PENINSULA ENERGY LIMITED

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2020

Contents

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 *Non-Executive Director*
Managing Director / Chief Executive Officer	Wayne Heili
Chief Financial Officer	Ron Chamberlain
CEO – Strata Energy	Ralph Knode
Joint Company Secretary	Jonathan Whyte and Ron Chamberlain
Registered and Principal Office	Suite 22, 44 Kings Park Road, West Perth, WA 6005 PO Box 8129, Subiaco East, WA 6008 Telephone: +61 8 6263 4461 Fax: +61 8 6263 4444 Website: www.pel.net.au
Share Registry	Link Market Services Limited Level 12, QV1 Building, 250 St Georges Terrace, Perth WA 6000 Telephone: 1300 554 474 Fax: +61 2 9287 0303
Auditors	BDO Audit (WA) Pty Ltd 38 Station Street, Subiaco, WA 6008
Stock Exchange	Peninsula Energy Limited is a public company listed on the Australian Securities Exchange (ASX) and incorporated in Western Australia.
ASX Code	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 2020.

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 / Chief Executive Officer
- Harrison Barker Non-Executive Director
- Mark Wheatley Non-Executive Director
- David Coyne Non-Executive Director

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.

Commercial operations were suspended midway through 2019, to allow the on-site team to focus on preparing for a transformation of the Project process chemistry applications. The Strata team has successfully obtained the necessary amendments to its regulatory authorisations which allow Lance to operate using a low pH in-situ recovery (ISR) process in addition to the originally authorised alkaline ISR process.

MU1A Low pH Field Demonstration

A low pH field demonstration commenced in August 2020 focusing on an unmined area of Mine Unit 1 (MU1A). It is expected that that the field demonstration will run for 12-18 months.

The primary objective of the MU1A low pH field demonstration is to confirm the optimal operating conditions as indicated by the laboratory studies completed in 2019 and 2020. MU1A will be used to:

- Demonstrate acid consumption requirements on a full-scale production pattern basis
- Demonstrate the effectiveness of oxidant addition with the low pH lixiviant
- Demonstrate the use of existing ponds as the preferred, lowest cost option of managing solids typically encountered during the acidification process at low pH ISR operations
- Demonstrate the use of the preferred ion exchange resin under low pH operating conditions using uranium rich solutions sourced from MU1A; and
- Continue to evaluate other value accretion optimisation concepts for future low pH commercial operations, including activities aimed at increasing the uranium concentration level supplied to ion exchange columns and recovery of sulphuric acid to reduce future acid requirements and costs

The MU1A field demonstration is providing meaningful technical results which will be directly applicable to future commercial operations.

The field demonstration commenced with three new full-scale ISR (in-situ recovery) patterns prepared within a previously unmined area of our Mine Unit 1. The design flow rate is 25 gallons per minute (GPM) per pattern or 75 GPM in total, and this has been successfully maintained.

Acid is used to decompose naturally occurring carbonate minerals and the bicarbonate contained in the local groundwater system to reach the pH target of 2.0, the point where uranium solubility is readily achieved. Within the MU1A field demonstration area the groundwater system pH has been lowered from above 8.0 to below 4.0 at 31 December 2020 and bicarbonate is no longer present in the production stream.

An oxidant (gaseous oxygen) is being introduced to elevate the oxidation potential of the groundwater system in order to achieve the ideal conditions for uranium solubility. Gaseous oxygen was selected as the initial oxidant in the field demonstration as the addition system was present and available from prior alkaline ISR operations at the site. The oxidation potential target has not yet been achieved and an addition system for an alternative stronger oxidant, as used in our laboratory studies, has been implemented after 31 December 2020 to enhance the rate of oxidation potential change.

There have been no significant issues with fine solids generation in the production stream and the use of a settlement pond as part of the solids management system is performing to expectations.

Uranium solubility and production solution grades are expected to increase as the MU1A field demonstration nears the target pH and oxidation levels and at that point the uranium recovery ion exchange demonstration plant will be activated.

A permit/license amendment was submitted in September 2020 to the regulatory authorities in Wyoming requesting approval for the use of a suite of oxidants in conjunction with the low pH injection stream. The regulatory agencies are processing the amendment request with review expected to be completed by mid-year 2021.

The COVID-19 pandemic is presently widespread in the United States including Wyoming where the MU1A field demonstration is being undertaken. Despite this fact Strata has managed to run the field demonstration without an overall impact, with strict social distancing and isolation procedures being followed to ensure the safety and wellbeing of all employees and contractors.

As at 31 December 2020, a total of 27 employees are directly employed on the project.

US National Strategic Uranium Reserve

A major domestic sector milestone was achieved in December 2020 with the United States Government funding the establishment of a U.S. National Strategic Uranium Reserve. as a part of the passage of the Fiscal Year 2021 Budget. The US budget directs the U.S. Department of Energy to allocate US$75 million toward the establishment of a programme to operate a uranium reserve.

The uranium reserve is being established, with cross-party support, as a manifestation of the stated priority of preserving existing assets of U.S. nuclear infrastructure. This programme provides a welcome boost for the uranium mining sector, and Washington is expected to build on it over the coming years.

Extension of the Russian Suspension Agreement

The US Department of Commerce announced the completion and signing of an agreement extending and amending the terms of the Russian Suspension Agreement (RSA) on 5 October 2020. The amended agreement limits the level of Russian participation in the US nuclear fuel markets through to the year 2040 and is a welcome accomplishment for the US uranium production industry as a whole.

In December 2020, the US Congress passed an Omnibus Appropriations Bill codifying the amended RSA.

Sales and Marketing

Peninsula sold 75,000 pounds of U_3O_8 pursuant to long-term contracts during the half-year at an average realised cash price of US$45.06 per pound U_3O_8. The delivery was completed using uranium purchased in the market generating a net cash margin of US$1.4 million.

At 31 December 2020, the Company holds a portfolio of uranium concentrate sale agreements with major utilities for up to 5.45 million pounds U_3O_8, with 4.1 million pounds of U_3O_8 committed and up to 1.35 million pounds of U_3O_8 optional at the election of customers. Of the U_3O_8 committed sales, 1.1 million pounds can be satisfied with open origin uranium in the next 3 years, with the balance to be supplied from Lance Project origin uranium.

Delivery obligations under the contracts continue through to 2030 with a weighted average future sales price at the upper end of the guided US$51-$53 per pound range.

The Company continues to engage with its existing and potential new customer base on new long-term uranium concentrate sale agreements, targeting pricing mechanisms that would support increased production scenarios under the planned transition to low pH ISR mining at Lance.

Peninsula enters into binding purchase agreements intermittently to procure pounds of U_3O_8 to satisfy its open origin sales delivery obligations. As of 31 December 2020, the Company holds a 400,000-pound U_3O_8 uranium concentrate purchase commitment.

Purchased uranium will be delivered in allotments during the year to align with the timing of deliveries to customers. Payment for the purchased uranium is also aligned with the receipt of proceeds from the sales. The price to be paid under the purchase agreements is confidential, but in line with market reported prices at the time they are entered into, are fixed and not subject to any form of escalation or adjustment.

The purchase agreement underpins Peninsula's forecast net cash margin of US$6 million to US$8 million on uranium sales in CY2021, based on the difference between the purchase pricing and the sales price of the Company's agreements with customers.

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.

During the half-year ended 31 December 2020, the Company continued to progress regulatory approval for project rehabilitation and the sale of the freehold farmland in the Karoo Basin. Proceeds from the farm sales are expected to be sufficient to cover the remaining rehabilitation costs and as at 31 December 2020 three farms remain to be sold.

CORPORATE

Appointment of Chief Financial Officer

Experienced mining and uranium executive Mr Ron Chamberlain was appointed as Chief Financial Officer and Joint Company Secretary, effective 13 July 2020.

Mr Chamberlain replaced Mr David Coyne who resigned from his full-time role with the Company but remains on the Board as a Non-Executive Director.

Loss for the Half-Year and Financial Position

The consolidated group loss for the half-year ended 31 December 2020 reduced to US$1.8m from US$7.7m in 2019. This was attributable to the turnaround in 2020 to a gross profit realised on sale of uranium concentrate, significant reduction in corporate and administrative expenses, realisation of a derivative gain relating to financial assets associated with the portfolio of uranium concentrate sale and purchase agreements, and elimination of finance costs.

The consolidated group's cash position as at 31 December 2020 was US$8.4 million, excluding security deposits and performance bonds. Only a small value of borrowings remains outstanding as at 31 December 2020 relating to plant and equipment lease liabilities, and Peninsula remains term-debt free.

The net assets of the consolidated group have decreased by US$0.8 million from 30 June 2020 to US$66.1 million at 31 December 2020. This relates to the consolidated group loss for 2020, partially offset by favourable movements in foreign currency translation reserves.

The Company had 893,351,625 shares on issue as at 31 December 2020 and 27,425,000 unlisted options.

EVENTS SUBSEQUENT TO REPORTING DATE

On 15 January 2021, the Company announced that it had commenced trading on the US over-the-counter Pink Market under the code PKC:PENMF and will apply to upgrade its market tier to the OTCQB venture market.

On 17 February 2021, the Company announced that it had received approval for the OTC Markets Group to commence trading of its securities on the OTCQB Venture Market under the ticker symbol "PENMF".

On 26 February 2021, the Company provided an update on the MU1A low pH field demonstration which whilst incomplete has already provided valuable data to inform on areas for further focus, including a longer time than expected to reach the pH target of 2.0, higher acid consumption than modelled from laboratory results and subsequently projected in the 2018 Feasibility Study, and the need to utilise stronger oxidants. The field demonstration may now run for 18-24 months, an increase of around 6 months from the operating timeframe originally envisaged.

No other matter or circumstance has arisen since 31 December 2020, 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 8 of this report.

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

Wayne Heili
Managing Director / Chief Executive Officer
11 March 2021

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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 2020, 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, 11 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2020

	Notes	31 December 2020 US$000s	31 December 2019 US$000s
Continuing operations			
Revenue	2	2,775	2,250
Cost of sales	3a	(2,287)	(2,678)
Gross profit / (loss)		**488**	**(428)**
Other income	2	567	24
Standby mode and low pH transition costs	3b	(3,335)	(3,249)
Corporate and administrative expenses	3c	(837)	(1,341)
Depreciation expense		-	(18)
Foreign exchange loss		(710)	(132)
Derivative fair value movement	7	2,139	(301)
Other expenses	3d	106	(291)
Loss before interest and tax from continuing operations		**(1,582)**	**(5,736)**
Finance costs		(9)	(1,961)
Net loss before income tax		**(1,591)**	**(7,697)**
Income tax expense		(157)	-
Loss for the half-year from continuing operations		**(1,748)**	**(7,697)**
Profit / (loss) from discontinued operations		(31)	26
Loss for the half-year		**(1,779)**	**(7,671)**
Other comprehensive loss:			
Other comprehensive loss may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		979	183
Total comprehensive loss for the half-year		**(800)**	**(7,488)**
(Loss)/profit for the half-year attributable to:			
Equity holders of the Parent		(1,775)	(7,688)
Non-controlling interests		(4)	17
		(1,779)	**(7,671)**
Total comprehensive (loss)/profit attributable to:			
Equity holders of the Parent		(620)	(7,537)
Non-controlling interests		(180)	49
		(800)	**(7,488)**
Loss per share attributable to the members of Peninsula Energy Limited:			
Loss for the half-year			
Basic (cents per share)		(20)	(3)
Loss for the half-year from continuing operations			
Basic (cents per share)		(20)	(3)

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

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	31 December 2020 US$000s	30 June 2020 US$000s
Current Assets			
Cash and cash equivalents		8,409	11,935
Trade and other receivables		974	553
Inventory		452	473
Held for sale assets		895	759
Other financial assets	*7*	4,292	2,578
Total Current Assets		**15,022**	**16,298**
Non-Current Assets			
Trade and other receivables		2,992	3,066
Property, plant and equipment		18,852	18,816
Mineral development		37,359	37,356
Other financial assets	*7*	6,305	6,717
Total Non-Current Assets		**65,508**	**65,955**
Total Assets		**80,530**	**82,253**
Current Liabilities			
Trade and other payables		365	1,167
Borrowings	*8*	57	572
Provisions		110	200
Liabilities associated with held for sale assets		660	560
Total Current Liabilities		**1,192**	**2,499**
Non-Current Liabilities			
Borrowings	*8*	31	43
Provisions		11,352	11,325
Deferred tax liabilities		1,898	1,527
Total Non-Current Liabilities		**13,281**	**12,895**
Total Liabilities		**14,473**	**15,394**
Net Assets		**66,057**	**66,859**
Equity			
Issued capital	*9*	241,279	240,598
Reserves		7,985	7,513
Accumulated losses		(182,047)	(180,272)
Equity attributable to equity holders of the Parent		67,217	67,839
Non-controlling interest		(1,160)	(980)
Total Equity		**66,057**	**66,859**

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 2020

	Issued Capital US$000s	Accumulated Losses US$000s	Option & SBP Reserve US$000s	Foreign Currency Translation Reserve US$000s	Total US$000s	Non-controlling interest US$000s	Total Equity US$000s
Balance 1 July 2019	**207,493**	**(172,633)**	**16,008**	**(8,905)**	**41,963**	**(1,278)**	**40,685**
Transaction with Owners							
Shares issued during the year	5,406	-	(621)	-	4,785	-	4,785
Share-based payments expense	12	-	279	-	291	-	291
Issue of shares under debt facility agreement	476	-	-	-	476	-	476
Transaction costs	(278)	-	-	-	(278)	-	(278)
Total Transactions with Owners	**5,616**	**-**	**(342)**	**-**	**5,274**	**-**	**5,274**
Comprehensive Loss							
Foreign exchange translation reserve	-	-	-	183	183	-	183
Non-controlling interest	-	-	-	(32)	(32)	32	-
Loss for the half-year	-	(7,688)	-	-	(7,688)	17	(7,671)
Total Comprehensive Loss	**-**	**(7,688)**	**-**	**151**	**(7,537)**	**49**	**(7,488)**
Balance 31 December 2019	**213,109**	**(180,321)**	**15,666**	**(8,754)**	**39,700**	**(1,229)**	**38,471**
Balance 1 July 2020	**240,598**	**(180,272)**	**16,148**	**(8,635)**	**67,839**	**(980)**	**66,859**
Transaction with Owners							
Shares issued during the year	683	-	(577)	-	106	-	106
Share-based payments expense	-	-	(106)	-	(106)	-	(106)
Issue of shares under debt facility agreement	-	-	-	-	-	-	-
Transaction costs	(2)	-	-	-	(2)	-	(2)
Total Transactions with Owners	**681**	**-**	**(683)**	**-**	**(2)**	**-**	**(2)**
Comprehensive Loss							
Foreign exchange translation reserve	-	-	-	979	979	-	979
Non-controlling interest	-	-	-	176	176	(176)	-
Loss for the half-year	-	(1,775)	-	-	(1,775)	(4)	(1,779)
Total Comprehensive Loss	**-**	**(1,775)**	**-**	**1,155**	**(620)**	**(180)**	**(800)**
Balance 31 December 2020	**241,279**	**(182,047)**	**15,465**	**(7,480)**	**67,217**	**(1,160)**	**66,057**

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 2020

	31 December 2020 US$000s	31 December 2019 US$000s
Operating Activities		
Receipts from customers	3,380	3,379
Payments to suppliers and employees	(6,925)	(6,532)
Interest paid	(112)	(685)
Interest received	6	32
Income taxes paid	-	(271)
Other receipts	50	-
Net cash (used in) operating activities	**(3,601)**	**(4,077)**
Investing Activities		
Payments for mineral development	-	(193)
Payments for mineral exploration performance bonds and rental bonds	-	(26)
Proceeds from sale of property, plant and equipment	-	154
Purchase of property, plant and equipment	(169)	(59)
Net cash (used in) investing activities	**(169)**	**(124)**
Financing Activities		
Proceeds from issue of shares	-	4,785
Equity raising transaction costs	(2)	(278)
Repayment of borrowings	(20)	(41)
Capitalised borrowing costs	-	(39)
Net cash provided by / (used in) financing activities	**(22)**	**4,427**
Net increase / (decrease) in cash held	(3,792)	226
Cash at the beginning of the financial year	11,935	5,269
Effects of exchange rate fluctuations on cash held	266	1
Cash and cash equivalents at the end of the half-year	**8,409**	**5,496**

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

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2020

Note 1: Basis of Preparation

This general purpose interim financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit orientated entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The interim financial report has been prepared on an accrual and going concern basis, and is based on historical costs, modified, where applicable, by the measurement of fair value of selected non-current assets, financial assets, and financial liabilities. Based on available cash and cash equivalent assets at 31 December 2020 and the inherent value of the existing portfolio of uranium concentrate sale and purchase agreements, Peninsula has sufficient funds to meet its obligations for both corporate and project activities, specifically the Lance Projects MU1A field demonstration, well beyond the period ending 12 months from the date of this report. There are no indicators suggesting going concern issues and, therefore, no significant doubt regarding the entity's ability to continue as a going concern.

This interim financial 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 group 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 2020 and any public announcements made by Peninsula during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 2020 annual financial statements contained within the annual report of Peninsula, other than as described in this Note 1.

This interim financial report was approved by the Board of Directors on 11 March 2021.

Adoption of New and Revised Accounting Standards

No new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board became applicable for the current reporting period, as a result there has been no impact on the interim financial report.

Any new or amended Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

Rounding of Amounts

The consolidated group has applied the relief available to it under ASIC Legislative Instrument 2018/191. Accordingly, amounts in the half-year financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Note 2: Revenue and Other Income

	31 December 2020 US$000s	31 December 2019 US$000s
Revenue from continuing operations		
Sale of goods[(i)]	2,775	2,250
Total revenue from continuing operations	**2,775**	**2,250**
Other income		
Loan forgiveness (Note 8)	516	-
Sundry income	50	-
Interest received	1	24
Total other income	**567**	**24**

Notes:

(i) Revenue from uranium concentrate sales is recognised at the point in time when control of goods passes 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.

Note 3: Material Costs and Expenses

Included in costs and expenses for the period to 31 December 2020 are:

	31 December 2020 US$000s	31 December 2019 US$000s
a) Cost of sales		
Production costs before depreciation and amortisation	-	1,064
Depreciation and amortisation	-	42
Purchased uranium	2,250	1,202
Inventory movement	37	370
Total cost of sales	**2,287**	**2,678**
b) Standby mode and low pH transition costs(i)	**3,335**	**3,249**
c) Corporate and administration expenses		
Selling and marketing expenses	17	37
Corporate and other administration expenses	820	1,304
Total corporate and administration expenses	**837**	**1,341**
d) Other expenses		
Share-based payments expense	(106)	291
Total other expenses	**(106)**	**291**

Notes:

(i) In July 2019 the Lance Projects ceased alkaline ISR operations and as a result the project standby mode and transition costs to the low pH ISR process have been separately disclosed, but any costs relating to the sale of uranium concentrate have been disclosed in cost of goods sold.

Note 4: Dividends

The Company has not paid or provided for dividends during the half-year ended 31 December 2020.

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 / Chief Executive Officer (chief operating decision makers) in assessing performance and determining the allocation of resources. Segments are identified based on 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 Projects, Wyoming USA;
- Karoo Projects, South Africa; and
- Corporate/Other.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

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

(b) Inter-segment transactions

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

(c) Segment assets

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

(d) Segment liabilities

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

(e) Unallocated items

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

- Foreign exchange gain / (loss);
- Other expenses;
- Finance costs; and
- Income tax expense.

Segment Performance

The following tables present information regarding the consolidated group's operating segments for the half-year ended 31 December 2020:

31 December 2020	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	2,775	-	-	2,775
Cost of sales	(2,287)	-	-	(2,287)
Gross profit	**488**	**-**	**-**	**488**
Loan forgiveness	516	-	-	516
Sundry income	-	4	50	54
Interest revenue	1	5	-	6
Total other income	**517**	**9**	**50**	**576**
Total gross profit and other income	**1,005**	**9**	**50**	**1,064**
Expenses				
Standby mode and low pH transition costs	(3,335)	-	-	(3,335)
Corporate and administration expense	-	(6)	(838)	(844)
Depreciation expense	-	-	-	-
Exploration expense		(33)	-	(33)
Fair value gain on derivative	189	-	1,950	2,139
Allocated segment expenses	**(3,146)**	**(39)**	**1,112**	**(2,073)**
Unallocated expenses				
Foreign exchange loss	-	-	-	(710)
Other expenses	-	-	-	106
Finance costs	-	-	-	(9)
Income tax expense				(157)
Loss for the half-year	**-**	**-**	**-**	**(1,779)**
Segment loss included in discontinued operations	-	-	-	(31)
Loss for the half-year from continuing operations	**-**	**-**	**-**	**(1,748)**

31 December 2020	Lance Projects Wyoming, USA US$000s	Karoo Projects South Africa US$000s	Corporate/ Other US$000s	Total US$000s
Segment assets				
Development	37,359	-	-	37,359
Property, plant and equipment	18,847	4	1	18,852
Cash and cash equivalents	260	374	7,775	8,409
Trade and other receivables	3,448	243	275	3,966
Inventory	452	-	-	452
Held for sale assets	-	895	-	895
Other financial assets	606	-	9,991	10,597
Total assets	**60,972**	**1,516**	**18,042**	**80,530**
Segment liabilities				
Borrowings	88	-	-	88
Provisions	11,457	-	5	11,462
Trade and other payables	258	33	74	365
Liabilities associated with held for sale assets	-	660		660
Deferred tax liability	-	-	1,898	1,898
Total liabilities	**11,803**	**693**	**1,977**	**14,473**

The following tables present information regarding the consolidated group's operating segments for the half-year ended 31 December 2019:

31 December 2019	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	2,250	-	-	2,250
Cost of sales	(2,678)	-	-	(2,678)
Gross loss	**(428)**	**-**	**-**	**(428)**
Interest revenue	24	8	-	32
Total other income	**24**	**8**	**-**	**32**
Total gross loss and other income	**(404)**	**8**	**-**	**(396)**
Expenses				
Standby mode and low pH transition costs	(3,249)	-	-	(3,249)
Selling and marketing expense	-	-	(37)	(37)
Administration expense	(35)	(5)	(1,269)	(1,309)
Exploration expense	-	(131)	-	(131)
Depreciation expense	-	(1)	(18)	(19)
Gain on sale of property, plant and equipment	-	155	-	155
Fair value loss on derivative, net of derivative realisation	(301)	-	-	(301)
Allocated segment expenses	**(3,585)**	**18**	**(1,324)**	**(4,891)**
Unallocated expenses				
Foreign exchange loss	-	-	-	(132)
Other expenses	-	-	-	(291)
Finance costs	-	-	-	(1,961)
Loss for the half-year	**-**	**-**	**-**	**(7,671)**
Segment profit included in discontinued operations	-	-	-	(26)
Loss for the half-year from continuing operations	**-**	**-**	**-**	**(7,697)**

30 June 2020	Lance Projects Wyoming, USA US$000s	Karoo Projects South Africa US$000s	Corporate/ Other US$000s	Total US$000s
Segment assets				
Development	37,356	-	-	37,356
Property, plant and equipment	18,814	2	-	18,816
Cash and cash equivalents	1,122	337	10,476	11,935
Trade and other receivables	3,304	207	108	3,619
Inventory	473	-	-	473
Held for sale assets	-	759	-	759
Other financial assets	1,254	-	8,041	9,295
Total assets	**62,323**	**1,305**	**18,625**	**82,253**
Segment liabilities				
Borrowings	615	-	-	615
Provisions	11,438	-	87	11,525
Trade and other payables	608	27	532	1,167
Liabilities associated with held for sale assets	-	560	-	560
Deferred tax liability	-	-	1,527	1,527
Total liabilities	**12,661**	**587**	**2,146**	**15,394**

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 2020 other than those disclosed in the 30 June 2020 annual report.

Note 7: Other Financial Assets

	31 December 2020 US$000s	30 June 2020 US$000s
Current		
Derivative financial asset(i)	4,292	2,578
Total Current Assets	**4,292**	**2,578**
Non-Current		
Derivative financial asset(i)	6,302	6,714
Available-for-sale financial assets	3	3
Total Non-Current Assets	**6,305**	**6,717**

Notes:

(i) The group maintains a portfolio of uranium concentrate sale and purchase agreements and at 31 December 2020 it has up to 5.45 million pounds U_3O_8 of delivery commitments (4.1 million pounds U_3O_8 committed; up to 1.35 million pounds U_3O_8 optional). Delivery obligations under the contracts continue through to 2030. The Company's weighted average future sales price now sits at the upper end of the guided US$51-$53 per pound range.

The group enters into binding purchase agreements from time to time to procure pounds of U_3O_8 to satisfy the delivery obligations noted above. At 31 December 2020 the Company has 400,000 pounds U_3O_8 of purchase commitments. Purchased uranium will be delivered in allotments during the year to align with the timing of deliveries to customers. Payment for the purchased uranium is also aligned with the receipt of proceeds from the sales. The price to be paid under the purchase agreements is confidential but in line with market reported prices at the time they are entered into and is fixed and is not subject to any form of escalation or adjustment.

Judgement is required to determine whether the group's U_3O_8 delivery commitments satisfy the "own-use exemption" contained within IFRS 9. 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.

Management has assessed that all the committed offtake agreements no longer satisfy the "own-use" exemption under IFRS 9 *Financial Instruments* to not fair value the contractual rights and obligations of the arrangement. In 2018 the Company announced that it was seeking to transition the Lance Projects from an alkaline based mining method to a low pH mining method. The alkaline based operations at the Lance Projects were idled in July 2019. To assist with the transition period, the group agreed to vary certain uranium sale and purchase agreements and reduce the quantity of Lance origin uranium to be delivered under some of its offtake agreements. The group has also entered into purchase commitments in 2018 and subsequent in order to procure pounds of U_3O_8 to satisfy the delivery obligations.

A Derivative Financial Asset has been recognised and accounted for as Financial Instruments at Fair Value through Profit or Loss. This asset only relates to the open source origin component of the committed offtake agreements (1.1 million pounds U_3O_8) and all the purchase commitments. No asset value has been subscribed to the Lance Project origin component of the committed offtake agreements (3 million pounds U_3O_8).

The derivative financial asset fair value of the open source origin component of the committed offtake agreements is based on the present value of the difference between the revenue under the sales agreement and revenue that a similar agreement would generate if entered into at 30 June 2020, and will differ from the actual cash received in the future.

The net derivative gain recognised during the half-year ended 31 December 2020 is US$2.1 million (31 December 2019: net loss of US$0.3 million). The net gain is attributable to the movement in uranium prices and partial unwinding of the present value discount applied to the opening balance, after realisation of a US$0.8 million cost relating to completion of physical sales to customers and purchases of product during the half-year.

Note 8: Borrowings

	31 December 2019 US$000s	30 June 2020 US$000s
Current		
Borrowings –US Paycheck Protection Program(i)	-	515
Lease liability - plant and equipment	57	57
Total Current Financial Liabilities	**57**	**572**
Non-Current		
Lease liability - plant and equipment	31	43
Total Non-Current Financial Liabilities	**31**	**43**

Notes:

(i) During the 2020 financial year the Company received US$0.5 million under a US COVID-19 Paycheck Protection Program which is a forgivable loan specifically designed to help businesses keep their workers on the payroll. In accordance with the terms and conditions of this loan, during the half-year ended 31 December 2020 the Company applied for and received approval for this loan and accrued interest to be 100% forgiven. As a consequence, no loan is outstanding at 31 December 2020 and the Company has recognised loan forgiveness during the half-year in other income as detailed in Note 2.

Note 9: Issued Capital

(a) Ordinary Shares	31 December 2020 US$000s	30 June 2020 US$000s
893,351,625 fully paid ordinary shares (June 2020: 882,129,638)	**241,279**	**240,598**

For the six months ended 31 December 2020	Number	US$000s
Balance at 1 July 2020	882,129,638	240,598
Shares issued during the half-year		
• Shares issued in lieu of cash short-term incentives(i)	443,417	23
• Shares issued under long-term employee incentive scheme(ii)	9,130,217	546
• Shares issued in lieu of cash 2017 retention scheme(iii)	1,648,353	114
• Share issue costs	-	(2)
Balance as at 31 December 2020	**893,351,625**	**241,279**

Notes:

(i) In August 2020, the Company issued shares to key management personnel at their election in lieu of cash short-term incentive payments. The share issue did not require shareholder approval and the number of shares issued has been determined using a share price of A$0.062 per share, being the closing share price on 30 July 2020.

(ii) In September 2020, 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 2020. These amounts were accrued as at 30 June 2020 and subsequently issued on 2 October 2020. 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$0.078 per share, being the 30-day volume weighted share price as at 30 June 2020. No RSU will vest for any participant before 1 July 2021.

(iii) In November 2020, the Shareholders approved the issue of shares to key management personnel at their election in lieu of cash 2017 retention scheme awards. The number of shares issued was based on a share price of A$0.169 per share.

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 2020, the Company had on issue 27,425,000 unlisted options.

Note 10: Fair Value Measurement

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

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

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

31 December 2020	**Level 1 US$000s**	**Level 2 US$000s**	**Level 3 US$000s**	**Total US$000s**
Financial Assets				
Listed investments(i)	3	-	-	3
Derivative financial asset(ii)	-	-	10,594	10,594
Total Financial Assets	**3**	**-**	**10,594**	**10,597**

30 June 2020	**Level 1 US$000s**	**Level 2 US$000s**	**Level 3 US$000s**	**Total US$000s**
Financial Assets				
Listed investments(i)	3	-	-	3
Derivative financial asset(ii)	-	-	9,292	9,292
Total Financial Assets	**3**	**-**	**9,292**	**9,295**

Notes:

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

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

There were no transfers between levels during the half-year ended 31 December 2020.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair value due to their short-term nature.

Level 3 Assets

Movements in level 3 assets during the half-year ended 31 December 2020 are set out below:

	Balance 1 July 2020	**Derivative fair value movement**	**Cost of sales**	**Balance 31 December 2020**
Derivative financial asset	9,292	2,139	(837)	10,594

The level 3 asset unobservable inputs and sensitivities are as follows:

Description	Unobservable Inputs	Input	Sensitivity
Derivative financial assets	Pre-tax discount rate	9.73% nominal	1% change would increase/ decrease fair value by US$0.1m
	Uranium forward sales price	US$37/lb	US$1/lb change would increase/decrease fair value by US$1.0m
	Uranium forward purchase price	US$31/lb	US$1/lb change would increase/decrease fair value by US$0.4m

Note 11: Related Party Transactions

The only change to the Company's related parties during the half year ended 31 December 2020 were:

(a) Resignation of Mr David Coyne as Finance Director and Chief Financial Officer on 17 July 2020, with Mr Coyne remaining on the Board as a Non-Executive Director since this time; and

(b) Appointment of Mr Ron Chamberlain as Chief Financial Officer and Joint Company Secretary on 13 July 2020.

Note 12: Events Subsequent to Reporting Date

On 15 January 2021, the Company announced that it had commenced trading on the US over-the-counter Pink Market under the code PKC:PENMF and will apply to upgrade its market tier to the OTCQB venture market.

On 17 February 2021, the Company announced that it had received approval for the OTC Markets Group to commence trading of its securities on the OTCQB Venture Market under the ticker symbol "PENMF".

On 26 February 2021, the Company provided an update on the MU1A low pH field demonstration which whilst incomplete has already provided valuable data to inform on areas for further focus, including a longer time than expected to reach the pH target of 2.0, higher acid consumption than modelled from laboratory results and subsequently projected in the 2018 Feasibility Study, and the need to utilise stronger oxidants. The field demonstration may now run for 18-24 months, an increase of around 6 months from the operating timeframe originally envisaged.

No other matter or circumstance has arisen since 31 December 2020, 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 8 to 18, 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 2020 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 / Chief Executive Officer
11 March 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Peninsula Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Peninsula Energy Limited and its subsidiaries, which comprises the consolidated statement of financial position as at 31 December 2020, 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 ended on that date, a summary of 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2020 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 the *Corporations Regulations 2001.*

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2020 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*.

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.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 11 March 2021