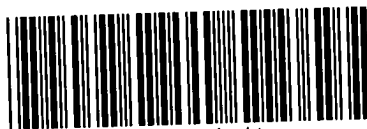


**PENINSULA URANIUM LIMITED**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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## CORPORATE DIRECTORY

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<b>Directors</b>	John Harrison David Coyne	Non-Executive Chairman Non-Executive Director
<b>Company Secretary</b>	Jonathan Whyte	
<b>Registered Office</b>	Hays Galleria 1 Hays Lane London SE1 2RD	
<b>Principal Office</b>	Hays Galleria 1 Hays Lane London SE1 2RD	
<b>Company Number</b>	09473897	
<b>Auditors</b>	BDO LLP 55 Baker Street, London W1U 7EU	

## DIRECTORS' REPORT

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Your Directors present their report, together with the financial statements of Peninsula Uranium Limited (the 'Company') for the year ended 31 December 2017. The directors' report has been prepared under the small companies regime and the Directors have taken the exemption from preparing a Strategic Report.

### DIRECTORS

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

- John Harrison; and
- David Coyne

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. The Company has relevant directors' indemnity insurance in place.

### PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year consisted of corporate services and uranium sales and marketing.

### OPERATING RESULTS

The profit of the Company after providing for income tax for the year ended 31 December 2017 amounted to US\$15,168,530 (2016: profit of US\$281,075), primarily due to a fair value gain on derivative of US\$19,000,000.

### FINANCIAL INSTRUMENTS

The main financial risks arising from the Company's activities are liquidity risk, interest rate risk and foreign exchange risk. These are monitored by the board of directors as part of the wider Peninsula Energy Limited group. Liquidity risk is further detailed under 'Going Concern' in Note 1. The Company's policy in respect of the identified risks, is to continue to review them as the Company develops. Amendments to the existing policies may be made as and when the directors consider it appropriate.

### EVENTS AFTER THE REPORTING DATE

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

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

### FINANCIAL REVIEW

The Company generated revenue of US\$7,161,000 (2016: US\$6,190,500) from the sale of uranium and a profit after income tax of US\$15,168,530 (2016: US\$281,075) which includes a fair value gain on derivative of US\$19,000,000 (2016: US\$Nil).

The Company's cash position, as at 31 December 2017 was US\$2,230,360 (2016: US\$3,742,395). The net asset position of the Company was US\$14,691,033 as at 31 December 2017 (2016: net liability position of US\$447,497). Included within net assets is a derivative asset with a fair value determined at US\$19,000,000 (2016: US\$Nil) and trade and other payables of US\$4,054,188 (2016: US\$3,423,213) which includes cost recharges to group companies. During the year, the Company determined that certain uranium sale contracts no longer met the own use exemption under IFRS as detailed in the notes. The Company is a wholly owned subsidiary of Australian Stock Exchange listed Peninsula Energy Limited.

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



David Coyne (Non-Executive Director)  
Dated this 17th day of October 2018

# INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENINSULA URANIUM LIMITED

### Opinion

We have audited the financial statements of Peninsula Uranium Limited for the year ended 31 December 2017 which comprise of the balance sheet, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty in relation to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon continued financial support from its parent company and the Company's guarantee issued in respect of the convertible loan notes issued by its parent company not being called. The ability of the parent company to continue as a going concern is itself dependent on the securing of the requisite permits and sourcing incremental debt or equity proceeds to assist funding capital requirements, which the parent company is yet to complete.

These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

## INDEPENDENT AUDITOR'S REPORT

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- the Directors' report has been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the directors' report in accordance with the small companies' regime and to the exemption from the requirement to prepare a strategic report.

### Respective responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

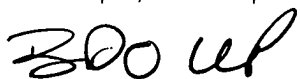
### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ryan Ferguson (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
55 Baker Street  
London

Date 17/10/18

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 US\$	2016 US\$
<b>Continuing operations</b>			
Revenue		7,161,000	6,190,500
Cost of sales and other charges		(6,145,464)	(4,634,505)
<b>Gross profit</b>		<b>1,015,536</b>	<b>1,555,995</b>
Corporate services		(307,976)	(346,500)
Selling and marketing expenses		(54,675)	(150,787)
General and administrative expenses		(113,155)	(324,671)
Professional fees		(323,737)	(323,451)
Fair value gain on derivative	6	19,000,000	-
Foreign exchange (loss)/gain		(450,637)	231,687
<b>Profit before interest and tax from continuing operations</b>	<b>2</b>	<b>18,765,356</b>	<b>642,273</b>
Finance costs	9	(92,142)	(361,198)
<b>Net profit before income tax</b>		<b>18,673,214</b>	<b>281,075</b>
Income tax benefit/(expense)	3	(3,504,684)	-
<b>Profit for the year from continuing operations</b>		<b>15,168,530</b>	<b>281,075</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive loss may be reclassified to profit or loss in subsequent periods:</i>			
<b>Total comprehensive income for the year</b>		<b>15,168,530</b>	<b>281,075</b>
<b>Profit from continuing operations attributable to:</b>			
Equity holders of the Company		15,168,530	281,075
		<b>15,168,530</b>	<b>281,075</b>
<b>Total comprehensive profit attributable to:</b>			
Equity holders of the Company		15,168,530	281,075
		<b>15,168,530</b>	<b>281,075</b>

The above Statement of Comprehensive Income should be read in conjunction with accompanying notes.

**BALANCE SHEET****As at 31 December 2017****Company number: 09473897**

	Notes	2017 US\$	2016 US\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	2,230,360	3,742,395
Trade and other receivables	5	1,019,545	4,905,932
Other financial assets	6	5,080,214	-
<b>TOTAL CURRENT ASSETS</b>		<b>8,330,119</b>	<b>8,648,327</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	7	-	1,315
Other financial assets	6	13,919,786	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>13,919,786</b>	<b>1,315</b>
<b>TOTAL ASSETS</b>		<b>22,249,905</b>	<b>8,649,642</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	4,054,188	3,423,213
Deferred tax liabilities	3	3,504,684	-
Borrowings	9	-	5,703,926
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,558,872</b>	<b>9,127,139</b>
<b>TOTAL LIABILITIES</b>		<b>7,558,872</b>	<b>9,127,139</b>
<b>NET ASSETS / (LIABILITIES)</b>		<b>14,691,033</b>	<b>(477,497)</b>
<b>EQUITY</b>			
Issued share capital	10	15	15
Retained earnings/(accumulated losses)		14,691,018	(477,512)
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT</b>		<b>14,691,033</b>	<b>(477,497)</b>

The above Balance Sheet should be read in conjunction with the accompanying notes. The financial statements were approved and authorised for issue by the Board on 17 October 2018.

Signed on behalf of the Board of Directors.



David Coyne  
Non-Executive Director



# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Issued Share Capital US\$	Retained Earnings/ (Accumulated Losses) US\$	Foreign Currency Translation Reserve US\$	Total Equity US\$
<b>31 December 2015</b>	<b>15</b>	<b>(758,587)</b>	<b>-</b>	<b>(758,572)</b>
<b>Comprehensive Income</b>				
Profit for the year from continuing operations	-	281,075	-	281,075
<b>Total Comprehensive Profit</b>	<b>-</b>	<b>281,075</b>	<b>-</b>	<b>281,075</b>
<b>31 December 2016</b>	<b>15</b>	<b>(477,512)</b>	<b>-</b>	<b>(477,497)</b>
<b>Comprehensive Income</b>				
Profit for the year from continuing operations	-	15,168,530	-	15,168,530
<b>Total Comprehensive Profit</b>	<b>-</b>	<b>15,168,530</b>	<b>-</b>	<b>15,168,530</b>
<b>31 December 2017</b>	<b>15</b>	<b>14,691,018</b>	<b>-</b>	<b>14,691,033</b>

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

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 US\$	2016 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		11,911,121	-
Payments to suppliers and employees		(6,289,786)	(481,299)
Other receipts/(payments)		137,181	(126,933)
Net cash provided by/(used in) operating activities		5,758,516	(608,232)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-	(1,315)
Net cash (used in) investing activities		-	(1,315)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		-	4,351,927
Repayment of borrowings		(7,270,551)	-
Net cash (used in)/provided by financing activities		(7,270,551)	4,351,927
Net (decrease)/increase in cash held		(1,512,035)	3,742,380
Cash and cash equivalents at the beginning of financial year		3,742,395	15
Cash and cash equivalents at the end of financial year	4	2,230,360	3,742,395

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

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

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### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Basis of Preparation***

Peninsula Uranium Limited is a Company incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the contents page and the nature of the Company's operations and its principal activities are set out in the directors' report.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union. The adoption of all of the new and revised standards and interpretations issued by the IASB and the IFRIC of the IASB and adopted by the European Union that are relevant to the operations and effective for reporting periods beginning on or before 1 January 2017 are reflected in these financial statements.

No new standards or interpretations that are effective for future periods and endorsed by the European Union are expected to have a material effect on the Company, with the exception of IFRS 15 'Revenue from contracts with customers', IFRS 16 'Leases' and IFRS 9 'Financial Instruments' which will be applicable for periods commencing on or after 1 January 2018 and are currently being assessed by the Company.

IFRS requires management to use its judgement in developing and applying accounting policies that result in information which is relevant to the economic decision-making needs of users; that are reliable, free from bias, prudent, complete and represent faithfully the financial position, financial performance and cash flows of the entity. There were no significant judgments, except for the going concern judgment below, the treatment and fair valuation of the uranium sale contract in Note 6 and the application of the own use exemption to uranium contracts in note 12.

The financial report has been prepared on an accruals, going concern and historical cost basis.

#### ***Going concern***

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

The Company made a profit after income tax of US\$15,168,530 for the year ended 31 December 2017 (2016: profit of US\$281,075) and positive operating cash flows of US\$5,758,516 (2016: negative US\$608,232). The net working capital margin of the Company at 31 December 2017 was US\$771,247 (2016: deficit of US\$478,812) and the net decrease in cash held during the year was US\$1,512,035 (2016: increase of US\$3,742,380).

The Company provides corporate services and uranium sales and marketing for the group headed by Peninsula Energy Limited and is a guarantor under convertible loan notes issued by that company. In April 2018, Peninsula Energy Limited successfully extended the convertible loan notes expiry date to 22 April 2020 with interest settled in cash or shares at Peninsula Energy Limited's option until 30 June 2019 and then at the holders option thereafter. The ability of the group headed by Peninsula Energy Limited to continue as a going concern is dependent on the successful transition of the group's Lance Projects in Wyoming from the existing alkaline based production method to one using the low pH method. 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 and securing additional funding for capital expenditure on the development of the Mine.

The Directors have reviewed cash flow forecasts for at least the next 12 months. The ability of the Company to continue as a going concern is dependent on the continued financial support of its parent entity. The Company has received written confirmation of this support for a period of at least the next 12 months. In addition, the ability of the Company to continue as a going concern is dependent on the guarantee in respect of the convertible loan notes not being called. Having made inquiries of the Board of Peninsula Energy Limited and reviewed the cash flow forecasts of the wider group, the Directors note that the ability of Peninsula Energy Limited to continue as a going concern is itself dependent on securing of the requisite permits from WDEQ, sourcing incremental debt or equity proceeds to assist funding capital requirements, and successful progression of operations and generation of positive cash flows. If Peninsula Energy Limited is unable to achieve such outcomes it will not be able to provide the required financial support to the Company or the guarantee may be called.

These conditions indicate a material uncertainty that may cast a significant doubt about the Company'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.

The financial statements have been prepared on the basis that the Company is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- 1) The parent has provided written confirmation that it will provide financial support to the Company for a minimum of 12 months from the date these financial statements are approved; and

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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- 2) The directors of the Peninsula Energy Limited in turn remain satisfied that they are a going concern on the basis that they will be successful in securing the requisite permits from WDEQ, raise additional funds as required through debt or equity and generate operating cash flows as production ramps up.

Should the Company 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 and that 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.

### **Foreign currency translation**

#### **(a) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'United States Dollars', which is the Company's functional and presentation currency.

#### **(b) Transactions and balances**

Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'foreign exchange gain or loss'.

### **Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

### **Revenue**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

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### **Trade and other receivables**

Trade receivables are generally due for settlement within 30 days.

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

### **Property, plant and equipment**

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

#### **Property**

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

#### **Plant and Equipment**

Plant and equipment are measured on a cost basis.

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

#### **Depreciation**

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

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

- Property, plant and equipment - 2 to 15 years straight-line method

### **Leased assets: Lessee**

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

### **Trade and other payables**

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### Financial assets and liabilities

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

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

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

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

### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Borrowings

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

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

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

## 2. PROFIT BEFORE INTEREST AND TAX FROM CONTINUING ACTIVITIES

### Loss before interest and income tax includes the following specific expenses:

	2017 US\$	2016 US\$
Auditor's remuneration	14,826	8,303
Rental expense – operating lease	19,446	109,807
Employee benefit expense	112,123	47,751

The Company had one employee for the year ended 31 December 2017. No Director was remunerated by the Company during the year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 3. INCOME TAX

	2017 US\$	2016 US\$
(a) <b>Income tax expense/(benefit):</b>		
Current tax	-	-
Deferred tax	3,504,684	-
	<u>3,504,684</u>	<u>-</u>
(b) <b>Reconciliation of income tax to prima facie tax payable:</b>		
Accounting profit before tax	18,673,214	281,075
Income tax expense @ 19.25% (2016: 20%)	3,594,594	56,215
Add tax effect of:		
- Utilisation of prior year tax losses not recognised	-	(56,215)
- Prior year tax losses recognised	(95,502)	-
- Adjustments to tax charge in respect of prior periods	5,592	-
Total income tax expense	<u>3,504,684</u>	<u>-</u>
(c) <b>Deferred tax balances arising on timing differences:</b>		
Deferred tax assets @ 19% (2016: 20%):		
Carry forward revenue losses	152,816	95,502
Total deferred tax assets	<u>152,816</u>	<u>95,502</u>
Deferred tax liabilities at 19% (2016: 20%):		
Temporary differences – derivative fair value gain	3,657,500	-
Total deferred tax liabilities	<u>3,657,500</u>	<u>-</u>
Offset of deferred tax assets	(152,816)	-
Net deferred tax liabilities recognised	<u>3,504,684</u>	<u>-</u>

### 4. CASH AND CASH EQUIVALENTS

	2017 US\$	2016 US\$
Cash at bank and in hand	2,230,360	3,742,395
	<u>2,230,360</u>	<u>3,742,395</u>

### 5. TRADE AND OTHER RECEIVABLES

	2017 US\$	2016 US\$
<b>Current</b>		
Trade debtors	-	4,750,121
Prepayments	-	87,199
VAT receivable	5,947	28,878
Bonds and security deposits	-	39,734
Intercompany receivable – parent entity <sup>(i)</sup>	1,013,598	-
	<u>1,019,545</u>	<u>4,905,932</u>

(i) During the year, Peninsula Uranium Limited returned funds to Peninsula Energy Limited, the Company's 100% parent entity, via an intercompany loan account denominated in US dollars. The loan attracts interest at a rate of 4.5% plus LIBOR and is due and payable on demand.

No receivables are past due or impaired.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 6. OTHER FINANCIAL ASSETS

	2017 US\$	2016 US\$
<b>CURRENT</b>		
Derivate financial asset <sup>(i)</sup>	5,080,214	-
<b>Total Current Assets</b>	<b>5,080,214</b>	<b>-</b>
<b>NON-CURRENT</b>		
Derivate financial asset <sup>(i)</sup>	13,919,786	-
<b>Total Non-Current Assets</b>	<b>13,919,786</b>	<b>-</b>

- (i) During the financial year the Company determined that it would not produce the uranium for delivery through to 2021 under two previously-signed offtake agreements with one of its customers. Previously the contracts were considered to meet the own use exemption under IAS 39 and were therefore not recorded as derivatives. In the year, the Company was able to take advantage of prevailing market conditions to purchase uranium at prices below the expected cost of production. In addition, the Company contracted with a third-party to purchase 900,000 pounds U<sub>3</sub>O<sub>8</sub> over a 3-year period commencing from January 2017 at an average cost of US\$25/lb substantially to meet the delivery commitments of this offtake. As a result of this determination, management assessed that this offtake agreement no longer satisfied the "own-use" exemption under IAS 39 *Financial Instruments: Recognition and Measurement* to not fair value the contractual rights and obligations of the arrangement.

As a result of these transactions, a Derivative Financial Asset has been recognised, accounted for as Financial Instruments at Fair Value through Profit and Loss. A gain upon the initial recognition of the sale contract under the Financial Instrument Standards was recognised in Profit and Loss, as well as subsequent fair value movements. Revaluation at 31 December 2017 has resulted in a fair value gain of US\$19.0 million and a Derivative Financial Asset of US\$19.0 million.

On 1 February 2018, the Company announced (through parent entity Peninsula Energy Limited) that it had received cash proceeds of US\$19.0 million through the partial sale of its interests in an existing uranium concentrate sale agreement and its interests in a uranium concentrate purchase agreement. 935,000 pounds U<sub>3</sub>O<sub>8</sub> under an existing uranium sale agreement and a purchase commitment of 900,000 pounds U<sub>3</sub>O<sub>8</sub> were sold to a third party. Net cash proceeds of US\$19.0 million were received by the company on 31 January 2018. This sale has formed the basis for the fair value measurement of the Derivative Financial Asset at 31 December 2017 as the best indicator of fair value following analysis of the arrangements and market between 31 December 2017 and 31 January 2018.

### 7. PLANT AND EQUIPMENT

	2017 US\$	2016 US\$
<b>Plant and equipment</b>		
- At cost	-	1,420
- Accumulated depreciation	-	(105)
<b>Total Plant and equipment</b>	<b>-</b>	<b>1,315</b>

### 8. TRADE AND OTHER PAYABLES

	2017 US\$	2016 US\$
Trade creditors	20,478	1,922,610
Accrued expenses <sup>(i)</sup>	4,033,710	1,500,603
	<b>4,054,188</b>	<b>3,423,213</b>

- (i) Accrued expenses in 2017 includes Cost of Sales charges due to other group companies associated with contributions to uranium sales.

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 9. BORROWINGS

	2017 US\$	2016 US\$
<b>Current</b>		
Loan - Investec Bank Plc <sup>(i)</sup>	-	1,841,495
Intercompany payable – parent entity <sup>(ii)</sup>	-	3,862,431
	<b>-</b>	<b>5,703,926</b>

- (i) In December 2015, the parent of the Company entered into an agreement with Investec Bank Plc for a US\$15 million finance facility, which served as support financing to assist in covering inventory and other general costs, while production and revenue increased at the Lance in-situ recovery uranium projects in Wyoming, USA. The facility was closed out during the 2017 financial year and all drawn balances were repaid.
- (ii) In prior years, Peninsula Energy Limited, the Company's 100% parent entity, funded Peninsula Uranium Limited's activities via an intercompany loan account denominated in US dollars. In the current year, the Company returned funds from uranium sales to the parent entity, refer to Note 5 for receivable balance. The loan attracts interest at a rate of 4.5% plus LIBOR and is due and payable on demand.

Finance costs represent interest in respect of the above borrowings.

### 10. ISSUED SHARE CAPITAL

	2017 US\$	2016 US\$
10 fully paid ordinary shares (2016: 10)	15	15
<b>Issued and paid up capital reconciliation</b>		
Opening balance	15	-
10 fully paid ordinary shares issued on Company inception	-	15
<b>Closing balance</b>	<b>15</b>	<b>15</b>

#### Terms and conditions of contributed equity

##### Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

### 11. EVENTS AFTER THE REPORTING DATE

On 1 February 2018, the Company announced (through parent entity Peninsula Energy Limited) that it had realised cash proceeds of US\$19.0 million through the partial sale of its interests in an existing uranium concentrate sale agreement and its interests in a uranium concentrate purchase agreement. 935,000 pounds U<sub>3</sub>O<sub>8</sub> under an existing uranium sale agreement and a purchase commitment of 900,000 pounds U<sub>3</sub>O<sub>8</sub> were sold to a third party. Net cash proceeds of US\$19.0 million were received by the company on 31 January 2018.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 12. COMMITMENTS

#### U<sub>3</sub>O<sub>8</sub> delivery commitments

After the subsequent partial sale of its interests in an existing uranium concentrate contract announced on 1 February 2018 described in Note 6, the Company has up to 2,750,000 pounds of U<sub>3</sub>O<sub>8</sub> remaining under contract for delivery to major utilities located in the United States and Europe.

#### Summary of Minimum Delivery Commitments:

Financial Year	Total Pounds U <sub>3</sub> O <sub>8</sub> Contractually Committed
2021	400,000
2022	400,000
2023	400,000
2024	400,000
2025	400,000

Judgement was required to determine whether the Company's U<sub>3</sub>O<sub>8</sub> delivery commitments satisfy the "own-use exemption" contained within IAS 39 as at 31 December 2017. The standard applies to contracts to buy or sell a non-financial item that can be settled net in cash or in another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale, or usage requirements. As at 31 December 2017, based on the planned production in the Peninsula Energy Limited group, management remained confident that all future delivery commitments would be met from internal production and meet the "own-use exemption" definition given the timing of such deliveries. Therefore, the commitments fall outside the scope of IAS 39 and no derivative has been recognised.

In February 2016 the Company entered into a lease agreement for its office premises. The lease agreement was for a term of 4 years on standard commercial terms with the ability to terminate without penalty after 12 months. The lease was terminated in February 2017. The commitments are set out below:

#### Operating leases

	2017 US\$	2016 US\$
Office rental (not later than one year)	-	18,124
Office rental (later than one year and not later than five years)	-	-
	-	18,124

### 13. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of an intercompany loan with its ultimate parent entity, certain uranium concentrate sale and purchase agreements, fair value derivative assets, deposits with banks, local money market instruments, accounts receivable and payable, finance facilities with debt providers and leases.

#### Specific Financial Risk Exposures and Management

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### (a) Credit Risk

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

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

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

#### Credit Risk Exposures

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

The Company has no significant concentration of credit risk with any single counterparty or group of counterparties except for the fair value derivative which has been realised post year end. Details with respect to credit risk of Trade and Other Receivables are provided in Note 5. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 5.

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

### (b) Liquidity Risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company currently manages liquidity risk through operating cash flows and funding provided by its parent to meet the operating requirements of the business. Refer to Note 1 for further details.

#### Financial Asset and Financial Liability Maturity Analysis

	Within 1 Year		1-5 Years		Over 5 Years		Totals	
	2017	2016	2017	2016	2017	2016	2017	2016
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Financial Assets</b>								
Cash & cash equivalents	2,230,360	3,742,395	-	-	-	-	2,230,360	3,742,395
Trade and other receivables	1,019,545	4,905,932	-	-	-	-	1,019,545	4,905,932
Other financial assets	5,080,214	-	13,919,786	-	-	-	19,000,000	-
<b>Total Financial Assets</b>	<b>8,330,119</b>	<b>8,648,327</b>	<b>13,919,786</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,249,905</b>	<b>8,648,327</b>
<b>Financial Liabilities</b>								
Trade and other payables	4,054,188	3,423,213	-	-	-	-	4,054,188	3,423,213
Borrowings	-	5,703,926	-	-	-	-	-	5,703,926
<b>Total Financial Liabilities</b>	<b>4,054,188</b>	<b>9,127,139</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,054,188</b>	<b>9,127,139</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### (c) Price Risk

#### (i) Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The principal risk surrounds the variable rate loan from the Company's parent. The Company does not use derivatives to mitigate these exposures.

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

	2017	2016	2017	2016
	%	%	US\$	US\$
<b>Maturity of Amounts</b>				
<b>Financial Assets</b>				
Less than 1 year	6.34	-	1,013,598	-
1 to 2 years	-	-	-	-
2 to 5 years	-	-	-	-
<b>Total Financial Assets</b>			<b>1,013,598</b>	<b>-</b>
<b>Financial Liabilities</b>				
Less than 1 year	-	5.25	-	5,703,926
1 to 2 years	-	-	-	-
2 to 5 years	-	-	-	-
<b>Total Financial Liabilities</b>			<b>-</b>	<b>5,703,926</b>

A 1% change in interest rates would have resulted in a US\$10,136 (2016: US\$57,039) increase/(decrease) in losses and equity.

#### (ii) Foreign Exchange Risk

The Company operates internationally and is exposed to foreign exchange risk arising from currency exposures. Foreign exchange risk can arise from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency of the Company. The Company's borrowings are denominated in US dollars and its committed sales contracts for future periods are US dollar denominated which is used to mitigate the currency exposure. Currently there are no foreign exchange hedge programmes in place. However, the Peninsula Energy Limited treasury function manages the purchase of foreign currency to meet operational requirements as and when required.

### Fair Value

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

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

- Cash – the carrying amount approximates fair value;
- Trade receivables and trade creditors – the carrying amount approximates fair value;
- Derivative financial assets and liabilities – initially recognised at fair value through profit and loss at the date the contract is entered into and subsequently re-measured at each reporting date;
- Other assets and liabilities approximate their carrying value; and
- The fair value of borrowings as disclosed in Note 9 approximates amortised cost.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

#### Financial Instruments Measured at Fair Value

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

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

2018

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial Instruments				
- Derivative financial asset <sup>(i)</sup>	-	-	19,000,000	19,000,000
<b>Total Financial Instruments</b>	<b>-</b>	<b>-</b>	<b>19,000,000</b>	<b>19,000,000</b>

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

On 1 February 2018, the Company announced (through parent entity Peninsula Energy Limited) that it had received cash proceeds of US\$19.0 million through the partial sale of its interests in an existing uranium concentrate sale agreement and its interests in a uranium concentrate purchase agreement. 935,000 pounds U3O8 under an existing uranium sale agreement and a purchase commitment of 900,000 pounds U3O8 were sold to a third party. Net cash proceeds of US\$19.0 million were received by the company on 31 January 2018. This sale has formed the basis for the fair value measurement of the Derivative Financial Asset at 31 December 2017.

### 14. RELATED PARTY TRANSACTIONS

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

#### Transactions with related parties:

##### Ultimate Parent Entity

Peninsula Energy Limited is the ultimate parent entity and owns 100% of Peninsula Uranium Limited. The parent entity has related party transactions with the Company whereby the parent funds uranium purchases and selling, general and administrative expenses incurred via the provision of an intercompany loan account, with the Company returning funds received from uranium sales. These intercompany transactions have resulted in a receivable balance of US\$1,013,598 at 31 December 2017 (2016: payable balance of US\$3,862,431). See Note 5 and 9 for details of the loan balance and loan terms. The ultimate parent also charged sales commission and charges associated with securing uranium contracts totalling US\$358,050 (2016: US\$236,950), included in Trade and Other Payables at year end. An accrual for an additional sales commission charge of US\$950,000 relating to the partial sale of the Company's interests in an existing uranium concentrate contract subsequent to year end is also included in Trade and Other Payables at year end.

##### Strata Energy Inc

The Company shares the same ultimate parent entity as Strata Energy Inc (Strata), which owns and operates the Lance Projects uranium plant in Wyoming, USA. During the year, Strata charged fees to the Company for services provided and dependency on Strata assets used in securing uranium contracts, totalling US\$2,324,179 (2016: US\$1,115,055), included in Trade and Other Payables at year end. An accrual for an additional Strata charge of US\$16,601,829 relating to the fair value gain on the Company's interests in an existing uranium concentrate contract sold subsequent to year end is also included in Trade and Other Payables at year end.

##### Key Management Personnel

John Harrison and David Coyne are both Directors of the ultimate parent entity and are remunerated accordingly by Peninsula Energy Limited per their respective contracts. No remuneration is paid in their capacity as Directors of Peninsula Uranium Limited.

## DIRECTORS' DECLARATION

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### Directors' responsibilities

The directors are responsible for preparing the the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP were appointed as auditors in the period and have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board



David Coyne  
*Non-Executive Director*

London, 17 October 2018