INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Contents

Company Particulars

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

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Website

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Auditors

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Share Registry

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Perth WA 6000

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Stock Exchange

ASX Code	Shares:	PEN
	Options:	PENOD

The Directors of Peninsula Energy Limited (Company or Peninsula) submit the financial report of the economic entity for the half-year ended 31 December 2017.

DIRECTORS

The Directors of the Company in office at any time during or since the end of the half-year are as follows. Directors were in office for this entire period unless otherwise stated.

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

REVIEW OF OPERATIONS

WYOMING, USA – LANCE URANIUM PROJECTS

Peninsula Energy Ltd 100%

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 (Lance Projects), USA in December 2015.

Project Transformation Initiative

In October 2017 the Company announced the outcomes of recent research initiatives aimed at improving the operating performance at the Lance Projects. These outcomes included very encouraging laboratory test results using lower pH solutions (mild acids), which returned increased peak uranium solution grades averaging nearly 1.0 g/L with uranium recoveries typically over 90%. These initial results, coupled with subsequent test results, indicate that utilising a low pH system could be a transformational development for the Lance Projects and could align the operating performance and cost profile with current industry leading global uranium production projects.

The Company believes that the transition to a low pH recovery system would not only positively transform the Company's key asset in the United States during the currently challenging uranium market conditions but could also position the Company to rapidly grow production when uranium markets improve. All uranium operations that are in the 1st quartile of the global cost curve are in-situ recovery (ISR) facilities that utilise a low pH lixiviant.

Peninsula's laboratory research completed to date indicates that the quality of the affected groundwater can be returned to pre-operational conditions following the use of lower pH ISR solutions. These results demonstrate consistency with the Lance Project's current regulatory requirements. Further test work continues to validate these initial findings. The initial research indicated that low pH solution environments may potentially be restored more efficiently than typical alkaline solution environments.

Permitting Amendments

To change from an alkaline based mining solution to a low pH solution will require the approval of amendment requests for the existing permits and licenses. Discussions to date with the relevant regulatory authority have all been positive and have not identified any legal impediments to the use of low pH ISR solutions at the Lance Projects.

Preparation of the permit and license amendment submissions commenced in October 2017 and based on discussions to date with the regulator, the Company holds a reasonable expectation that amendments to existing operating permits and licenses could be granted within 18 to 24 months of that time. During the amendment process, Peninsula will continue operating the Lance Projects using alkaline lixiviant in accordance with the currently approved licenses and permits.

During the review period, Peninsula engaged WWC Engineering to prepare a White Paper for the Company which examines ISR operations using low pH systems, including current practices in the United States and internationally, together with key considerations within the regulatory framework. The White Paper also provides recommendations for future use of a low pH system at the Lance Projects. The White Paper has been discussed with representatives of the State of Wyoming as an important part of the ongoing dialogue between the Company, regulatory bodies and all key stakeholders that will occur throughout the permit amendment process. The White Paper can be viewed on the Company website.

Central Processing Plant and Capital Expenditure

Changing from an alkaline based ISR solution to a low pH ISR solution is not expected to require substantial changes to the current processing plant and/or other infrastructure. The Company has contracted an independent engineering firm to prepare a detailed capital and operating cost forecast for the project which considers the impact of a transition to low pH operations. Detailed work on these cost forecasts and other estimates that will underpin the feasibility study is also underway.

With only minor modifications expected, capital expenditure requirements for the transition to low pH in-situ recovery are expected to be minimal. Unit operating costs using a low pH ISR solution are expected to be considerably lower than what they would be under an alkaline ISR solution.

Production for 6 months to 31 December 2017

Production for the 6 months ended 31 December 2017 was 73,396 pounds U_3O_8. Operational performance improved throughout the period with production increasing to an average daily rate of approximately 430 pounds U_3O_8 per day in the December quarter. Production has now increased for three consecutive quarters.

The improvement in production over the past 9 months is a function of increased uranium production from additional header houses coming online and more consistent production from the more mature header houses following implementation of production improvement initiatives. These initiatives consist of actions including returning the lixiviant chemical concentrations to the levels approximating the June to August 2016 time period, continuation of wellfield pattern reversals and installation of additional filtration equipment. These initiatives were also largely responsible for ensuring wellfield flow rates remained stable during extreme cold weather conditions experienced in December and early January.

While the production rate continues to improve, with an average daily production rate above 500 pounds U_3O_8 per day being achieved in January 2018, it still remains below the level that the Company had anticipated under the alkaline leach method.

Production from the Company's nine (9) commissioned header houses using alkaline lixiviant will continue to form the basis of on-going operations over the near-term while the Company progresses the various activities and permit actions required for the change to a low pH ISR uranium operation at the Lance Projects. The Company is also constructing the facilities associated with the tenth header house to increase the operating capacity by mid-2018 or as needed.

Sales and Marketing

During the period, 132,934 pounds U_3O_8 were sold at an average realised cash price of US$50.00 per pound U_3O_8. Of these deliveries, 92,934 pounds U_3O_8 was from material sourced entirely from the Lance Projects and 40,000 pounds U_3O_8 was material that was purchased from the market.

2 drying runs were carried out during the period by the toll milling service provider with 65,935 pounds U_3O_8 dried and drummed. A significant drying run commenced in early January 2018 in preparation for delivery to a customer in February 2018.

SOUTH AFRICA – KAROO URANIUM PROJECTS

Peninsula Energy Ltd 74% / BEE Groups 26%

In October 2017 the Company advised that it intends to complete a divestment of its 74% interest in the Karoo Projects in South Africa (Karoo Projects) through an active process over the remainder of the 2017 calendar year. Dependent on the nature of any transaction, Peninsula may opt to retain some level of exposure to the Karoo Projects, albeit at a significantly reduced level to that which it currently holds.

While the Company has advanced the Karoo Projects from exploration to early stage pre-feasibility over the past decade, it has decided to focus its future capital expenditures on the operating Lance Projects in order to take advantage of its long term sales contracts, which are well above current and forecast spot prices and extend out to 2030. Therefore, the Company does not wish to devote significant further capital to progress its less advanced secondary project. In addition, the recently completed internal pre-feasibility study now provides a more comprehensive suite of project data for potential acquirers to review.

The Company has continued to progress the various prospecting and mining right applications and has kept the tenements in good standing. As of this date, no decisions have been made with respect to the outcome of the divestment process. The Company now expects to be in a position by 31 March 2018 to update investors on the outcome of the divestment process.

As a result of the decision by the Company to divest its interests in South Africa, the Company has reviewed the carrying value of capitalised exploration and evaluation, and a non-cash impairment expense of US$6.74 million has been recognised for the 6 months ended 31 December 2017. An impairment expense against the value of freehold land of US$2.49 million was also recognised for an aggregate impairment expense for the 6 months ended 31 December 2017 of US$9.23 million.

CORPORATE

US$19m Cash Realised Through Non-dilutive Contract Transaction

As detailed in the Events Subsequent to Reporting Date, on 1 February 2018 the Company announced that it had signed binding agreements to sell a portion of its interest in an existing long-term uranium concentrate sale and purchase agreement for cash consideration of US$19.0 million. Revaluation of the long-term uranium concentrate sale and purchase agreements at 31 December 2017 has resulted in a net fair value gain on derivative financial instruments of US$9.62 million for the 6 months ended 31 December 2017.

Assets and Capital

The consolidated group's cash position, including commercial bills but excluding security deposits and performance bonds as at 31 December 2017 was US$3.32 million. The net assets of the consolidated group have decreased by US$1.2 million from 30 June 2017 to US$78.3 million at 31 December 2017.

The Company had 231,614,051 shares on issue as at 31 December 2017, 51,713,436 PENOD listed options and 6,959,748 unlisted options.

EVENTS SUBSEQUENT TO REPORTING DATE

On 1 February 2018, the Company announced that it had realised cash proceeds of US$19.0 million through the partial sale of its interests in an existing uranium concentrate sale agreement and its interests in a uranium concentrate purchase agreement. 935,000 pounds U_3O_8 under an existing uranium sale agreement and a purchase commitment of 900,000 pounds U_3O_8 were sold to a third party. Net cash proceeds of US$19.0 million were received by the company on 31 January 2018.

During January 2018, the US Circuit Court of Appeals reaffirmed the 2015 decision by the Atomic Safety Licensing Board (ASLB) stating that the Powder River Basin Resource Council (PRBRC) and the Natural Resources Defense Council (NRDC) (together, the Joint Intervenors) failed to identify "any substantive flaws in the Nuclear Regulatory Commission's (NRC) decisions." In January 2015, the ASLB determined that the contentions raised by the Joint Intervenors were not supported by the evidence presented. The ASLB found that, when reviewing and approving the application for a Source Material and By-product Licence, the NRC adequately considered the project's environmental impacts, and further rejected arguments raised by the Joint Intervenors that the NRC engaged in a flawed review process. This decision by the US Circuit Court of Appeals further supports the decision made by the Commissioners of the NRC in July 2016 to also deny a petition to appeal by the Joint Intervenors to the 2015 decision by the ASLB.

Except for the above, no matter or circumstance has arisen since 31 December 2017, which has significantly affected, or may significantly affect the operations of the consolidated group, the result of those operations, or the state of affairs of the consolidated group in subsequent financial years.

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.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* is set out on page 8 of this report.

Signed in accordance with a resolution of the Board of Directors.

Wayne Heili
Managing Director/CEO
2 March 2018

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

As lead auditor for the review of Peninsula Energy Limited for the half-year ended 31 December 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 review; and

2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 2 March 2018

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Notes	31 December 2017 US$000s	31 December 2016 US$000s
Continuing operations			
Revenue	2	7,660	5,477
Cost of sales		(8,008)	(8,040)
Gross loss		**(348)**	**(2,563)**
Other income	2	24	1
Selling and marketing expenses		(131)	(447)
Administration expenses		(1,097)	(1,640)
Depreciation expense		(63)	(7)
Foreign exchange gain/(loss)		198	(923)
Non-cash impairment charge	8	(9,232)	(39,049)
Fair value gain on derivative	10	9,616	-
Other expenses	3	(11)	(82)
Loss before interest and tax from continuing operations		**(1,044)**	**(44,710)**
Finance costs		(1,340)	(1,260)
Net loss before income tax		**(2,384)**	**(45,970)**
Income tax expense		-	-
Loss from continuing operations		**(2,384)**	**(45,970)**
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign controlled entities		692	1,767
Total comprehensive loss for the half-year		**(1,692)**	**(44,203)**
Loss from continuing operations attributable to:			
Equity holders of the Parent		(512)	(45,970)
Non-controlling interests		(1,872)	-
		(2,384)	**(45,970)**
Total comprehensive income attributable to:			
Equity holders of the Parent		138	(44,313)
Non-controlling interests		(1,830)	110
		(1,692)	**(44,203)**
Loss per share attributable to the members of Peninsula Energy Limited			
Basic loss per share (cents per share)		(1.03)	(25.66)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2017

	Notes	31 December 2017 US$000s	30 June 2017 US$000s
CURRENT ASSETS			
Cash and cash equivalents		3,316	9,621
Trade and other receivables		547	803
Inventory	7	3,514	4,052
Other financial assets	10	5,080	1,682
TOTAL CURRENT ASSETS		12,457	16,158
NON-CURRENT ASSETS			
Trade and other receivables		3,954	2,805
Property, plant and equipment		27,430	29,842
Mineral exploration and evaluation	8	-	4,580
Mineral development	9	56,667	56,115
Other financial assets	10	13,923	9,945
TOTAL NON-CURRENT ASSETS		101,974	103,287
TOTAL ASSETS		114,431	119,445
CURRENT LIABILITIES			
Trade and other payables		2,573	3,131
Borrowings	11	20,327	20,890
Deferred revenue		85	1,107
Provisions	12	969	187
Other financial liabilities	10	-	443
TOTAL CURRENT LIABILITIES		23,954	25,758
NON-CURRENT LIABILITIES			
Borrowings	11	792	1,082
Provisions	12	11,373	11,332
Other financial liabilities	10	-	1,797
TOTAL NON-CURRENT LIABILITIES		12,165	14,211
TOTAL LIABILITIES		36,119	39,969
NET ASSETS		**78,312**	**79,476**
EQUITY			
Issued capital	13	204,585	204,067
Reserves		5,828	5,168
Accumulated losses		(131,127)	(130,615)
Equity attributable to equity holders of the Parent		79,286	78,620
Non-controlling interest		(974)	856
TOTAL EQUITY		**78,312**	**79,476**

The Consolidated Statement of Financial Position should be read in conjunction with the notes.

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Issued Capital US$000s	Accumulated Losses US$000s	Option & SBP Reserve US$000s	Foreign Currency Translation Reserve US$000s	Total US$000s	Non-controlling interest US$000s	Total Equity US$000s
Balance 1 July 2016	**184,073**	**(55,890)**	**12,601**	**(9,364)**	**131,420**	**1,104**	**132,524**
Transaction With Owners							
Shares issued during the half year	7,433	-	-	-	7,433	-	7,433
Share-based payments expense	72	-	10	-	82	-	82
Issue of shares under debt facility agreement	825	-	-	-	825	-	825
Transaction costs	(256)	-	-	-	(256)	-	(256)
Total Transactions With Owners	**8,074**	**-**	**10**	**-**	**8,084**	**-**	**8,084**
Comprehensive Income							
Foreign exchange translation reserve	-	-	-	1,767	1,767	-	1,767
Non-controlling interest	-	-	-	(110)	(110)	110	-
Loss for the half-year	-	(45,970)	-	-	(45,970)	-	(45,970)
Total Comprehensive Income	**-**	**(45,970)**	**-**	**1,657**	**(44,313)**	**110**	**(44,203)**
Balance 31 December 2016	**192,147**	**(101,860)**	**12,611**	**(7,707)**	**95,191**	**1,214**	**96,405**
Balance 1 July 2017	**204,067**	**(130,615)**	**13,116**	**(7,948)**	**78,620**	**856**	**79,476**
Transaction With Owners							
Share-based payments expense	-	-	10	-	10	-	10
Issue of shares under debt facility agreement	518	-	-	-	518	-	518
Total Transactions With Owners	**518**	**-**	**10**	**-**	**528**	**-**	**528**
Comprehensive Income							
Foreign exchange translation reserve	-	-	-	692	692	-	692
Non-controlling interest	-	-	-	(42)	(42)	42	-
Loss for the half-year	-	(512)	-	-	(512)	(1,872)	(2,384)
Total Comprehensive Income	**-**	**(512)**	**-**	**650**	**138**	**(1,830)**	**(1,692)**
Balance 31 December 2017	**204,585**	**(131,127)**	**13,126**	**(7,298)**	**79,286**	**(974)**	**78,312**

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes.

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	31 December 2017 US$000s	31 December 2016 US$000s
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	6,637	3,258
Payments to suppliers and employees	(8,147)	(8,582)
Interest paid	(406)	(222)
Interest received	29	1
Net cash (used in) operating activities	(1,887)	(5,545)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for mineral exploration and evaluation	(455)	(769)
Payments for mineral development	(1,579)	(6,513)
Payments for mineral exploration performance bonds and rental bonds	(1,037)	-
Purchase of property, plant and equipment	(64)	(175)
Net cash (used in) investing activities	(3,135)	(7,457)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	6,404
Equity raising transaction costs	-	(256)
Proceeds from borrowings	-	8,614
Repayment of borrowings	(1,277)	(71)
Net cash provided by financing activities	(1,277)	14,691
Net (decrease)/increase in cash held	(6,299)	1,689
Cash at the beginning of financial year	9,621	3,759
Effects of exchange rate fluctuations on cash held	(6)	11
Cash at the end of period	**3,316**	**5,459**

The Consolidated Statement of Cash Flows should be read in conjunction with the notes.

Notes to the Consolidated Financial Statements

NOTE 1: BASIS OF PREPARATION

This general purpose interim financial report for the half-year reporting period ended 31 December 2017 has 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). This interim financial report also complies 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 is a for-profit entity for the purpose of preparing financial statements.

The half-year report has been prepared on an accruals and historical cost basis.

This interim report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and operating and financing activities of the consolidated entity as the full financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Peninsula during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim financial report was approved by the Board of Directors on 2 March 2018.

The half-year financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the 30 June 2017 annual financial statements contained within the annual report of Peninsula.

Going concern

The accounts have been prepared on the basis that the consolidated group can meet its 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.

As at 31 December 2017, current liabilities of the Company exceeded current assets by US$11.50 million. Included within current liabilities is a US$19.73 million liability under the convertible loans with RCF and Pala expiring in April 2018.

In October 2017, the Company announced the outcome of additional technical tests at the Lance Projects conducted during the course of the 2017 calendar year. These results indicated that the continued use of an alkaline based lixiviant solution to mine the ore body was unlikely to result in a long-term commercially sustainable business for the Lance Projects. Test work completed on the use of a low pH lixiviant at the Lance Projects indicated that rates of uranium extraction and overall rates of uranium recovery were likely to be much higher than through the continued use of alkaline based lixiviants.

In late 2017, the Company commenced activities to submit amendment requests to the relevant regulator to change the basis of mining from an alkaline based lixiviant to a low pH lixiviant. Prior to commencing this work, the Company determined that no legal or regulatory impediments existed that would prohibit a regulatory body approving an amendment request to allow the use of low pH lixiviant. The Company is not dependent on receiving the regulatory approval for the change to low pH lixiviant within the next 12 months and expects to continue mining operations using the existing alkaline based lixiviant during this period.

With the US$19.0 million proceeds received in February 2018 from the sale of certain interests in uranium concentrate sale and purchase agreements, the Company has forecast that it has more than adequate cash liquidity to achieve its objectives and fulfil its obligations over the next 12 months. This projection is predicated on a deferral of the liability through an extension or restructure of the existing convertible loans with RCF and Pala that mature in April 2018.

As an agreement has not yet been reached with the convertible loan holders and the debt obligation may become due for payment in April 2018, there is a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

NOTE 1: BASIS OF PREPARATION (CONTINUED)

The ability of the consolidated entity to continue as a going concern is dependent on the successful negotiation with the convertible loan holders with respect to deferral of amounts owed through an extension of the term of the liability or other form of re-structure of the convertible loan liability.

Negotiations regarding an extension and re-structure of the convertible note liability is ongoing with RCF and Pala and the Company is confident that an extension or re-structure will be achieved by the April 2018 maturity date. Accordingly, the Directors are satisfied the going concern basis of preparation for the interim financial statements is appropriate.

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.

NOTE 2: REVENUE AND OTHER INCOME

	31 December 2017 US$000s	31 December 2016 US$000s
Revenue from continuing operations		
Sale of goods	7,660	5,477
Total revenue from continuing operations	**7,660**	**5,477**
Other income		
Interest received	24	1
Total other income	**24**	**1**

NOTE 3: OTHER EXPENSES

Other expenses includes share-based payments expense for the period to 31 December 2017:

	31 December 2017 US$000s	31 December 2016 US$000s
Share-based payments expense		
Employee incentive options issued[(i)]	8	-
Executive Director incentive options issued[(ii)]	2	10
Employee incentive shares issued	-	38
Shares issued under service agreement	-	34
Total share-based payments	**10**	**82**

(i) 2,975,000 unlisted options issued to employees under existing contracts during the period. The options were valued using the Black & Scholes option model with an exercise price of A$0.55, risk-free rate of 2.41% and volatility of 70% and are being expensed over the vesting period of the options. The employee incentive options will be held on trust for the various recipients until the future vesting date being 6 months after the relevant regulatory body approves the amendments to the permits and licenses to allow low pH mining in the Ross Permit area. If no such approval is forthcoming before the expiry date, the options shall lapse.

Notes to the Consolidated Financial Statements

NOTE 3: OTHER EXPENSES (CONTINUED)

(ii) Issue of 1,350,000 unlisted options to Executive Directors as approved by shareholders in the Annual General Meeting held on 28 November 2017. The options were valued independently using the Black & Scholes option model and are being expensed over the vesting period of the options, refer to the Notice of Annual General Meeting released on the ASX on 27 October 2017 for detailed valuation assumptions. The director incentive options will be held on trust for directors and will vest in equal proportions over a three-year period with the first vesting date being 1 July 2018.

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.

NOTE 4: DIVIDENDS

The Company has not paid or provided for dividends during the half-year ended 31 December 2017.

NOTE 5: 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

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.

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.

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.

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.

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:

NOTE 5: OPERATING SEGMENTS (CONTINUED)

- Net gains on disposal of available-for-sale financial investments;
- Other financial liabilities; and
- Retirement benefit obligations.

Segment Performance

The following table presents information regarding the consolidated group's operating segments for the half-year ended 31 December 2017:

31 December 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	7,660	-	-	7,660
Cost of sales	(7,509)	-	(499)	(8,008)
Gross (Loss)/Profit	**151**	**-**	**(499)**	**(348)**
Inter-segment sales	-	-	-	-
Inter-segment interest	-	-	2,834	2,834
Interest revenue	9	-	15	24
Total Other Income	**9**	**-**	**2,849**	**2,858**
Inter-Segment elimination	-	-	(2,834)	(2,834)
Gross (Loss)/Profit and Other Income	**160**	**-**	**(484)**	**(324)**
Expenses				
Depreciation and amortisation	-	(1)	(62)	(63)
Selling and marketing	-	-	(131)	(131)
Administration expenses	-	-	(1,097)	(1,097)
Non-cash impairment charge	-	(9,232)	-	(9,232)
Fair value gain on derivative	-	-	9,616	9,616
Allocated Segment Expenses	**-**	**(9,233)**	**8,326**	**(907)**
Unallocated				
Foreign exchange gain/(loss)	-	-	-	198
Other expenses	-	-	-	(11)
Finance costs	-	-	-	(1,340)
Loss before and after income tax	**-**	**-**	**-**	**(2,384)**

The following table presents information regarding the consolidated group's operating assets as at 31 December 2017:

31 December 2017	Lance Projects Wyoming, USA US$000s	Karoo Projects South Africa US$000s	Corporate/ Other US$000s	Total US$000s
Segment Assets				
Development	56,667	-	-	56,667
Property, plant and equipment	24,326	2,914	190	27,430
Cash and cash equivalents	795	14	2,507	3,316
Trade and other receivables	3,817	482	202	4,501
Inventory	3,514	-	-	3,514
Other financial assets	-	-	19,003	19,003
Total Assets	**89,119**	**3,410**	**21,902**	**114,431**

NOTE 5: OPERATING SEGMENTS (CONTINUED)

The following table presents information regarding the consolidated group's operating segments for the half-year ended 31 December 2016:

31 December 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	738	-	4,739	5,477
Cost of sales	(6,140)	-	(1,900)	(8,040)
Gross (Loss)/Profit	**(5,402)**	**-**	**2,839**	**(2,563)**
Inter-segment sales	-	-	1,017	1,017
Inter-segment interest	-	-	2,153	2,153
Interest revenue	-	-	1	1
Total Other Income	**-**	**-**	**3,171**	**3,171**
Inter-Segment elimination	-	-	(3,170)	(3,170)
Gross (Loss)/Profit and Other Income	**(5,402)**	**-**	**2,840**	**(2,562)**
Expenses				
Depreciation and amortisation	-	(1)	(6)	(7)
Selling and marketing	-	-	(447)	(447)
Administration expenses	-	-	(1,640)	(1,640)
Non-cash impairment charge	(39,049)	-	-	(39,049)
Allocated Segment Expenses	**(39,049)**	**(1)**	**(2,093)**	**(41,143)**
Unallocated				
Foreign exchange gain/(loss)	-	-	-	(923)
Other expenses	-	-	-	(82)
Finance costs	-	-	-	(1,260)
Loss before and after income tax	**-**	**-**	**-**	**(45,970)**

The following table presents information regarding the consolidated group's operating assets as at 30 June 2017:

30 June 2017	Lance Projects Wyoming, USA US$000s	Karoo Projects South Africa US$000s	Corporate/ Other US$000s	Total US$000s
Segment Assets				
Exploration and 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**

NOTE 6: CONTINGENT LIABILITIES

The Board is not aware of any circumstances or information which leads them to believe there are any material contingent liabilities outstanding as at 31 December 2017 other than those disclosed in the 30 June 2017 annual report.

NOTE 7: INVENTORY

	31 December 2017 US$000s	30 June 2017 US$000s
Inventory		
Inventory – In-Process Uranium	3,990	4,093
Inventory – Drummed Uranium	3,437	5,712
Net Realisable Value write-down(i)	(3,913)	(5,753)
Carrying amount at the end of the year	**3,514**	**4,052**

(i) The carrying value of inventory was reviewed as at 31 December 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.

NOTE 8: MINERAL EXPLORATION AND EVALUATION

	31 December 2017 US$000s	30 June 2017 US$000s
Exploration and evaluation		
Balance at the beginning of the period	4,580	8,181
Exploration and evaluation costs incurred	455	1,301
Rehabilitation costs	781	-
Impairment expense	(6,744)	(6,881)
Foreign exchange translation	928	1,979
Carrying amount at the end of the period	**-**	**4,580**

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.

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.

In October 2017, the Company announced its intention to divest or exit its interests in the Karoo Projects in South Africa. A formal divestment process was commenced and remains in progress. The outcome of the process is uncertain, as is realisation of any value that may be achieved by the Company upon divestment or exit. Based on non-binding discussions with potential acquirers during this process, it is unlikely that the Company will realise proceeds from any sale over and above the carrying value of freehold land assets in South Africa. Accordingly, the value of capitalised exploration and evaluation costs for South Africa has been impaired to nil value.

NOTE 8: MINERAL EXPLORATION AND EVALUATION (CONTINUED)

A non-cash impairment charge of US$6.74 million has been recognised (2016: nil) to reduce the carrying value of the South African exploration and evaluation assets to nil. This is in addition to a US$2.49 million non-cash impairment charge (2016: nil) to freehold land held in South Africa, bringing total impairment expense in the Statement of Profit or Loss and Other Comprehensive Income to US$9.23 million (2016: nil). Management of the Company has applied its judgement in using non-binding discussions with third parties to make an assessment of the value that may be realised upon divestment or exit from its South African assets.

As the carrying value of exploration and evaluation assets has been impaired to nil, the Company shall immediately expense all future expenditure on the Karoo Project in South Africa and will no longer capitalise any amounts spent on exploration or evaluation activities.

NOTE 9: MINERAL DEVELOPMENT

	31 December 2017 US$000s	30 June 2017 US$000s
Development		
Balance at the beginning of the period	56,115	110,737
Development costs	1,454	9,193
Rehabilitation costs	41	6,851
Amortisation of development costs	(943)	(2,761)
Non-cash impairment charge	-	(67,905)
Carrying amount at the end of the period	**56,667**	**56,115**

NOTE 10: OTHER FINANCIAL ASSETS AND LIABILITIES

	31 December 2017 US$000s	30 June 2017 US$000s
CURRENT		
Derivative financial asset (i)	5,080	1,682
Total Current Assets	**5,080**	**1,682**
NON-CURRENT		
Derivative financial asset (i)	13,920	9,942
Available for sale financial assets	3	3
Total Non-Current Assets	**13,923**	**9,945**
CURRENT		
Derivative financial liability (i)	-	443
Total Current Liabilities	**-**	**443**
NON-CURRENT		
Derivative financial liability (i)	-	1,797
Total Non-Current Liabilities	**-**	**1,797**

(i) During the 30 June 2017 financial year 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, the consolidated group contracted with a third-party to purchase 900,000 pounds U_3O_8 over a 3-year period commencing in 2018 at an average cost of US$25/lb substantially to meet the delivery commitments of this offtake agreement.

NOTE 10: OTHER FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

As a result of these transactions, respectively a Derivative Financial Asset and Liability were 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. Revaluation at 31 December 2017 has resulted in a further fair value gain of US$9.6 million, a Derivative Financial Asset of US$19.0 million and Derivative Financial Liability of $nil.

On 1 February 2018, the Company announced that it had received cash proceeds of US$19.0 million through the partial sale of its interests in an existing uranium concentrate sale agreement and its interests in a uranium concentrate purchase agreement. 935,000 pounds U_3O_8 under an existing uranium sale agreement and a purchase commitment of 900,000 pounds U_3O_8 were sold to a third party. Net cash proceeds of US$19.0 million were received by the company on 31 January 2018. This sale has formed the basis for the fair value measurement of the Derivative Financial Asset at 31 December 2017.

NOTE 11: BORROWINGS

	31 December 2017 US$000s	30 June 2017 US$000s
CURRENT		
Borrowings – Convertible Bridge Loan[(i)]	19,731	19,314
Borrowings – Investec	-	980
Borrowings – Strata[(ii)]	596	596
Total Current	**20,327**	**20,890**
NON-CURRENT		
Borrowings – Strata[(ii)]	604	902
Lukisa Joint Venture loans	188	180
Total Non-Current	**792**	**1,082**

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

Under these agreements, RCF VI and Pala (Lenders) have each provided Peninsula with a convertible loan facility, with participation in proportion to their existing shareholdings in the Company. The US$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.

Under the terms of the Convertible Loans, the Lenders may elect to convert all or part of the principal amount of the Convertible Loans (including any capitalised interest) into fully paid ordinary shares at any time prior to maturity at a fixed conversion price of A$0.625 per share. The Convertible Loans mature on 22 April 2018 and the Company has commenced negotiations with the holders regarding an extension in the maturity date and / or a restructure of the Convertible Loan.

The value of assets pledged as security under the Convertible Loans is US$108.1 million.

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

NOTE 12: PROVISIONS

	31 December 2017 US$000s	30 June 2017 US$000s
CURRENT		
Employee Entitlements – Annual Leave	188	187
Rehabilitation Provision(i)	781	-
Total Current Provisions	**969**	**187**
NON-CURRENT		
Rehabilitation Provision(i)	11,373	11,332
Total Non-Current Provisions	**11,373**	**11,332**

(i) A provision for restoration is recognised in relation to the exploration and development activities in South Africa and USA for costs associated with the restoration of various historic trial mining sites and exploration drilling. 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.

NOTE 13: ISSUED CAPITAL

	31 December 2017 US$000s	30 June 2017 US$000s
231,614,051 fully paid ordinary shares (June 2017: 229,591,666)	204,585	204,067

For the six months ended 31 December 2017	Number	US$000s
Balance at 1 July 2017	229,591,666	204,067
Debt facility fees and interest(i)	2,022,385	518
Balance as at 31 December 2017	**231,614,051**	**204,585**

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

For the twelve months ended 30 June 2017	Number	US$000s
Balance at 1 July 2016	176,423,023	184,073
Shares issued under subscription agreement	1,537,189	745
Shares issued under service agreement	783,490	472
Shares issued under employment agreement	87,500	38
Equity Raising - Placement	17,000,000	6,404
Share Purchase Plan	28,401,096	10,702
Debt facility fees and interest	5,359,368	2,182
Capital raising fees – equity facility agreement	-	(488)
Capital raising fees – other	-	(61)
Balance as at 30 June 2017	**229,591,666**	**204,067**

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. At 31 December 2017, the Company had on issue 51,713,436 PENOD listed options and 6,959,748 unlisted options.

NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE

On 1 February 2018, the Company announced that it had received cash proceeds of US$19.0 million through the partial sale of its interests in an existing uranium concentrate sale agreement and its interests in a uranium concentrate purchase agreement. 935,000 pounds U_3O_8 under an existing uranium sale agreement and a purchase commitment of 900,000 pounds U_3O_8 were sold to a third party. Net cash proceeds of US$19.0 million were received by the company on 31 January 2018.

During January 2018, the US Circuit Court of Appeals reaffirmed the 2015 decision by the Atomic Safety Licensing Board (ASLB) stating that the Powder River Basin Resource Council (PRBRC) and the Natural Resources Defense Council (NRDC) (together, the Joint Intervenors) failed to identify “any substantive flaws in the Nuclear Regulatory Commission’s (NRC) decisions.” In January 2015, the ASLB determined that the contentions raised by the Joint Intervenors were not supported by the evidence presented. The ASLB found that, when reviewing and approving the application for a Source Material and By-product Licence, the NRC adequately considered the project's environmental impacts, and further rejected arguments raised by the Joint Intervenors that the NRC engaged in a flawed review process. This decision by the US Circuit Court of Appeals further supports the decision made by the Commissioners of the NRC in July 2016 to also deny a petition to appeal by the Joint Intervenors to the 2015 decision by the ASLB.

Except for the above, no matter or circumstance has arisen since 31 December 2017, which has significantly affected, or may significantly affect the operations of the consolidated group, the result of those operations, or the state of affairs of the consolidated group in subsequent financial years.

Directors' Declaration

The directors declare that:

1. The financial statements and notes, as set out on pages 9 to 22, are in accordance with the *Corporations Act 2001*, including

   (a) complying with Australian Accounting Standard 134; and

   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Wayne Heili
Managing Director/CEO

2 March 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Peninsula Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Peninsula Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

Emphasis of matter – Material uncertainty relating 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 conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report. A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

M Cutt

Matthew Cutt

Director

Perth, 2 March 2018