December 2019.

### Mr Mark Wheatley
Non-Executive Director

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. He has worked in the uranium industry since 2003 and been involved in ISR project exploration, 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, Non-Executive Director of Uranium One Inc. and Uranium Resources Inc. His other board roles have previously included Non-Executive Chairman of Xanadu Mines Ltd, Gold One International Ltd, Goliath Gold Mining Ltd, Norton Gold Fields Ltd and directorship of St Barbara Ltd. Mr Wheatley has the following interest in shares and options in the Company as at the date of this report – 43,898 ordinary shares and 65,000 unlisted options exercisable at $1.52 on or before 1 December 2019.

### Mr David Coyne
Finance Director/Chief Financial Officer

Mr Coyne has over 25 years' experience in the mining, and engineering and construction industries, both within Australia and internationally. Prior to joining Peninsula, Mr Coyne held senior executive positions with Australia listed companies Macmahon Holdings Limited and VDM Group Limited, and with unlisted global manganese miner Consolidated Minerals. Over the past 10 years, Mr Coyne has been directly involved in a number of equity and debt raising transactions and has been the project director on a company-wide systems implementation project. Mr Coyne has previously served on the Board of listed iron ore miner, BC Iron limited, where he also held the role of Chairman of the Audit and Risk Committee. Mr Coyne has the following interest in shares and options in the Company as at the date of this report – 172,595 ordinary shares and 14,842 listed PENOD options.

## Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

### Mr Jonathan Whyte

Mr Whyte is a Chartered Accountant and has extensive corporate, company secretarial financial accounting experience across a number of listed and unlisted resource sector companies. Mr Whyte is currently Non-Executive Director and Company Secretary of ASX listed Indus Energy NL and was previously Company Secretary of ASX listed Lefroy Resources Limited. Mr Whyte previously worked in the investment banking sector in London over a period of 6 years for Credit Suisse and Barclays Capital Plc. Mr Whyte has the following interest in shares and options in the Company as at the date of this report – 146,648 ordinary shares and nil interest in options.

### Meetings of Directors

During the financial year fifteen meetings of Directors were held. Attendances by each Director who held office during the financial year were as follows:

| | | | Committee Meetings | | | |
|---|---|---|---|---|---|---|
| | Directors Meetings | | Audit and Risk Management Committee | | Remuneration Committee | |
| | Number Eligible to Attend | Number Attended | Number Eligible to Attend | Number Attended | Number Eligible to Attend | Number Attended |
| John Harrison | 12 | 12 | - | - | 1 | 1 |
| Wayne Heili (appointed 3 April 2017) | 2 | 2 | - | - | - | - |
| Evgenij Iorich | 12 | 11 | - | - | - | - |
| Harrison Barker | 12 | 12 | - | - | - | - |
| Mark Wheatley | 12 | 11 | 2 | 2 | 1 | 1 |
| David Coyne (appointed 27 March 2017) | 2 | 2 | - | - | - | - |
| John Simpson (resigned 31 March 2017) | 9 | 9 | - | - | - | - |
| Richard Lockwood (resigned 27 March 2017) | 10 | 6 | 2 | 2 | - | - |
| Warwick Grigor (resigned 27 March 2017) | 10 | 8 | 2 | 2 | 1 | 1 |

### Options

At the date of this report, the unissued ordinary shares of Peninsula under option are as follows:

| Grant Date | Date of Expiry | Exercise Price | Number Under Option |
|---|---|---|---|
| Various | 31/12/2018 | $2.00 | 51,713,436 |
| 19/12/2012 | 31/12/2017 | $3.20 | 2,250,001 |
| Various | 01/12/2019 | $1.52 | 384,747 |

Option-holders do not have any rights to participate in any issue of shares or other interests in the Company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the consolidated group during or since reporting date.

For details of options issued to Directors and Executives as remuneration, refer to the Remuneration Report.

No amounts are unpaid on any of the shares. No person entitled to exercise the options had or has any rights by virtue of the option to participate in any share issue of any other body corporate.

## Indemnifying Directors and Officers

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure each Director and Officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was US$70,477 to insure the Directors and Officers of the Company.

## Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

## Non-Audit Services

The Board of Directors, in accordance with advice from the Audit and Risk Management Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Audit and Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid to the current external auditors during the year ended 30 June 2017:

| Service | US$000s |
|---|---|
| Taxation Services | 30 |
| Total | 30 |

## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 33 of the Annual Report.

## ASIC Legislative Instrument 2017/191: Rounding of Amounts

The Company is an entity to which ASIC Legislative Instrument 2017/191 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Pipe Work inside Central Processing Plant , Lance Projects, Wyoming USA

## Remuneration Report - Audited

This report outlines the remuneration structure which is in place for Executive Directors, Non-Executive Directors and other Key Management Personnel.

Key Management Personnel include:

### Non-Executive Directors

| | |
|---|---|
| • John Harrison | Non-Executive Chairman |
| • Evgenij Iorich | Non-Executive Director |
| • Harrison Barker | Non-Executive Director |
| • Mark Wheatley | Non-Executive Director |
| • Richard Lockwood | Non-Executive Director (resigned 27 March 2017) |
| • Warwick Grigor | Non-Executive Director (resigned 27 March 2017) |

### Executive Directors

| | |
|---|---|
| • Wayne Heili | Managing Director / Chief Executive Officer (appointed 3 April 2017) |
| • David Coyne | Finance Director / Chief Financial Officer (appointed 27 March 2017) |
| • John Simpson | Managing Director / Chief Executive Officer (resigned 31 March 2017) |

### Other Key Management Personnel

| | |
|---|---|
| • Ralph Knode | Chief Executive Officer Strata Energy, Inc. |
| • Willie Bezuidenhout | Chief Executive Officer South Africa |
| • Jonathan Whyte | Company Secretary |

This Remuneration Report, which has been audited, outlines the Key Management Personnel remuneration arrangements for the consolidated group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The principles adopted have been approved by the current Board of the Company and have been set out in the remuneration summary.

## Principles Used to Determine the Nature and Amount of Remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework which has been set out in detail under the remuneration structure below aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

(i) competitiveness and reasonableness;

(ii) aligns shareholders and executive interests;

(iii) performance based and aligned to strategic and business objectives; and

(iv) transparency.

### Key Management Personnel

Fees and payments to Key Management Personnel reflect the demands which are made on, and the responsibilities of, the Key Management Personnel. Fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee also ensures that Key Management Personnel fees and payments are appropriate and in line with the market. There are no retirement allowances or other benefits paid to Key Management Personnel other than superannuation guarantee amounts as required.

The executive remuneration and reward framework has three components:

(i) base pay and short-term incentives;

(ii) share-based payments; and

(iii) other remuneration such as superannuation and long service leave.

The combination of these comprises the Key Management Personnel total remuneration. Fixed remuneration, consisting of base salary and superannuation are reviewed annually by the Remuneration Committee, based on individual and area of responsibility performance, the overall performance of the Company and comparable market remunerations.

### Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Non-Executive Directors. Non-Executive Directors' fees and payments are reviewed annually by the Remuneration Committee. For the year ended 30 June 2017, exclusive of the superannuation guarantee the annual remuneration for Non-Executive Board Members was as follows:

(i) Non-Executive Chairman - A$100,000 per annum;

(ii) Non-Executive Director - A$65,000 per annum; and

(iii) A Non-Executive Director who serves as Chair of a Board Committee shall also receive an additional A$10,000 per annum in recognition of the additional demand on time required by the Non-Executive Director.

There are no retirement allowances or other benefits paid to Non-Executive Directors other than superannuation guarantee amounts as required. Only Australian resident Non-Executive Directors are eligible for superannuation guarantee amounts.

## Summary of Approach to Remuneration

In April 2015, the Remuneration Committee undertook a comprehensive review of remuneration practices and commissioned a benchmarking exercise of the Company's remuneration framework by external advisors. This review resulted in significant changes to the Company's remuneration framework, with the new remuneration structure taking effect from 1 July 2015.

The key outcomes of the review were:

- developing an overarching remuneration framework to formalise reward structures and to establish a framework to guide remuneration practices going forward;
- benchmarking Executive Director, Executive Officer and Non-Executive Director remuneration and consideration of typical market practice of global uranium peer companies to determine the competitiveness of then current remuneration arrangements and to identify areas for change;
- design of a new short-term incentive (STI) plan to drive the collective efforts of the workforce in realising the short-term business strategy; and
- design of a new equity-based long-term incentive (LTI) plan for executives to encourage long-term sustainable performance.

The objective of the Company's executive reward structure is to ensure reward for performance is competitive and appropriate for the results delivered. The structure aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and reflects current market practice for delivery of reward. The Board aims to ensure that executive reward practices are aligned with good reward governance practices to ensure that executive remuneration is:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the consolidated group's strategic and business objectives, and the creation of shareholder value;
- transparent; and
- aligns shareholder and executive interests.

This structure remained in place for the 2017 financial year and continues to remain in place for the 2018 financial year.

There were no bonuses paid to any Key Management Personnel for the year ended 30 June 2017.

## Fixed remuneration (base salary inclusive of statutory superannuation)

In April 2015, benchmarking of executives' fixed remuneration was conducted against a custom peer group of global uranium companies to ensure remuneration levels set meet the objectives of the Company and are aligned to broader market trends within the global uranium mining industry for comparable roles.

The fixed remuneration for the Company's Managing Director/CEO has decreased by 40% with the appointment of Mr Wayne Heili in April 2017. The fixed remuneration for the remainder of the executives remained unchanged.

## Short-term incentives

### Purpose

To align with market practices of peer uranium companies and to provide a competitive total remuneration package, the Board uses a comprehensive STI Plan to motivate and reward executives for the achievement of key strategic goals. The quantum offered under the STI Plan is expressed as a set percentage of base salary, with executives' performance assessed against metrics contained within a weighted scorecard over a 12-month period.

| | Managing Director / CEO | Other Key Management Personnel |
|---|---|---|
| STI Target as a % of base salary[1] | 50% | 20%-40% |
| KPI alignment | 100% aligned to corporate goals | 90% aligned to corporate goals<br>10% aligned to personal performance |

Notes:

(1) STI percentage for other Key Management Personnel range from 20% to 40%, depending on an individual's role and level of seniority in the Company.

### Annual Corporate Goals

The STI Plan provides rewards where significant outperformance is achieved with any payouts earned being made in cash and capped to avoid excessive risk-taking behaviour. The majority of these metrics are specific, measurable and applicable to the key business outcomes required per the annual business plan of the Company. The payments will be made subsequent to the approval of the financial statements by the Board following the financial year end to ensure that any changes in financial or operational information are notified to the Remuneration Committee prior to the cash payment.

### Corporate Gateway

A primary corporate gateway is also applied so that the STI would be reduced to nil in all cases if the corporate gateway is not achieved. Once the corporate gateway is achieved, the STI is measured based on a mix of corporate and personal goals for each executive.

No STIs were paid to any Key Management Personnel for the year ended 30 June 2017.

The STI gateway for 2017/2018 will be achieved if the Company meets all contracted supply obligations for Lance sourced material that are due during the 2018 financial year.

### Corporate Goals

Metrics within the weighted scorecard are cascaded from the organisational strategy and generally fall within the following key strategic imperatives.

| Strategic Goals | Performance Measure | Weighting (varies for each Executive) |
|---|---|---|
| Corporate responsibility goals which incorporates achieving metrics under people, health, safety, environment and corporate responsibility | Leading and lagging measures for safety and environmental performance and community engagement | 20-30% |
| Project Development and Operations | Cost and schedule targets for the Lance Projects and Karoo Projects | 20-50% |
| Capital management and financial strength | Company is adequately funded to achieve its objectives | 20-30% |
| Clients and markets | Targets for the signing of new uranium concentrate sale and purchase agreements | 20-30% |

### Personal Goals

Personal goals are measured by individual performance against a balanced scorecard applicable to the executive business unit or area of responsibility. The balanced scorecard for each individual is agreed with their immediate supervisor at the commencement of the financial year. Performance against the goals will be assessed at the completion of the financial year.

Final performance ratings for all Key Management Personnel is presented to and reviewed by the Remuneration Committee prior to the finalisation of the STI payment for any financial year.

## Long-term Incentives

In June 2015, the Board introduced a more structured approach to the delivery of equity to executives. The Board utilised the services of an external advisor to assist in setting the value of annual LTI available to executives and in the selection of the form of equity instrument to be used.

The LTI grants may be made to senior and executive employees (Eligible Participants) annually with vesting conditions to apply which will align executives' interests with those of shareholders and the generation of long-term sustainable value.

The value of grants made under the plan are made with reference to a set percentage of base salary, with the ability to earn an LTI grant assessed against a pre-determined Company performance gateway for that year. Once an LTI grant has been made to an Eligible Recipient, the grant shall vest in equal tranches over the next three financial years following the date of grant. The Eligible Recipient must still be employed by the Company on a vesting date to be entitled to receive the vested LTI.

Through the requirement for the Eligible Participant to remain employed with the Company as a condition of annual vesting of previously earned LTI amounts, the Board views this mechanism as an attractive means of incentivising long term retention of key personnel and aligning long term executive performance with shareholder interests.

The Company primarily uses Restricted Share Units (RSU) as the form of LTI and has established a LTI plan (Plan) for this purpose. A RSU is a right to acquire one fully paid ordinary share in the Company, which will initially be held by the trustee of the Plan. The Eligible Participant will be entitled to receive one share for each RSU that has vested and has not lapsed or expired. Until the Eligible Participants RSUs have vested and they have acquired Shares, a RSU will not give the Eligible Participant a legal interest in any shares, though the Eligible Participant will be able to participate in dividends and can direct the trustee to vote the underlying shares in certain circumstances.

No LTI grants were made to any Key Management Personnel for the year ended 30 June 2017.

Key terms of the 2017/18 LTI structure are:

| | Managing Director / CEO | Other Key Management Personnel |
|---|---|---|
| LTI Target as a % of base salary[1] | 50% | 30%-50% |
| Gateway Performance Hurdle financial year 2018 | To the satisfaction of the Board, timely resolution of the April 2018 maturity of the Convertible Notes. Resolution may include extension of the maturity, part or full conversion, part or full repayment, replacement with debt held by a third party or other transactions that extend the maturity date and/or reduce the quantum of the debt obligation. | |
| Vesting period | Equal tranches over the three years following the date of award of each RSU series. | |

Notes:

(1) LTI percentage for other Key Management Personnel range from 30% to 50%, depending on an individual's role and level of seniority in the Company.

On the basis that an Eligible Participant remains employed by Peninsula as at the relevant dates below, an RSU Amount will be earned at the end of each year with a third vested over each of the following three years. A Participant will become entitled to be issued with or transferred the corresponding RSUs as they are earned as shown in the following tabular example (which presumes that the relevant performance hurdle for the award of RSUs is achieved each year):

| 1 July 2016 | 1 July 2017 | 1 July 2018 | 1 July 2019 | 1 July 2020 |
|---|---|---|---|---|
| Performance hurdle set for FY2017<br><br>Series 1 | Grant RSU Amount 1<br>Performance hurdle set for FY2018<br>Series 2 | Vest 1/3 of RSU Amount 1<br>Grant RSU Amount 2<br>Performance hurdle set for FY2019<br>Series 3 | Vest 1/3 of RSU Amount 1<br>Vest 1/3 of RSU Amount 2<br>Grant RSU Amount 3 | Vest 1/3 of RSU Amount 1<br>Vest 1/3 of RSU Amount 2<br>Vest 1/3 of RSU Amount 3 |

Note that in the above illustrative example, the grant of any RSU is subject, amongst other things, to meeting performance hurdle gateways each financial year. If the gateway performance hurdle is not met and/or other factors do not justify the grant of RSUs in any period, no grant is made and subsequent vesting for that financial year does not occur.

The number of annual RSUs to be awarded to an Eligible Participant will be calculated by dividing the Eligible Participant's RSU Amount by the volume weighted average price of ordinary shares of Peninsula over the period 30 business days prior to the end of the respective financial year ending 30 June, as follows:

$$\frac{\text{Base salary x LTI percentage (applicable to role)}}{\text{30 day VWAP as at 30 June}}$$

## Employment Details of Directors and Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, directors and members of Key Management Personnel of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of share options, shares or performance rights for the year ended 30 June 2017.

| Group Key Management Personnel | Position held at 30 June 2017 | Proportions of Elements of Remuneration Related to Performance | | Proportions of Elements of Remuneration not Related to Performance | | |
|---|---|---|---|---|---|---|
| | | Non-Salary Cash Based Incentives % | Equity Based Incentives % | Fixed Salary/ Fees – Share Based % | Fixed Salary/Fees – Cash Based % | Total % |
| John Harrison | Chairman (Non-Executive) | - | - | - | 100.00 | 100.00 |
| Wayne Heili[(a)] | Managing Director / Chief Executive Officer | - | - | - | 100.00 | 100.00 |
| Evgenij Iorich | Director (Non-Executive) | - | - | - | 100.00 | 100.00 |
| Harrison Barker | Director (Non-Executive) | - | - | - | 100.00 | 100.00 |
| Mark Wheatley | Director (Non-Executive) | - | 44.18 | - | 55.82 | 100.00 |
| David Coyne[(b)] | Finance Director / Chief Financial Officer | - | - | - | 100.00 | 100.00 |
| John Simpson[(a)] | Managing Director / Chief Executive Officer | - | - | - | 100.00 | 100.00 |
| Richard Lockwood[(c)] | Director (Non-Executive) | - | - | - | 100.00 | 100.00 |
| Warwick Grigor[(c)] | Director (Non-Executive) | - | - | - | 100.00 | 100.00 |
| Ralph Knode | Chief Executive Officer (Strata Energy Inc.) | - | - | - | 100.00 | 100.00 |
| Willie Bezuidenhout | Chief Executive Officer (South Africa) | - | - | - | 100.00 | 100.00 |
| Jonathan Whyte | Company Secretary | - | - | - | 100.00 | 100.00 |

(a) On 3 April 2017, Mr Heili was appointed as Managing Director and Chief Executive Officer, replacing Mr Simpson who resigned as Managing Director and Chief Executive Officer effective 31 March 2017.

(b) Mr Coyne joined the Board in an executive capacity as Finance Director, effective 27 March 2017, while maintaining his role as Chief Financial Officer.

(c) Mr Lockwood and Mr Grigor resigned as Non-Executive Directors effective 27 March 2017.

## Service Contracts

The employment terms and conditions of Key Management Personnel are formalised in contracts of employment. Terms of employment require that the relevant group entity provide an executive contracted person with a minimum one month notice prior to termination of contract. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least one month's notice. Termination payments are not payable on resignation or under circumstances of unsatisfactory performance. On termination notice by the Company, any rights that have vested, or that will vest during the notice period, will be released. Rights that have not yet vested will be forfeited. Unless otherwise stated, the commencement date of the employment agreement is the appointment date to the role.

### Mr Wayne Heili, Managing Director / CEO

Executive service employment agreement, effective from 3 April 2017, with no fixed term.

Base fixed salary of US$300,000 per annum, exclusive of superannuation.

Notice period 6 months.

6-month termination payment in certain circumstances.

### Mr John Harrison, Chairman (Non-Executive)

Terms of agreement – no fixed term.

Base chairman fees, exclusive of superannuation of A$100,000.

No termination benefit is specified in the agreement.

Remuneration Committee Chairman fee of A$10,000.

### Mr Evgenij Iorich, Director (Non-Executive)

Terms of agreement – no fixed term.

Base director fees, exclusive of superannuation of A$65,000.

No termination benefit is specified in the agreement.

### Mr Harrison Barker, Director (Non-Executive)

Terms of agreement – no fixed term.

Base director fees, exclusive of superannuation of A$65,000.

No termination benefit is specified in the agreement.

### Mr Mark Wheatley, Director (Non-Excutive)

Terms of agreement – no fixed term.

Base director fees, exclusive of superannuation of A$65,000.

Audit & Risk Management Committee Chairman fee of A$10,000.

No termination benefit is specified in the agreement.

### Mr David Coyne, Finance Director / Chief Financial Officer

Terms of agreement – no fixed term.

Base salary, exclusive of superannuation of A$370,000.

Notice period 3 months.

9 month termination benefit under certain circumstances.

### Mr Ralph Knode, Chief Executive Officer - Strata Energy Inc.

Terms of agreement – no fixed term.

Base salary, exclusive of superannuation of US$300,000.

Notice period 3 months.

12 month termination benefit under certain circumstances.

### Mr Willie Bezuidenhout, Chief Executive Officer, South Africa

Terms of agreement – effective from 1 June 2017 with no fixed term.

Base salary, exclusive of superannuation of R3,000,000.

Notice period 3 months.

12 month termination benefit under certain circumstances.

### Mr Jonathan Whyte, Company Secretary

Consultancy agreement – no fixed term.

Daily rate of A$1,300.

Notice period 1 month.

3 month termination benefit under certain circumstances.

Table of Benefits and Payments for the Year Ended 30 June 2017

| Group Key Management Personnel | | Short-Term Benefits: Salary & Fees | | | Post-Employment Benefits | Equity Settled Share-based Payments | | |
|---|---|---|---|---|---|---|---|---|
| | | Cash based US$ | Share based US$ | Bonuses US$ | Super-annuation US$ | Accounting Charge for Rights | Shares & Options US$ | Total US$ |
| **Directors** | | | | | | | | |
| John Harrison | 2017 | 75,364 | - | - | - | - | - | 75,364 |
| | 2016 | 51,588 | - | - | - | 2,021 | 18,936 | 72,545 |
| Wayne Heili[(a)] | 2017 | 115,400 | - | - | 2,625 | - | - | 118,025 |
| | 2016 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Evgenij Iorich | 2017 | 48,987 | - | - | - | - | - | 48,987 |
| | 2016 | 47,340 | - | - | - | - | 18,936 | 66,276 |
| Harrison Barker[(b)] | 2017 | 69,749 | - | - | - | - | - | 69,749 |
| | 2016 | 67,044 | - | - | - | - | 18,936 | 85,980 |
| Mark Wheatley [(c)] | 2017 | 56,523 | - | - | 5,370 | - | 10,341 | 72,234 |
| | 2016 | 8,637 | - | - | 865 | - | - | 9,502 |
| David Coyne [(d)] | 2017 | 278,847 | - | - | 18,841 | - | - | 297,688 |
| | 2016 | 269,471 | - | 78,686 | 18,208 | 13,716 | 67,368 | 447,449 |
| John Simpson [(a)] | 2017 | 845,864 | - | - | - | - | - | 845,864 |
| | 2016 | 496,581 | - | 159,498 | - | 26,704 | 707,261 | 1,390,044 |
| Richard Lockwood[(e)] | 2017 | 36,740 | - | - | - | - | - | 36,740 |
| | 2016 | 68,582 | - | - | - | - | 29,132 | 97,714 |
| Warwick Grigor[(e)] | 2017 | 42,392 | - | - | 4,027 | - | - | 46,419 |
| | 2016 | 54,623 | - | - | 5,145 | 4,451 | 18,936 | 83,155 |
| Neil Warburton[(f)] | 2017 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | 2016 | 45,519 | - | - | - | 4,208 | 18,936 | 68,663 |
| **Other Executives** | | | | | | | | |
| Ralph Knode | 2017 | 300,000 | - | - | 17,000 | - | - | 317,000 |
| | 2016 | 300,000 | - | 84,000 | 17,000 | 8,901 | 75,000 | 484,901 |
| Willie Bezuidenhout | 2017 | 230,859 | - | - | - | - | - | 230,859 |
| | 2016 | 18,097 | - | - | - | - | - | 18,097 |
| Glenn Black[(g)] | 2017 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| | 2016 | 14,423 | - | - | - | 8,901 | - | 23,324 |
| Jonathan Whyte[(h)] | 2017 | 208,683 | - | - | - | - | 33,914 | 242,597 |
| | 2016 | 201,666 | - | 24,605 | - | 6,676 | 25,279 | 258,226 |
| **Total** | **2017** | **2,309,408** | **-** | **-** | **47,863** | **-** | **44,255** | **2,401,526** |
| | **2016** | **1,643,571** | **-** | **346,789** | **41,218** | **75,578** | **998,720** | **3,105,876** |

The amounts that appear under the heading "Accounting Charge for Rights" are the amounts required under the Accounting Standards to be expensed by the Company in respect of the allocation in prior years of Performance Rights to directors and Key Management Personnel. These Performance Rights have been expensed over a three year vesting period. Amounts shown in this column represent the expenses incurred during the year in respect of past Performance Rights allocations. Vesting conditions for all unvested Performance Rights previously allocated were not met and the amount shown in this column is not representative of amounts actually received by directors or Key Management Personnel during the current or previous years. All unvested Performance Rights held by Directors and certain members of Key Management Personnel were cancelled in full during the financial year.

[a] On 3 April 2017, Mr Heili was appointed as Managing Director and Chief Executive Officer, replacing Mr Simpson who resigned as Managing Director and Chief Executive Officer effective 31 March 2017. Mr Simpson was paid a termination benefit of A$600,000 (US$452,184) in accordance with his employment agreement.

[b] Mr Barker's remuneration includes US$27,550 (2016: US$24,085) for additional time spent representing the Company at various nuclear conferences, customer meetings and other industry events during the year.

[c] On 21 December 2016, 65,000 unlisted options were issued to Mr Wheatley as approved by shareholders in the Extraordinary General Meeting held on 28 November 2016. The options were valued independently using the Black & Scholes option model, refer to the Notice of Extraordinary General Meeting released on the ASX on 27 October 2016 for detailed valuation assumptions.

[d] Mr Coyne joined the Board in an executive capacity as Finance Director, effective 27 March 2017, while maintaining his role as Chief Financial Officer.

[e] Mr Lockwood and Mr Grigor resigned as Non-Executive Directors effective 27 March 2017.

[f] Mr Warburton retired as Non-Executive Director effective 26 April 2016.

[g] Mr Black resigned as Chief Executive Officer (South Africa) effective 31 August 2015.

[h] On 22 September 2016 the Board approved the payment of Long Term Incentive Plan (LTIP) incentives for Key Management Personnel and senior staff in recognition of performance during the financial year to 30 June 2016. These amounts were accrued for at 30 June 2016 and subsequently adjusted for valuation movement prior to issue date. In addition, 56,250 Restricted Share Units (RSUs) were issued to Mr Whyte under a service agreement during the period. RSUs are held on trust and vest over a three year period commencing on 1 July 2017.

### Shares Granted

| Group Key Management Personnel | Grant Details | | | For the Financial Year Ended 30 June 2017 | | | Overall | | |
|---|---|---|---|---|---|---|---|---|---|
| | Date | Number | Value US$ | Vested No. | Converted No. | Cancelled No. | Fair Value Brought to Account % | Fair Value Not Yet Brought to Account % | Lapsed % |
| **Restricted Share Units** | | | | | | | | | |
| **Directors** | | | | | | | | | |
| David Coyne[a] | 23/09/16 | 115,625 | 67,368 | - | - | - | 100.00% | - | - |
| John Simpson[a][b] | 23/09/16 | 262,500 | 152,943 | - | - | - | 100.00% | - | - |
| **Other Executives** | | | | | | | | | |
| Ralph Knode[a] | 23/09/16 | 127,705 | 75,000 | - | - | - | 100.00% | - | - |
| Jonathan Whyte[a] | 23/09/16 | 99,638 | 59,193 | - | - | - | 100.00% | - | - |
| **Total** | | **605,468** | **354,504** | **-** | **-** | **-** | **100.00%** | **-** | **-** |

[a] LTI RSUs were approved for issue by the Board subsequent to year end in recognition of milestones achieved during the financial year to 30 June 2016. RSUs will be held in trust for the recipients to vest over a three year period. The number of RSUs issued has been determined using a share price of A$0.80 per share.

[b] Mr Simpson resigned as Chief Executive Officer / Managing Director effective 31 March 2017. The Board approved the vesting of all 262,500 LTI RSUs upon resignation.

### Number of Shares Held by Key Management Personnel 30 June 2017

| Group Key Management Personnel | Balance at 1 July 2016 | On-Market Trades | Options Exercised | Net Change Other[a] | Balance at 30 June 2017 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| John Harrison | 20,000 | - | - | - | 20,000 |
| Wayne Heili | N/A | 115,000 | - | - | 115,000 |
| Evgenij Iorich | - | - | - | - | - |
| Harrison Barker | - | - | - | - | - |
| Mark Wheatley | - | 15,530 | - | 28,368 | 43,898 |
| David Coyne | 263,137 | (90,542) | - | - | 172,595 |
| John Simpson | 2,315,098 | - | - | - | N/A |
| Richard Lockwood | - | - | - | - | N/A |
| Warwick Grigor | 434,125 | - | - | - | N/A |
| **Other Executives** | | | | | |
| Ralph Knode | 421,923 | - | - | - | 421,923 |
| Willie Bezuidenhout | - | - | - | - | - |
| Jonathan Whyte | 146,648 | - | - | - | 146,648 |
| **Total** | **3,600,931** | **39,988** | **-** | **28,368** | **920,064** |

* LTI RSUs have been excluded from the table above as they are held in trust for the recipients to vest over a three year period.

[a] Movement in Net Change Other refers to participation by Mr Wheatley in the Share Purchase Plan.

## Number of Options Held by Key Management Personnel 30 June 2017

| Group Key Management Personnel | Balance at 1 July 2016 | On-Market Trades | Options Exercised | Net Change Other | Balance at 30 June 2017 | Total Vested |
|---|---|---|---|---|---|---|
| Directors | | | | | | |
| John Harrison | 47,849 | - | - | - | 47,849 | 47,849 |
| Wayne Heili | N/A | - | - | - | - | - |
| Evgenij Iorich | 47,849 | - | - | - | 47,849 | 47,849 |
| Harrison Barker | 54,737 | - | - | - | 54,737 | 54,737 |
| Mark Wheatley[(a)] | - | 65,000 | - | - | 65,000 | 65,000 |
| David Coyne | 14,842 | - | - | - | 14,842 | 14,842 |
| John Simpson | 186,984 | - | - | - | N/A | N/A |
| Richard Lockwood | 73,614 | - | - | - | N/A | N/A |
| Warwick Grigor | 114,940 | - | - | - | N/A | N/A |
| Other Executives | | | | | | |
| Ralph Knode | 49,836 | - | - | - | 49,836 | 49,836 |
| Willie Bezuidenhout | - | - | - | - | - | - |
| Jonathan Whyte | - | - | - | - | - | - |
| Total | 590,651 | 65,000 | - | - | 280,113 | 280,113 |

(a) On 21 December 2016, unlisted options exercisable at $1.52 on or before 1 December 2019 were issued to Mr Wheatley as approved by shareholders at the Extraordinary General Meeting held on 28 November 2016.

### Voting at Last Annual General Meeting

At the last AGM, shareholders indicated their support of the Company's remuneration practices with 93% of the votes cast being in favour of the adoption of the Remuneration Report

## End of Audited Remuneration Report

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

John Harrison
(Non-Executive Chairman)

Dated this 29th day of September 2017

Wells for Header House 9 (Mine Unit 2) Lance Projects, Wyoming USA

BDO

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Australia

**DECLARATION OF INDEPENDENCE BY MATTHEW CUTT TO THE DIRECTORS OF PENINSULA ENERGY LIMITED**

As lead auditor of Peninsula Energy Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Peninsula Energy Limited and the entities it controlled during the period.

M Cutt

**Matthew Cutt**

Director

**BDO Audit (WA) Pty Ltd**

Perth, 29 September 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

| | Notes | 2017 US$000s | 2016 US$000s |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 2 | 18,267 | 5,771 |
| Cost of sales | 3 | (19,879) | (3,467) |
| **Gross profit** | | **(1,612)** | **2,304** |
| Other income | 2 | 16 | 44 |
| Selling and marketing expenses | | (1,199) | (1,050) |
| Administration expenses | | (2,978) | (3,836) |
| Depreciation expense | | (31) | (201) |
| Impairment expense | 12,13 | (74,786) | (95) |
| Foreign exchange (loss)/gain | | (20) | 1,094 |
| Fair value gain on derivative | 9 | 9,384 | - |
| Other expenses | 3 | (206) | (1,192) |
| **Loss before interest and tax from continuing operations** | 4 | **(71,432)** | **(2,932)** |
| Finance costs | | (3,715) | (597) |
| **Net loss before income tax** | | **(75,147)** | **(3,529)** |
| Income tax expense | 5 | - | - |
| **Loss for the year from continuing operations** | | **(75,147)** | **(3,529)** |
| **Other comprehensive loss:** | | | |
| *Other comprehensive loss may be reclassified to profit or loss in subsequent periods:* | | | |
| Exchange differences on translation of foreign operations | | 1,590 | (4,195) |
| **Total comprehensive loss for the year** | | **(73,557)** | **(7,724)** |
| **Loss from continuing operations attributable to:** | | | |
| Equity holders of the Parent | | (74,725) | (3,529) |
| Non-controlling interests | | (422) | - |
| | | **(75,147)** | **(3,529)** |
| **Total comprehensive loss attributable to:** | | | |
| Equity holders of the Parent | | (73,309) | (7,486) |
| Non-controlling interests | | (248) | (238) |
| | | **(73,557)** | **(7,724)** |
| **Loss per share attributable to the members of Peninsula Energy Limited:** | | | |
| Basic loss per share (cents per share) | 24 | (37.929) | (2.018) |

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with accompanying notes.

# Consolidated Statement of Financial Position

As at 30 June 2017

| | Notes | 2017 US$000s | 2016 US$000s |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 9,621 | 3,759 |
| Trade and other receivables | 7 | 803 | 3,672 |
| Inventory | 8 | 4,052 | 2,221 |
| Other financial assets | 9 | 1,682 | - |
| TOTAL CURRENT ASSETS | | 16,158 | 9,652 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 7 | 2,805 | 3,117 |
| Property, plant and equipment | 11 | 29,842 | 29,101 |
| Mineral exploration and evaluation | 12 | 4,580 | 8,181 |
| Mineral development | 13 | 56,115 | 110,737 |
| Other financial assets | 9 | 9,945 | 3 |
| TOTAL NON-CURRENT ASSETS | | 103,287 | 151,139 |
| TOTAL ASSETS | | 119,445 | 160,791 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 15 | 3,131 | 3,164 |
| Borrowings | 16 | 20,890 | 17,988 |
| Deferred revenue | 2 | 1,107 | 1,119 |
| Provisions | 17 | 187 | 70 |
| Other financial liabilities | 9 | 443 | - |
| TOTAL CURRENT LIABILITIES | | 25,758 | 22,341 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 16 | 1,082 | 692 |
| Provisions | 17 | 11,332 | 5,234 |
| Other financial liabilities | 9 | 1,797 | - |
| TOTAL NON-CURRENT LIABILITIES | | 14,211 | 5,926 |
| TOTAL LIABILITIES | | 39,969 | 28,267 |
| **NET ASSETS** | | **79,476** | **132,524** |
| EQUITY | | | |
| Issued capital | 18 | 204,067 | 184,073 |
| Reserves | 19 | 5,168 | 3,237 |
| Accumulated losses | | (130,615) | (55,890) |
| Equity attributable to equity holders of the Parent | | 78,620 | 131,420 |
| Non-controlling interest | 10 | 856 | 1,104 |
| **TOTAL EQUITY** | | **79,476** | **132,524** |

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

## For the year ended 30 June 2017

| | Notes | Issued Capital US$000s | Accumulated Losses US$000s | Share Based Payments Reserve US$000s | Foreign Currency Translation Reserve US$000s | Total US$000s | Non-controlling interest US$000s | Total Equity US$000s |
|---|---|---|---|---|---|---|---|---|
| **30 June 2015** | | **181,013** | **(52,361)** | **12,478** | **(5,407)** | **135,723** | **1,342** | **137,065** |
| **Transactions With Owners** | | | | | | | | |
| Shares issued during the year | 18(b) | 1,720 | - | - | - | 1,720 | - | 1,720 |
| Share-based payment expense | 23 | 1,121 | - | 134 | - | 1,255 | - | 1,255 |
| Salary Sacrifice Program shares | 18(b) | 11 | - | (11) | - | - | - | - |
| Issue of shares under debt facility agreement | 18(b) | 302 | - | - | - | 302 | - | 302 |
| Transaction costs | 18(b) | (94) | - | - | - | (94) | - | (94) |
| **Total Transactions With Owners** | | 3,060 | - | 123 | - | 3,183 | - | 3,183 |
| **Comprehensive Income/(Loss)** | | | | | | | | |
| Foreign exchange translation reserve | | - | - | - | (4,195) | (4,195) | - | (4,195) |
| Non-controlling interest | | - | - | - | 238 | 238 | (238) | - |
| Loss for the year | | - | (3,529) | - | - | (3,529) | - | (3,529) |
| **Total Comprehensive Loss** | | **-** | **(3,529)** | **-** | **(3,957)** | **(7,486)** | **(238)** | **(7,724)** |
| **30 June 2016** | | **184,073** | **(55,890)** | **12,601** | **(9,364)** | **131,420** | **1,104** | **132,524** |
| **Transactions With Owners** | | | | | | | | |
| Shares issued during the year | 18(b) | 18,289 | - | - | - | 18,289 | - | 18,289 |
| Share-based payment expense | 23 | 72 | - | 10 | - | 82 | - | 82 |
| Issue of shares under debt facility agreement | 18(b) | 2,182 | - | 505 | - | 2,687 | - | 2,687 |
| Transaction costs | 18(b) | (549) | - | - | - | (549) | - | (549) |
| **Total Transactions With Owners** | | 19,994 | - | 515 | - | 20,509 | - | 20,509 |
| **Comprehensive Income/(Loss)** | | | | | | | | |
| Foreign exchange translation reserve | | - | - | - | 1,590 | 1,590 | - | 1,590 |
| Non-controlling interest | | - | - | - | (174) | (174) | 174 | - |
| Loss for the year | | - | (74,725) | - | - | (74,725) | (422) | (75,147) |
| **Total Comprehensive Loss** | | **-** | **(74,725)** | **-** | **1,416** | **(73,309)** | **(248)** | **(73,557)** |
| **Balance at 30 June 2017** | | **204,067** | **(130,615)** | **13,116** | **(7,948)** | **78,620** | **856** | **79,476** |

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2017

| | Notes | 2017 US$000s | 2016 US$000s |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 21,710 | 3,436 |
| Payments to suppliers and employees | | (23,567) | (8,132) |
| Interest paid | | (510) | (43) |
| Interest received | | 16 | 44 |
| Net cash (used in) operating activities | 32 | (2,351) | (4,695) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for mineral exploration and evaluation | | (1,291) | (816) |
| Payments for mineral development | | (8,995) | (26,605) |
| Receipts from /(payments for) mineral exploration performance bonds and rental bonds | | 169 | (682) |
| Proceeds from sale of property, plant & equipment | | - | 325 |
| Purchase of property, plant & equipment | | (985) | (7,727) |
| Payments for acquisition of prospects | | - | (20) |
| Net cash (used in) investing activities | | (11,102) | (35,525) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of shares | | 17,121 | - |
| Equity raising transaction costs | | (549) | (94) |
| Proceeds from application to exercise options | | - | 1,720 |
| Proceeds from borrowings | | 13,226 | 18,500 |
| Repayment of borrowings | | (10,244) | (276) |
| Capitalised borrowing costs | | (225) | (907) |
| Net cash provided by financing activities | | 19,329 | 18,943 |
| Net increase/(decrease) in cash held | | 5,876 | (21,277) |
| Cash and cash equivalents at the beginning of financial year | | 3,759 | 24,990 |
| Effects of exchange rate fluctuations on cash held | | (14) | 46 |
| **CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR** | 6 | **9,621** | **3,759** |

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report includes the consolidated financial statements and notes of Peninsula Energy Limited and controlled entities (consolidated group).

**Basis of Preparation**

The consolidated general purpose financial statements of the consolidated group have been prepared in accordance with the requirements of the *Corporations Act 2001*, International Accounting Standards and other authoritative pronouncements of the International Accounting Standards Board (IASB). These financial statements also comply with Australian Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board (AASB). Compliance with International Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the IASB. Peninsula Energy Limited is a for-profit entity for the purpose of preparing financial statements.

International Accounting Standards set out accounting policies that the IASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and in the supporting notes and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and going concern basis, and is based on historical costs, modified, where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities.

The consolidated financial statements were approved for issue by the board of directors on 29 September 2017.

**Change in Presentation Currency**

Peninsula changed its reporting (presentation) currency from Australian dollars to US dollars in the 2016 financial year. The Company believes that the change in reporting currency to US dollars will enhance comparability with Peninsula's industry peer group, the majority of which report in US dollars.

**Going concern**

The accounts have been prepared on the basis that the consolidated group can meet its liabilities and commitments as and when they fall due and can therefore continue normal business activities, and realise assets and liabilities in the ordinary course of business.

The consolidated group made a loss of US$75.15 million for the year ended 30 June 2017 (2016: loss of $3.53 million) and negative operating cash outflows of US$2.35 million (2016: negative US$4.70 million). The net working capital deficit of the consolidated group at 30 June 2017 was US$9.60 million (2016: deficit of US$12.69 million). Included in current liabilities of US$25.76 million is an amount due to convertible note holders Resource Capital Fund VI L.P. and Pala Investments Ltd with a face value of US$20 million (refer to Note 16) which is due and payable by 22 April 2018.

The ability of the consolidated entity to continue as a going concern is dependent on the successful negotiation with the convertible note holders (per above) with respect to settlement of amounts owed by way of equity issue, extension of the term of the liability or other form of settlement of the convertible notes liability. Liquidity is also obtained through a working capital facility in place with Investec Bank Plc that is currently scheduled to expire in December 2017. Ongoing use of this working capital facility, particularly the inventory finance component, will be dependent on successful negotiations with Investec to extend the term of the facility beyond the current December 2017 expiry date. Additionally, the ability of the Lance Projects and the Company's uranium business to generate positive cash flows is also required for the consolidated entity to continue as a going concern. Should these not occur, the consolidated entity will be required to secure additional funding through debt or equity to continue to fund its operational and reduced development activities and meet its debts and working capital requirements in the next 12 months.

These conditions indicate that there is a material uncertainty that may cast a significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

During the financial year, the consolidated group implemented an interim operating plan and deferred the implementation of Stage 2 at the Lance Projects until uranium markets improve. As part of the interim operating plan, the Company took advantage of uranium market conditions to commit to uranium purchases over 3 years for delivery into higher price long term contracts, thereby locking in future cash margin for the benefit of the consolidated group. Apart from repayment of the convertible note obligation, forecast cash flow generated from the assets of the consolidated group is expected to be more than sufficient to meet operation and development costs, and uranium purchases, over the next 12 months.

The Directors have an appropriate plan to raise additional funds as and when it is required and are currently in the process of negotiations with the convertible note holders regarding the maturity date of the liability and the options available to extend the maturity and/or reduce the debt obligation. Negotiations with Investec to extend the term of the existing working capital have also commenced. The Company has a track record of successfully securing additional funding as and when required from both the debt and equity capital markets, which is further enhanced by the relatively low level of gearing currently maintained by the Company.

Accordingly, the Directors are satisfied the going concern basis of preparation for the financial statements is appropriate.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

**New and Amended Standards Adopted for the First Time by the Consolidated Group**

The following applicable accounting standards, amendment of standards and interpretations have recently been issued but are not yet effective. These standards have not yet been adopted by the Company as at the financial reporting date.

| Standard Reference | Application Date | Nature of Change | Impact on Company's financial report |
|---|---|---|---|
| IFRS 9 Financial Instruments | Annual reporting periods beginning on or after 1 January 2018 | IFRS 9 amends the classification and measurement of financial assets and liabilities.<br><br>Financial assets will either be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).<br><br>Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL.<br><br>All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss.<br><br>Gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. | The Company has considered this standard and identified there will be minimal impact on the financial statements. |
| IFRS 15 Revenue from Contracts with Customers | Annual reporting periods beginning on or after 1 January 2018 | An entity will recognise 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 and services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risk and rewards as is currently the case under IAS 18 Revenue. | The Company has considered this standard and identified there will be minimal impact on the financial statements. |

| Standard Reference | Application Date | Nature of Change | Impact on Company's financial report |
|---|---|---|---|
| IFRS 16 Leases | Annual reporting periods beginning on or after 1 January 2019 | If a lessee has significant operating leases outstanding at the date of initial application, right-of-use assets will be recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments.<br><br>This will increase EBITDA as operating leases that were previously expensed will be amortised as a right-of-use asset, and an interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under the existing standard. This trend will reverse in the later years.<br><br>There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis. | The Company has considered this standard and identified that there may be an impact on the financial statements for both current and future contractual arrangements. |

**Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Peninsula Energy Limited at the end of the reporting year. A controlled entity is any entity over which Peninsula Energy Limited has the power to govern the financial and operating policies of, so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights is considered.

Where controlled entities have entered or left the consolidated group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 10 of the Notes to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.
Business combinations by the group are accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

**Rounding of amounts**

The consolidated group has applied the relief available to it under ASIC Legislative Instrument 2017/191. Accordingly, amounts in the Financial Report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**Value Added Taxes**

Revenues, expenses and assets are recognised net of the amount of value added taxes, except where the amount of value added tax incurred is not recoverable from the relevant tax authority. In these circumstances the value added tax is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of value added tax. Cash flows are presented in the cash flow statement on a gross basis, except for the value added tax component of investing and financing activities, which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of value added tax recoverable from, or payable to, a taxation authority.

**Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. When the consolidated group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in the financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

**Key Estimates, Judgements and Assumptions**

The preparation of the consolidated group's financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are disclosed in the relevant notes.

## 2. REVENUE AND OTHER INCOME

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| **Revenue from continuing operations** | | |
| Sale of goods | 18,267 | 5,771 |
| **Total revenue from continuing operations** | **18,267** | **5,771** |
| | | |
| **Other income** | | |
| Interest received | 16 | 44 |
| **Total other income** | **16** | **44** |

**Accounting Policy**

*Sales Revenue*

Revenue from uranium sales is recognised when persuasive evidence of an arrangement exists, the risks and rewards of ownership pass to the purchaser, including delivery of the product and transfer of legal title, the selling price is set or determinable, and collectability is reasonably assured.

On deliveries to conversion facilities ("Converters"), the Converter credits the Company's account for the volume of accepted uranium. Based on delivery terms in a sales contract with its customer, the Company instructs the Converter to transfer title of a contractually specified quantity of uranium to the customer's account at the Converter. At this point, the Company invoices the customer and recognizes revenue for the uranium supplied.

*Deferred Revenue*

Where agreements with purchasers contain commercial factors that are realised over the term of the agreement, or are linked to other agreements with the same purchaser or purchaser group, the effect of these commercial factors is recognised over the term of the respective agreements by way of a blended rate which periodically gives rise to deferred revenue assets or deferred revenue liabilities.

*Interest Revenue*

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of value added tax (VAT), goods and services tax (GST) or other similar taxes.

## 3. COST OF SALES AND OTHER EXPENSES

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| **Cost of sales** | | |
| Production costs before depreciation and amortisation | 21,615 | 1,818 |
| Depreciation and amortisation | 3,218 | 542 |
| Purchased uranium | 5,312 | 3,328 |
| Inventory movement | (16,019) | (2,578) |
| Inventory Net Realisable Value write-down | 5,753 | 357 |
| **Total cost of sales** | **19,879** | **3,467** |
| | | |
| **Other expenses** | | |
| Share-based payments expense (Note 23) | 82 | 1,255 |
| Sale of fixed assets loss/(gain) | 124 | (63) |
| **Total other expenses** | **206** | **1,192** |

## 4. LOSS FOR THE YEAR

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| **Loss before income tax includes the following specific expenses:** | | |
| Employee benefits expense | 2,174 | 2,390 |
| Rental expense on operating leases | | |
| - minimum lease payments | 197 | 189 |

## 5. INCOME TAX

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| **(a) Income tax expense:** | | |
| Current tax | - | - |
| Deferred tax | - | - |
| | - | - |
| **(b) Reconciliation of income tax to prima facie tax payable:** | | |
| Accounting loss before tax | (75,147) | (3,529) |
| Income tax expense/(benefit) @ 30% (2016: 30%) | (22,544) | (1,059) |
| Add tax effect of: | | |
| - Share based payments | 25 | 376 |
| - Impairment & other | 25,461 | 1,544 |
| - Deferred tax assets - tax losses not recognised | 2,856 | 8,014 |
| - Movement in unrecognised temporary differences | (3,334) | (8,812) |
| - Utilisation of prior year tax loss previously unrecognised | - | (380) |
| - Foreign tax rate differential | (2,464) | 317 |
| **Total income tax expense/(benefit)** | **-** | **-** |

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| **(c) Deferred Tax Liabilities** | | |
| Exploration and evaluation expenditure - Foreign | 32,866 | 33,661 |
| Temporary differences - Australia | - | 652 |
| Temporary differences - Foreign | - | - |
| | 32,866 | 34,313 |
| Offset of deferred tax assets | (32,866) | (34,313) |
| **Net deferred tax liabilities recognised** | **-** | **-** |
| **(d) Unrecognised deferred tax assets arising on timing differences** | | |
| Tax losses - Australia | 2,940 | 1,686 |
| Tax losses - Foreign | 37,234 | 40,979 |
| Temporary differences - Australia | 684 | 847 |
| Temporary differences - Foreign | 3,449 | 53 |
| | 44,307 | 43,565 |
| Offset of deferred tax liabilities | (32,866) | (34,313) |
| **Net deferred tax assets not brought to account** | **11,441** | **9,252** |

**Accounting Policy**

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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

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

The carrying amount of deferred income tax assets is reviewed at each statement of financial position 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 statement of financial position 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 within a reasonable time period.

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

**Key Estimates, Judgements and Assumptions**

Balances disclosed in the financial statements and the notes related to taxation, are based on the best estimates of directors and take into account the financial performance and position of the consolidated group as they pertain to current income tax legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets, when recognised, are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are only recognised to the extent that it is probable that there are future taxable profits available against which deductible temporary differences can be utilised.

## 6. CASH AND CASH EQUIVALENTS

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| Cash at bank and in hand | 1,652 | 3,759 |
| Short-term bank deposits | 7,969 | - |
| | **9,621** | **3,759** |

Bank bills and other money market investments are typically held for 30 to 90 days and earn interest at the prevailing rates. Refer to Note 26 for analysis of risk exposure for cash and cash equivalents.

| **Reconciliation of Cash** | 2017 US$000s | 2016 US$000s |
|---|---|---|
| Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows: | | |
| Cash and cash equivalents | 9,621 | 3,759 |
| | **9,621** | **3,759** |

**Accounting Policy**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the Consolidated Statement of Financial Position.

## 7. TRADE AND OTHER RECEIVABLES

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| CURRENT | | |
| Trade debtors | - | 3,453 |
| Prepayments | 265 | 41 |
| GST and VAT receivable | 275 | 29 |
| Sundry receivables | 120 | 149 |
| Bonds and security deposits(i) | 143 | - |
| | **803** | **3,672** |
| NON-CURRENT | | |
| Bonds and security deposits(i) | 2,805 | 3,117 |
| | **2,805** | **3,117** |

(i) Consists of the cash on deposit as security for Permit to Mine Bond and Environmental Performance Bonds for the construction and operating activities at the Lance Projects and rental bond for office premises.

No receivables are past due or impaired. Refer to Note 26 for analysis of risk exposure for trade and other receivables.

**Accounting Policy**

Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Sundry receivables are recognised at amortised cost, less any provision for impairment. Bonds and security deposits include restricted cash amounts and amounts placed on deposit as security for restoration and rehabilitation obligations.

## 8. INVENTORY

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| Inventory – In-Process Uranium | 4,093 | 1,908 |
| Inventory – Drummed Uranium | 5,712 | 670 |
| Net Realisable Value write-down(i) | (5,753) | (357) |
| | **4,052** | **2,221** |

(i) The carrying value of inventory was reviewed as at 30 June 2017. An expense has been recorded to write inventory down to the lower of cost and net realisable value (NRV). The NRV has been calculated using the average selling price of the Company's existing off-take agreements.

**Accounting Policy**

Because of the nature of in-situ operations, it is not economically feasible to accurately measure the amount of in-process inventory at any given time. We use a combination of calculating estimated uranium captured per sampling applied to total lixiviant flow rates to determine the estimated $U_3O_8$ pounds captured. In-process inventory represents uranium that has been extracted from the wellfield and captured in the ion exchange columns and the elution tanks in the processing plant and is currently being transformed into a saleable product. Plant inventory is $U_3O_8$ that is contained in yellowcake, which has been dried and packaged in drums, but not yet transported to the conversion facility. The amount of $U_3O_8$ in the plant inventory is determined by weighing and assaying the amount of $U_3O_8$ packaged into drums at the plant. Conversion facility inventory is $U_3O_8$ that has been transported to and received at the conversion facility. The amount of $U_3O_8$ in the conversion facility inventory includes the amount of $U_3O_8$ contained in drums shipped to the conversion facility plus or minus any final weighing and assay adjustments per the terms of the uranium supplier's agreement with the conversion facility.

The consolidated group's inventories are measured at the lower of cost or net realisable value and reflect the $U_3O_8$ content in various stages of the production and sales process including in-process inventory, plant inventory and conversion facility inventory. Operating supplies are expensed when purchased. Finished goods and work in progress inventory are valued at the lower of cost and net realisable value using the weighted average cost method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Where it is probable that the inventory will be delivered into existing agreements with purchasers, the estimated selling price is the average price contained in the existing agreements, otherwise current market prices are used to determine the estimated selling price.

Production costs include the cost of raw materials, direct labour, mine-site related overhead expenses and depreciation of mineral interests, property, plant and equipment.

## 9. OTHER FINANCIAL ASSETS AND LIABILITIES

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| CURRENT | | |
| Derivate financial asset (i) | 1,682 | - |
| **Total Current Assets** | **1,682** | **-** |
| NON-CURRENT | | |
| Derivate financial asset (i) | 9,942 | - |
| Available-for-sale financial assets (ii) | 3 | 3 |
| **Total Non-Current Assets** | **9,945** | **3** |
| CURRENT | | |
| Derivate financial liability (i) | 443 | - |
| **Total Current Liabilities** | **443** | **-** |
| NON-CURRENT | | |
| Derivate financial liability (i) | 1,797 | - |
| **Total Non-Current Liabilities** | **1,797** | **-** |

(i) During the second half of the financial year, and as a result of the implementation of the Updated Interim Operating Plan, the consolidated group determined that it would not produce the uranium for delivery through to 2021 under two previously-signed offtake agreements with one of its customers. The consolidated group was able to take advantage of prevailing market conditions to purchase uranium at prices below the expected cost of production. As a result of this determination, management assessed that this offtake agreement no longer satisfied the "own-use" exemption under *IAS 39 Financial Instruments: Recognition and Measurement* to not fair value the contractual rights and obligations of the arrangement. In addition, and as a result of the Updated Interim Operating Plan, the consolidated group contracted with a third-party to purchase 900,000 pounds $U_3O_8$ over a 3-year period commencing from January 2018 at an average cost of US$25/lb substantially to meet the delivery commitments of this offtake.

As a result of these transactions, respectively a Derivative Financial Asset and Liability have been recognised. These are accounted for as Financial Instruments at Fair Value through Profit and Loss. A gain upon the initial recognition of the sale contract under the Financial Instrument Standards was recognised in Profit and Loss, as well as subsequent fair value movements. As the purchase contract was deemed and classified as a Derivative Financial Instrument upon inception of the contract, there was no gain or loss upon initial recognition. Revaluation at 30 June 2017 has been included within the same line in Profit and Loss as the gain on the purchase contract.

The result of the above transactions is to recognise in respect of the sales contract a Financial Asset of US$11.62 million, in respect of the purchase contract a Financial Liability of US$2.24 million, and a net gain upon initial recognition and subsequent re-measurement of both contracts of US$9.38 million. Contracts with the customer have been valued against the estimated value of term contracts that could have been entered on 30 June 2017 at a base price of US$34/lb with a 2.0% annual rate of escalation. The uranium purchase agreement value has been determined by valuing the purchase agreement against reported forward prices published by Numerco for uranium at 30 June 2017 that range between US$20.57 and US$24.66 per pound $U_3O_8$. A discount rate of 10.4% has been applied to the cash flows to determine fair value at 30 June 2017.

Refer to Note 26 Financial Risk Management for further disclosure.

(ii) Available-for-sale financial assets as at 30 June 2017 comprised a holding of 543,750 shares in Terrain Minerals Limited (Terrain) (ASX:TMX). There were no fixed returns or fixed maturity date attached to these investments. The price of Terrain ordinary shares as at 30 June 2017 was A$0.008 per share.

**Accounting Policy**

Financial assets are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated group commits itself to either the purchase or sale of the asset (i.e., trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit and loss immediately.

**Key Estimates, Judgements and Assumptions**

Fair value for financial assets is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Fair value for derivative financial assets is determined by reference to comparable arm's length transactions or by reference to factors that would apply on an arm's length transaction. In determining fair value, the projected cash flow stream of the financial asset is escalated to a future date using the interest rate applicable to the financial asset instrument. Future cash flows are discounted back to present value using a discount rate that reflects the expected rate of return and level of risk inherent within each financial instrument.

Purchase contract derivative fair values are based on product value of the difference in purchase prices versus the forward curve of spot prices. Delivery contract derivative fair values are based on the present value of the difference between revenue under existing offtake contracts and revenue that a similar contract would generate if entered into at balance date. Judgement is applied in determining what similar contracts could be entered into.

## 10. CONTROLLED ENTITIES

### (a) Controlled entities consolidated

| | | Percentage Ownership (%) | |
|---|---|---|---|
| | **Country of Incorporation** | **2017** | **2016** |
| **Parent entity** | | | |
| Peninsula Energy Limited | Australia | | |
| **Subsidiaries of Peninsula Energy Limited** | | | |
| Tasman Pacific Minerals Limited | Australia | 100% | 100% |
| Tasman RSA Holdings (Pty) Ltd | South Africa | 100% | 100% |
| Tasman Mmakau JV Company (Pty) Ltd | South Africa | 74% | 100% |
| Tasman Lukisa JV Company (Pty) Ltd | South Africa | 74% | 74% |
| Beaufort West Minerals (Pty) Ltd | South Africa | 74% | 74% |
| PM Prospecting Pty Ltd | Australia | 100% | 100% |
| PM Energy Pty Ltd | Australia | 100% | 100% |
| Peninsula USA Holdings Inc. | USA | 100% | 100% |
| Strata Energy Inc. | USA | 100% | 100% |
| Trove Resources Pty Ltd | Australia | 100% | 100% |
| Imperial Mining (Fiji) NL | Australia | 100% | 100% |
| Peninsula Energy LTIP Pty Ltd | Australia | 100% | 100% |
| Peninsula Uranium Limited | UK | 100% | 100% |

### (b) Acquisition and disposal of controlled entities

There were no acquisitions or disposals of controlled entities during the year. During the financial year, the Company issued shares equivalent to 26% of the issued capital of Tasman Mmakau JV Company (Pty) Ltd to one of its black economic empowerment partners in South Africa (Mmakau Mining (Pty) Ltd). This share issue is part of a planned transition of the Mmakau Joint Venture from that of an unincorporated joint venture to an incorporated joint venture. Prospecting rights held in the unincorporated joint venture shall progressively be transferred to the incorporated joint venture, however, the net interest of the Company (74%) in the prospecting rights will not change.

**(c) Non-controlling interests (NCI)**

Set out below is summarised financial information for the Lukisa Joint Venture. The amounts disclosed are before inter-company eliminations:

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| **Summarised balance sheet** | | |
| Current assets | 327 | 194 |
| Non-current assets | 8,598 | 7,254 |
| Total assets | 8,925 | 7,448 |
| | | |
| Current liabilities | 51 | 79 |
| Non-current liabilities | 5,580 | 3,121 |
| Total liabilities | 5,631 | 3,200 |
| | | |
| **Net assets** | **3,294** | **4,248** |
| | | |
| **Accumulated NCI** | **856** | **1,104** |
| | | |
| **Summarised statement of comprehensive income** | | |
| Impairment expense | (1,623) | - |
| **Loss for the year from continuing operations** | **(1,623)** | **-** |
| | | |
| **Loss from continuing operations attributable to:** | | |
| Equity holders of the Parent | (1,201) | - |
| Non-controlling interests | (422) | - |
| | **(1,623)** | **-** |
| | | |
| **Summarised cash flows** | | |
| Cash flows from investing activities | (1,112) | (685) |
| Cash flows from financing activities | 1,112 | 685 |
| **Net increase in cash and cash equivalents** | **-** | **-** |

**Key Estimates, Judgements and Assumptions**

In determining whether the consolidated group has control over subsidiaries that are not wholly owned, judgement is applied to assess the ability of the consolidated group to control the day to day activities of the partly owned subsidiary and its economic outcomes. In exercising this judgement, the commercial and legal relationships that the consolidated group has with other owners of partly owned subsidiaries are taken into consideration. Whilst the consolidated group is not able to control all activities of a partly owned subsidiary, the partly owned subsidiary is consolidated within the consolidated group where it is determined that the consolidated group controls the day to day activities and economic outcomes of a partly owned subsidiary. Changes in agreements with other owners of partly owned subsidiaries could result in a loss of control and subsequently de-consolidation.

Upon acquisition of partly owned subsidiaries by the consolidated group, judgement is exercised concerning the value of net assets acquired on the date of acquisition. Minority owner interest share of net assets acquired, and subsequent period movements in value thereof, are disclosed as outside equity interests.

On 18 December 2013, the Company acquired a 74% interest in Lukisa JV Company (Pty) Ltd. Under the terms of the shareholders' agreement in place with the holder of the 26% minority interest, the Company has judged that the Company has sufficient capability under the shareholders' agreement to control the day to day activities and economic outcomes of Lukisa JV Company (Pty) Ltd. Future changes to the shareholders' agreement may impact on the ability of the Company to control Lukisa JV Company (Pty) Ltd. The Company may be liable in the future to make an additional payment of US$45 million to the vendor. After assessment of the conditions that would require this payment to be made in the future, the Company has judged that this possible future payment is a contingent liability, refer to Note 29 for further details.

## 11. PROPERTY, PLANT & EQUIPMENT

| | Consolidated Group 2017 US$000s | Consolidated Group 2016 US$000s |
|---|---|---|
| **Plant and Equipment** | | |
| - At cost | 22,840 | 22,639 |
| - Accumulated depreciation | (745) | (664) |
| **Total Plant and Equipment** | **22,095** | **21,975** |
| **Land and Buildings** | | |
| - At cost | 8,008 | 7,293 |
| - Accumulated depreciation | (261) | (167) |
| **Total Land and Buildings** | **7,747** | **7,126** |
| **Total Property, Plant and Equipment** | **29,842** | **29,101** |

**30 June 2017**

**(a) Movement in carrying amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

| | Plant and Equipment US$000s | Land and Buildings US$000s | Total US$000s |
|---|---|---|---|
| Balance at the beginning of the year | 21,975 | 7,126 | 29,101 |
| Additions | 911 | 9 | 920 |
| Disposals | (399) | - | (399) |
| Depreciation expense | (31) | - | (31) |
| Depreciation expense included in Cost of Sales | (363) | (94) | (457) |
| Foreign exchange translation | 2 | 706 | 708 |
| **Carrying amount at the end of the year** | **22,095** | **7,747** | **29,842** |

**30 June 2016**

**(b) Movement in carrying amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

| | Plant and Equipment US$000s | Land and Buildings US$000s | Total US$000s |
|---|---|---|---|
| Balance at the beginning of the year | 5,770 | 7,373 | 13,143 |
| Additions | 7,761 | - | 7,761 |
| Transfers from Mineral Development [(i)] | 8,666 | 1,016 | 9,682 |
| Disposals | - | (229) | (229) |
| Depreciation expense | (163) | (38) | (201) |
| Depreciation expense included in Cost of Sales | (59) | (8) | (67) |
| Foreign exchange translation | - | (988) | (988) |
| **Carrying amount at the end of the year** | **21,975** | **7,126** | **29,101** |

(i) The Company made an election to commence expensing production costs on 1 May 2016 and costs relating the Central Processing Plant were transferred from Mineral Development into Property, Plant and Equipment. Refer to Note 13 for further details.

**Accounting Policy**

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

*Property*

Freehold land and buildings are shown at their cost, less accumulated depreciation on buildings.

*Plant and Equipment*

Plant and equipment are measured on a cost basis.

The carrying amount of plant and equipment is reviewed to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit and loss and other comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit and loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

*Depreciation*

The carrying amounts of mineral interests, property, plant and equipment are depreciated to their estimated residual value over the estimated economic life of the specific assets to which they relate, or using the straight-line method over their estimated useful lives indicated below.

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date when the asset is available for use.

• Mine plant and equipment - based on recoverable resources or reserves on a unit of production basis
• Assets under construction - not depreciated
• Property, plant and equipment - 2 to 15 years straight-line or on a unit of production basis
• Buildings - 6 to 40 years straight-line or on a unit of production basis

## 12. MINERAL EXPLORATION AND EVALUATION

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| **Exploration and evaluation** | | |
| Balance at the beginning of the year | 8,181 | 9,040 |
| Exploration and evaluation costs incurred | 1,301 | 816 |
| Impairment expense | (6,881) | - |
| Foreign exchange translation | 1,979 | (1,675) |
| **Carrying amount at the end of the year** | **4,580** | **8,181** |

**Accounting Policy**

Mineral exploration and evaluation costs incurred are accumulated in respect of each identifiable area of interest. These costs are only carried forward where rights to the area of interest are current and to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable resources or reserves.

Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest is demonstrable, exploration and evaluation assets attributed to that area of interest are first tested for impairment and then reclassified from exploration and evaluation to development assets.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation assets in relation to an area may still be impaired or written off if it is considered appropriate to do so.

**Key Estimates, Judgements and Assumptions**

The consolidated group capitalises expenditure relating to exploration and evaluation costs where they are considered to be likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of economically recoverable resources. Capitalisation of expenditure requires the consolidated group to make a judgement on the extent that expenditure on exploration and evaluation assets will likely be recovered in the future through mineral extraction or some other form of commercialisation of the exploration and evaluation stage assets.

The future recoverability of capitalised exploration and evaluation costs are dependent on a number of factors, including whether the consolidated group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

During the financial year, the Company commenced an exercise to reduce its land holding in South Africa and submitted closure applications for prospecting rights that were determined not to be prospective for uranium. Previously capitalised exploration and evaluation expenditure has been impaired by applying a pro rata allocation of the area of land for which closure applications have been submitted for. This allocation has been completed individually for the Tasman Lukisa Joint Venture and the Tasman Mmakau Joint Venture. A non-cash impairment charge of US$6.88 million has been recognised (2016: nil) following completion of this review. Management of the Company has applied its judgement by apportioning previously capitalised exploration and evaluation costs based on land area of the collective prospecting rights and then by using the revised land holding area to complete the pro rata determination of the non-cash impairment charge.

| **13. MINERAL DEVELOPMENT** | **2017 US$000s** | **2016 US$000s** |
|---|---|---|
| **Development** | | |
| Balance at the beginning of the year | 110,737 | 91,758 |
| Development costs | 9,193 | 24,722 |
| Additional provision for rehabilitation | 6,851 | 4,481 |
| Transfers to Property, Plant & Equipment | - | (9,682) |
| Amortisation of development costs | (2,761) | (542) |
| Impairment expense | (67,905) | - |
| **Carrying amount at the end of the year** | **56,115** | **110,737** |

**Accounting Policy – Amortisation of Development Costs**

Amortisation of development costs is charged on a units of production basis over the life of economically recoverable resources. Mineral development costs are amortised on the following basis for the Company's operating in-situ recovery project:

- Mine Units – Wellfield development costs (mine unit wellfield data package costs, mining wells, monitor wells and header houses) within a mine unit are amortised on a units of production basis over the expected uranium to be recovered from that mine unit;
- Permit Area – Capitalised exploration, trunkline installation, permitting costs and restoration and rehabilitation costs are amortised on a units of production basis over the expected uranium to be recovered from that permit area; and
- Life of Mine – Capitalised borrowing costs and capitalised pre-production costs are amortised on a units of production basis over the expected uranium to be recovered over the life of mine from all permit areas.

Amortisation of Ross Permit Area costs commenced on 1 May 2016 upon the election to commence commercial operations.

**Accounting Policy – Rehabilitation**

The consolidated group's operations are subject to significant environmental regulation under international legislation in relation to its conduct of development and operation of uranium projects. The Directors are of the opinion that sufficient procedures and reporting processes have been established to enable the consolidated group to meet its environmental responsibilities, including future restoration and rehabilitation obligations.

**Accounting Policy – Impairment of Assets**

Development activities commence after commercial viability and technical feasibility of the project is established. At the end of each reporting period, the consolidated group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit and loss and other comprehensive income.

For mineral exploration and evaluation assets, at each reporting date the consolidated group considers whether or not sufficient data exists to indicate that it is likely that development of an area of interest will proceed, the extent of approved budgeted and planned exploration and evaluation expenditure on each area of interest and the value that could be achieved through sale of these assets in their current state. Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

During the financial year, reported Term contract prices decreased from US$38.00/lb $U_3O_8$ to US$32.00/lb $U_3O_8$ and reported Spot prices decreased from US$26.00/lb $U_3O_8$ to US$20.00/lb $U_3O_8$. Whilst the Company is largely insulated from movements in the market price of uranium through its existing long term contracts (committed long term contracts of up to 7,700,000lbs $U_3O_8$ comprise approximately 61% of production from the Ross and Kendrick permit areas at a weighted average price of US$55/lb), this price decrease is an indication that the value of the assets may be impaired. A further indicator of impairment is the adoption of an interim alternate operating plan by the Company, and lower rates of annual extraction extending the life of mine period.

The Company has determined a fair value less costs to sell as at 30 June 2017 based on the life of mine cash flow model for the Ross and Kendrick permit areas plus a market value per pound of in-situ resource for the Barber permit area.

The estimates of future cash flows are based on significant assumptions including:

- Future uranium prices, specifically prices for uncontracted uranium under the consolidated group's preferred selling model of long term contracts. Uncontracted uranium is assumed to be sold at nominal prices sourced from Consensus Economics Inc as at June 2017 ranging from US$30.83/lb $U_3O_8$ in CY2018 to US$48.32/lb $U_3O_8$ in CY2022 and beyond (escalated at 2.0% per annum);
- Within the Ross and Kendrick Permit Areas, 72% of the Measured and Indicated mineral resource is recovered and 48% of the Inferred mineral resource is recovered;
- Within the Ross and Kendrick Permit Areas, 73% of production is sourced from Measured and Indicated resources and 27% is sourced from Inferred resources;
- Within the discounted cash flow model, Measured and Indicated resources comprise production during the first 70% of the mine life, with Inferred resources only contributing to production during the final 30% of the mine life;
- Production and capital costs being consistent with feasibility and optimisation study outcomes and detailed budgets approved by the Board;
- Estimates of the quantity of mineral resources for which there is a high degree of confidence of economic extraction at rates consistent with Board approved budgets and long term development plans;
- Estimates of the rate of production at each stage of development being consistent with modelled rates at each stage of development;
- A pre-tax nominal discount rate of 11.15% has been utilised; and
- Future changes in assumptions upon which these estimates are based may give rise to a material adjustment by impairing the development expenditure.

The value of the in-ground resource assigned to the Barber Permit Area is based on a review of comparable transactions of sandstone hosted pre-operational uranium deposits that contain greater than 50% Inferred resources. Excluding outliers, comparable transactions adjusted for movement in the price of uranium range from a low of US$0.96/lb $U_3O_8$ resource to a high of US$2.20/lb $U_3O_8$ resource. A base value of US$1.35/lb $U_3O_8$ in-ground resource was used.

The Company has recognised a non-cash impairment charge of US$67.91 million in relation to the Lance Projects CGU for the year ending 30 June 2017, restating the assets for this CGU to US$56.12 million. This value is based on the application of an 11.15% (2016: 10.40%) pre-tax discount rate for the purpose of determining a fair value less costs to sell amount.

The Company has validated the results of the fair value less costs to sell assessment by performing sensitivity tests on its key assumptions. Holding all other variables constant, the decreases in recoverable amount created by marginal changes in each of the key assumptions is as follows:

| | Change in assumption | Amount of decrease US$000s |
|---|---|---|
| **Variable** | | |
| Discount rate | 1% point increase | $4,314 |
| Uranium prices | $1/lb decrease | $1,956 |

**Key Estimates, Judgements and Assumptions**

Pre-production costs are deferred as development costs until such time as the asset is capable of being operated in a manner intended by management and depreciated on a units of production basis. Post-production costs are recognised as a cost of production.

Determining when a project has commenced commercial operations involves judgement. Management performs this assessment for each development project. Amongst the criteria that are evaluated for in-situ recovery and operations are: the level of wellfield flow rates relative to design capacity; the level of production relative to design capacity and the sustainability of this level; the period of time since the start of uranium production; and, an assessment of the sustainability of profitable operations. These factors can be subjective and no one factor by itself is necessarily indicative. Management exercises judgment in evaluating these factors based on its knowledge of the project's operations.

This assessment impacts the balance sheet and income statement, as upon commencement of commercial operations, development expenditures cease to be capitalised, revenue is recognised from any sales when the appropriate criteria have been met, and the assets included in assets under construction are reclassified to property, plant and equipment.

The Company made an election to commence expensing production costs on 1 May 2016 due to the commissioning of the CPP, deep disposal well and Stage 1 flow rate capacity reaching almost 50%.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable resources or reserves. For ISR operations where a reserve (by definition under the relevant JORC-Code), cannot be determined until a sufficient period of economic operations have occurred, the rate of depletion shall be based on economically recoverable resources. In determining economically recoverable resources, management makes certain estimates and assumptions as to future events, including the future price of uranium.

## 14. JOINT ARRANGEMENTS

**Interest in Joint Operations**

The consolidated group's share of assets employed in joint operations that are included in the consolidated financial statements are as follows:

**Geopacific (Fiji) Joint Venture**

Peninsula Energy has a 50% interest in the Geopacific Resources NL Joint Venture, whose principal activity is gold exploration.

All capitalised expenditure relating to the Geopacific Joint Venture was fully impaired at 30 June 2013.

| **Mmakau (RSA) Joint Venture** | 2017 US$000s | 2016 US$000s |
|---|---|---|
| Peninsula Energy has a 74% interest in the Mmakau Joint Venture, whose principal activity is uranium exploration in the Karoo region of the Republic of South Africa. The 74% interest in this joint venture is proportionately consolidated. BEE partner Mmakau Mining (Pty) Ltd holds a 26% interest. | | |
| NON-CURRENT ASSETS | | |
| Mineral exploration and evaluation[(i)] | 1,497 | 5,775 |

(i) The decrease between 2016 and 2017 is, in part, due to an impairment expense of US$4.29 million recognised in the 2017 financial year.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**Accounting Policy**

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The consolidated group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

## 15. TRADE AND OTHER PAYABLES

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| CURRENT | | |
| Trade and other payables | 3,131 | 3,164 |
| **Total trade and other payables** | **3,131** | **3,164** |

Trade and other payables are non-interest bearing and generally settled on 30 day terms. Due to their short-term nature, their carrying amount is assumed to approximate their fair value.

**Accounting Policy**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the consolidated group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

## 16. BORROWINGS

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| CURRENT | | |
| Borrowings – Convertible Notes(i) | 19,314 | 14,883 |
| Borrowings – Investec(ii) | 980 | 3,012 |
| Borrowings – Strata(iii) | 596 | 93 |
| **Total current financial liabilities** | **20,890** | **17,988** |
| | | |
| NON-CURRENT | | |
| Borrowings - Strata(iii) | 902 | 537 |
| Lukisa Joint Venture loans(iv) | 180 | 155 |
| **Total non-current financial liabilities** | **1,082** | **692** |

(i) On 26 April 2016 Peninsula announced it had executed convertible note agreements with major shareholders Resource Capital Fund VI L.P (RCF VI) and Pala Investments Ltd (Pala) for a total of US$15 million (Convertible Notes). On 14 October 2016, Peninsula announced it had increased the total funding from US$15 million to US$20 million under the existing convertible note facility.

Under these agreements, RCF VI and Pala (Lenders) have each provided Peninsula with a convertible note facility, with participation in proportion to their existing shareholdings in the Company. The US$20 million total loan amount is comprised of a US$12.84 million convertible note provided by RCF VI and a US$7.16 million convertible note provided by Pala.

Under the terms of the Convertible Notes, the Lenders may elect to convert all or part of the principal amount of the Convertible Notes (including any capitalised interest) into fully paid ordinary shares at any time prior to maturity at a conversion price. On 8 December 2016, Peninsula announced that RCF VI and Pala have further demonstrated their support by agreeing to a variation of the terms of the Convertible Notes whereby the maturity date was extended by 12 months to 22 April 2018 and the conversion price set at a fixed price of A$0.625 per share. The new set fixed price is an improvement of 25% from the conversion price that would otherwise have applied.

(ii) In December 2015, the Company entered into an agreement with Investec Bank Plc for a US$15 million finance facility, comprising a US$7.5 million overdraft and US$7.5 million trade finance facility. The agreement has a term of 2 years and expires in December 2017.

The value of assets pledged as security under the Convertible Notes and Investec Facility is US$112.8 million.

(iii) Balances consist of the current and non-current portions of a mortgage over the Strata Energy Inc. office building, Nuclear Regulatory Commission Promissory Notes and loans for vehicles and equipment.

(iv) In December 2013, the Company completed the acquisition of the South African uranium assets previously owned by AREVA. The assets were acquired by the acquisition of the AREVA held shares in Tasman-Lukisa JV Company (Pty) Ltd, which resulted in the Company acquiring 74% of this entity. The remaining 26% is held by the Black Economic Empowerment partner – Lukisa Invest 100 (Pty) Ltd. On the date of completion, Tasman-Lukisa JV Company (Pty) Ltd owed certain amounts by way of loans to AREVA and its subsidiaries (shareholder loans). These shareholder loans were acquired by the Company and Lukisa Invest 100 (Pty) Ltd in proportion to the respective ownership interests in Tasman-Lukisa JV Company (Pty) Ltd. As the Company consolidates the Tasman-Lukisa JV Company (Pty) Ltd in its financial statements, the amount shown represents the 26% share of the loans acquired by the shareholders that is attributable to Lukisa Invest 100 (Pty) Ltd. The acquired loans have a face value of US$117,721,899 at the date of acquisition, however, they were acquired for US$1 only by each of the Company and Lukisa Invest 100 (Pty) Ltd. The value of the acquired loans have been recognised at their fair value that has been determined by escalating the cash flow stream for a period of 30 years and discounting the value back to present value using a pre-tax discount rate of 30%. Under the terms of the shareholders agreement, the acquired loans are subordinated to other liabilities of Tasman-Lukisa JV Company (Pty) Ltd, including subordinated to the actual cash amounts that the Company has provided to the Tasman-Lukisa JV Company (Pty) Ltd to progress exploration and evaluation activities.

| **Other finance facilities:** | **2017 US$000s** | **2016 US$000s** |
|---|---|---|
| Off-balance sheet arrangements | | |
| Surety bonds[(i)] | 12,200 | 10,221 |
| **Total off-balance sheet arrangements** | **12,200** | **10,221** |

(i) In the normal course of business, the Company is a party to certain off-balance sheet arrangements. These arrangements include guarantees and financial instruments with off-balance sheet risk, such as letters of credit and surety bonds. No liabilities related to these arrangements are reflected in this consolidated Statement of Financial Position, other than the rehabilitation provision.

US federal and state laws require the Company to secure certain long-term obligations, such as asset retirement obligations. We have secured these obligations with surety bonds and we have supported our surety bonds with cash deposits that represent a percentage of the face value of the obligation. The surety bond provider has a first ranking charge over these cash deposit amounts. We believe these bonds will expire without any claims or payments thereon, and accordingly we do not expect any material adverse effect on our financial condition, results of operations or cash flows therefrom.

**Accounting Policy**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost or fair value. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale. Borrowing costs cease to be capitalised upon the earlier of extinguishment of the liability or the commencement of commercial production from the qualifying asset.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**Key Estimates, Judgements and Assumptions**

Balances disclosed in the financial statements and notes related to financial liabilities are shown at their amortised cost or fair value. When measuring fair value of financial liabilities owed by the consolidated group to minority owners of partly owned subsidiaries within the consolidated group, judgement is made on the future maturity date of the financial instruments and the discount rate applied to future cash flow streams to determine fair value at each reporting date. The discount rate takes into account a risk factor applicable to each such financial liability on each reporting date. At the time of completion of the acquisition of the 74% interest in the Lukisa JV Company (Pty) Ltd, the Company and the holder of the 26% minority interest each acquired from the vendor certain loans owing from the Lukisa JV Company (Pty) Ltd to the vendor. The Company has recognised the value of these loans at their fair value.

The expected maturity date and discount factor applied at each reporting date may change as a result of changes in development, operations or future prospects of partly owned subsidiaries and uranium market conditions.

## 17. PROVISIONS

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| CURRENT | | |
| Employee Entitlements - Annual Leave | 187 | 70 |
| **Total current provisions** | **187** | **70** |
| | | |
| NON-CURRENT | | |
| Rehabilitation Provision(i) | 11,332 | 5,234 |
| **Total non-current provisions** | **11,332** | **5,234** |

(i) A provision for restoration is recognised in relation to the exploration and development activities for costs associated with the restoration of various sites. Estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs. In determining the restoration provision, the Company has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration in the future.

**Provisions**

Provisions are recognised when the consolidated group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**Employee Benefits**

Provision is made for the consolidated group's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**Defined Superannuation Schemes**

Australian employees receive a superannuation guarantee contribution required by the government, which is currently 9.50%, and do not receive any other retirement benefits. United States employees receive retirement contributions under a 401(k) plan established by Strata, which is currently 5.0% of ordinary earnings, and do not receive any other retirement benefits.

**Key Estimates, Judgements and Assumptions**

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of the mine's life. In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example, in response to changes in resources or to production rates. In recognising the amount of decommissioning and restoration obligation at each reporting date, judgement is made on the extent of decommissioning and restoration that the consolidated group is responsible for at each reporting date. For ISR operations, this requires an assessment to be made on not only physical above ground disturbances but also on below ground disturbances in mining zone aquifers that have occurred through the use of the ISR mining method. Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

## 18. ISSUED CAPITAL

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| A reconciliation of the movement in capital and reserves for the consolidated group can be found in the Statement of Changes in Equity. | | |
| 229,591,666 fully paid ordinary shares (2016: 176,423,023) | 204,067 | 184,073 |

### (a) Ordinary shares

| | 2017 No. | 2016 No. |
|---|---|---|
| At the beginning of the reporting year | 176,423,023 | 6,906,810,221 |
| *Shares issued during the year* | | |
| - Shares issued under subscription agreement (i) | 1,537,189 | - |
| - Shares issued under service agreement (ii) | 783,490 | 740,000 |
| - Employee incentive shares issued | - | 28,777,778 |
| - Shares issued under employment agreement (Note 23) | 87,500 | 500,000 |
| - Share consolidation | - | (6,763,405,205) |
| - Shares issued to Managing Director/CEO | - | 555,556 |
| - Salary Sacrifice Scheme | - | 18,194 |
| - Shares issued on exercise of options | - | 1,967,881 |
| - Equity Raising – Placement (iii) | 17,000,000 | - |
| - Share Purchase Plan (iv) | 28,401,096 | - |
| - Debt facility fees and interest (v) | 5,359,368 | 458,598 |
| **Total at the end of the year** | **229,591,666** | **176,423,023** |

### (b) Ordinary shares

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| At the beginning of the reporting year | 184,073 | 181,013 |
| *Shares issued during the year* | | |
| - Shares issued under subscription agreement (i) | 745 | - |
| - Shares issued under service agreement (ii) | 472 | 13 |
| - Employee incentive shares issued | - | 545 |
| - Shares issued under employment agreement (Note 23) | 38 | 9 |
| - Shares issued to Managing Director/CEO | - | 554 |
| - Salary Sacrifice Scheme | - | 11 |
| - Shares issued on exercise of options | - | 1,720 |
| - Equity Raising – Placement (iii) | 6,404 | - |
| - Share Purchase Plan (iv) | 10,702 | - |
| - Debt facility fees and interest (v) | 2,182 | 302 |
| - Capital raising fees – equity facility agreement | (488) | - |
| - Capital raising fees – other | (61) | (94) |
| **Total at the end of the year** | **204,067** | **184,073** |

(i) On 4 August 2016 the Company entered into a subscription agreement with Concentrate Capital Partners (CCP) to progress the Karoo Projects Pre-Feasibility Study (PFS) services provided by DRA Projects SA (DRA). DRA is completing the mining, processing and engineering components of the PFS and Peninsula has issued 979,696 shares to CCP at an issue price of A$0.80 (A$783,757) upon receipt of invoice from DRA. Subsequently, on 1 June 2017, an additional 557,493 shares were issued at an issue price calculated using the invoiced amount from DRA (A$205,506) and applying a 5-day VWAP of Peninsula shares.

(ii) On 22 September 2016 the Board approved the payment of Long Term Incentive Plan (LTIP) incentives for Key Management Personnel and senior staff in recognition of performance during the financial year to 30 June 2016. These amounts were accrued for at 30 June 2016 and subsequently adjusted for valuation movement prior to issue date. In addition, 56,250 Restricted Share Units (RSUs) were issued under a service agreement during the period. RSUs are held on trust and vest over a three year period commencing on 1 July 2017.

(iii) On 8 December 2016 the Company announced that it had binding commitments to raise A$8.2 million through a placement of 17 million ordinary shares at an issue price of A$0.50 per share to key institutional and sophisticated investors. The Placement was carried out over two tranches, the first tranche occurred on 16 December 2016 issuing 14,300,000 shares and the remaining 2,700,000 shares were issued on 19 December 2016.

(iv) On 6 February 2017 Peninsula announced a fully underwritten share purchase plan (SPP) to raise A$6.5 million. The SPP, which closed on 3 March 2017, was heavily oversubscribed with a total of A$15.0 million in valid applications received. Due to the strength of demand, the Company elected to accept A$14.2 million of the valid applications which is the maximum amount that the Company could accept under ASX Listing Rule 7.1. Subsequently, 28,401,096 shares were issued under the SPP on 13 March 2017.

(v) These amounts relate to shares issued to the holders of the convertible notes, in lieu of quarterly payments for interest and fees.

**(c) Options and Performance Rights**

The total number of options on issue at 30 June 2017 was 54,348,184. The options include 51,713,436 listed PENOD options on issue exercisable at A$2.00 on or before 31 December 2018, 2,250,001 unlisted options exercisable at A$3.20 on or before 31 December 2017 and 384,747 unlisted options exercisable at A$1.52 on or before 1 December 2019.

A reconciliation of the total options on issue as at 30 June 2017 is as follows:

| | **PENOD** | **UNLISTED** |
|---|---|---|
| At the beginning of the year | 43,333,436 | 2,569,748 |
| Issued during the year(i)(ii) | 8,380,000 | 65,000 |
| Expired during the year | - | - |
| Exercised during the year | - | - |
| **Total at the end of the year** | **51,713,436** | **2,634,748** |

(i) On 24 April 2017 the Company issued 8,380,000 Amendment fee options to the holders of the convertible notes under the terms of the Amending Deed for the convertible note facility.

(ii) On 21 December 2016 the Company issued 65,000 unlisted options exercisable at $1.52 on or before 1 December 2019 to Mr Wheatley as approved by shareholders at the Extraordinary General Meeting held on 28 November 2016. The options were valued independently using the Black & Scholes option model, refer to the Notice of Extraordinary General Meeting released on the ASX on 27 October 2016.

All options granted to Key Management Personnel are convertible into ordinary shares in Peninsula, which confer a right of one ordinary share for every option held.

**Performance Rights on issue during the year are as follows:**

| Grant Date | Class | Granted | Lapsed to 30 June 2017 (i) | Balance at 30 June 2017 |
|---|---|---|---|---|
| 28 November 2012 | F | 630,000 | (630,000) | - |
| **Total** | | **630,000** | **(630,000)** | **-** |

(i) All remaining Class F Performance Rights expired on 13 October 2016.

All equity transactions with specified directors and specified executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

**(d) Capital Management**

Management controls the capital of the consolidated group in order to maintain an appropriate debt to equity ratio and ensure that the consolidated group can fund its operations and continue as a going concern. The consolidated group currently has no long term debt other than a small quantity of equipment hire purchase and a building mortgage. There are no externally imposed capital requirements.

Management effectively manages the consolidated group's capital by assessing financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the consolidated group since the prior year.

**Accounting Policy**

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

The consolidated group operates equity-settled share-based payment employee share, performance rights, restricted share unit and option schemes. The fair value of the equity in which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares and restricted share units is ascertained as the market bid price at the time of issue. The fair value of performance rights is ascertained independently on the effective date of grant using a hybrid option pricing model, with the expected share price at the expiry date simulated using a Monte-Carlo model. The fair value of options is ascertained independently using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares, restricted stock units and options expected to vest is reviewed and, where expectations relate to non-market performance conditions, adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

## 19. RESERVES

### (a) Share Based Payments Reserve

The share based payments reserve records items recognised as expenses on valuation of employee share options and performance rights.

### (b) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign operations.

Refer to the Statement of Changes in Equity for a reconciliation of movements in the Share Based Payments Reserve and Foreign Currency Translation Reserve during the year.

**Foreign Currency Transactions and Balances**

*Functional and Presentation Currency*

The functional currency of each of the consolidated group's entities is measured using the currency of the primary economic environment in which that entity operates. The functional currency of the parent entity is Australian dollars. The consolidated financial statements are presented in United States dollars which is the parent entity's presentation currency. The functional currency of a material subsidiary, Strata Energy, Inc. is United States dollars. The functional currency of a material subsidiary, Tasman RSA Holdings (Pty) Ltd is South African rand. The functional currency of a material subsidiary, Peninsula Uranium Limited is Great Britain pounds.

*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 items are translated at the exchange rate on the last day of the reporting period. 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 profit and loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge. The parent entity of the consolidated group provides the majority of funding to subsidiaries by way of US dollar denominated intercompany loans, thereby generating a net investment hedge where the gain or loss on consolidation is taken to other comprehensive income in the consolidated statement of profit and loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit and loss and other comprehensive income.

*Group Companies*

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

- assets and liabilities are translated at exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the reporting 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 with functional currencies other than United States dollars are recognised in Other Comprehensive Income and included in the foreign currency translation reserve in the statement of financial position.

## 20. AUDITORS' REMUNERATION

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| Remuneration of the auditor of the parent entity for: | | |
| - Auditing or reviewing the financial report | 82 | 80 |
| - Other services | 30 | 17 |
| Fees charged by BDO affiliated offices: | | |
| - Auditing or reviewing the financial report | - | 44 |
| **Total auditors' remuneration** | **112** | **141** |

## 21. KEY MANAGEMENT PERSONNEL COMPENSATION

Names and positions held of consolidated and parent entity Key Management Personnel in office at any time during the financial year are:

| ***Key Management*** | ***Position*** |
|---|---|
| John Harrison | Chairman (Non-Executive) |
| Wayne Heili | Managing Director / CEO (appointed 3 April 2017) |
| Evgenij Iorich | Director (Non-Executive) |
| Harrison Barker | Director (Non-Executive) |
| Mark Wheatley | Director (Non-Executive) |
| David Coyne | Finance Director / CFO (appointed 27 March 2017) |
| Willie Bezuidenhout | Chief Executive Officer (South Africa) |
| Ralph Knode | Chief Executive Officer (Strata Energy Inc.) |
| Jonathan Whyte | Company Secretary |
| John Simpson | Managing Director / CEO (resigned 31 March 2017) |
| Warwick Grigor | Director (Non-Executive) (resigned 27 March 2017) |
| Richard Lockwood | Director (Non-Executive) (resigned 27 March 2017) |

Refer to the Remuneration Report contained in the Report of the Directors for details of the remuneration paid or payable to each member of the consolidated group's Key Management Personnel for the year ended 30 June 2017.

The totals of remuneration paid to Key Management Personnel of the Company and the consolidated group during the year are as follows:

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| Short-term employee benefits[(i)] | 2,309 | 1,990 |
| Post-employment benefits | 48 | 41 |
| Share-based payments | 44 | 1,075 |
| | **2,401** | **3,106** |

(i) Amount includes a termination payment of A$600,000 made to Gus Simpson that was paid in accordance with the terms of his employment agreement.

## 22. EVENTS AFTER THE REPORTING DATE

In August 2017 the Company delivered a further 132,934 pounds of $U_3O_8$ (92,934 pounds sourced from the Lance Projects) at an average realised cash price of US$50 per pound $U_3O_8$.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

## 23. SHARE-BASED PAYMENTS

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| Shares issued under service agreement[i] | 34 | 13 |
| Employee incentive shares issued[ii] | 38 | 9 |
| Options issued to Directors[iii] | 10 | 124 |
| Shares issued to Managing Director/CEO | - | 554 |
| Accrual for LTIP shares[iv] | - | 425 |
| Performance Rights expensed | - | 130 |
| | **82** | **1,255** |

(i) On 22 September 2016 the Board approved the payment of Long Term Incentive (LTI) plan incentives for Key Management Personnel and senior staff in recognition of performance during the financial year to 30 June 2016. These amounts were accrued for at 30 June 2016 and subsequently adjusted for valuation movement prior to issue date. In addition, 56,250 Restricted Share Units (RSUs) were issued under a service agreement during the period. RSUs are held on trust and vest over a three year period commencing on 1 July 2017.

(ii) 87,500 ordinary shares issued to employees under existing contracts during the period. Fair value of the shares issued was the market value on the date of issue.

(iii) Issue of 65,000 unlisted options to a Non-Executive Director as approved by shareholders in the Extraordinary General Meeting held on 28 November 2016. The options were valued independently using the Black & Scholes option model, refer to the Notice of Extraordinary General Meeting released on the ASX on 27 October 2016 for detailed valuation assumptions.

(iv) No LTI grants were made to any Key Management Personnel for the year ended 30 June 2017.

All options granted to Key Management Personnel are convertible into ordinary shares in Peninsula, which confer the right of one ordinary share for every option held.

## 24. LOSS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

| (a) Reconciliation of earnings to loss | 2017 US$000s | 2016 US$000s |
|---|---|---|
| Loss after income tax | (74,725) | (3,529) |
| Earnings used to calculate basic and diluted EPS | (74,725) | (3,529) |

| (b) Weighted average number of ordinary shares outstanding during the year | 2017 No. | 2016 No. |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic and diluted EPS | 197,013,176 | 174,916,373 |

All options on issue (Note 18) are considered anti-dilutive and thus have not been included in the calculation of diluted loss per share. These options could potentially dilute earnings per share in the future.

**Earnings Per Share**

*(i) Basic earnings per share*
Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

*(ii) 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 ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## 25. CAPITAL, LEASING AND DELIVERY COMMITMENTS

| | Consolidated Group | |
|---|---|---|
| | 2017 US$000s | 2016 US$000s |
| **(a) Exploration Tenement Leases** | | |
| Payable - Exploration Tenement Leases (not later than one year) | **561** | **1,079** |

The consolidated group has certain obligations with respect to mining tenements and minimum expenditure requirements on areas held. For exploration licence expenditures, commitments are only expected for the following year. Financial commitments for subsequent periods are contingent upon future exploration results and cannot be estimated.

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| **(b) Office Building Lease** | | |
| Payable – Commercial Lease (not later than one year) | 45 | 214 |
| Payable – Commercial Lease (later than one year and not later than five years) | 45 | 249 |
| | **90** | **463** |

During the financial year, Peninsula entered into an agreement for a lease for new Head Office premises in Perth. The lease agreement is for a term of two years on standard commercial terms.

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| **(c) Mobile Equipment Leases** | | |
| Payable –Operating Lease (not later than one year) | **43** | **71** |

### (d) $U_3O_8$ Delivery Commitments

As at 30 June 2017 Peninsula has up to 7,700,000 pounds of $U_3O_8$ remaining under contract for delivery to major utilities located in the United States and Europe.

***Summary of Delivery Commitments over next five years:***

| Financial Year | Pounds $U_30_8$ |
|---|---|
| 2018 | 450,000 |
| 2019 | 528,500 |
| 2020 | 528,500 |
| 2021 | 675,500 |
| 2022 | 850,000 |

Approximately 81% of deliveries over the next five years are firm and binding. Approximately 19% of deliveries are optional at the election of the customer.

### (e) U3O8 Purchase Commitments

As at 30 June 2017 Peninsula has 900,000 pounds of $U_3O_8$ remaining under contract for purchase.

***Summary of Purchase Commitments over next five years:***

| Financial Year | Pounds $U_30_8$ |
|---|---|
| 2018 | 150,000 |
| 2019 | 300,000 |
| 2020 | 300,000 |
| 2021 | 150,000 |
| 2022 | - |

**Accounting Policy**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**Key Estimates, Judgements and Assumptions**

Judgement is required to determine whether the consolidated group's $U_3O_8$ delivery commitments satisfy the "own-use exemption" contained within IAS 39. The standard applies to contracts to buy or sell a non-financial item that can be settled net in cash or in another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale, or usage requirements.

With the continued ramp-up of Lance Projects production, other than a sale contract for which the Company has committed to purchase uranium to meet the sale quantities, management is confident that all other future delivery commitments will be met from internal production and meet the "own-use exemption" definition. Therefore, the majority of commitments fall outside the scope of IAS 39 and no derivative has been recognised other than as disclosed in Note 9.

**26. FINANCIAL RISK MANAGEMENT**

The consolidated group's financial instruments consist of certain uranium concentrate sale and purchase agreements, deposits with banks, local money market instruments, short-term investments and accounts receivable and payable, notes issued to debt providers, loans to subsidiaries, bills and leases.

**Financial Risk Management Policies**

The consolidated group manages its exposure to a variety of financial risks, market risk (including currency risk, commodity price risk and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk in accordance with the Audit and Risk Management Committee Charter and specific approved group policies. These policies are developed in accordance with the consolidated group's operational requirements. The consolidated group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessment of prevailing and forecast interest rates and foreign exchange rates. The consolidated group manages credit risk by only dealing with recognised, creditworthy third parties and liquidity risk is managed through the budgeting and forecasting process.

**Specific Financial Risk Exposures and Management**

The main risks the consolidated group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk.

**(a) Credit Risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the consolidated group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for approval, granting and removal of credit limits, regular monitoring of exposures against such limits and monitoring the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days from invoice date.

Risk is also minimised by investing surplus funds in financial institutions that maintain a high credit rating.

*Credit Risk Exposures*

The maximum exposure to credit risk by class of recognised financial assets at the reporting date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The consolidated group has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographical basis, the consolidated group has significant credit risk exposures to the United States, South Africa, United Kingdom and Australia given the substantial operations in those regions. Details with respect to credit risk of Trade and Other Receivables are provided in Note 7. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 7.

Credit risk related to balances with banks and other financial institutions are managed in accordance with approved Board policy. The consolidated group's current investment policy is aimed at maximising the return on surplus cash, with the aim of outperforming the benchmark within acceptable levels of risk return exposure and to mitigate the credit and liquidity risks that the consolidated group is exposed to through investment activities.

The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| **Cash and Cash Equivalents** | | |
| - A Rated | 9,621 | 3,759 |
| | **9,621** | **3,759** |

## (b) Liquidity Risk

Liquidity risk arises from the possibility that the consolidated group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The consolidated group manages liquidity risk by maintaining sufficient cash or credit facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The consolidated group's liquidity needs can be met through a variety of sources, including the issue of equity instruments and short or long term borrowings.

Alternative sources of funding in the future could include project debt financing and equity raisings, and future operating cash flow. These alternatives will be evaluated to determine the optimal mix of capital resources.

The following table details the consolidated group's non-derivative financial instruments according to their contractual maturities. The amounts disclosed are based on contractual undiscounted cash flows. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

*Financial Asset and Financial Liability Maturity Analysis*

| | Within 1 Year | | 1-5 Years | | Over 5 Years | | Totals | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **Financial Assets** | US$000s | US$000s | US$000s | US$000s | US$000s | US$000s | US$000s | US$000s |
| Cash & cash equivalents | 9,621 | 3,759 | - | - | - | - | 9,621 | 3,759 |
| Trade and other receivables | 803 | 3,672 | 2,805 | 3,117 | - | - | 3,608 | 6,789 |
| Other financial assets | - | - | 3 | 3 | - | - | 3 | 3 |
| **Total Financial Assets** | **10,424** | **7,431** | **2,808** | **3,120** | **-** | **-** | **13,232** | **10,551** |
| **Financial Liabilities** | | | | | | | | |
| Trade and other payables | 3,131 | 3,164 | - | - | - | - | 3,131 | 3,164 |
| Borrowings | 22,238 | 19,191 | 920 | 537 | 180 | 155 | 23,338 | 19,883 |
| **Total Financial Liabilities** | **25,369** | **22,355** | **920** | **537** | **180** | **155** | **26,469** | **23,047** |

## (c) Market Risk

*(i) Interest Rate Risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The consolidated group does not use derivatives to mitigate these exposures.

At the reporting date, the details of outstanding contracts are as follows:

| | Effective Average Fixed Interest Rate | | | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Maturity of Amounts** | % | % | US$000s | US$000s |
| Less than 1 year | 1.52 | 1.52 | 6,171 | 2,834 |
| 1 to 2 years | - | - | - | - |
| 2 to 5 years | - | - | - | - |
| **Total Financial Assets** | | | **6,171** | **2,834** |

| | 2017 | 2016 | 2017 | 2016 |
|---|---|---|---|---|
| **Maturity of Amounts** | % | % | US$000s | US$000s |
| Less than 1 year | 7.87 | 8.02 | 20,890 | 17,988 |
| 1 to 2 years | 8.70 | 8.69 | 902 | 537 |
| 2 to 5 years | 3.75 | 3.75 | 180 | 155 |
| **Total Financial Liabilities** | | | **21,972** | **18,680** |

*(ii) Foreign Exchange Risk*

The consolidated group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency of the relevant group company. The consolidated group's borrowings and deposits are largely denominated in US dollars. Currently there are no foreign exchange hedge programmes in place. However, the consolidated group treasury function manages the purchase of foreign currency to meet operational requirements.

As at 30 June 2017 the consolidated group's net exposure to foreign exchange risk was as follows:

| | Currency | 2017 $000s | 2016 $000s |
|---|---|---|---|
| Functional currency of individual entity: AUD | | | |
| **Net Foreign Currency Financial Assets** | | | |
| Cash & cash equivalents | USD | 4,102 | 3,256 |
| **Net Foreign Currency Financial Liabilities** | | | |
| Borrowings | USD | (19,314) | (17,895) |
| **Total net exposure** | USD | **(15,212)** | **(14,639)** |

The effect of a 10% strengthening of the USD against the AUD at the reporting date on the USD-denominated assets and liabilities carried within the AUD functional currency entity would, all other variables held constant, have resulted in an increase in post-tax loss for the year and decrease of net assets of US$1.52 million (2016: increase in loss and decrease in net assets of US$1.46 million).

*(iii) Price Risk*

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors of commodities. The consolidated group is also exposed to securities price risk on investments held for trading or for medium or longer terms. The value of the consolidated group's investments, as detailed in Note 9, is not material enough to be considered a risk at the reporting date.

**Fair Value**

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

- Cash and short-term investments – the carrying amount approximates fair value because of their short term to maturity;
- Trade receivables and trade creditors – the carrying amount approximates fair value;
- Listed investments: for financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset adjusted for transaction costs necessary to realise the asset;
- Derivative financial assets and liabilities – initially recognised at fair value through profit and loss at the date the contract is entered into and subsequently re-measured at each reporting date;
- Other assets and liabilities approximate their carrying value; and
- The fair value of non-current borrowings as disclosed in Note 16 approximately equals the carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

*Financial Instruments Measured at Fair Value*

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below:

**2017**

| **Financial Assets** | **Level 1 US$000s** | **Level 2 US$000s** | **Level 3 US$000s** | **Total US$000s** |
|---|---|---|---|---|
| - Available-for-sale: listed investments(i) | 3 | - | - | 3 |
| - Derivative financial asset(ii) | - | - | 11,624 | 11,624 |
| **Total Financial Assets** | **3** | **-** | **11,624** | **11,637** |
| **Financial Liabilities** | | | | |
| Borrowings: | | | | |
| - Convertible Bridge Loan(iii) | - | - | 19,314 | 19,314 |
| - Derivative financial liability(ii) | - | - | 2,240 | 2,240 |
| **Total Financial Liabilities** | **-** | **-** | **21,554** | **21,554** |

**2016**

| **Financial Assets** | **Level 1 US$000s** | **Level 2 US$000s** | **Level 3 US$000s** | **Total US$000s** |
|---|---|---|---|---|
| Available-for-sale financial assets: | | | | |
| - Listed investments(i) | 3 | - | - | 3 |
| **Total Financial Assets** | **3** | **-** | **-** | **3** |
| **Financial Liabilities** | | | | |
| Borrowings: | | | | |
| - Convertible Bridge Loan(ii) | - | - | 14,883 | 14,883 |
| **Total Financial Liabilities** | **-** | **-** | **14,883** | **14,883** |

(i) The fair value of the listed investments have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

(ii) The fair value of the derivative financial asset and liability has been determined using comparison of uranium forward spot prices to total contractual cash flows of the respective uranium sale and purchase agreements, discounted back to present value.

(iii) The fair value of the Convertible Bridge Loan has been determined using the amounts drawn under the facility less establishment fees, less the estimated fair value of the equity component attributable to the conversion feature, which was valued using an option pricing model. The estimated fair value of the equity component was not considered material at 30 June 2017.

**Financial Instruments**

*Recognition and Initial Measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated group commits itself to either the purchase or sale of the asset (i.e., trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through the profit or loss', in which case transaction costs are expensed to profit and loss immediately.

*Classification and Subsequent Measurement*

Finance instruments are subsequently measured at either of fair value or amortised cost using the effective interest rate method. Mortgages and finance leases are measured at amortised cost and all other financial instruments are measured at fair value. *Fair Value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised Cost* is calculated as:

a) the amount at which the financial asset or financial liability is measured at initial recognition;
b) less principal repayments;
c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
d) less any reduction for impairment.

The consolidated group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

*(i) 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 subsequently measured at amortised cost or fair value. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

*(ii) Available-for-sale financial assets*
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Available-for-sale financial assets include non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

*(iii) Financial liabilities*
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost or fair value.

*(iv) Fair value*
Fair value for financial assets is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Fair value for financial liabilities is determined by reference to comparable arm's length transactions or by reference to factors that would apply on an arm's length transaction. In determining fair value, the projected cash flow stream of the financial liability is escalated to a future date using the interest rate applicable to the financial liability instrument. Future cash flows are discounted back to present value using a discount rate that reflects the expected rate of return and level of risk inherent within each financial liability instrument.

(v) *Impairment*
At each reporting date, the consolidated group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit and loss and other comprehensive income.

(vi) *Financial guarantees*
Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with IAS 18: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under IAS 18.

(vii) *De-recognition*
Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## 27. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

**Transactions with related parties:**

*Ultimate Parent Entity*

Peninsula Energy Limited is the ultimate parent entity. The parent entity has related party transactions with its subsidiaries whereby the parent funds exploration, evaluation and development expenses, and general and administrative expenses incurred by its subsidiaries. These expenses are charged to the subsidiaries through inter-company loans.

*Service Agreements*

Peninsula Energy Limited charged its wholly owned subsidiaries, Tasman Pacific Minerals Limited, Strata Energy Inc and Peninsula Uranium Limited, a management fee for the provision of corporate, financial management, administration and other services during the year. The total management fee charged was US$1.79 million (2016: US$1.68 million).

## 28. OPERATING SEGMENTS

The consolidated group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors and Managing Director / CEO (chief operating decision makers) in assessing performance and determining the allocation of resources. Segments are identified on the basis of area of interest. Financial information about each segment is provided to the chief operating decision makers on at least a monthly basis.

The consolidated group has three reportable operating segments as follows:

- Lance Uranium Projects, Wyoming USA;
- Karoo Uranium Projects, South Africa; and
- Corporate/Other.

**Basis of accounting for purposes of reporting by operating segments**

**(a) Accounting policies adopted**

Unless otherwise stated, all amounts reported to the Board of Directors and Managing Director / CEO, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the consolidated group.

**(b) Inter-segment transactions**

Corporate charges are allocated to reporting segments based on an estimation of the likely consumption of certain head office expenditure that should be used in assessing segment performance.

**(c) Segment assets**

Where an asset is used across multiple segments, the asset is allocated to that segment that receives the majority asset economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

**(d) Segment liabilities**

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of that segment. Borrowings and tax liabilities are generally considered to relate to the consolidated group as a whole and are not allocated. Segment liabilities include trade and other payables.

**(e) Unallocated items**

The following items of revenue, expenditure, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Net gains on disposal of available-for-sale financial investments;
- Impairment of assets and other non-recurring items of revenue and expense; and
- Other financial liabilities.

**Segment Performance**

| **30 June 2017** | **Lance Projects Wyoming, USA US$000s** | **Karoo Projects South Africa US$000s** | **Corporate/ Other US$000s** | **Total US$000s** |
|---|---|---|---|---|
| **Revenue and Other Income** | | | | |
| External sales | 6,367 | - | 11,900 | 18,267 |
| Cost of sales | (14,518) | - | (5,361) | (19,879) |
| **Gross Profit** | **(8,151)** | **-** | **6,539** | **(1,612)** |
| Inter-segment sales | - | - | - | - |
| Inter-segment interest | - | - | - | - |
| Interest revenue | 6 | 1 | 4,555 | 4,562 |
| **Total Other Income** | **6** | **1** | **4,555** | **4,562** |
| Inter-segment elimination | - | - | (4,546) | (4,546) |
| **Total Gross Profit and Other Income** | **(8,145)** | **1** | **6,548** | **(1,596)** |
| **Expenses** | | | | |
| Depreciation and amortisation | - | (2) | (29) | (31) |
| Selling and marketing | - | - | (1,199) | (1,199) |
| Administration expenses | - | - | (2,978) | (2,978) |
| Impairment expense | (67,905) | (6,881) | - | (74,786) |
| Fair value gain on derivative | - | - | 9,384 | 9,384 |
| **Allocated Segment Expenses** | **(67,905)** | **(6,883)** | **5,178** | **(69,610)** |
| **Unallocated** | | | | |
| Foreign exchange loss | - | - | - | (20) |
| Other expenses | - | - | - | (206) |
| Finance costs | - | - | - | (3,715) |
| **Loss after income tax** | **-** | **-** | **-** | **(75,147)** |

| | Lance Projects Wyoming, USA US$000s | Karoo Projects South Africa US$000s | Corporate/ Other US$000s | Total US$000s |
|---|---|---|---|---|
| **Segment Assets** | | | | |
| Exploration & evaluation | - | 4,580 | - | 4,580 |
| Development | 56,115 | - | - | 56,115 |
| Property, plant and equipment | 24,436 | 5,156 | 250 | 29,842 |
| Cash and cash equivalents | 224 | 38 | 9,359 | 9,621 |
| Trade and other receivables | 2,770 | 444 | 394 | 3,608 |
| Inventory | 4,052 | - | - | 4,052 |
| Other financial assets | - | - | 11,627 | 11,627 |
| **Total Assets** | **87,597** | **10,218** | **21,630** | **119,445** |

**30 June 2016**

| | Lance Projects Wyoming, USA US$000s | Karoo Projects South Africa US$000s | Corporate/ Other US$000s | Total US$000s |
|---|---|---|---|---|
| **Revenue and Other Income** | | | | |
| External sales | 5,771 | - | - | 5,771 |
| Cost of sales | (3,110) | - | - | (3,110) |
| **Gross Profit** | **2,661** | **-** | **-** | **2,661** |
| Inter-segment sales | - | - | 3,128 | 3,128 |
| Inter-segment interest | - | - | 3,299 | 3,299 |
| Interest revenue | 5 | 1 | 38 | 44 |
| **Total Other Income** | **5** | **1** | **6,465** | **6,471** |
| Inter-segment elimination | - | - | (6,427) | (6,427) |
| **Total Gross Profit and Other Income** | **2,666** | **1** | **38** | **2,705** |
| **Expenses** | | | | |
| Depreciation and amortisation | (189) | (2) | (10) | (201) |
| Selling and marketing | - | - | (1,050) | (1,050) |
| Administration expenses | - | - | (3,836) | (3,836) |
| **Allocated Segment Expenses** | **(189)** | **(2)** | **(4,896)** | **(5,087)** |
| **Unallocated** | | | | |
| Foreign exchange gain/(loss) | - | - | - | 1,094 |
| Other expenses | - | - | - | (1,644) |
| Finance costs | - | - | - | (597) |
| **Loss after income tax** | **-** | **-** | **-** | **(3,529)** |
| **Segment Assets** | | | | |
| Exploration & evaluation | - | 8,181 | - | 8,181 |
| Development | 110,737 | - | - | 110,737 |
| Property, plant and equipment | 24,604 | 4,451 | 46 | 29,101 |
| Cash and cash equivalents | 270 | 87 | 3,402 | 3,759 |
| Trade and other receivables | 6,050 | 223 | 516 | 6,789 |
| Inventory | 2,221 | - | - | 2,221 |
| Other financial assets | - | - | 3 | 3 |
| **Total Assets** | **143,882** | **12,942** | **3,967** | **160,791** |

## 29. CONTINGENT LIABILITIES

*Lukisa Joint Venture Company Acquisition*

In December 2013, the Company completed the acquisition of the South African uranium assets held by AREVA. As part of the commercial arrangements, an additional amount of US$45 million is to be paid to AREVA at the time that at least 50% of project development funding is secured. If 50% of project development funding is not secured within 25 years, no additional contingent payment is liable to be made. In order to achieve at least 50% of project development funding, additional exploration and delineation drilling is required, a bankable feasibility study needs to be completed and a mineral reserve to support the first five to seven years of mining operations is required. Until these activities are completed, it is improbable that this additional payment is required.

*Mining Charter*

On June 15th, 2017 the DMR gazetted a revised Mining Charter in line with the Mineral and Petroleum Resources Development Act, 2002. This revised Mining Charter sets new black economic ownership requirements as follows:

- exploration rights (50% plus one vote, up from 26%);
- mining rights (30%, up from 26%).

The Mining Charter contains various revisions of broad based black economic targets relating to areas of procurement, employment equity, beneficiation, human resource development, mine community development, housing and living conditions and sustainable development.

The South African Chamber of Mines have initiated legal proceedings contesting the validity of the revised Mining Charter and in mid-July the DMR announced that the implementation of the revised Mining Charter has been suspended, pending the results of these legal proceedings. Peninsula will continue to monitor developments in this regard, as the revised charter in its current form has significant implications for Peninsula, most notably in terms of ownership and potential economic returns on future project development.

The Board is not aware of any other circumstances or information which leads them to believe there are any other material contingent liabilities outstanding as at 30 June 2017.

**Key Estimates, Judgements and Assumptions**

Amounts disclosed as contingent liabilities are judgements based on commercial arrangements entered into by the consolidated group. When making judgement on contingent liabilities, consideration is given the past or future event that gives rise to a possible liability in the future and to the probability that the liability will be actually required to be settled in the future. Under the terms of the agreement to acquire a 74% interest in Lukisa JV Company (Pty) Ltd, the Company may be liable in the future to make an additional payment of US$45 million to the vendor. After assessment of the conditions that would require this payment to be made in the future, the Company has judged that this possible future payment is a contingent liability as described above. Change in circumstances or the future attainment of objectives may cause liabilities that are currently assessed as being contingent to be reclassified as financial liabilities.

## 30. PARENT ENTITY INFORMATION

| | 2017 US$000s | 2016 US$000s |
|---|---|---|
| Current assets | 4,992 | 3,829 |
| **Total assets** | **79,476** | **132,524** |
| Current liabilities | 20,349 | 18,719 |
| **Total liabilities** | **20,349** | **18,719** |
| | | |
| Issued capital | 204,067 | 184,073 |
| Accumulated losses | (164,788) | (80,558) |
| Share-based payment reserve | 13,116 | 12,601 |
| Foreign currency translation reserve | 6,731 | (2,311) |
| **Total equity** | **59,127** | **113,805** |
| Profit/(loss) of parent entity | **(116,051)** | **(33,638)** |
| Other comprehensive income | - | - |
| **Total comprehensive profit/(loss) of the parent entity** | **(116,051)** | **(33,638)** |

## 31. RETIREMENT BENEFIT OBLIGATIONS

### (a) Superannuation

The parent contributes to a non-company sponsored or controlled superannuation fund. Contributions are made to an accumulation fund and are at least the minimum required by law. There is no reason to believe that funds would not be sufficient to pay benefits as vested in the event of termination of the fund on termination of employment of each employee.

## 32. CASH FLOW INFORMATION

| (a) Reconciliation of cash flow from operations with loss after income tax | 2017 US$000s | 2016 US$000s |
|---|---|---|
| Loss after income tax | (75,147) | (3,529) |
| **Non-cash flows in loss:** | | |
| Sale of fixed assets (gain)/loss | 123 | (63) |
| Depreciation (including depreciation charged to cost of sales) | 3,249 | 743 |
| Non-cash financing costs | 3,204 | 554 |
| Share-based payments expense | 82 | 1,255 |
| Inventory NRV and impairment expense | 80,539 | 452 |
| Unrealised foreign exchange (gain)/loss | 20 | (1,094) |
| Fair value gain on derivative | (9,384) | - |
| **Change in assets and liabilities** | | |
| Decrease/(increase) in trade and other receivables relating to operating activities | 3,181 | (3,917) |
| Increase in inventories | (7,585) | (2,221) |
| (Decrease)/increase in trade and other payables | (34) | 1,447 |
| Increase in provisions relating to operating activities | 117 | 21 |
| Movement in trade and other payables relating to investment activities | (716) | 1,657 |
| **Cash flow from operations** | **(2,351)** | **(4,695)** |

**(b) Acquisition and disposal of entities**
During the financial year the group did not acquire or dispose of any entities that materially affected cash flows.

**(c) Non cash investing and financing activities**
During the financial year, Peninsula made a number of share-based payments, which are outlined at Note 23.

# Directors' Declaration

For the year ended 30 June 2017

In accordance with a resolution of the Board of Directors, I state that:

In the opinion of the Directors:

(1) (a) the consolidated financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, and accompanying notes are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated group's financial position at 30 June 2017 and of its performance for the year ended on that date;

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(iii) other mandatory professional reporting requirements.

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out in the Remuneration Report of the Directors' Report for the year ended 30 June 2017 comply with section 300A of the *Corporations Act 2001*.

(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 ending 30 June 2017.

(3) The consolidated group has included in the notes to the consolidated financial statements and explicit and unreserved statement of compliance with International Financial Reporting Standards.

On behalf of the Board

John Harrison
Non-Executive Chairman

Perth, 29 September 2017

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**INDEPENDENT AUDITOR'S REPORT**

To the members of Peninsula Energy Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Peninsula Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) 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 *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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and 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, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Carrying Value of Lance Project Mineral Development Assets

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| At 30 June 2017, the carrying value of the Mineral Development assets relating to the Lance Project was $56.1m (2016: $110.7m), as disclosed in Note 13.<br><br>The assessment of the carrying value of these assets requires management to make significant accounting judgements and estimates in producing the discounted cash flow model used to determine whether the assets require impairment in accordance with Australian Accounting Standard AASB 136 Impairment.<br><br>Refer to Note 13 for the detailed disclosures, which include the related accounting policies and the critical accounting judgements and estimates. | We evaluated management's discounted cash flow model for the Lance Project by critically challenging the key estimates and assumptions used by management. Our procedures included, but were not limited to the following:<br><br>• Analysing management's key assumptions used in the discounted cash flow model against external data, market consensus information and trends to determine their reasonableness;<br>• Challenging the appropriateness of management's discount rate used in the discounted cash flow model in conjunction with our internal valuation experts;<br>• Challenging assumptions around timing of future cash flows;<br>• Checking the mathematical accuracy of the discounted cash flow model;<br>• Assessing the competence and independence of the various management experts used to assist in the preparation of the discounted cash flow model.<br>• Performing sensitivity analysis on significant assumptions to determine if there would be a significant change to the carrying value of the asset; and<br>• Assessing the adequacy of the Group's disclosures in respect of Mineral Development carrying values and impairment assessment assumptions as disclosed in Note 13 of the financial report. |

## Accounting for certain sales and purchase contracts

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| At 30 June 2017, the group held Derivative Financial Assets of $11.6m and liabilities of $2.2m. For the year ended 30 June 2017 there was a net gain of $9.4m on derivative fair value movements in the statement of profit and loss.<br><br>Due to the adoption of an alternate interim operating strategy management determined that one offtake agreement and a contracted purchase commitment fall under the scope of AASB 139 *Financial Instruments: Recognition and Measurement*.<br><br>Refer to Note 9 and Note 26 for the detailed disclosures, which include the related accounting policies and the critical accounting judgements and estimates. | We evaluated the assumptions used by management in recognising the derivative asset and liability. Our procedures included, but were not limited to the following:<br>• Evaluating management's assessment that the contracts fall within the scope of AASB 139;<br>• Reviewing the key judgements made by management in recognising the derivatives;<br>• Inspecting and reviewing the terms of the both the sale and purchase contracts, and recalculating the expected future cash flows that formed the basis of the valuations;<br>• Challenging management assumptions over the discount rates and other key judgements;<br>• Considering the taxation implications; and<br>• Assessing the adequacy of the Group's disclosures in Notes 9 and 26 in respect of the derivative financial instruments and their fair value. |

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report to Shareholders, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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.

When we read the Annual Report, to Shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

**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 ability of the group to continue as a going concern, disclosing, as applicable, matters related 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 has 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 19 to 27 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Peninsula Energy Limited, for the year ended 30 June 2017, 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.

**BDO Audit (WA) Pty Ltd**

BDO

M Cutt

**Matthew Cutt**

**Director**

Perth, 29 September 2017

**a) Distribution of Shareholders (as at 28 September 2017)**

| Spread of Holdings | Number of Ordinary Shareholders | Number of Shares |
|---|---|---|
| 1 - 1,000 | 3,143 | 1,186,054 |
| 1,001 - 5,000 | 2,349 | 5,918,272 |
| 5,001 - 10,000 | 754 | 5,548,983 |
| 10,001 - 100,000 | 1,510 | 47,029,320 |
| 100,001 - and over | 181 | 170,959,840 |
| **TOTAL** | **7,937** | **230,642,469** |

**b) Top Twenty Shareholders (as at 28 September 2017)**

| Name | Number of Ordinary Shares held | % |
|---|---|---|
| 1. MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 49,627,844 | 21.52 |
| 2. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 37,893,399 | 16.43 |
| 3. CITICORP NOMINEES PTY LIMITED | 28,544,229 | 12.38 |
| 4. BNP PARIBAS NOMS PTY LTD | 6,011,717 | 2.61 |
| 5. SGK HOLDINGS (AUST) PTY LTD | 2,637,868 | 1.14 |
| 6. J P MORGAN NOMINEES AUSTRALIA LIMITED | 2,575,539 | 1.12 |
| 7. RYNOBRONBELLA PTY LTD | 2,508,761 | 1.09 |
| 8. SOMTAJ PTY LTD | 2,413,554 | 1.05 |
| 9. CCP TECHNICAL LIMITED | 1,537,189 | 0.67 |
| 10. NATIONAL NOMINEES AUSTRALIA LIMITED | 1,371,972 | 0.59 |
| 11. BNP PARIBAS NOMINEES PTY LTD | 1,103,262 | 0.48 |
| 12. INKESE PTY LTD | 1,000,000 | 0.43 |
| 13. BNP PARIBAS NOMINEES PTY LTD | 999,291 | 0.43 |
| 14. NEOMAN PTY LTD | 951,368 | 0.41 |
| 15. MR COLIN WILLIAM LOXTON & MR MURRAY JOHN LOXTON | 728,281 | 0.32 |
| 16. MRS MARISA MACKOW | 658,744 | 0.29 |
| 17. MR WALLY MICHAEL YURYEVICH | 603,243 | 0.26 |
| 18. MR GAVIN MCPHERSON | 535,714 | 0.23 |
| 19. MR REZA REZAZADEH VIND | 533,368 | 0.23 |
| 20. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2 | 521,554 | 0.23 |
| **Total Top 20** | **142,756,897** | **61.90** |
| Other Shareholders | 87,885,572 | 38.10 |
| **Total Ordinary Shares on Issue** | **230,642,469** | **100.00** |

The number of shareholders holding less than a marketable parcel of shares is 3,705, totalling 1,877,957 ordinary shares.

**c) Distribution of PENOD Option Holders (as at 28 September 2017)**

| Spread of Holdings | Number of Ordinary Shareholders | Number of Options |
|---|---|---|
| 1 - 1,000 | 846 | 254,926 |
| 1,001 - 5,000 | 368 | 830,991 |
| 5,001 - 10,000 | 100 | 738,050 |
| 10,001 - 100,000 | 122 | 3,139,698 |
| 100,001 - and over | 20 | 46,749,771 |
| **TOTAL** | **1,456** | **51,713,436** |

**d) Top Twenty PENOD Option Holders (as at 28 September 2017)**

| Name | Number of Ordinary Shares held | % |
|---|---|---|
| 1. MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 24,267,802 | 46.93 |
| 2. CITICORP NOMINEES PTY LIMITED | 8,751,997 | 16.92 |
| 3. J P MORGAN NOMINEES AUSTRALIA LIMITED | 4,351,061 | 8.41 |
| 4. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 4,134,731 | 8.00 |
| 5. MR GAVIN MCPHERSON | 1,414,522 | 2.74 |
| 6. CITICORP NOMINEES PTY LIMITED | 808,851 | 1.56 |
| 7. MR KIRIL RUVINSKY | 513,100 | 0.99 |
| 8. MR JOHN FREDERICK MASON & MRS CHRISTINE ANNE MASON | 329,070 | 0.64 |
| 9. BNP PARIBAS NOMS PTY LTD | 319,855 | 0.62 |
| 10. FORSYTH BARR CUSTODIANS LTD | 305,292 | 0.59 |
| 11. MR NEVILLE HINRICHSEN & MRS ANNETTE HINRICHSEN | 264,623 | 0.51 |
| 12. MR GAVIN MCPHERSON | 200,000 | 0.39 |
| 13. JKAP HARAMIS PTY LTD | 185,420 | 0.36 |
| 14. MR ALAN EDWIN OLSEN | 157,782 | 0.31 |
| 15. HABIBIE PTY LTD | 153,125 | 0.30 |
| 16. MR PETER PAUL KOZLOWSKI | 131,250 | 0.25 |
| 17. LSA DISTRIBUTORS (QLD) PTY LTD | 129,965 | 0.25 |
| 18. MR WARREN RICHARD HUGHES | 120,000 | 0.23 |
| 19. NAH SUPERANNUATION PTY LTD | 107,500 | 0.21 |
| 20. MRS TRACEY LEE FILIPPELLO | 103,825 | 0.20 |
| **Total Top 20** | **46,749,771** | **90.40** |
| Other PENOD Option holders | 4,963,665 | 9.60 |
| **Total PENOD Options on Issue** | **51,713,436** | **100.00** |

**e) Unlisted Options:**

There are 2,250,001 unlisted options over unissued shares on issue, in the class exercisable at $3.20 per share on or before 31 December 2017. There are two holders in this class of option. There are 384,747 unlisted options over unissued shares on issue, in the class exercisable at $1.52 per share on or before 1 December 2019. There are seven holders in this class of option.

**f) Voting Rights**

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

**g) Schedule of Interests in Mining Tenements:**

**Karoo Projects, South Africa**

| Permit Number/Name | Holding Entity | INITIAL Rights Date | Renewed/Signed/Validity (e.g. Valid, Under PR Application, Under Mining Right Application, Closure Submitted) | Area (km²) | Current Expiry | Commodity Group | Current Status |
|---|---|---|---|---|---|---|---|
| WC 10085 MR | Tasman Lukisa JV | TBD | Mining Right Application | 689 | TBD | U, Mo | In Progress |
| WC 10086 MR | Tasman Pacific Minerals | TBD | Mining Right Application | 99 | TBD | U, Mo | In Progress |
| EC 10029 MR | Tasman Lukisa JV | TBD | Mining Right Application | 345 | TBD | U, Mo | In Progress |
| WC 10247 PR | Tasman Mmakau JV | TBD | Prospecting Right Application | 331 | TBD | U, Mo | In Progress |
| WC 10248 PR | Beaufort West Minerals | TBD | Prospecting Right Application | 509 | TBD | U, Mo | In Progress |
| WC 10249 PR | Beaufort West Minerals | TBD | Prospecting Right Application | 298 | TBD | U, Mo | In Progress |
| WC 10250 PR | Beaufort West Minerals | TBD | Prospecting Right Application | 570 | TBD | U, Mo | In Progress |
| WC 10251 PR | Beaufort West Minerals | TBD | Prospecting Right Application | 347 | TBD | U, Mo | In Progress |
| NC 330 PR | Tasman Pacific Minerals | 08/06/2007 | Renewal Valid | 481 | 19/04/2019 | U, Mo | Current |
| EC 07 PR | Tasman Lukisa JV | 14/11/2006 | Under MR Application | 48 | 10/06/2015 | U, Mo | Expired |
| EC 08 PR | Tasman Lukisa JV | 14/11/2006 | Under MR Application | 47 | 10/06/2015 | U, Mo | Expired |
| EC 09 PR | Tasman Lukisa JV | 14/11/2006 | Under MR Application | 94 | 10/06/2015 | U, Mo | Expired |
| EC 12 PR | Tasman Lukisa JV | 14/11/2006 | Under MR Application | 36 | 10/06/2015 | U, Mo | Expired |
| EC 13 PR | Tasman Lukisa JV | 14/11/2006 | Under MR Application | 69 | 10/06/2015 | U, Mo | Expired |
| WC 25 PR | Tasman Lukisa JV | 17/10/2007 | Under MR Application | 7 | 12/11/2014 | U, Mo | Expired |
| WC 33 PR | Tasman Lukisa JV | 01/12/2006 | Under MR Application | 68 | 04/07/2016 | U, Mo | Expired |
| WC 34 PR | Tasman Lukisa JV | 01/12/2006 | Under MR Application | 34 | 01/08/2015 | U, Mo | Expired |
| WC 35 PR | Tasman Lukisa JV | 01/12/2006 | Under MR Application | 69 | 01/08/2015 | U, Mo | Expired |
| WC 47 PR | Tasman Lukisa JV | 04/09/2008 | Under MR Application | 36 | 04/07/2015 | U, Mo | Expired |
| WC 59 PR | Tasman Lukisa JV | 01/12/2006 | Under MR Application | 40 | 01/08/2015 | U, Mo | Expired |
| WC 60 PR | Tasman Lukisa JV | 01/12/2006 | Under MR Application | 56 | 01/08/2015 | U, Mo | Expired |
| WC 61 PR | Tasman Lukisa JV | 01/12/2006 | Under MR Application | 69 | 01/08/2015 | U, Mo | Expired |
| WC 127 PR | Tasman Lukisa JV | 30/11/2006 | Under MR Application | 59 | 10/12/2017 | U, Mo | Current |
| WC 137 PR | Tasman Lukisa JV | 30/11/2006 | Under MR Application | 73 | 04/07/2016 | U, Mo | Expired |
| WC 156 PR | Tasman Lukisa JV | 30/11/2006 | Under MR Application | 69 | 04/07/2014 | U, Mo | Expired |

# ASX Additional Information

| Permit Number/Name | Holding Entity | INITIAL Rights Date | Renewed/Signed/Validity (e.g. Valid, Under PR Application, Under Mining Right Application, Closure Submitted) | Area ($km^2$) | Current Expiry | Commodity Group | Current Status |
|---|---|---|---|---|---|---|---|
| WC 158 PR | Tasman Lukisa JV | 23/01/2007 | Under MR Application | 57 | 12/11/2014 | U, Mo | Expired |
| WC 167 PR | Tasman Lukisa JV | 30/11/2006 | Under MR Application | 21 | 12/11/2015 | U, Mo | Expired |
| WC 170 PR | Tasman Pacific Minerals | 13/12/2006 | Under MR Application | 108 | 05/05/2014 | U, Mo | Expired |
| WC 80 PR | Tasman Lukisa JV | 01/12/2006 | Closure Submitted | 58 | 17/07/2015 | U, Mo | Expired |
| WC 81 PR | Tasman Lukisa JV | 25/04/2008 | Closure Submitted | 47 | 04/07/2016 | U, Mo | Expired |
| WC 95 PR | Tasman-Lukisa JV | 17/04/2007 | Closure Submitted | 5 | 23/03/2013 | U, Mo | Expired |
| WC 151 PR | Tasman-Lukisa JV | 01/12/2006 | Closure Submitted | 279 | 01/08/2015 | U, Mo | Expired |
| WC 152 PR | Tasman-Lukisa JV | 01/12/2006 | Closure Submitted | 189 | 04/07/2016 | U, Mo | Expired |
| WC 153 PR | Tasman-Lukisa JV | 01/12/2006 | Closure Submitted | 298 | 17/07/2015 | U, Mo | Expired |
| WC 154 PR | Tasman-Lukisa JV | 01/12/2006 | Closure Submitted | 410 | 01/08/2014 | U, Mo | Expired |
| WC 162 PR | Tasman-Lukisa JV | 01/12/2006 | Closure Submitted | 246 | 01/08/2015 | U, Mo | Expired |
| WC 168 PR | Tasman Pacific Minerals | 13/12/2006 | Closure Submitted | 332 | 05/05/2014 | U, Mo | Expired |
| WC 177 PR | Tasman Lukisa JV | 01/12/2006 | Closure Submitted | 1,149 | 12/11/2015 | U, Mo | Expired |
| WC 178 PR | Tasman Lukisa JV | 01/12/2006 | Closure Submitted | 697 | 01/08/2015 | U, Mo | Expired |
| WC 179 PR | Tasman Lukisa JV | 01/12/2006 | Closure Submitted | 583 | 04/07/2016 | U, Mo | Expired |
| WC 180 PR | Tasman Lukisa JV | 01/12/2006 | Closure Submitted | 73 | 17/07/2015 | U, Mo | Expired |
| WC 187 PR | Tasman Lukisa JV | 01/12/2006 | Closure Submitted | 24 | 01/08/2014 | U, Mo | Expired |
| WC 188 PR | Tasman Lukisa JV | 01/12/2006 | Closure Submitted | 65 | 01/08/2014 | U, Mo | Expired |
| WC 207 PR | Tasman Lukisa JV | 01/12/2006 | Closure Submitted | 401 | 04/07/2016 | U, Mo | Expired |
| WC 208 PR | Tasman Lukisa JV | 07/02/2007 | Closure Submitted | 102 | 04/07/2016 | U, Mo | Expired |
| WC 228 PR | Tasman Lukisa JV | 07/02/2007 | Closure Submitted | 69 | 10/12/2017 | U, Mo | Current |
| WC 257 PR | Tasman Lukisa JV | 18/11/2008 | Closure Submitted | 38 | 04/07/2016 | U, Mo | Expired |
| NC 331 PR | Tasman Pacific Minerals | 08/06/2007 | Closure Submitted | 205 | 17/11/2018 | U, Mo | Current |
| NC 347 PR | Tasman Pacific Minerals | 08/06/2007 | Closure Submitted | 634 | 17/11/2018 | U, Mo | Current |
| EC 28 PR | Tasman Pacific Minerals | 15/11/2006 | Closure Submitted | 225 | 26/03/2015 | U, Mo | Expired |

| | | |
|---|---|---|
| **Fiji** | | |
| RakiRaki (Geopacific JV) | SPL 1231 | 50% |
| RakiRaki (Geopacific JV) | SPL 1373 | 50% |
| RakiRaki (Geopacific JV) | SPL 1436 | 50% |

| Location/Project Name | Tenement | Percentage |
|---|---|---|
| **Wyoming, USA (Strata Energy Inc.)** | | |
| Private Land (FEE) – Surface Access Agreement | Approx 13,480 acres | 100% |
| Private Land (FEE) – Mineral Rights | Approx 10,042 acres | 100% |
| Federal Mining Claims – Mineral Rights | Approx 13,422 acres | 100% |
| Federal – Surface Access – Grazing Lease | Approx 40 acres | |
| State Leases – Mineral Rights | Approx 10,604 acres | 100% |
| State Leases – Surface Access | Approx 1,229 acres | |
| Strata Owned – Surface Access | Approx 320 acres | |

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# Corporate Directory

## Directors

| | |
|---|---|
| John Harrison | Non-Executive Chairman |
| Wayne Heili | Managing Director / CEO |
| Evgenij Iorich | Non-Executive Director |
| Harrison Barker | Non-Executive Director |
| Mark Wheatley | Non-Executive Director |
| David Coyne | Finance Director / CFO |

## Chief Executive Officer – Strata Energy

Ralph Knode

## Chief Executive Officer – South Africa

Willie Bezuidenhout

## Company Secretary

Jonathan Whyte

## Registered and Principal Office

Units 32/33, Level 3, 22 Railway Road
Subiaco WA 6008

PO Box 8129 Subiaco East WA 6008

Telephone: +61 8 9380 9920
Facsimile: +61 8 9381 5064

Website: www.pel.net.au

## Share Registry

Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
Perth WA 6000

Telephone: 1300 554 474
Facsimile: +61 2 9287 0303

## Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008

## Stock Exchange

Peninsula Energy Limited is a public company listed on the Australian Securities Exchange and incorporated in Western Australia.

## ASX Codes

PEN – Ordinary Fully Paid Shares
PENOD – Listed Options

## ABN

67 062 409 303

PENINSULA ENERGY LIMITED

Creating clean energy, *from nuclear power*