



INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2018

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Corporate Directory

Directors

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

Chief Executive Officer – Strata Energy

Ralph Knode

Company Secretary

Jonathan Whyte

Registered and Principal Office

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Auditors

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Subiaco WA 6008
Australia

Share Registry

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

Telephone: 1300 554 474

Facsimile: +61 2 9287 0303

Stock Exchange

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

ASX Codes

PEN – Ordinary Fully Paid Shares

ABN

67 062 409 303

Directors' Report

The Directors of Peninsula Energy Limited and its controlled entities (Company, Peninsula or consolidated group) submit the financial report of the economic entity for the half-year ended 31 December 2018.

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
Harrison Barker	Non-Executive Director
Mark Wheatley	Non-Executive Director
David Coyne	Finance Director / CFO
Evgenij Iorich	Non-Executive Director (resigned 12 October 2018)

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 research initiatives aimed at improving the operating performance at the Lance Projects. These outcomes included 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%. The Company believes that a transition to a low pH recovery system will 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 globally that are in the 1st quartile of the cost curve are ISR facilities that utilise a low pH lixiviant.

Low pH Permitting Status

In April 2018 Strata formally submitted a request to the Wyoming Department of Environmental Quality (**WDEQ**) to amend its existing Permit to Mine (**PTM**) to allow for the use of a low-pH recovery solution in the Ross Permit Area of the Lance Projects.

The WDEQ completed an extensive technical review of the revision application submitted by Strata in November 2018 and a public comment period on the proposed amendment commenced in December 2018. The public comment closed on 26 January 2019. No hearing requests were received as a result of the public comment period.

The WDEQ is continuing its concurrent review of Strata's October 2018 request to amend the existing Source Materials and By-product License (**SML**), which is now at an advanced stage. The PTM and the SML are the two overarching authorisations required to enable low pH operations to commence at the Lance Projects.

Based on its assessment and understanding of the amendment approval processes, and progress to date, the Company's objective is to have amendments to existing operating permits and licenses granted during the 2019 calendar year.

During the amendment process, Peninsula has continued streamlined operations at the Lance Projects using alkaline lixiviant in accordance with the currently approved licenses and permits.

Low pH Field Leach Demonstration

In December 2018, following a laboratory research programme which confirmed both the effectiveness of the proposed low pH chemistry at the Lance Projects and also indicated that the quality of the affected groundwater can be returned to existing approved target restoration values, the Company initiated a low pH field demonstration at the Lance Projects. The low pH ISR field demonstration commenced within a selected set of wellfield patterns located in Mine Unit 1 of the Ross Permit Area. The field demonstration comprises both mining and restoration phases with those elements necessary to obtain approval for the commencement of commercial scale operations expected to be completed in mid-2019. A key objective of the mining phase is the successful lowering of the local mining zone pH level to the targeted level (approximately 2.0 standard units) without compromising the ability to move lixiviant through the mining zone.

Low pH Feasibility Study

In September 2018 the Company announced the results of its low pH Feasibility Study at the Lance Projects (**Feasibility Study**). The Feasibility Study was completed by engineering and construction company Woodard & Curran, Inc (**W&C**) (formerly TREC) on the planned transition to, and subsequent ramp-up of, low pH operations at the Lance Projects and incorporates updated JORC Code (2012) compliant resources of 53.9mlbs U₃O₈² at the Ross, Kendrick and Barber production units. The Feasibility Study assumed the conversion of 22.9mlbs of the 38.1mlbs inferred U₃O₈ resources to indicated category or better.

The Feasibility Study was commissioned by the Board of Peninsula to confirm the economic rationale for the planned transition of the Lance Projects from the existing alkaline ISR operation to a low pH ISR operation, following the compelling test work and analysis conducted by the Company during 2017 and the first half of 2018.

The results of the Feasibility Study indicate that the planned low pH ISR operation at the Lance Projects will result in a globally competitive uranium project. Transition to a low pH operation is projected to deliver low cash operating costs over a 17-year mine life with a substantially increased production profile that has the capacity to scale upwards as the uranium market improves.

A summary of the key outcomes and metrics of the Feasibility Study is shown below. For detailed information on the Feasibility Study, including material assumptions used, please refer to the ASX announcement released by the Company on 17 September 2018 and also the Feasibility Study presentation released by the Company on 18 September 2018.

Study Outcomes	
Estimated Life of Mine (LOM)	17 years
Estimated LOM Production (mlbs U ₃ O ₈)	33.40
LOM Project Revenue (real) (US\$m)	1,644
LOM Operating Cashflow (before tax) (US\$m)	925.0
Base Case NPV ₈ at US\$49/lb Avg Price (US\$m)	156.50
NPV ₈ at US\$57/lb Avg Price (US\$m)	254.0
Base Case IRR at US\$49/lb Avg Price (%)	30%
IRR at US\$57/lb Avg Price (%)	39%
Average Annual Net Cash Flow per annum at US\$49/lb Avg Price (US\$m)	26.90
Average Annual Net Cash Flow per annum at US\$57/lb Avg Price (US\$m)	40.40
LOM Recovery (%)	62.30%

Key Metrics		Total
Peak Steady State Production Rate (mlbs U ₃ O ₈ p.a.)		
- LOM		3.0
- Stage 1		1.15
- Stage 2		2.30
- Stage 3		3.0
OPEX (incl Royalties) (US\$m Total)		520.60
LOM Direct OPEX (incl Restoration) (US\$/lb)		15.59
Low pH Transition CAPEX (US\$m Total)		5.30
Stage 2 & 3 Expansion CAPEX (US\$m Total)		113.40
Wellfield Replacement & Sustaining CAPEX (US\$m Total)		342.40
LOM Wellfield Replacement & Sustaining CAPEX (US\$/lb)		10.25
All in Sustaining Cash Cost (US\$/lb)		
- LOM		31.77
- Stage 1		40.58
- Stage 2		31.52
- Stage 3		30.36

Table 1: Feasibility Study Key Outcomes and Metrics Summary

Note: There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration and delineation work will result in the determination of indicated mineral resources or that the production target itself will be realised.

Production for 6 months to 31 December 2018

The Company continued its focus during the period on cost efficiencies at the Lance Projects ahead of the transition to low pH operations. Following the suspension of the majority of alkaline based production activity in the first mining unit (**MU1**) in May 2018 (to preserve in-situ U₃O₈ pounds for future low pH extraction and to reduce cash expenditure over the low pH transition period), alkaline ISR based production has continued in the second mining unit (**MU2**), where head grades are higher. A small number of MU1 production wells continue to operate to assist with maintaining wellfield fluid control in that mining unit. Reducing current production rates does not affect the Company's ability to deliver into its near-term or mid-term sales obligations as the Company has the flexibility of making on-market purchases to complement Lance production within its product sales agreements.

Production for the 6 months ended 31 December 2018 was 61,284 pounds U₃O₈. As well as the decision to suspend operations in MU1, production levels have also been influenced by a combination of the natural decline of head grades and a conscious decision to reduce chemical addition and hence chemical costs. In addition the plant was down for 9 days during the reporting period due to a pipe failure. The Company expects production in six months to June 2019 to be between 30,000 and 40,000 pounds U₃O₈ and guidance for the financial year ending 30 June 2019 is 90,000 to 110,000 pounds U₃O₈.

Production from the Company's ten (10) commissioned header houses using alkaline lixiviant will continue to form the basis of on-going operations over the near-term while the Company completes the remaining activities and permit actions required for the change to a low pH ISR uranium operation at the Lance Projects.

No further wellfield development capital expenditures are currently scheduled under the existing alkaline ISR operations, but delineation drilling may occur in Mine Unit 3 in anticipation of low pH approvals being granted.

Sales and Marketing

Uranium sales during the period totalled 100,000 pounds U₃O₈ with delivery made on 1 October 2018 (85,000 pounds Lance origin, 15,000 pounds sourced on market) at an average realised cash price of US\$45.06/lb U₃O₈. Sales proceeds of approximately US\$4.5 million from that delivery were received in early November 2018. This was the final delivery obligation for the 2018 calendar year.

A total of 45,280 pounds U₃O₈ were dried and drummed during the period.

Peninsula has up to 6.4 million pounds of U₃O₈ 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\$51-53/lb U₃O₈. Within the quantity of 6.4 million pounds U₃O₈, 4.5 million pounds U₃O₈ are committed quantities for delivery through to 2030. Up to 1.9 million pounds U₃O₈ are deliveries that are optional, at the election of the respective customers, to be delivered between 2021 and 2026. These contracts provide a substantial earnings stream to the Company whilst allowing it to preserve significant quantities of planned U₃O₈ production for contracting during future periods.

New Uranium Toll Milling Agreement signed

In December 2018 Strata signed a new uranium toll milling agreement with its existing toll milling service provider Uranium One Americas, Inc. (**Toll Milling Agreement**). The new Toll Milling Agreement commenced on 1 January 2019 and has an initial term of 5 years with the ability for Strata to extend the term at its option for an additional 5-year period thereafter.

Commercial terms of the new Toll Milling Agreement have been modified from the previous agreement to reflect conditions in the global uranium market and the production ramp-up of the Company following the planned transition to low pH operations at the Lance Projects. The net effect of the revised commercial terms is a projected average toll milling cost rate that is less than the rate used in the Low pH Feasibility Study.

Gillette Office Sale

In December 2018, Strata completed the sale of its redundant office located in Gillette, Wyoming. Proceeds from the sale of US\$0.3 million were used to repay in full, and close out, the mortgage on the office. The Gillette office closed in early 2016 when all project management and administrative functions were relocated to the Lance Projects site.

SOUTH AFRICA – KAROO URANIUM PROJECTS

Peninsula Energy Ltd 74% / BEE Groups 26%

The Company has withdrawn fully from any further development activities for the Karoo Projects in which it has a 74% interest and has suspended all financial support for development activities including progression of mining and prospecting right applications. Peninsula is working together with its joint venture partners and the South African regulators to ensure an orderly exit from the project.

Following completion of the rehabilitation of all the boreholes earlier in 2018, independent specialist environmental and radiological reviews required to support environmental closure applications for the various Tasman Lukisa Joint Venture properties ("Lukisa") were conducted. Site inspections of the historical trial mining areas were conducted by Department of Mineral Resources and National Nuclear Regulator. Discussions on the rehabilitation of these areas continued during the reporting period.

The Company's office in Beaufort West was closed at the end of the November 2018, resulting in the termination of all personnel engaged on the project, including CEO South Africa, Mr Willie Bezuidenhout. Mr. Bezuidenhout continues to assist the Company in a part-time consulting role as the Company continues to pursue the sale of the 322 km² freehold farmland in the Karoo Basin, the proceeds of which are expected to be sufficient to cover rehabilitation costs.

As a result of the decision by the Company to divest its interests in South Africa, the Company previously impaired the carrying value of capitalised exploration and evaluation to nil and during the reporting period an impairment expense against the value of freehold land of US\$1.42 million was also recognised for the 6 months ended 31 December 2018, consistent with the decline in market conditions for farmland. The carrying value of freehold land at the Karoo Projects as at 31 December 2018 is now US\$1.08 million.

CORPORATE

Convertible Note Sale

At an extraordinary general meeting on 19 September 2018, shareholders approved terms associated with the extension and restructure of the existing Convertible Note Facility. Completion of the sale of US\$3.85 million of the Convertible Note Facility to associates of top 5 shareholder Collins Street Asset Management occurred on 2 October 2018. Collins Street Asset Management joined Resource Capital Fund V.I. and Pala Investments Limited as holders of the Convertible Note Facility.

Board Change

On 12 October 2018 Mr Evgenij Iorich resigned as a director of the Company in order to spend more time on his other business interests, including those in his senior executive capacity within Pala Investments Limited.

Assets and Capital

The consolidated group's cash position, including commercial bills but excluding security deposits and performance bonds as at 31 December 2018 was US\$7.51 million. The net assets of the consolidated group have decreased by US\$8.69 million from 30 June 2018 to US\$72.00 million at 31 December 2018. The decrease in net assets is due to the loss on sale of uranium, finance costs on the convertible notes and reduction in the value of derivative financial assets associated with existing uranium concentrate sale and purchase agreements.

The Company had 241,676,947 shares on issue as at 31 December 2018 and 27,809,747 unlisted options.

EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen since 31 December 2018, 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 2018/191: ROUNDING OF AMOUNTS

The Company is an entity to which ASIC Legislative Instrument 2018/191 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 9 of this report.

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



Wayne Heili
Managing Director/CEO
5 March 2019

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF PENINSULA ENERGY LIMITED

As lead auditor for the review of Peninsula Energy Limited for the half-year ended 31 December 2018, 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.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 05 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2018

	Notes	31 December 2018 US\$000s	31 December 2017 US\$000s (Restated)
Continuing operations			
Revenue	2	4,112	7,660
Cost of sales		(7,508)	(8,008)
Gross loss		(3,396)	(348)
Selling and marketing expenses		(50)	(131)
Administration expenses		(877)	(1,061)
Depreciation expense		(57)	(62)
Foreign exchange (loss)/gain		(81)	199
Fair value (loss)/gain on derivative		(1,572)	9,616
Other expenses	3	(404)	(11)
(Loss)/profit before interest and tax from continuing operations		(6,437)	8,202
Net finance costs		(1,376)	(1,316)
Net (loss)/profit before income tax		(7,813)	6,886
Income tax expense		(266)	-
(Loss)/profit for the half-year from continuing operations		(8,079)	6,886
Loss from discontinued operations	8	(1,952)	(9,270)
Loss for the half-year		(10,031)	(2,384)
Other comprehensive loss:			
<i>Other comprehensive loss may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		243	692
Total comprehensive loss for the half-year		(9,788)	(1,692)
Loss for the half-year attributable to:			
Equity holders of the Parent		(9,537)	(512)
Non-controlling interests		(494)	(1,872)
		(10,031)	(2,384)
Total comprehensive loss attributable to:			
Equity holders of the Parent		(9,267)	138
Non-controlling interests		(521)	(1,830)
		(9,788)	(1,692)
Earnings/(loss) per share attributable to the members of Peninsula Energy Limited:			
Loss for the half-year			
Basic (cents per share)		(4.01)	(0.22)
(Loss)/profit for the half-year from continuing operations			
Basic (cents per share)		(3.40)	2.98

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes. See note 8 for restatement as a result of discontinued operations.

Consolidated Statement of Financial Position

As at 31 December 2018

		31 December 2018 US\$000s	30 June 2018 US\$000s
	Notes		
CURRENT ASSETS			
Cash and cash equivalents		7,514	11,959
Trade and other receivables		437	471
Inventory	7	2,114	3,132
Held for sale assets	8	1,075	2,616
Other financial assets	10	2,711	2,900
Current tax assets		80	-
TOTAL CURRENT ASSETS		13,931	21,078
NON-CURRENT ASSETS			
Trade and other receivables		6,100	5,936
Property, plant and equipment		23,896	24,312
Mineral development	9	55,117	55,779
Other financial assets	10	2,757	4,141
Deferred tax assets		80	-
TOTAL NON-CURRENT ASSETS		87,950	90,168
TOTAL ASSETS		101,881	111,246
CURRENT LIABILITIES			
Trade and other payables		2,381	3,237
Borrowings	11	264	15,679
Contract liability		394	-
Provisions	12	186	177
Liabilities associated with held for sale assets	8	706	703
Provision for income tax		266	-
TOTAL CURRENT LIABILITIES		4,197	19,796
NON-CURRENT LIABILITIES			
Borrowings	11	15,358	362
Provisions	12	10,323	10,397
TOTAL NON-CURRENT LIABILITIES		25,681	10,759
TOTAL LIABILITIES		29,878	30,555
NET ASSETS		72,003	80,691
EQUITY			
Issued capital	13	206,636	205,099
Reserves		6,304	6,471
Accumulated losses		(139,649)	(130,112)
Equity attributable to equity holders of the Parent		73,291	81,458
Non-controlling interest		(1,288)	(767)
TOTAL EQUITY		72,003	80,691

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 2018

	Issued Capital	Accumulated Losses	Option & SBP Reserve	Foreign Currency Translation Reserve	Total	Non-controlling interest	Total Equity
	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s
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 Loss							
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 Loss	-	(512)	-	650	138	(1,830)	(1,692)
Balance 31 December 2017	204,585	(131,127)	13,126	(7,298)	79,286	(974)	78,312
Balance 1 July 2018	205,099	(130,112)	15,386	(8,915)	81,458	(767)	80,691
Transaction with Owners							
Shares issued during the year	627	-	(627)	-	-	-	-
Share-based payments expense	110	-	190	-	300	-	300
Issue of shares under debt facility agreement	800	-	-	-	800	-	800
Total Transactions with Owners	1,537	-	(437)	-	1,100	-	1,100
Comprehensive Loss							
Foreign exchange translation reserve	-	-	-	243	243	-	243
Non-controlling interest	-	-	-	27	27	(27)	-
Loss for the half-year	-	(9,537)	-	-	(9,537)	(494)	(10,031)
Total Comprehensive Loss	-	(9,537)	-	270	(9,267)	(521)	(9,788)
Balance 31 December 2018	206,636	(139,649)	14,949	(8,645)	73,291	(1,288)	72,003

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 2018

	31 December 2018 US\$000s	31 December 2017 US\$000s
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,506	6,637
Payments to suppliers and employees	(7,023)	(8,147)
Interest paid	(50)	(406)
Interest received	148	29
Income taxes paid	(150)	-
Net cash (used in) operating activities	(2,569)	(1,887)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for mineral exploration and evaluation	-	(455)
Payments for mineral development	(652)	(1,579)
Payments for mineral exploration performance bonds and rental bonds	(135)	(1,037)
Proceeds from sale of property, plant and equipment	318	-
Purchase of property, plant and equipment	(264)	(64)
Net cash (used in) investing activities	(733)	(3,135)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(606)	(1,277)
Capitalised borrowing costs	(545)	-
Net cash (used in)/provided by financing activities	(1,151)	(1,277)
Net decrease in cash held	(4,453)	(6,299)
Cash at the beginning of the financial year	11,959	9,621
Effects of exchange rate fluctuations on cash held	8	(6)
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	7,514	3,316

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

NOTE 1: BASIS OF PREPARATION

This general purpose interim financial report for the half-year reporting period ended 31 December 2018 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 2018 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 1 March 2019.

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 2018 annual financial statements contained within the annual report of Peninsula, other than as described in this Note 1.

Adoption of new and revised accounting standards

A number of new or amended standards became applicable for the current reporting period resulting in the initial adoption of IFRS 9 *Financial Instruments*. The consolidated group elected to early adopt IFRS 15 *Revenue from Contracts with Customers* for the year ended 30 June 2018.

Impact of standards issued but not yet applied by the entity

IFRS 16 *Leases* is effective for the reporting period commencing 1 July 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The consolidated group is still in the process of fully assessing the impact on the consolidated group's financial results and position when it is first adopted for the year ending 30 June 2020.

IFRS 15 Revenue from Contracts with Customers

The consolidated group early adopted IFRS 15 in the prior period. As a result, its accounting policy over revenue recognition has changed to the following accounting policy as detailed below.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The consolidated group recognises revenue when it transfers control over a product to a customer.

Consolidated group revenues consists of revenues from the sale of uranium concentrate under uranium concentrate sale and purchase agreements with its customers.

Comparatives have not been restated to apply IFRS 15, had the prior year revenue recognition accounting policy been adopted for the half-year ended 31 December 2017, there would be no adjustment to sales revenue recognised in the current financial period.

The consolidated group undertook a detailed review of its revenue contracts on the early adoption date and the following areas have been identified as being impacted by the adoption of the new standard:

Offtake Agreements

Revenue from the sale of uranium concentrate is recognised when control of the goods passes to the customer.

The performance obligations are the deliveries of uranium concentrate over the contractual term of each agreement; the deliveries under each agreement represent a series of distinct goods that are substantially the same with the same pattern of transfer to each respective customer. The performance obligation is considered to be satisfied as control over the goods are transferred to each respective customer. This is the point at which revenue is recognised.

Notes to the Consolidated Financial Statements

NOTE 1: BASIS OF PREPARATION (CONTINUED)

IFRS 9 *Financial Instruments* – Impact of Adoption

The consolidated group has adopted IFRS 9 with a date of initial application of 1 July 2018 and has elected not to restate its comparatives. As a result, the consolidated group has changed its accounting policy for financial instruments as detailed below.

Recognition and derecognition

Financial assets and financial liabilities are recognised when the consolidated group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows and are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI
- Financial assets at amortised cost

Derivative contracts

All derivative contracts are measured at fair value with movements in fair value recognised in the profit or loss account.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The consolidated group's trade and most other receivables fall into this category of financial instruments.

Impairment

The consolidated group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the consolidated group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The consolidated group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the consolidated group may also consider a financial asset to be in default when internal or external information indicates that the consolidated group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the consolidated group.

The consolidated group has determined that the application of IFRS 9's requirements at transition 1 July 2018 did not result in a material adjustment.

Notes to the Consolidated Financial Statements

NOTE 1: BASIS OF PREPARATION (CONTINUED)

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.

The consolidated group made a loss of US\$10.03 million for the half-year ended 31 December 2018 (31 December 2017: US\$2.38 million). The increase in loss over the prior period was largely due to 31 December 2017 including a large derivative gain on contracts that were subsequently sold. The consolidated group had negative operating cash flows of US\$2.57 million (31 December 2017: negative US\$1.89 million). The net working capital margin of the consolidated group at 31 December 2018 was US\$9.73 million (30 June 2018: US\$1.28 million).

The ability of the consolidated entity to continue as a going concern is dependent on the successful transition of the Lance Projects in Wyoming from the existing alkaline based production method to one using the low pH method. The Company announced the outcomes of the low pH Feasibility Study on 17 September 2018 and these outcomes indicate that the transition of the Lance Projects to a low pH mining method is expected to transform the operational and financial performance of the Lance Projects.

Transitioning the Lance Projects to a low pH mining method requires the approval by the Wyoming Department of Environmental Quality (WDEQ) of requests to amend existing licenses and permits. A request to amend the existing Permit to Mine (PTM) was submitted in April 2018. On 25 September 2018, the State of Wyoming signed an agreement with the United States Nuclear Regulatory Commission whereby the State of Wyoming assumed primacy of the oversight and regulation of all uranium mining in the state, effective 1 October 2018. A request to amend the Source Material License (SML) was submitted by the Company to the WDEQ on 1 October 2018.

In November 2018, the WDEQ approved a request by the Company to conduct a low pH field demonstration in a small area within Mine Unit 1 at the Lance Projects. During December 2018, the Company commenced the low pH field demonstration following completion of modifications to wellfield and plant equipment. Also, in December 2018, the Company commenced the public review and comment period on the PTM amendment following completion of the review by the WDEQ. Subsequent to the reporting date, the PTM public comment period closed on 26 January 2019. No requests were made for the WDEQ to conduct a public hearing on the PTM amendment request.

Based on the testwork that the Company completed to support the amendment requests, and progress to date by the WDEQ in reviewing the amendment request documentation, the Directors are satisfied that approval to commence low pH mining operations at the Lance Projects will be obtained in a form and timeline that is generally consistent with assumptions contained in the low pH Feasibility Study.

Completion of the transition to low pH mining operations, ramp-up of low pH mining operations, and capital expenditure for the development of Mine Unit 3 and commencement of development of Mine Unit 4, will require the Company to secure additional sources of finance through to the end of calendar year 2021 of up to US\$25.0 million. This funding may be sourced progressively during this time period and may be obtained from a number of sources. The Company expects that under low pH operations it will build a stockpile of uranium inventory that could form the basis of a working capital debt facility such as an inventory finance facility. Other sources of finance that the Company believes is available to it include project finance debt and equity from existing and new shareholders.

Following the ramp-up of low pH mining operations, the ability of the Lance Projects and the Company's uranium business to generate positive cash flows is required for the consolidated entity to continue as a going concern. Based on the outcomes of the low pH Feasibility Study (which assumed that all uncontracted production is sold at a price, in 2018 dollars, of US\$50/lb), combined with the committed revenue stream from uranium concentrate sale and purchase agreements that the Company has in place, the Directors are of the opinion that following the initial ramp-up of low pH mining operations to a production rate of 500,000 pounds U_3O_8 per annum or above, the Lance Projects will have the ability to generate positive cash flows.

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.

Notes to the Consolidated Financial Statements

NOTE 1: BASIS OF PREPARATION (CONTINUED)

The Directors have an appropriate plan to raise additional funds as and when they are required. 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. Existing uranium concentrate sale and purchase contracts held by the Company, in the opinion of the Directors, are viewed favourably by potential providers of either debt or equity finance.

In addition, the Company has previously been able to monetise part of its long-term uranium concentrate sales contracts to raise additional funding. While not all of the remaining long-term uranium sale contracts can be monetised, the Company continues to explore possible options for monetising the parts of the remaining long-term uranium concentrate sale contracts that are able to be monetised.

Accordingly, the Directors are satisfied that 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.

Rounding of amounts

The consolidated group has applied the relief available to it under ASIC Legislative Instrument 2018/191. 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

	31 December 2018 US\$000s	31 December 2017 US\$000s
Revenue from continuing operations		
Sale of goods	4,112	7,660
Total revenue from continuing operations	4,112	7,660

NOTE 3: OTHER EXPENSES

Other expenses includes share-based payments expense for the period to 31 December 2018:

	31 December 2018 US\$000s	31 December 2017 US\$000s
Share-based payments expense		
Employee incentive options issued ⁽ⁱ⁾	113	8
Executive Director incentive options issued ⁽ⁱⁱ⁾	31	2
Options issued to Directors ⁽ⁱⁱⁱ⁾	46	-
Shares issued under service agreement ^(iv)	110	-
Total share-based payments	300	10

(i) On 19 December 2017, 2,975,000 unlisted options were issued to employees under existing contracts. The options were valued using the Black Scholes option model 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.

(ii) On 19 December 2017, 1,350,000 unlisted options were issued to Executive Directors as approved by shareholders at 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 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.

Notes to the Consolidated Financial Statements

NOTE 3: OTHER EXPENSES (CONTINUED)

- (iii) On 4 December 2018, 600,000 unlisted options were issued to Non-Executive Directors as approved at the Annual General Meeting held on 29 November 2018. The options were valued independently using a binomial model developed by Hoadley Trading and Investment Tools, refer to the Notice of Annual General Meeting released on 29 October 2018 for detailed valuation assumptions.
- (iv) On 6 November 2018, 676,043 fully paid ordinary shares were issued to Mr Wille Bezuidenhout (CEO – South Africa) which represent the equity component of his contractual termination payment.

All options granted to Key Management Personnel and employees 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 2018.

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:

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

Notes to the Consolidated Financial Statements

NOTE 5: OPERATING SEGMENTS (CONTINUED)

Segment Performance

The following table presents information regarding the consolidated group's operating segments for the half-year ended 31 December 2018:

31 December 2018	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	4,112	-	-	4,112
Cost of sales	(7,508)	-	-	(7,508)
Gross loss	(3,396)	-	-	(3,396)
Inter-segment interest	-	-	3,762	3,762
Total other income	-	-	3,762	3,762
Inter-segment elimination	-	-	(3,762)	(3,762)
Gross loss and other income	(3,396)	-	-	(3,396)
Expenses				
Selling and marketing expenses	-	-	(50)	(50)
Administration expenses	-	(572)	(877)	(1,449)
Depreciation expense	-	(1)	(57)	(58)
Impairment expense	-	(1,415)	-	(1,415)
(Loss)/gain on sale of property, plant and equipment	(104)	36	-	(68)
Fair value loss on derivative	(1,572)	-	-	(1,572)
Allocated segment expenses	(1,676)	(1,952)	(984)	(4,612)
Unallocated expenses				
Foreign exchange loss	-	-	-	(81)
Other expenses	-	-	-	(300)
Finance costs	-	-	-	(1,376)
Income tax expense	-	-	-	(266)
Loss for the half-year	-	-	-	(10,031)
Segment loss included in discontinued operations	-	-	-	1,952
Loss for the half-year from continuing operations	-	-	-	(8,079)

31 December 2018	Lance Projects Wyoming, USA US\$000s	Karoo Projects South Africa US\$000s	Corporate/ Other US\$000s	Total US\$000s
Segment assets				
Development	55,117	-	-	55,117
Property, plant and equipment	23,829	6	61	23,896
Cash and cash equivalents	2,647	88	4,779	7,514
Trade and other receivables	6,167	257	113	6,537
Inventory	2,114	-	-	2,114
Held for sale assets	-	1,075	-	1,075
Other financial assets	5,465	-	3	5,468
Current/deferred tax assets	160	-	-	160
Total assets	95,499	1,426	4,956	101,881
Segment liabilities				
Borrowings	272	-	15,350	15,622
Provisions	10,429	-	80	10,509
Trade and other payables	1,707	67	607	2,381
Contract liability	394	-	-	394
Liabilities associated with held for sale assets	-	706	-	706
Provision for income tax	-	-	266	266
Total liabilities	12,802	773	16,303	29,878

Notes to the Consolidated Financial Statements

NOTE 5: OPERATING SEGMENTS (CONTINUED)

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

	Lance Projects Wyoming, USA US\$000s	Karoo Projects South Africa US\$000s	Corporate/ Other US\$000s	Total US\$000s
31 December 2017				
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 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				
Selling and marketing expenses	-	-	(131)	(131)
Administration expenses	-	-	(1,097)	(1,097)
Depreciation expense	-	(1)	(62)	(63)
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 expenses				
Foreign exchange gain	-	-	-	198
Other expenses	-	-	-	(11)
Finance costs	-	-	-	(1,340)
Loss for the half-year	-	-	-	(2,384)

The following table presents information regarding the consolidated group's operating assets and liabilities as at 30 June 2018:

	Lance Projects Wyoming, USA US\$000s	Karoo Projects South Africa US\$000s	Corporate/ Other US\$000s	Total US\$000s
30 June 2018				
Segment assets				
Development	55,779	-	-	55,779
Property, plant and equipment	24,184	7	122	24,313
Cash and cash equivalents	1,039	256	10,664	11,959
Trade and other receivables	5,941	298	167	6,406
Inventory	3,132	-	-	3,132
Held for sale assets	-	2,616	-	2,616
Other financial assets	7,038	-	3	7,041
Total Assets	97,113	3,177	10,956	111,246
Segment liabilities				
Borrowings	878	-	15,163	16,041
Provisions	10,508	-	66	10,574
Trade and other payables	1,657	109	1,471	3,237
Liabilities associated with held for sale assets	-	703	-	703
Total liabilities	13,043	812	16,700	30,555

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 2018 other than those disclosed in the 30 June 2018 annual report.

Notes to the Consolidated Financial Statements

NOTE 7: INVENTORY

	31 December 2018 US\$000s	30 June 2018 US\$000s
Inventory		
Inventory – In-Process Uranium	4,685	5,697
Inventory – Drummed Uranium	765	2,227
Net Realisable Value write-down ⁽ⁱ⁾	(3,336)	(4,792)
Carrying amount at the end of the year	2,114	3,132

- (i) The carrying value of inventory was reviewed as at 31 December 2018. 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: ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 27 April 2018, the Company announced its intention to divest or exit its 74% interest in the Karoo Projects in South Africa. After careful consideration of the available options, the Company decided to fully withdraw from any further development activities for the Karoo Projects in which it has an interest.

The following major classes of assets and liabilities relating to these operations have been classified as held for sale in the consolidated statement of financial position as at 31 December 2018:

	31 December 2018 US\$000s	30 June 2018 US\$000s
Assets		
Property – Land	1,075	2,616
Assets held for sale	1,075	2,616

Liabilities		
Restoration provision	706	703
Liabilities associated with held for sale assets	706	703

	31 December 2018 US\$000s	31 December 2017 US\$000s
Result of discontinued operations		
Administration expenses	(572)	(38)
Depreciation expense	(1)	(1)
Impairment expense	(1,415)	(9,231)
Gain on sale of property, plant and equipment	36	-
Loss on discontinued operations	(1,952)	(9,270)

	31 December 2018 US\$	31 December 2017 US\$
Loss per share from discontinued operations		
Basic (cents per share)	(0.82)	(4.01)

The statement of cash flows includes the following amounts relating to discontinued operations:

	31 December 2018 US\$000s	31 December 2017 US\$000s
Statement of cash flows		
Operating activities	(553)	-
Investing activities	-	(455)
Financing activities	-	-
Net cash used by discontinued operations	(553)	(455)

Notes to the Consolidated Financial Statements

NOTE 9: MINERAL DEVELOPMENT

	31 December 2018 US\$000s	30 June 2018 US\$000s
Development		
Balance at the beginning of the period	55,779	56,115
Development costs	725	2,684
Decrease in provision for rehabilitation	(74)	(935)
Amortisation of development costs	(1,313)	(2,085)
Carrying amount at the end of the period	55,117	55,779

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 (FVLCS) 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 or loss and other comprehensive income.

In October 2017, the Company announced the intention to change the Lance Projects from an alkaline based mining method to a low pH mining method. In April 2018, the Company submitted the first of its requests to the regulator seeking an amendment to its existing Permit to Mine to facilitate the use of the low pH mining method and commenced a feasibility study to update its life of mine plan to reflect the use of a low pH mining method. The outcomes of the feasibility study were announced by the Company on 17 September 2018. A request to amend the existing Source Materials License was submitted by the Company on 1 October 2018.

Reported prices for uranium (Term US\$32.00/lb U₃O₈; Spot US\$29.00/lb U₃O₈) as at 31 December 2018 are an indicator of impairment. Another indicator of impairment is the market capitalisation/enterprise value of the Company at 31 December 2018 being below the carrying value of the Lance Projects CGU.

The Company has compared the FVLCS as at 31 December 2018 of the CGU to the carrying value of the Lance Projects to determine that no impairment needs to be booked in the financial statements. In determining the FVLCS the Company has considered valuations under the Market Approach and Income Approach. In relation to the Market Approach the Directors used the recent independent valuation completed by an Independent Expert providing information to shareholders for their consideration before voting on resolutions at an Extraordinary General Meeting of shareholders held on 19 September 2018. The independent valuation was carried out in advance of the low pH Feasibility Study being released, and valued the Lance Projects at US\$80.0 million on an "as is" basis (ie, excluded the benefits that would be derived from a successful transition to low pH operations).

For the Income Approach the company has used a life of mine cash flow model for the Ross and Kendrick permit areas using the low pH mining method plus a market value per pound of in-situ resource for the Barber permit area. The Barber permit was valued in this manner due to the levels of inferred resource within the overall resource statement. This approach differs, and is a more conservative approach, from that used in the low pH Feasibility Study. This results in a valuation approximating to the carrying value of the Lance Projects CGU. The estimates of future cash flows for the Ross and Kendrick Permit Areas 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 spot contract prices sourced from Consensus Economics Inc as at December 2018 ranging from US\$30.50/lb U₃O₈ in CY2019 to US\$41.60/lb U₃O₈ in CY2023 and beyond (escalated at 2.0% per annum), plus a conservative term contract premium of US\$5.00/lb U₃O₈ (average premium during the past 4 years of term contract prices over spot contract prices is US\$9.65/lb U₃O₈);
- 6.2 million lbs U₃O₈ (or 41%) of life of mine sales are assumed to be made under the existing uranium concentrate sale and purchase agreements held by the Company, at a weighted average price of US\$51.00/lb U₃O₈;
- Technical, operating and cost assumptions are those contained in the low pH Feasibility Study announced on 17 September 2018, the material assumptions of which are contained in Appendix 1 of that announcement;
- Within the Ross and Kendrick Permit Areas, 82% of the Measured and Indicated mineral resource is recovered and 54% of the Inferred mineral resource is recovered;
- Within the Ross and Kendrick Permit Areas, 67% of production is sourced from Measured and Indicated resources and 33% is sourced from Inferred resources;

Notes to the Consolidated Financial Statements

NOTE 9: MINERAL DEVELOPMENT (CONTINUED)

- Within the discounted cash flow model, Measured and Indicated resources comprise production during the first 67% of the mine life, with Inferred resources only contributing to production during the final 33% of the mine life;
- On or around 1 July 2019, approvals are granted for modifications to existing licences and permits to allow the initial commencement of low pH operations at the Lance Projects, and such approvals to be generally consistent with the low pH implementation plan detailed in the feasibility study announcement dated 17 September 2018;
- Production and capital costs being consistent with feasibility 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% (2018: 11.15%) has been utilised which has been based on internal assessment by the Company and comparison to other producing uranium mining companies in Australia and North America;
- While risk remains regarding approval of amendment requests to allow the use of the low pH mining method, as at the date of this report, the Company is not aware of any matters or circumstances arising that would prevent the receipt of requested amendment approvals being received in a form and timeframe assumed by the Company; 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\$0.66/lb U₃O₈ resource to a high of US\$1.72/lb U₃O₈ resource. A base value of US\$1.10/lb U₃O₈ in-ground resource was used.

Another factor that the Directors have considered is that further to the release of the Independent Expert report, the results of the low pH Feasibility Study were announced on 17 September 2018 indicating a value for the Lance Projects CGU of over US\$150.0 million from applying the parameters and assumptions that underpin the low pH Feasibility Study.

Finally, the Directors also took into consideration that the market value and enterprise value of the Company at the end of the reporting period was less than the carrying value of the Lance Projects CGU. The Directors consider that the market value and enterprise value at the reporting date does not accurately reflect the value of the assets of the Company and that the market value was adversely impacted by a broad global reduction in equity prices during the three months to 31 December 2018. Comparison of the carrying value of the Lance Projects CGU to market and enterprise values will continue to be closely monitored and assessed by the Directors in future reporting periods.

The Company has validated the results of the Income Approach FVLCS 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:

Variable	Change in assumption	Amount of decrease US\$000s
Discount rate	1% point increase	4,602
Uranium prices	\$1/lb decrease	3,717
Resource Recovery	1% point decrease	3,846

As the Lance Projects CGU recoverable amount approximates its carrying value, any adverse movements in key assumptions may lead to an impairment.

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.

Notes to the Consolidated Financial Statements

NOTE 9: MINERAL DEVELOPMENT (CONTINUED)

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 statement of financial position and statement of profit or loss and other comprehensive income, 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 process plant, 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.

NOTE 10: OTHER FINANCIAL ASSETS AND LIABILITIES

	31 December 2018 US\$000s	30 June 2018 US\$000s
CURRENT		
Derivative financial asset ⁽ⁱ⁾	2,711	2,900
Total Current Assets	2,711	2,900
NON-CURRENT		
Derivative financial asset ⁽ⁱ⁾	2,754	4,138
Available-for-sale financial assets	3	3
Total Non-Current Assets	2,757	4,141

- (i) During the 30 June 2018 financial year the consolidated group announced that it was seeking to transition the Lance Projects from an alkaline based mining method to a low pH mining method. To assist with the transition period, the Company agreed to vary certain uranium concentrate sale and purchase agreements to reduce the quantity of Lance origin uranium to be delivered under two of its existing contracts. The Company also entered into purchase agreements to acquire an aggregate of 225,000 lbs U₃O₈ (to be delivered over 2019 and 2020), at fixed purchase prices set at the date that the purchase agreements were signed, with the intent to use the purchased uranium to partly satisfy 572,000 lbs U₃O₈ of committed deliveries then remaining under the existing contracts that were varied.

As a result of these actions, management assessed that these offtake agreements no longer satisfied the "own-use" exemption under IFRS 9 *Financial Instruments* to not fair value the contractual rights and obligations of the arrangement. A Derivative Financial Asset has been recognised and accounted for as Financial Instruments at Fair Value through Profit or Loss. The net derivative gain recognised as an asset is US\$5.47 million (30 June 2018: US\$7.04 million). Revaluation and unwinding of the derivative asset during the period resulted in a net derivative loss of US\$1.57 million, recognised in the Statement of Profit or Loss.

Notes to the Consolidated Financial Statements

NOTE 11: BORROWINGS

	31 December 2018 US\$000s	30 June 2018 US\$000s
CURRENT		
Borrowings – Convertible Bridge Loan ⁽ⁱ⁾	-	15,163
Borrowings – Strata ⁽ⁱⁱ⁾	264	516
Total Current Financial Liabilities	264	15,679
NON-CURRENT		
Borrowings – Convertible Bridge Loan ⁽ⁱ⁾	15,349	-
Borrowings – Strata ⁽ⁱⁱ⁾	9	362
Total Non-Current Financial Liabilities	15,358	362

- (i) On 26 April 2016 Peninsula announced it had executed convertible note agreements with major shareholders Resource Capital Fund V.I. LP (RCF VI) and Pala Investments Ltd (Pala) for a total of US\$15.0 million (Convertible Notes). On 14 October 2017, Peninsula announced it had increased the total funding from US\$15.0 million to US\$20.0 million under the existing convertible note facility.

On 20 April 2018 Peninsula announced it had entered into binding offer letters with RCF VI and Pala to extend the maturity date of the existing convertible note facility by two years to 22 April 2020 and decreased the total convertible note facility from US\$20.0 million to \$17.0 million, following a cash repayment by Peninsula of US\$3.0 million.

On 3 July 2018 Peninsula announced that it had executed amended and restated loan agreements with RCF VI and Pala. In addition, the Company announced that US\$3.85 million of the Convertible Note Facility has been sold by RCF VI and Pala, in proportion to their existing convertible loan amounts, to entities associated with Melbourne based investment fund Collins Street Asset Management (Collins Street), an existing Top 10 shareholder of Peninsula. The US\$17.0 million total loan amount comprises of a US\$8.44 million convertible loan provided by RCF VI, a US\$4.71 million convertible loan provided by Pala and a US\$3.85 million convertible loan provided by Collins Street. The convertible loans have the senior ranking security, subject to certain agreed carve-outs, over the assets of the Company located in Australia, the United States and the United Kingdom.

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 20 April 2018, Peninsula announced that a variation of the terms of the Convertible Notes had been agreed whereby the maturity date was extended by 24 months to 22 April 2020 and the conversion price set at a fixed price of A\$0.40 per share. The Convertible Loans bear interest at the rate of 10% per annum for the first twelve-month period up until 22 April 2019 and then 12% thereafter, payable quarterly in arrears in cash or shares at the Company's election until 30 June 2019 and the Lenders' election thereafter. If interest is paid in shares, the share price to determine the number of shares issued will be the lower of A\$0.40 per share or the 20-day volume weighted average price (VWAP) of the Company's shares prior to the quarterly coupon dates. Previously all interest was payable in cash or shares at the Lender's election.

- (ii) Balances consist of the current and non-current portions of Nuclear Regulatory Commission Promissory Notes and loans for company vehicles and equipment.

NOTE 12: PROVISIONS

	31 December 2018 US\$000s	30 June 2018 US\$000s
CURRENT		
Employee Entitlements – Annual Leave	186	177
Total Current Provisions	186	177
NON-CURRENT		
Rehabilitation Provision ⁽ⁱ⁾	10,323	10,397
Total Non-Current Provisions	10,323	10,397

- (i) A provision for restoration is recognised in relation to the exploration and development activities in 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.

Notes to the Consolidated Financial Statements

NOTE 13: ISSUED CAPITAL

(a) Ordinary Shares

241,676,947 fully paid ordinary shares (June 2018: 233,697,385)

31 December 2018 US\$000s	30 June 2018 US\$000s
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206,636	205,099
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For the six months ended 31 December 2018

Balance at 1 July 2018
Shares issued during the half-year
 - Debt facility fees and interest⁽ⁱ⁾
 - Shares issued under service agreement⁽ⁱⁱ⁾
 - Shares issued under termination agreement⁽ⁱⁱⁱ⁾

Number	US\$000s
233,697,385	205,099
4,117,004	800
3,186,515	627
676,043	110
241,676,947	206,636

Balance as at 31 December 2018

- (i) These amounts relate to shares issued to the holders of the convertible loan notes, in lieu of quarterly cash payments for interest and fees.
- (ii) In August 2018 the Board approved the payment of Long-Term Incentive Plan incentives for Key Management Personnel and senior staff in recognition of performance during the financial year to 30 June 2018. These amounts were accrued for at 30 June 2018 and subsequently issued on 30 August 2018. Restricted share units (RSUs) are 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\$0.26 per share. No RSU will vest for any participant before 1 July 2019.
- (iii) On 6 November 2018, 676,043 fully paid ordinary shares were issued to Mr Wille Bezuidenhout (CEO – South Africa) which represent the equity component of his contractual termination payment.

For the twelve months ended 30 June 2018

Balance at 1 July 2017
Shares issued during the year
 - Debt facility fees and interest
Balance as at 30 June 2018

Number	US\$000s
229,591,666	204,067
4,105,719	1,032
233,697,385	205,099

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 2018, the Company had on issue 27,809,747 unlisted options.

NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen since 31 December 2018, 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 10 to 26, 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 2018 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
5 March 2019

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 2018, 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 2018 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 2018 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. 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

A handwritten signature in black ink, appearing to read 'Dean Just', written over the printed name.

Dean Just

Director

Perth, 05 March 2019