

30 SEPTEMBER 2016 QUARTERLY ACTIVITIES REPORT

31 October 2016

ASX: PEN, PENOD

Peninsula Energy Limited
ABN 67 062 409 303

Directors

John Harrison - Non Exec Chairman
Gus Simpson - Managing Director/CEO
Warwick Grigor - Non Exec Director
Richard Lockwood - Non Exec Director
Evgenij Iorich - Non Exec Director
Harrison Barker - Non-Exec Director
Mark Wheatley - Non-Exec Director

Management

Gus Simpson - MD/CEO
Ralph Knode - CEO, Strata Energy Inc
Willie Bezuidenhout - CEO, South Africa
David Coyne - CFO

Jonathan Whyte - Co Secretary

Head Office

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Facsimile: +61 8 9381 5064

Website

www.pel.net.au

Capital Structure

178.2 million shares
43.3 million \$2.00 2018 options

Cash at 30 September 2016

US\$3.5 million

Market cap at 30 September 2016

A\$98.9 million

For further information please
contact:

info@pel.net.au

HIGHLIGHTS

WYOMING, USA – LANCE URANIUM PROJECTS

- Production ramp up continues at Lance Projects
- 54,000lbs U₃O₈ produced during the quarter (an additional 25,000lbs U₃O₈ over June quarter)
- Production in 2016 and 2017 to match contract delivery commitments
- 4 of the 7 Stage 1 header houses now online and producing uranium
- 5th header house ready to start pending regulatory approval
- Well installation complete on 6th header house and near complete on 7th header house

URANIUM SALES AND MARKETING

- Next delivery under term contract scheduled for December
- Weighted average delivery price next 10 years is US\$55/lb U₃O₈

SOUTH AFRICA – KAROO URANIUM PROJECTS

- DRA appointed to progress pre-feasibility activities
- Negotiations continue with project level funding partner

CORPORATE

- US\$5 million in additional project funding secured
- Agreement for US\$25 million streaming facility near completion
- Cash as at 30 September 2016 of US\$3.5 million (additional convertible loan facility of US\$5 million received in October 2016)



WYOMING, USA – LANCE PROJECTS

(Peninsula Energy 100%)

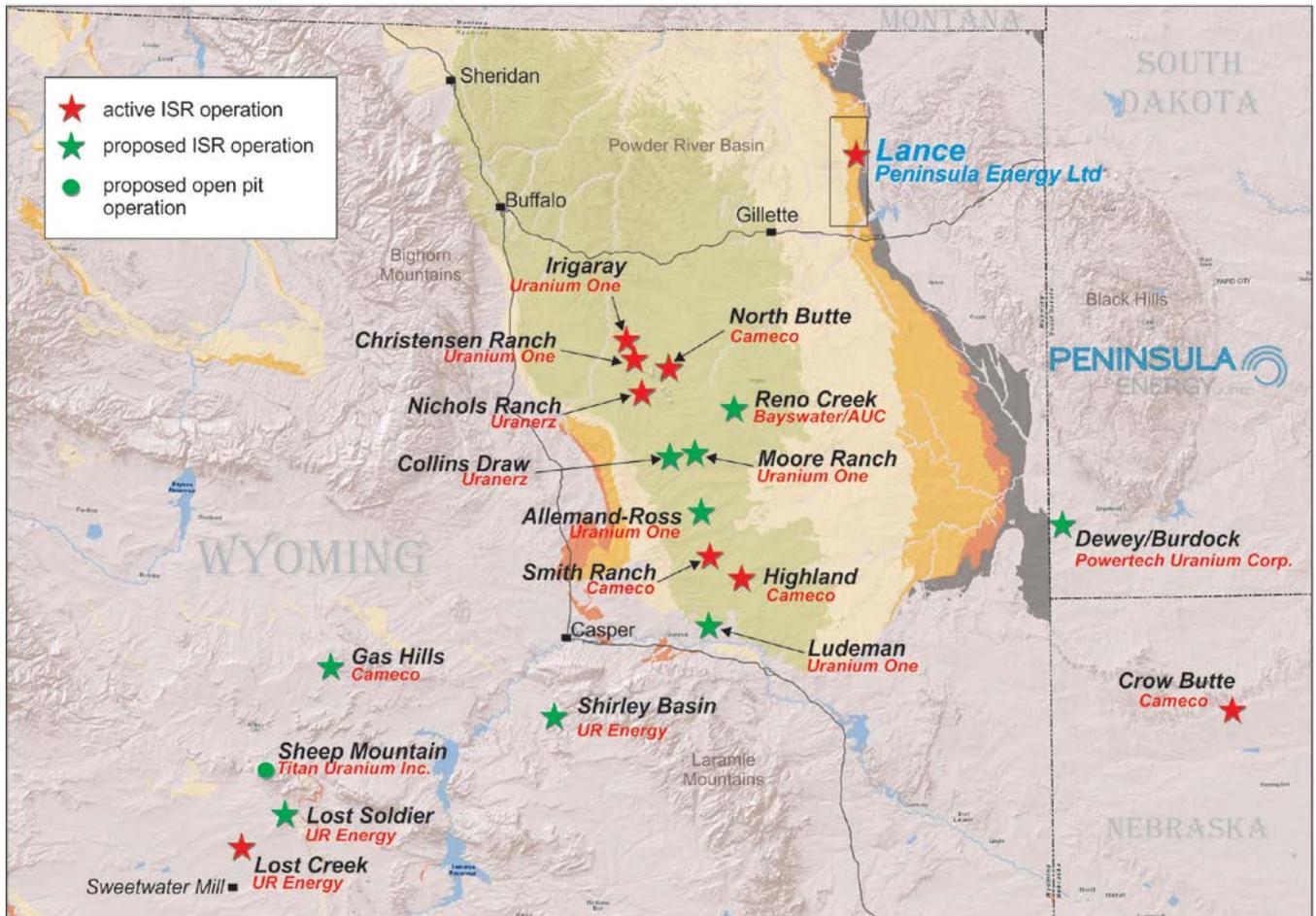


Figure 1: Lance Projects location, Wyoming USA

Production ramp up continues at Lance Projects

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, USA in December 2015. Since the initial injection of O₂ and CO₂ at the first header house unit on 2 December 2015, production well flow-rates continue to meet expectations and have substantially confirmed the permeability of the ore body, a key risk factor in ISR operations. The Central Processing Plant (CPP) and well field systems continue to operate as expected.

September Quarter Production

54,000lbs U₃O₈ were extracted from the Lance Projects in the September quarter, an increase of 25,000lbs U₃O₈ over the June quarter. Production for the quarter was primarily from header houses 1,2 and 3. Deliveries of drummed uranium product continued during the quarter, with approximately 40,000lbs of Lance uranium received at a North American conversion facility on 15 September 2016.



Each header house experiences slightly different rates of ramp-up and Peninsula is currently seeing header houses 3 and 4 taking longer to ramp-up than originally projected. Header house 4 is also considerably smaller than the other Stage 1 header houses due to its positioning near mine unit regulatory boundaries. Average flowrates from extraction wells at the first four header houses remain consistent with the planned rate of 20 GPM, substantially confirming the porosity and permeability of the Lance orebody. Production for the 2016 calendar year is expected to be between 135,000 and 160,000lbs U₃O₈ and is now aligned to delivery commitments under existing term contracts rather than the currently weak spot market.

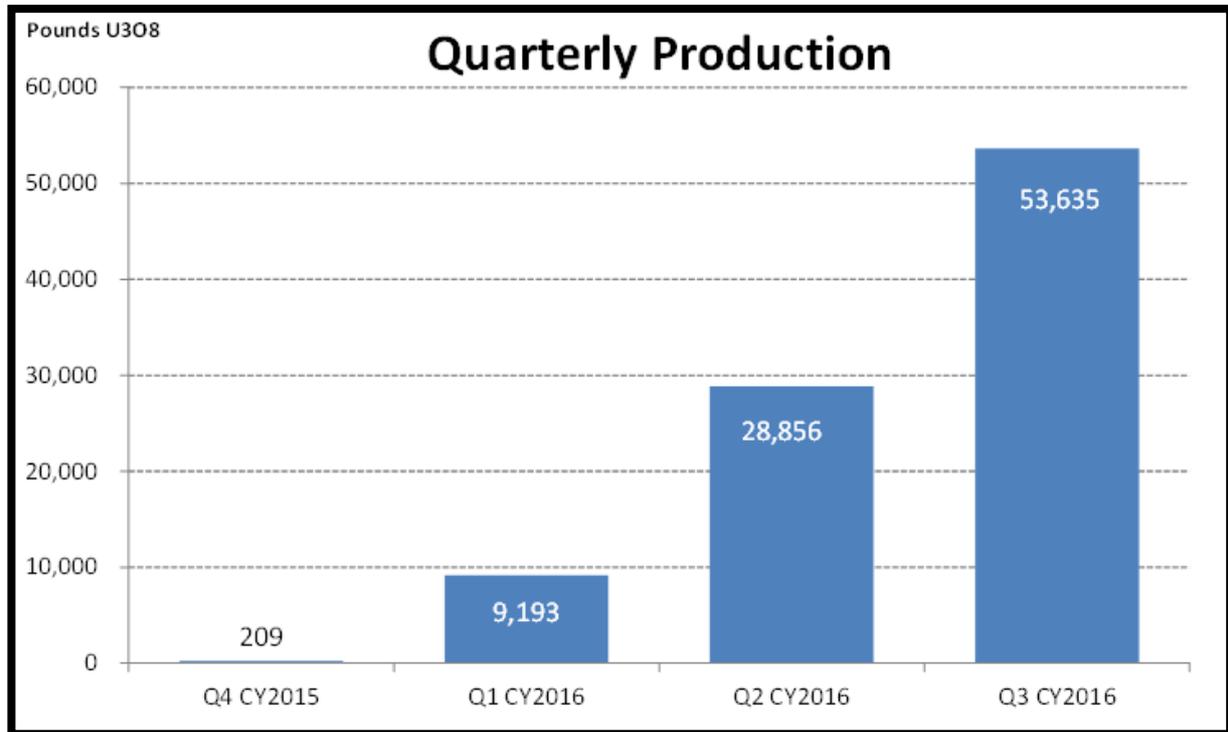


Figure 2: Lance Projects Quarterly Production

Construction of header house 5 was completed during the quarter and this header house is ready to commence operations pending final WDEQ approval of mine unit 2 wellfield data package which is expected in the next 7 days. Well installation is also complete on header house 6 and well advanced on header house 7, which are forecast to come online in November and December 2016 respectively. During the period from June 2016 to present, Strata completed over 250 mining wells within mine unit 2 (MU2), primarily for header houses 5, 6 and 7. The well installation drilling has also intersected strong uranium mineralization, a positive result ahead of the commencement of production and extraction of uranium from this mining zone. Stage 1 full production will see up to seven header houses in simultaneous operation.

Approximately US\$ 2.8 million of operating costs were incurred during the quarter as part of the production ramp-up.

In 2017 Peninsula is targeting commencement of the Stage 2 expansion at the Lance Projects CPP and the construction of seven additional header houses. Bringing Stage 2 online is planned to reduce all-in costs by bringing the elution, drying and packaging functions in house combined with greater economies of scale.





Figure 3: CPP and Admin Building, Lance Projects, Wyoming USA – June 2016



Figure 4: CPP and Admin Building, Lance Projects, Wyoming USA – July 2016



Wellfield Data Package submitted to Regulators

In late August 2016, the MU2 wellfield data package was submitted to the Wyoming Department of Environmental Quality (WDEQ) and the US Nuclear Regulatory Commission (NRC) for review and consent prior to the commencement of production from this mine unit, which initially includes header houses 5, 6 and 7. Submission of the data package follows the completion of installation of all MU2 monitor wells, aquifer pump tests and baseline water sampling. Flow rates in MU2 during the pump tests were also consistent with expectations, providing a positive indicator for ore permeability during production.

The Company expects to receive approval of the MU2 wellfield data package in the next 7 days allowing for the immediate commencement of mining operations in MU2. Header houses 5 to 10 are located in MU2.

2017 Production

At approximately 400,000lbs U₃O₈, production from the Lance Projects in the 2017 calendar year is now planned to match delivery commitments under existing term contracts, thus maximising margins on a per pound basis. The weighted average delivery price for Peninsula's five long term contracts over the next 10 years is US\$55 per pound U₃O₈.

Official Mine Open Day held on site

On 1 September 2016 the Company held the official mine open day at the Lance Projects mine site at Oshoto, Wyoming. The mine opening was attended by key representatives of Crook County, Wyoming, local landholders, local residents and management from Peninsula and its subsidiary Strata Energy Inc. Attendees participated in CPP and well field visits and the response was very positive.



Figure 5: Header House and well fields, Lance Projects – July 2016





Figure 6: Well maintenance work Mine Unit 1, Lance Projects – July 2016

Project Staffing

As at 30 September 2016, a total of 41 employees are now directly employed on the project (excluding drilling and geophysical contractor personnel).

SALES AND MARKETING

Peninsula currently has 8.1 million pounds of U_3O_8 remaining under contract for delivery to major utilities located in the United States and Europe. Projected revenue under these existing long term contracts is US\$440 million. These contracts provide a substantial earnings stream to the Company whilst allowing it to retain significant quantities of planned U_3O_8 production for contracting during future periods.

The weighted average delivery price for these five contracts over the next 10 years is US\$55/lb U_3O_8 . The progressive expansion to Stage 2 will generate increased operating margins, (both in aggregate and on a per pound basis), and is projected to move the Company to significant profitability.

SOUTH AFRICA – KAROO PROJECTS

(Peninsula Energy 74% / BEE Groups 26%)

During the previous quarter Peninsula implemented a strategy to reduce the existing landholding comprising a 74% interest in 40 prospecting rights (PRs) covering 7,774 km² of the main uranium-molybdenum bearing sandstone channels in the Karoo Basin (Karoo Projects). Once completed, the total tenement holding will reduce to an area covering 4,657 km². This process continued during the September 2016 quarter. The residual 26% interest remains with BEE partners as required by South African law. As detailed below, new applications for mining and prospecting rights have been submitted to initiate mining and extend the tenure of the title holdings.



The Karoo Projects are categorised into the Eastern and Western Sectors as shown in the diagram below. In the Eastern Sector, Peninsula has freehold ownership over an area of 322 km² which covers a significant proportion of the reported resource and allows unlimited surface access.

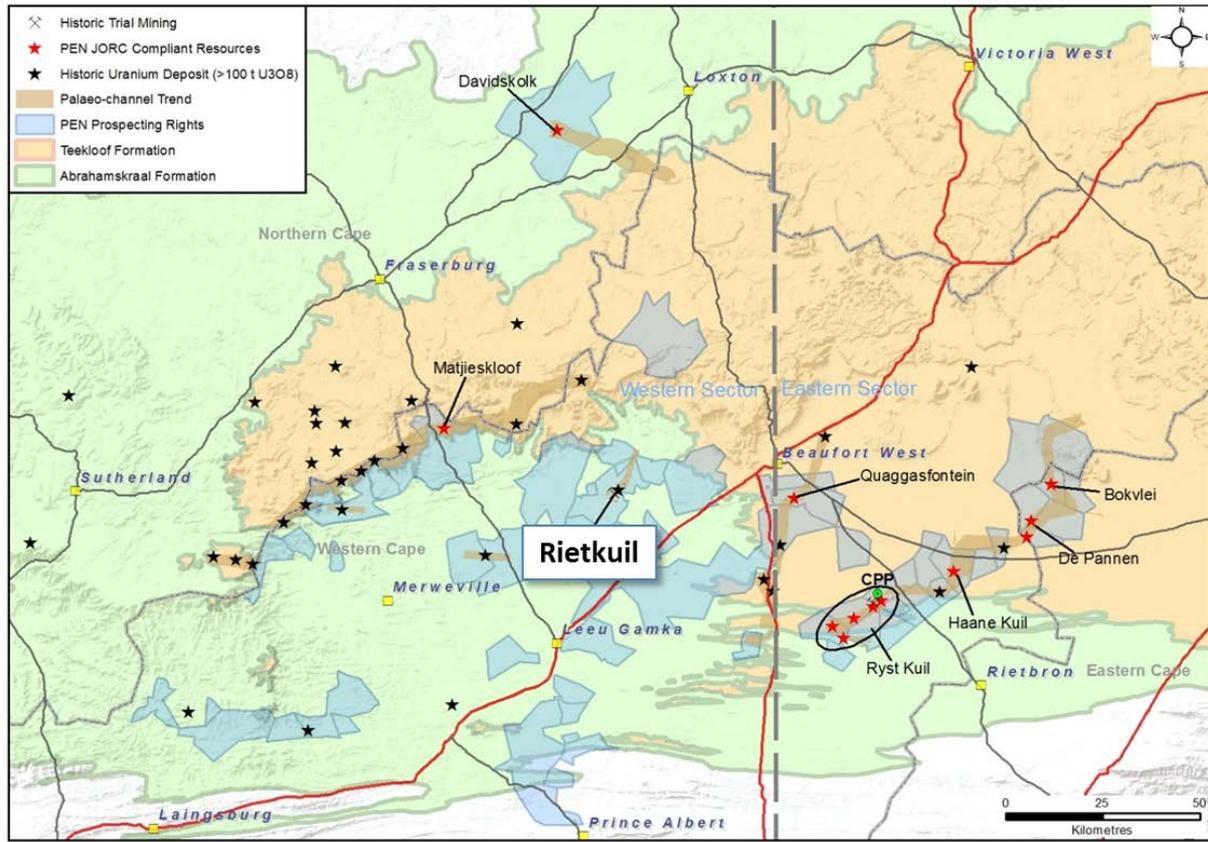


Figure 7: South Africa – Karoo Uranium Project Area Original Locations

Pre-Feasibility Study

During the quarter Peninsula appointed DRA to conduct a Pre-Feasibility Study (PFS) at the Karoo Projects. The PFS follows a preliminary technical and economic assessment concluded by DRA in late 2013 and subsequent metallurgical test work conducted.

The current metallurgical testing is primarily aimed at establishing the economic benefits of carbonate removal ahead of tank leaching along with confirmatory hydrometallurgical test work. Pending the outcome of this test work phase, the PFS process design will consider the incorporation of a carbonate rejection step ahead of leaching to optimise the process flow sheet and minimise operating costs.

The PFS will also include preliminary mine design and layout (both open pit and underground), all engineering works associated with the proposed mine, plant tailings storage facility and in-plant infrastructure.

During the quarter Peninsula entered into a subscription agreement with Concentrate Capital Partners Limited (CCP), an independent investment partner to DRA Global. Under this agreement Peninsula issued shares to CCP with CCP assuming full responsibility for payment to DRA for services provided under the PFS.



CORPORATE

Additional project funding secured

Convertible Loan Facility

In April 2016 Peninsula entered into convertible loan agreements with major shareholders Resource Capital Fund VI L.P. (RCF VI) and Pala Investments Ltd (Pala) for a total of US\$15 million (Convertible Loans) and was drawn in full on the date that it was signed.

In October 2016 RCF VI and Pala demonstrated their continued support of Peninsula by increasing the convertible loan facility from US\$15 million to US\$20 million.

The US\$20 million total loan amount is comprised of a US\$12.84 million convertible loan provided by RCF VI and a US\$7.16 million convertible loan provided by Pala.

There have been no changes to the key terms or use of funds for the Convertible Loans as part of the increased funding.

Total proceeds from the convertible loans will be mainly used for general well field development activities at the Lance Projects, resource development drilling, final stage 2 engineering design, and for general working capital purposes.

This funding precedes the broader funding package of which one of the key components is a revenue streaming facility, as detailed below.

Revenue Streaming Facility

Peninsula continues to work on a funding package for the Company's Stage 2 expansion and progressed negotiations during the quarter on a revenue streaming facility (RSF) as the primary component of this package. Revenue streaming is a non-dilutive mechanism that sees a proportion of future sales revenue being exchanged for a one-off upfront cash payment that is to be used for development capital. The proportion of future sales revenue only applies for a finite time period and finite quantity of annual production.

Documentation on the RSF has now been substantially progressed with both parties working to complete final agreements in the near term.

NYSE MKT Listing

During the quarter Peninsula appointed Roth Capital Partners to support the Company's planned ADS program upon the completion of the NYSE MKT listing. Roth is assisting the Company in establishing the initial ADS account holder base in line with the NYSE listing requirements. The appointment will enable non-United States resident holders of the Company's ASX-listed shares to establish accounts with Roth to transfer their shareholding to the NYSE MKT ADS program.

The Company expects to progress the NYSE MKT listing once the Stage 2 funding has been completed.

As previously announced, Peninsula is seeking a secondary listing of American Depositary Shares on the NYSE MKT.

Change in Reporting Currency

During the quarter the Company announced that it has changed its reporting currency from Australian dollars to United States (US) dollars, with an effective reporting date of 30 June 2016.



Cash Position

The Company's cash position at the end of the quarter, including commercial bills, bonds and security deposits was US\$3.5 million. Drawn debt at 30 September 2016 was US\$19.65 million, with US\$10.35 million available in undrawn facility limits (subject to the Company maintaining minimum liquidity levels in the form of cash or undrawn debt).

In October 2016 the Company received an additional US\$5 million through the increase in the convertible loan facility.

For further information please contact:

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Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves at the Lance Projects is based on information compiled by Mr Jim Gullinger. Mr Gullinger is a Member of a Recognised Overseas Professional Organisation included in a list promulgated by the ASX (Member of Mining and Metallurgy Society of America and SME Registered Member of the Society of Mining, Metallurgy and Exploration Inc). Mr Gullinger is Principal of independent consultants World Industrial Minerals. Mr Gullinger have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

The information in this report that relates to Exploration Results and Exploration Potential at Peninsula's Karoo projects is based on information compiled by Mr George van der Walt. Mr van der Walt is a member of a Recognised Overseas Professional Organisation included in a list promulgated by the ASX (The South African Council of Natural Scientific Professions, Geological Society of South Africa). Mr van der Walt is a Director of Geoconsult International. Mr van der Walt has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gullinger and Mr van der Walt consent to the inclusion in the report of the matters based on their information in the form and context in which it appears

Disequilibrium Explanatory Statement: eU₃O₈ refers to the equivalent U₃O₈ grade. This is estimated from gross-gamma down hole measurements corrected for water and drilling mud in each hole. Geochemical analysis may show higher or lower amounts of actual U₃O₈, the difference being referred to as disequilibrium. Disequilibrium factors were calculated using the Peninsula PFN database and categorized by area and lithological horizon. Specific disequilibrium factors have been applied to the relevant parts of the resource based on comparative studies between PFN and gamma data. There is an average positive 11% factor applied. All eU₃O₈ results above are affected by issues pertaining to possible disequilibrium and uranium mobility.

1 Detailed Classified JORC-Compliant Resource Estimate, Lance Projects: U3O8

Resource Classification	Tonnes Ore (M)	U3O8 kg (M)	U3O8lbs (M)	Grade (ppm U3O8)
Measured	4.1	2.1	4.5	495
Indicated	11.6	5.7	12.7	497
Inferred	35.5	16.6	36.5	467
Total	51.2	24.4	53.7	476

(The JORC Resource is reported above a lower grade cut-off of 200ppm and a GT of 0.2)

2 Detailed Classified JORC-Compliant Resource Estimate, Karoo Projects: eU3O8

Classification	Sector	eU ₃ O ₈ (ppm) CUT-OFF	Tonnes (millions)	eU ₃ O ₈ Grade(ppm)	eU ₃ O ₈ (million lbs)
Indicated	Eastern	600	7.1	1,206	18.7
	Western	600	0.9	1,657	3.2
Inferred	Eastern	600	11.8	1,046	27.2
	Western	600	3.5	1,019	7.8
Total	Total	600	23.3	1,108	56.9

Schedule of Interests in Mining Tenements at 30 September 2016

Karoo Projects, South Africa
Existing Prospecting Rights

Location/Project Name	Tenement	Percentage Held	Tenement Status
Karoo Uranium, South Africa	PR (WC) 25	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (WC) 33	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (WC) 34	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (WC) 35	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (WC) 47	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (WC) 59	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (WC) 60	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (WC) 61	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (WC) 80	74%	Prospecting right expired. Prospecting right application accepted.
Karoo Uranium, South Africa	PR (WC) 81	74%	Prospecting right expired. Prospecting right application accepted.
Karoo Uranium, South Africa	PR (WC) 127	74%	Prospecting right renewed. Mining right application accepted.
Karoo Uranium, South Africa	PR (WC) 137	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (WC) 151	74%	Prospecting right expired. Closure application being prepared.
Karoo Uranium, South Africa	PR (WC) 152	74%	Prospecting right expired. Prospecting right application accepted.
Karoo Uranium, South Africa	PR (WC) 153	74%	Prospecting right expired. Prospecting right application accepted.
Karoo Uranium, South Africa	PR (WC) 154	74%	Prospecting right expired. Closure application being prepared.
Karoo Uranium, South Africa	PR (WC) 156	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (WC) 158	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (WC) 162	74%	Prospecting right expired. Prospecting right application accepted.
Karoo Uranium, South Africa	PR (WC) 167	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (WC) 168	74%	Prospecting right expired. Prospecting right application accepted.
Karoo Uranium, South Africa	PR (WC) 170	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (WC) 177	74%	Prospecting right expired. Closure application being prepared.
Karoo Uranium, South Africa	PR (WC) 178	74%	Prospecting right expired. Closure application being prepared.
Karoo Uranium, South Africa	PR (WC) 179	74%	Prospecting right expired. Prospecting right application accepted.
Karoo Uranium, South Africa	PR (WC) 180	74%	Prospecting right expired. Closure application submitted.
Karoo Uranium, South Africa	PR (WC) 187	74%	Prospecting right expired. Closure application submitted.
Karoo Uranium, South Africa	PR (WC) 188	74%	Prospecting right expired. Prospecting right application accepted.
Karoo Uranium, South Africa	PR (WC) 207	74%	Prospecting right expired. Closure application being prepared.
Karoo Uranium, South Africa	PR (WC) 208	74%	Prospecting right expired. Closure application being prepared.
Karoo Uranium, South Africa	PR (WC) 228	74%	Prospecting right renewed. Intend applying for closure.
Karoo Uranium, South Africa	PR (WC) 257	74%	Prospecting right expired. Closure application being prepared.
Karoo Uranium, South Africa	PR (EC) 07	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (EC) 08	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (EC) 09	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (EC) 12	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (EC) 13	74%	Prospecting right expired. Mining right application accepted.
Karoo Uranium, South Africa	PR (NC) 330	74%	Prospecting right renewed.
Karoo Uranium, South Africa	PR (NC) 331	74%	Prospecting right renewed.
Karoo Uranium, South Africa	PR (NC) 347	74%	Prospecting right renewed.



Prospecting and Mining Right Applications

Location/Project Name	Tenement	Percentage Held	Tenement Status
Karoo Uranium, South Africa	MR (WC) 10085	74%	Mining right application accepted. In progress.
Karoo Uranium, South Africa	MR (WC) 10086	74%	Mining right application accepted. In progress.
Karoo Uranium, South Africa	MR (EC) 10029	74%	Mining right application accepted. In progress.
Karoo Uranium, South Africa	PR (WC) 10247	74%	Prospecting right application accepted. In progress.
Karoo Uranium, South Africa	PR (WC) 10248	74%	Prospecting right application accepted. In progress.
Karoo Uranium, South Africa	PR (WC) 10249	74%	Prospecting right application accepted. In progress.
Karoo Uranium, South Africa	PR (WC) 10250	74%	Prospecting right application accepted. In progress.
Karoo Uranium, South Africa	PR (WC) 10251	74%	Prospecting right application accepted. In progress.

New Mining Right Applications

SCHEDULE OF MINING RIGHTS				
DMR Ref No	Block Name	Applicant	Extent (ha)	Date of Submission
EC10029MR	Kareepoort	Lukisa JVCo	34,448	18/05/2015
WC10085MR	Ryst Kuil	Lukisa JVCo	68,926	20/06/2016
WC10086MR	Quaggasfontein	Tasman Pacific	9,917	20/06/2016
Total Extent			113,291	

New Prospecting Right Applications

PROSPECTING RIGHTS				
DMR Ref No	Block Name	Applicant	Extent (ha)	Date of Submission
WC10247PR	Matjeskloof	Tasman-Mmakau JV Company	33,694	21/06/2016
WC10248PR	Lombardskral	Beaufort West Minerals	52,568	21/06/2016
WC10249PR	Winterberg	Beaufort West Minerals	29,775	21/06/2016
WC10250PR	Rietkuil	Beaufort West Minerals	69,696	04/07/2016
WC10251PR	Tanqua	Beaufort West Minerals	34,718	04/07/2016
Total Extent			220,451	



Lance Projects, Wyoming, USA

Location/Project Name	Tenement	Percentage held
<p><u>Wyoming, USA (Lance Projects)</u></p> <p>Lance Projects are located within the area contained within Township and Range A Township and Range System in Crook County, Wyoming USA. USA, including various surface and mineral right holdings, hence tenement references are not applicable.</p> <p>Private Land (FEE) – Surface Access Agreements (approx. 24,581 acres)</p> <p>Private Land (FEE) – Mineral Rights (approx. 10,078 acres)</p> <p>Federal Mining Claims – Mineral Rights (approx. 12,717 acres)</p> <p>Federal Mining Claims – Surface Access – Grazing Lease (approx. 40 acres)</p> <p>State Leases – Mineral Rights (approx. 10,690 acres)</p> <p>State Leases – Surface Access (approx. 1,229 acres)</p> <p>Strata Owned – Surface Access (approx. 320 acres)</p>	N/A	100%

RakiRaki Joint Venture, Fiji

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

