

30 JUNE 2016 QUARTERLY ACTIVITIES REPORT

29 July 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 - 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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100 Railway Road
Subiaco WA 6008

Telephone: +61 8 9380 9920
Facsimile: +61 8 9381 5064

Website

www.pel.net.au

Capital Structure

176.4 million shares
44.3 million \$2.00 2018 options

Cash at 30 June 2016

US\$6.9 million

Market cap at 30 June 2016

A\$86.4 million

For further information please
contact:

info@pel.net.au

HIGHLIGHTS

WYOMING, USA – LANCE URANIUM PROJECTS

- Uranium Production continues to increase at Lance Projects
- 29,000 lbs U₃O₈ produced during the quarter
- 16,800 lbs U₃O₈ produced between 1st and 27th July
- 1st and 2nd header houses producing uranium in excess of target steady state levels
- 3rd and 4th header houses brought online, construction on 5th and 6th header houses underway
- Production well flow rates at 1st and 2nd header houses exceeding forecasts

URANIUM SALES AND MARKETING

- 55,000lbs U₃O₈ delivered during the quarter at cash price of US\$62.80/lb
- Weighted average delivery price next 10 years is US\$55/lb U₃O₈

SOUTH AFRICA – KAROO URANIUM PROJECTS

- Negotiations progressed to secure project level strategic investment partner
- New RSA CEO appointed during quarter

CORPORATE

- Due Diligence completed and agreement being finalised for US\$25m Revenue Streaming facility to underpin Stage 2 at Lance Projects
- US\$15m project funding secured
- Cash as at 30 June 2016 of US\$6.9 million
- Proceeds from June uranium sale of US\$3.5m received in early July



WYOMING, USA – LANCE PROJECTS

(Peninsula Energy 100%)

PENINSULA AUSTRALIA & WYOMING'S LATEST URANIUM PRODUCER

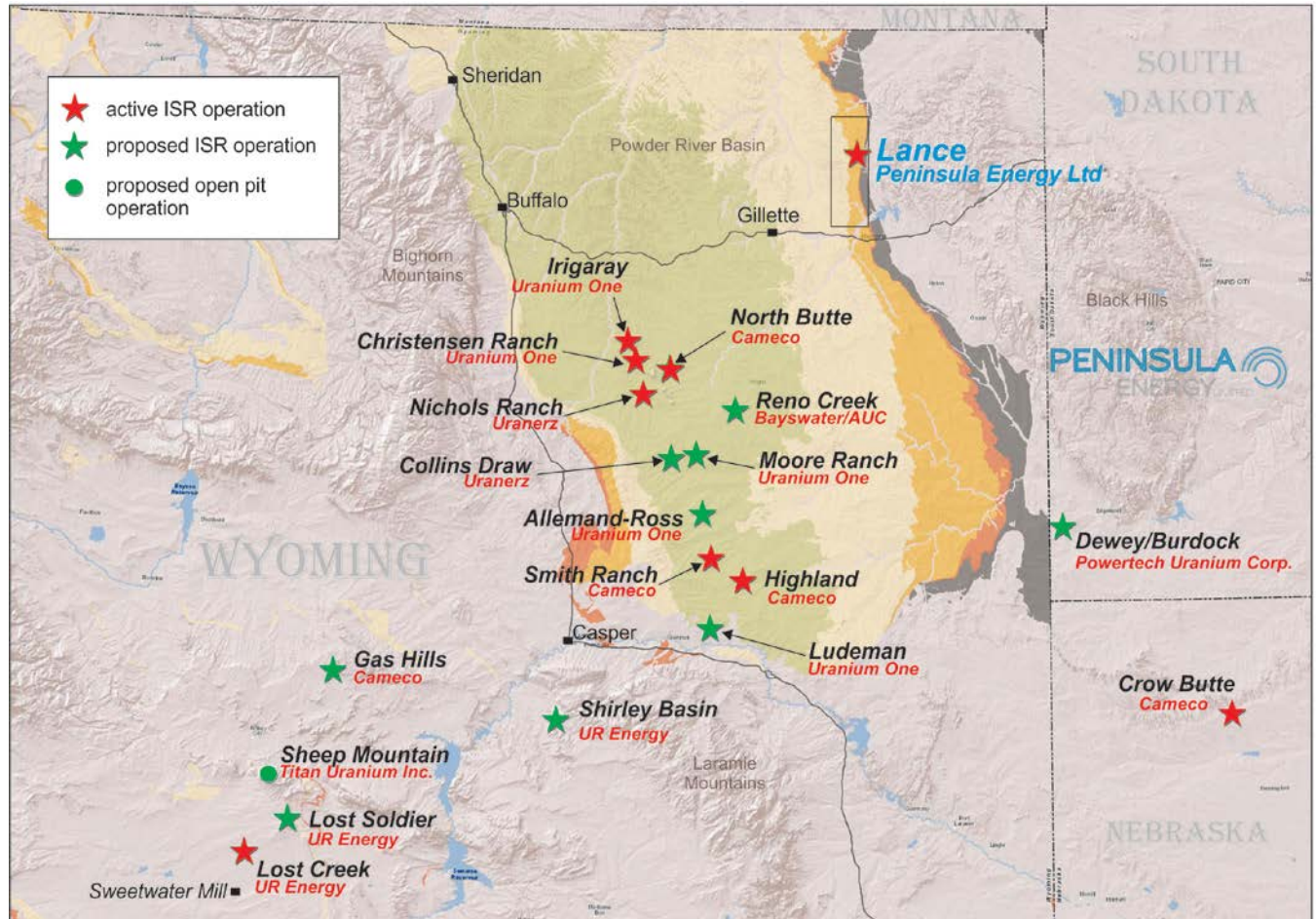


Figure 1: Lance Projects location, Wyoming USA

Uranium production increasing steadily 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 are meeting expectations and substantially confirming the permeability of the ore body, a key risk factor in ISR operations. Average flow-rates from extraction wells at header houses 1 and 2 are in excess of 20gpm. To date the Central Processing Plant (CPP) and well field systems are operating as expected and production rates are increasing steadily.

June Quarter Production

28,858 lbs U₃O₈ were extracted from the Lance Projects in the June quarter, an increase of almost 20,000 lbs U₃O₈ over the quarter ended 31 March 2016, despite a seven day plant outage in June. Production for the quarter was primarily from header houses 1 and 2. Whilst header houses 3 and 4 were successfully commissioned during the quarter, meaningful quantities of uranium from both header houses only commenced during July. So far during the month of July 16,800 lbs U₃O₈ have been



extracted as the production ramp up continues. This current rate of ramp up at the Lance Projects supports the targeted Stage 1 production level of 600,000 to 700,000 lbs per annum in the first half of 2017.

Average flowrates from extraction wells at header houses 1 and 2 are in excess of 20 gpm, and combined with the average uranium head grade that is increasing month on month, uranium production from these two header houses is 100% to 105% of steady state target rates.

Stage 1 full production will see up to seven header houses in simultaneous operation.

The 5th and 6th header houses are currently being constructed and all remaining header houses that comprise Stage 1 are forecast to progressively come online during the second half of the 2016 calendar year.

Deliveries of drummed uranium product commenced during the quarter, with the first delivery of Lance Projects drummed uranium received by a North American conversion facility in May 2016.

As the Lance Projects are still in the early stage of ramp-up, approximately US\$ 2.6 million of operating costs incurred during the quarter were incurred as part of the production ramp-up.



Figure 2: CPP and Admin Building, Lance Projects, Wyoming USA – June 2016

In parallel with the Stage 1 ramp up above, Peninsula is targeting commencement of initial development activities for Stage 2 at the Lance Projects followed by, (subject to completion of the revenue streaming and other funding), the commencement of construction of the Stage 2 CPP and the expansion to fourteen header houses. Bringing Stage 2 online is being planned to coincide with the conclusion of the current toll milling agreement, bringing this function in house, when combined with the cost



benefits of increased production and greater economies of scale, is forecast to reduce all-in sustaining cash costs by US\$9-10/lb from US\$41/lb to US\$31-32/lb at steady state Stage 2 production rates.



Figure 3: Well fields (and header house), Lance Projects – June 2016



Figure 4: Well fields (CPP and Admin Building in background), Lance Projects – June 2016



Nuclear Regulatory Commission rules in favour of Peninsula

During the quarter the Commissioners of the United States Nuclear Regulatory Commission (NRC) ruled in favour of the Company and denied a petition to appeal by the Natural Resources Defence Council and the Powder River Basin Resource Council (together, the Joint Intervenor). The Joint Intervenor petitioned to appeal against the Atomic Safety and Licensing Board's (ASLB) previous dismissal of all remaining environmental contentions (EC) brought against the Lance Projects.

In its January 2015 ruling the ASLB determined that the contentions raised by the Joint Intervenor were unable to be substantiated by the evidence presented. In denying the petition to appeal the previous dismissal, the NRC Commissioners reiterated that the Joint Intervenor are unable to substantiate the claims upon which the contentions are based.

Project Staffing

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



Figure 5: Inside CPP, Lance Projects – June 2016





Figure 6: Resin shaker inside CPP, Lance Projects – June 2016

SALES AND MARKETING

The Company delivered a further 55,000 lbs of U_3O_8 during the June quarter under the Company's existing long term uranium concentrate sale and purchase agreements at an average realised cash price of US\$62.80 per pound. Uranium for these deliveries was purchased on-market.

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 future contracting during periods of anticipated improved uranium prices.

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 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. 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.

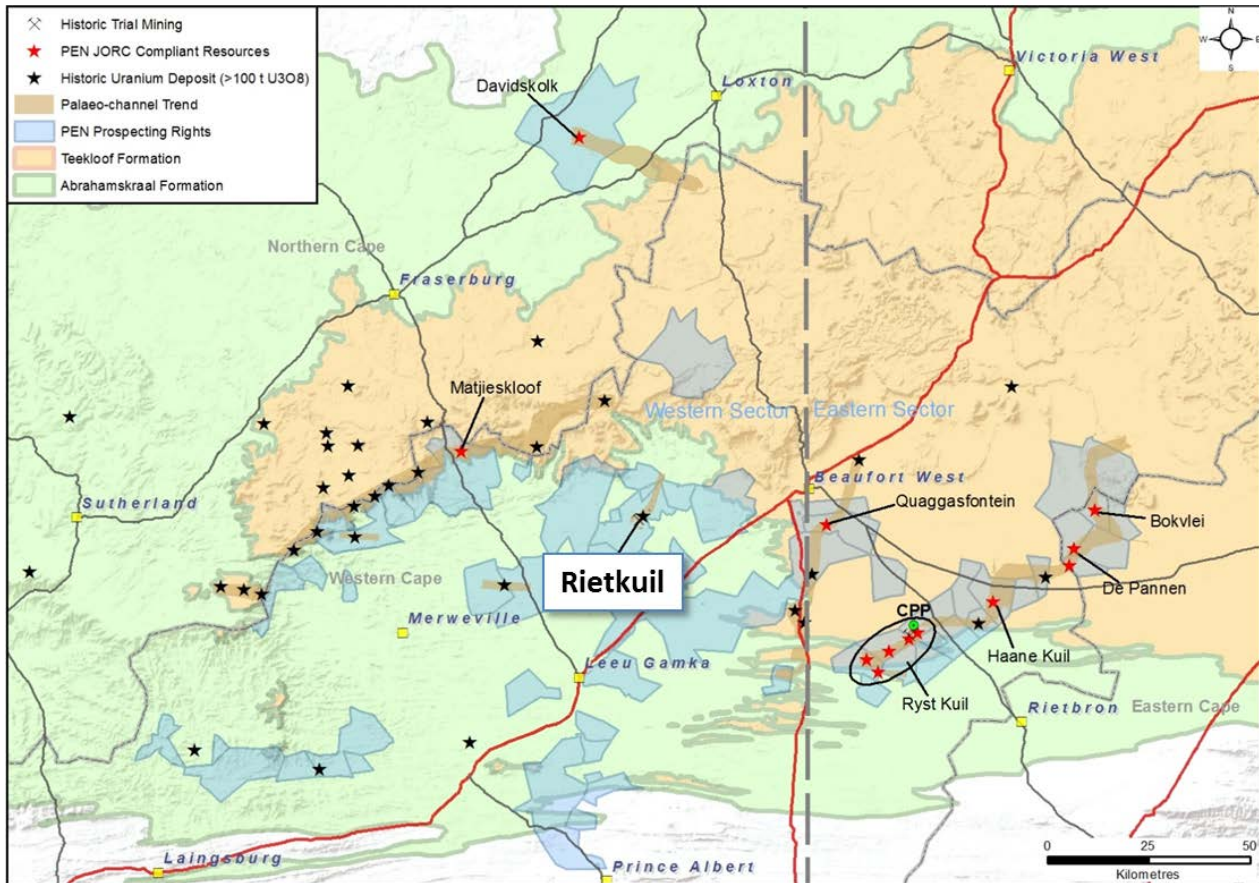


Figure 7: South Africa – Karoo Uranium Project Area Original Locations

Relogging

No further field work was conducted during the quarter. Probing and re-logging carried out in the Rietkuil area during the previous quarters is outside the existing JORC Code-compliant resource and results from this work will be included in an update of the resource estimate for the Karoo Projects following any additional evaluation work that may be required.

Mining Licence and Prospecting Right Applications

Peninsula is currently in the process of renewing and restructuring its current mining and prospecting right applications, with a focus on extending the tenure of areas that contain known mineralisation and are considered the most prospective. This process includes reducing the size and spread of applications for mining rights to areas of near term production potential. Peninsula has therefore lodged new mining right applications in the Western Cape, limited to areas located within the Eastern and Quaggasfontein blocks. Certain prospecting rights will not be renewed and, with the exception of Ryst Kuil, Kareepoort and Quaggasfontein blocks, all mining right applications will be withdrawn and new applications have been submitted in line with the prioritisation process outlined above. See Figure 8 below.



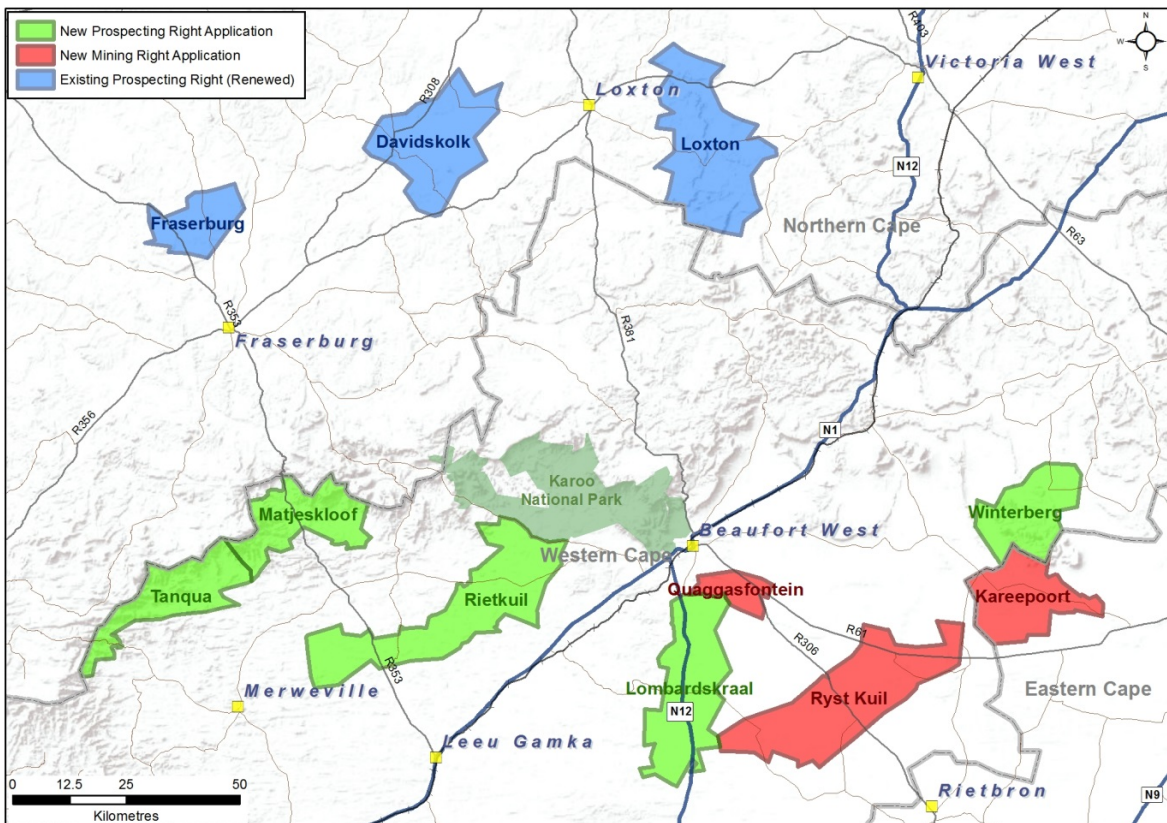


Figure 8: South Africa – New Prospecting and Mining Right Applications

New Chief Executive Officer (South Africa) Appointed

Effective 1 June 2016, the Company has appointed Mr. Willie Bezuidenhout to the role of Chief Executive Officer (South Africa). Mr. Bezuidenhout is overseeing the progression of the Karoo Projects through feasibility, financing, development and into operations. Mr. Bezuidenhout is a highly credentialed senior mining executive with extensive uranium operational and financial management expertise. Mr. Bezuidenhout has most recently held senior executive and management positions at Uranium One and its subsidiaries for close to a decade.

CORPORATE

Funding Update

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. Proceeds from the convertible loans are being used for general well field development activities at the Lance Projects and for general working capital purposes.

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 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 or expansion capital expenditure. The proportion of future sales revenue only applies for a finite time period and finite quantity of annual production.

During the quarter technical and commercial due diligence was completed by the funding party and both parties are now working together to complete a final binding agreement in the near term.

The funding package would allow for the commencement of initial Stage 2 development at the Lance Projects. Stage 2 of the Lance Projects comprises installing the elution, precipitation, drying and packaging processes circuits in the central processing plant (CPP) and a doubling of the ion exchange capacity. Bringing all processing in-house is expected to reduce cash operating costs by US\$4-5/lb U3O8. Ramp-up to Stage 2 production rates are expected to further reduce cash operating costs by US\$5-6 per pound U3O8. At steady state Stage 2 production revenues are forecast to double and cash margins are forecast to expand substantially.

NYSE MKT Listing Progressing

During the quarter Peninsula has continued the review process with the United States Securities and Exchange Commission ("SEC"), including the submission of a revised registration statement on Form-20-F in response to SEC queries and recent updates provided by the Company. The Company now believes it has cleared the key outstanding items received to date. A Form 20-F, once declared effective by the SEC, registers a class of securities of a foreign issuer and is a requirement for trading on a U.S. stock exchange.

Peninsula is currently well advanced in discussions with a US banking group to support the Company's planned ADS program upon the completion of the NYSE MKT listing. Subject to the Form 20-F being declared effective by the SEC and final clearance from the NYSE MKT to list, Peninsula is aiming to complete the NYSE MKT listing process in the second half of 2016.

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

Board Changes

Mr Mark Wheatley joined the Board of the Company as a Non-Executive Director and nominee of RCF VI, effective 26 April 2016. Mr Wheatley is an experienced resources company CEO, Non-Executive Director and Chairman with a career spanning more than 30 years in mining and related industries. He has 10 years' experience in the uranium industry and been involved in ISR project feasibility studies, start up, production, rehabilitation and closure. His uranium experience includes the roles of Chairman and CEO of Southern Cross Resources Inc., the operator of the Honeymoon ISR uranium project and Non-Executive Director of Uranium One Inc. and Uranium Resources Inc. He is currently Executive Chairman of Xanadu Mines Ltd.

With the appointment of Mr Wheatley, Mr Neil Warburton retired from his role as Non-Executive Director. In addition to the above changes, Mr. Richard Lockwood stepped down from the role of Non-Executive Chairman while remaining on the Board as Non-Executive Director. Mr. John Harrison replaced Mr Lockwood as Non-Executive Chairman.

Cash Position

The Company's cash position at the end of the quarter, including commercial bills, bonds and security deposits was US\$6.9 million. Proceeds from the June uranium sale of US\$3.5 million were received in early July and are excluded from the cash position at quarter end. Drawn debt at 30 June 2016 was US\$18.5 million, with US\$11.5 million available in undrawn facility limits (subject to the Company maintaining minimum liquidity levels in the form of cash or undrawn debt).



For further information please contact:

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 Managing Director/Chief Executive Officer
 Telephone: +61 9380 9920

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 Guilinger. Mr Guilinger 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 Guilinger is Principal of independent consultants World Industrial Minerals. Mr Guilinger 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 Guilinger 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 June 2016

Karoo Projects, South Africa
South Africa (Tasman Pacific Minerals Limited)

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 pending.
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 pending.
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 pending.
Karoo Uranium, South Africa	PR (WC) 178	74%	Prospecting Right Expired. Closure application pending.
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 pending.
Karoo Uranium, South Africa	PR (WC) 187	74%	Prospecting Right Expired. Closure application pending.
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 pending.
Karoo Uranium, South Africa	PR (WC) 208	74%	Prospecting Right Expired. Closure application pending.
Karoo Uranium, South Africa	PR (WC) 228	74%	Prospecting Right renewed.
Karoo Uranium, South Africa	PR (WC) 257	74%	Prospecting Right Expired. Closure application pending.
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.



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	Lombardskraal	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 A Township and Range System in Crook County, Wyoming 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
<u>VitiLevu, Fiji (RakiRaki Project)</u>		
Raki Raki (Geopacific JV)	SPL 1231	50%
Raki Raki (Geopacific JV)	SPL 1373	50%
Raki Raki (Geopacific JV)	SPL 1436	50%

