

# 30 JUNE 2020 QUARTERLY ACTIVITIES REPORT

ASX: PEN

30 July 2020

Peninsula Energy Limited  
ABN 67 062 409 303

## Directors

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

## Management

Wayne Heili - MD/CEO  
Ralph Knode - CEO, Strata Energy Inc  
Ron Chamberlain - CFO/Co Secretary  
Jonathan Whyte - Co Secretary

## Head Office

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## Website

[www.pel.net.au](http://www.pel.net.au)

## Capital Structure at 30 June 2020

882.13 million shares  
24.45 million \$0.50 2022 options  
2.975 million \$0.55 2022 options

## Available Cash at 30 June 2020

US\$11.9 million

## Market cap at 30 June 2020

A\$63.5 million

For further information please  
contact:

[info@pel.net.au](mailto:info@pel.net.au)

## HIGHLIGHTS

### **LANCE PROJECTS – TRANSITIONING TOWARDS PRODUCTION RE-START**

- **Lance is the only US-based uranium Project authorised to use the industry leading low pH ISR method**
- **Interim Restoration Report approval received from Wyoming Department of Environmental Quality**
  - **Approval allows low pH method to be used within the entire Ross Permit Area at the Lance Project**
  - **Approval of the low pH field restoration demonstration allows new low pH mining units to be developed**
- **First phase optimisation activities near completion and start up of second low-pH Field Demonstration commenced post quarter end**

### **CORPORATE – COMPANY DEBT-FREE**

- **Fully underwritten A\$40.3 million Entitlement Offer**
- **Peninsula now term debt-free**
- **Ongoing cashflow to be generated through Peninsula's strong, long-term existing contract book**
- **Binding purchase agreement with UG USA, a subsidiary of ORANO, to procure 400,000 lbs U<sub>3</sub>O<sub>8</sub> for delivery in CY2021**
  - **Purchase agreement to generate forecast net cash margin of US\$6 million to US\$8 million on uranium sales for CY2021**
- **US Nuclear Fuel Working Group (NFWG) outlined a comprehensive whole-of-government strategy of actions to support the US uranium industry**
- **Experienced mining and uranium executive Ron Chamberlain appointed as Chief Financial Officer**
- **Available cash as at 30 June 2020 of US\$11.9 million**



**LANCE PROJECT, WYOMING**

(Peninsula Energy 100%)

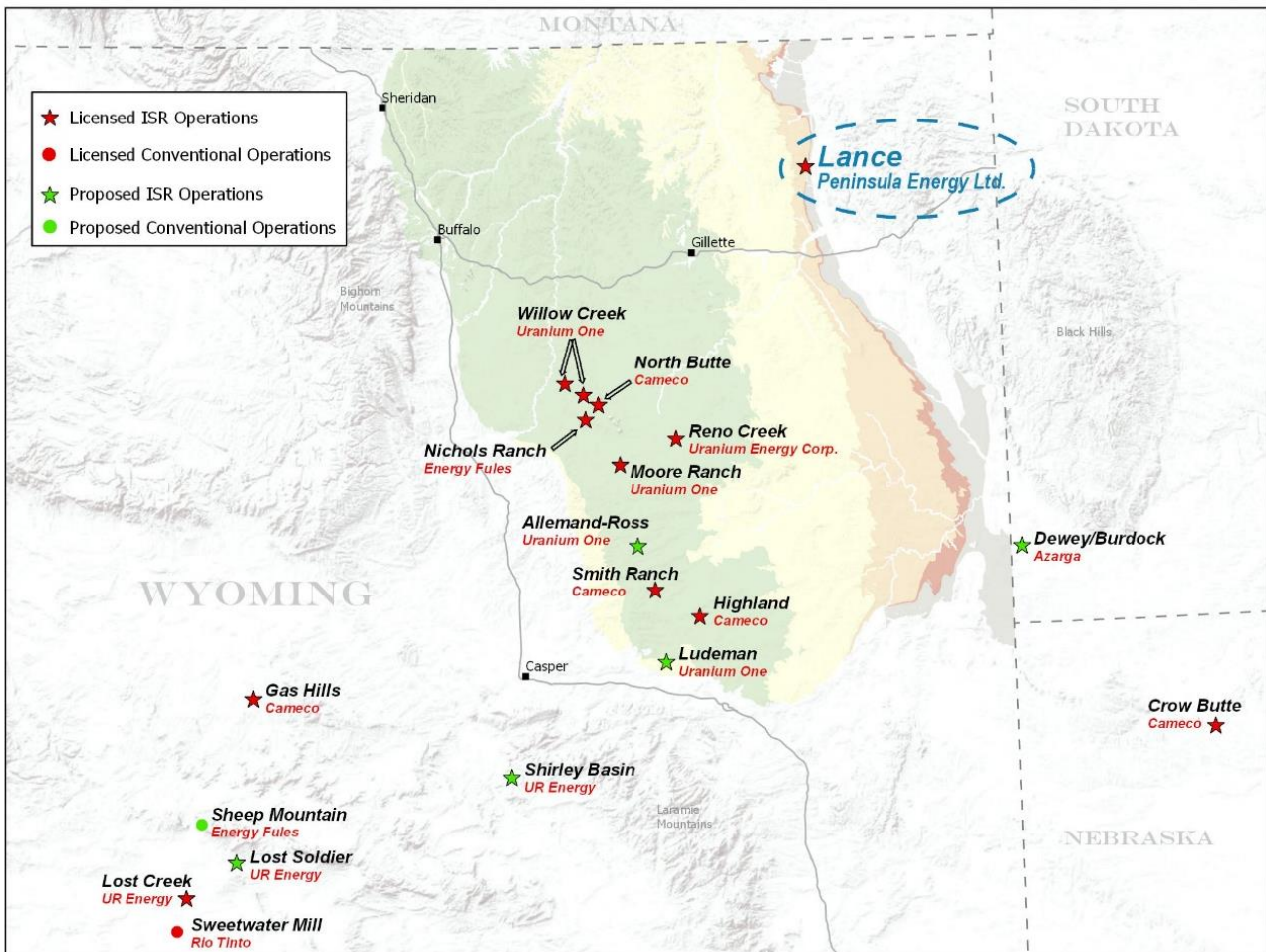


Figure 1: Lance Projects, Wyoming USA

**Low pH Permitting and Licensing**

The Interim Restoration Report (IRR) for the low pH field demonstration was approved by the Wyoming Department of Environmental Quality (WDEQ), paving the way for the Company to develop new mining units using the low pH in-situ recovery (ISR) method across the entire Ross Permit Area at Lance. This decision was an important milestone in the risk informed, performance based, stepwise plan for low pH ISR approvals designed by the WDEQ and the Company.

**Operations**

With production activities idled, there was negligible production for the quarter and no drying runs were conducted. Site based activities were focussed on low pH optimisation activities, including column leach tests.

During the quarter, a drill rig was re-mobilised to site to complete the installation of mining wells required for the new field demonstration in an unmined area of Mine Unit 1 (MU1A) that forms a key component of low pH optimisation activities over the next 18 months. Additionally, ion exchange columns for the MU1A demonstration were constructed during the quarter and MU1A wellfield preparation activities were completed in early July 2020.





**Figure 2: Constructed Ion Exchange Test Columns for MU1A field demonstration**

Planned low pH activities include a field demonstration to test an optimised flow sheet incorporating the following:

- Demonstrate the addition of an oxidant in the low pH injection lixiviant. Column leach tests that commenced during the quarter have strongly indicated that addition of an oxidant will enhance the rate of uranium extraction compared to the use of a mild concentration of sulphuric acid alone;
- Demonstrate the use of the existing ponds as the preferred and lowest cost means of managing fines that are typically encountered at global low pH uranium ISR projects during the mining zone acidification phase;
- Based on the outcomes of previous testwork, demonstrate the use of a selected ion exchange resin under low pH operating conditions using uranium rich lixiviant sourced from MU1A; and
- Continue to progress other value accretion and optimisation activities considered for low pH commercial operations including activities aimed at increasing the uranium concentration level supplied to ion exchange columns and recovery of sulphuric acid to reduce future acid requirements and costs.

On 20 July 2020, wellfield injection re-circulation in MU1A commenced and acid injection is expected to commence in early August 2020. MU1A is an unmined zone of the Ross permit area that contains a resource of 44,000 pounds  $U_3O_8$ . During the 2 to 3 week period of re-circulation, baseline water quality data will be gathered and system integrity tests typically undertaken when starting up newly installed ISR wells will be conducted.

As at 30 June 2020, a total of 27 employees are directly employed on the project (excluding drilling and-contractor personnel).

Cash expenditure on operating activities during the quarter was US\$1.8 million which is a decrease from the March 2020 quarter. The reason for the decrease compared to the previous quarter related to the impact of COVID-19 with a return to more standard operating conditions post quarter end.







Figure 3: Lance Projects, Wyoming USA

## CORPORATE

### **Completion of Transformational Equity Raising**

Peninsula completed a A\$40.3 million fully underwritten renounceable entitlement offer at A\$0.071 per share (Entitlement Offer).

Peninsula received applications from eligible shareholders for 231,791,238 New Shares, raising A\$16.46 million under the Entitlement Offer, which represented a 40.9% take up. The resulting shortfall from the Entitlement Offer of 335,292,694 shares were taken up in full by the underwriter and sub-underwriters, in accordance with the terms of the underwriting agreement.

The transformational equity raise allowed Peninsula to fully repay its corporate term debt balance and leave the Company in a strong financial position to pursue its optimisation activities that have the potential to transform the Lance Project into the lowest cost US uranium producer using the industry-leading low pH ISR extraction method.

By extinguishing the term debt, Peninsula saves ~US\$2 million a year in interest payments, whilst also retaining the full value of its long-term uranium concentrate sale and purchase agreements, which are expected to generate cash margins of between US\$6 to US\$8 million in CY2021, based on committed uranium purchase agreements and current uranium spot prices.

The Entitlement Offer was fully underwritten by Canaccord Genuity (Australia) Limited (Canaccord), who also acted as lead manager and bookrunner. The Entitlement Offer was co-managed by Euroz Securities Limited. Canaccord entered into sub-underwriting arrangements with a number of persons to sub-underwrite the majority of the underwritten amount.



### **Term Debt Repaid in Full**

On 30 June 2020, Peninsula repaid its existing term debt in full. A principal amount of US\$16.82 million (~A\$24.7 million) was paid, together with accrued interest for the June 2020 quarter of US\$0.41 million (~A\$0.6 million).

Repayment of the term debt in advance of its scheduled maturity in October 2020 was made possible following the successful completion of the A\$40.3 million Entitlement Offer. Documents to effect the release and discharge of the security previously held by the Lenders were executed during the month of July 2020.

The term debt was held by Resource Capital Fund VI L.P. Pala Investments Limited and the Piperoglou Family Interests.

### **Sales & Marketing**

No sales of uranium were made during the quarter. Subsequent to the end of the quarter, Peninsula entered into a binding purchase agreement with UG USA, a subsidiary of ORANO, to procure 400,000 lbs U<sub>3</sub>O<sub>8</sub> for delivery in CY2021. As previously advised, the Company currently has 450,000 lbs U<sub>3</sub>O<sub>8</sub> of committed sales to its customers in CY2021.

The purchase agreement with UG USA underpins Peninsula's forecast net cash margin of US\$6 million to US\$8 million on uranium sales for next year based on the difference between the purchase pricing and the sales price computations of the Company's agreements with customers. The price to be paid under the purchase agreement is confidential but in line with current market reported prices for U<sub>3</sub>O<sub>8</sub> to be delivered in CY2021. The agreed pricing is fixed and is not subject to any form of escalation or adjustment.

Purchased uranium will be delivered to Peninsula in allotments during the year in order to align with the timing of deliveries to customers. Payment for the purchased uranium is also aligned with the receipt of proceeds from the sales.

### **US Nuclear Fuel Working Group**

The US Secretary of Energy released the recommendations from the US Nuclear Fuel Working Group (NFWG). The NFWG report states that the US government will take bold action to revive and strengthen the domestic US uranium mining industry. Included within the NFWG recommendations are the following key actions that Peninsula believes could provide substantial benefits to our Lance Project in Wyoming:

- Direct purchases of uranium and nuclear fuel services to expand five-fold the American Assured Fuel Supply strategic inventory stockpile by purchasing 17 to 19 million pounds over a 10-year period of US produced U<sub>3</sub>O<sub>8</sub>.
- Department of Energy (DOE) Inventory Management Policy Changes
  - Ending of DOE bartering of uranium and nuclear fuel components
  - Evaluation of DOE inventory management practices
- Streamlined regulatory reform and land access for uranium production
- Supporting Department of Commerce efforts to extend the Russian Suspension Agreement
  - Prevent dumping of uranium and nuclear fuel services
  - Consider lowering the market share cap for Russian material imported into the US

Details of how the above actions are to be implemented are expected to be defined over the coming months.



### **Appointment of Chief Financial Officer**

Subsequent to the end of the quarter, experienced mining and uranium executive Mr Ron Chamberlain was appointed as Chief Financial Officer and Joint Company Secretary, effective 13 July 2020.

Mr Chamberlain is a finance professional with more than 30 years' experience in resources, and in particular more than 10 years specialising in the uranium sector. He has previously held the roles of CFO for Paladin Energy, acting CFO and Non-Executive Director of Extract Resources and more recently CFO at Vimy Resources.

He also has significant experience in the US, where he lived and worked in his role as Vice President US Operations with Iluka Resources, overseeing treasury, risk, and finance.

Mr Chamberlain holds a Bachelor of Commerce degree from the University of Western Australia and is a Fellow of the Institute of Chartered Accountants Australia and New Zealand.

He replaces Mr David Coyne who has resigned his full-time role with the Company but will remain on the Board as a Non-Executive Director.

### **Cost Saving Measures**

In March and April 2020, the Company announced significant corporate and site-based cost reduction initiatives. These included Board and Senior Management agreeing to a 20% reduction in salaries and fees until at least the end of the financial year. While the majority of these cost reduction measures will continue to be in effect, Board and Senior Management salaries and fees will be re-instated to their previous amounts effective 1 August 2020 to coincide with a return to more standard operating conditions.

### **Cash Position**

The Company's cash position at the end of the quarter, including commercial bills, bonds and security deposits was US\$15.2 million. Available cash at the end of the quarter was US\$11.9 million. This cash position, when combined with the net cash margin to be received from the sale of uranium, ensures that the Company is fully funded to complete its low pH optimisation activities over the course of the next 12 to 18 months.

Within the amount for the June quarter disclosed in Item 1.2(d) of the Appendix 5B, US\$0.23 million was paid to related parties and their associates. These amounts solely relate to employment agreements or non-executive director appointments as described within the audited Remuneration Report section of the Company's most recently published Annual Report.

### **For further information, please contact:**

**Wayne Heili**  
**Managing Director/Chief Executive Officer**  
**Telephone: +61 6263 4461**

*This release has been approved by the Managing Director / CEO.*

### **Competent Persons Statement**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves at the Lance Projects is based on information compiled by Mr Benjamin Schiffer. Mr Schiffer is a Registered Professional Member of the Society of Mining, Metallurgy and Exploration (Member ID #04170811). Mr Schiffer is a professional geologist employed by independent consultant WWC Engineering. Mr Schiffer 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'.



**Detailed Classified JORC-Compliant Resource Estimate, Lance Projects: U<sub>3</sub>O<sub>8</sub>**

| Resource Classification | Tonnes Ore (M) | U3O8 kg (M) | U3O8 lbs (M) | Grade (ppm U3O8) |
|-------------------------|----------------|-------------|--------------|------------------|
| Measured                | 3.4            | 1.7         | 3.7          | 487              |
| Indicated               | 11.1           | 5.5         | 12.1         | 495              |
| Inferred                | 36.2           | 17.2        | 37.8         | 474              |
| <b>Total</b>            | <b>50.7</b>    | <b>24.4</b> | <b>53.6</b>  | <b>479</b>       |

JORC Table 1 included in an announcement to the ASX released on 14 November 2018: "Revised Lance Projects Resource Tables". 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.

**Schedule of Interests in Mining Tenements at 30 June 2020**
**Lance Projects, Wyoming, USA**

| Location / Project Name                       | Tenement             | Percentage |
|---|----------------------|------------|
| Private Land (FEE) – Surface Access Agreement | Approx. 2,401 acres  | 100%       |
| Private Land (FEE) – Mineral Rights           | Approx. 10,361 acres | 100%       |
| Federal Mining Claims – Mineral Rights        | Approx. 13,422 acres | 100%       |
| Federal – Surface Access – Grazing Lease      | Approx. 40 acres     | 100%       |
| State Leases – Mineral Rights                 | Approx. 10,604 acres | 100%       |
| State Leases – Surface Access                 | Approx. 914 acres    | 100%       |
| Strata Owned – Surface Access                 | Approx. 315 acres    | 100%       |

**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 / Issued) | Area (km <sup>2</sup> ) | Current Expiry | Commodity Group | Original PR Status |
|----------------------|------------------------|---------------------|--|-------------------------|----------------|-----------------|--------------------|
| WC 10085 MR          | Tasman Lukisa JV       | TBD                 | Mining Right Application   | 689                     | TBD            | U, Mo           | In Progress*       |
| EC 10029 MR          | Tasman Lukisa JV       | TBD                 | Mining Right Application   | 345                     | 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*       |
| EC 07 PR             | Tasman Lukisa JV       | 14/11/2006          | Under MR Application – Environmental Closure Application Submitted   | 48                      | 10/06/2015     | U, Mo           | Expired            |



|           |                         |            |  |     |            |       |              |
|-----------|-------------------------|------------|--|-----|------------|-------|--------------|
| EC 08 PR  | Tasman Lukisa JV        | 14/11/2006 | Under MR Application - Environmental Closure Application Submitted | 47  | 10/06/2015 | U, Mo | Expired      |
| EC 09 PR  | Tasman Lukisa JV        | 14/11/2006 | Under MR Application - Environmental Closure Application Submitted | 94  | 10/06/2015 | U, Mo | Expired      |
| EC 12 PR  | Tasman Lukisa JV        | 14/11/2006 | Under MR Application - Environmental Closure Application Submitted | 36  | 10/06/2015 | U, Mo | Expired      |
| EC 13 PR  | Tasman Lukisa JV        | 14/11/2006 | Under MR Application - Environmental Closure Application Submitted | 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 - Environmental Closure Application Submitted | 34  | 01/08/2015 | U, Mo | Expired      |
| WC 35 PR  | Tasman Lukisa JV        | 01/12/2006 | Under MR Application - Environmental Closure Application Submitted | 69  | 01/08/2015 | U, Mo | Expired      |
| WC 47 PR  | Tasman Lukisa JV        | 04/09/2008 | Under MR Application - Environmental Closure Application Submitted | 36  | 04/07/2015 | U, Mo | Expired      |
| WC 59 PR  | Tasman Lukisa JV        | 01/12/2006 | Under MR Application - Environmental Closure Application Submitted | 40  | 01/08/2015 | U, Mo | Expired      |
| WC 60 PR  | Tasman Lukisa JV        | 01/12/2006 | Under MR Application - Environmental Closure Application Submitted | 56  | 01/08/2015 | U, Mo | Expired      |
| WC 61 PR  | Tasman Lukisa JV        | 01/12/2006 | Under MR Application - Environmental Closure Application Submitted | 69  | 01/08/2015 | U, Mo | Expired      |
| WC 127 PR | Tasman Lukisa JV        | 30/11/2006 | Under MR Application - Environmental Closure Application Submitted | 59  | 10/12/2017 | U, Mo | Expired      |
| WC 137 PR | Tasman Lukisa JV        | 30/11/2006 | Under MR Application - Environmental Closure Application Submitted | 73  | 04/07/2016 | U, Mo | Expired      |
| WC 156 PR | Tasman Lukisa JV        | 30/11/2006 | Under MR Application - Environmental Closure Application Submitted | 69  | 04/07/2014 | U, Mo | Expired      |
| WC 158 PR | Tasman Lukisa JV        | 23/01/2007 | Under MR Application - Environmental Closure Application Submitted | 57  | 12/11/2014 | U, Mo | Expired      |
| WC 167 PR | Tasman Lukisa JV        | 30/11/2006 | Under MR Application - Environmental Closure Application Submitted | 21  | 12/11/2015 | U, Mo | Expired      |
| WC 95 PR  | Tasman-Lukisa JV        | 17/04/2007 | Closure Submitted  | 5   | 23/03/2013 | U, Mo | Expired      |
| WC 152 PR | Tasman-Lukisa JV        | 01/12/2006 | Under PR Application   | 189 | 04/07/2016 | U, Mo | Expired      |
| WC 178 PR | Tasman Lukisa JV        | 01/12/2006 | Closure Submitted  | 697 | 01/08/2015 | U, Mo | Expired      |
| WC 187 PR | Tasman Lukisa JV        | 01/12/2006 | Closure Submitted  | 24  | 01/08/2014 | U, Mo | Expired      |
| WC 168 PR | Tasman Pacific Minerals | 13/12/2006 | Closure Submitted  | 332 | 05/05/2014 | U, Mo | Expired      |
| WC 170 PR | Tasman Pacific Minerals | 13/12/2006 | Closure Submitted  | 108 | 05/05/2014 | U, Mo | Expired      |
| NC 330 PR | Tasman Pacific Minerals | 08/06/2007 | Closure Submitted  | 481 | 19/04/2019 | U, Mo | Relinquished |





|           |                         |            |                   |     |            |       |              |
|-----------|-------------------------|------------|-------------------|-----|------------|-------|--------------|
| NC 331 PR | Tasman Pacific Minerals | 08/06/2007 | Closure Submitted | 205 | 17/11/2018 | U, Mo | Relinquished |
| NC 347 PR | Tasman Pacific Minerals | 08/06/2007 | Closure Submitted | 634 | 17/11/2018 | U, Mo | Relinquished |
| EC 28 PR  | Tasman Pacific Minerals | 15/11/2006 | Closure Submitted | 225 | 26/03/2015 | U, Mo | Expired      |

Note: \* JV Partner consent requested to withdraw application

**RakiRaki Joint Venture, Fiji**

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

Closure applications have been submitted for the relinquishment of the 3 tenements in Fiji.

