

30 SEPTEMBER 2013 QUARTERLY ACTIVITIES REPORT

31 October 2013

ASX: PEN, PENOC

Peninsula Energy Limited
ABN 67 062 409 303

Directors

Gus Simpson - Executive Chairman
Alf Gillman - Technical Director
Michael Barton - Non Exec Director
Warwick Grigor - Non Exec Director
Neil Warburton - Non Exec Director

Management

Gus Simpson - Executive Chairman
Alf Gillman - Technical Director
Glenn Black - COO
Ralph Knode - CEO, Strata Energy Inc
David Coyne - CFO

Jonathan Whyte - Co Secretary

Head Office

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Subiaco WA 6008

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Website

www.pel.net.au

Capital Structure

3,041 million shares
834 million options

Cash at 30 September 2013

\$6.4million

Market cap at 31 October 2013

\$69.7million

**For further information please
contact:**

info@pel.net.au

HIGHLIGHTS

WYOMING, USA – LANCE URANIUM PROJECTS

- Long lead equipment items ordered and civil works commenced
- Wellfield Optimisation Study reduces costs
- Lance all-in production cost ranked in first quartile amongst all global producers

SOUTH AFRICA – KAROO URANIUM PROJECTS

- Scoping Study supports Karoo Pre-Feasibility Study

CORPORATE

- CP's satisfied allowing drawdown on \$US22m BlackRock facility
- Placement to Sophisticated Investors completed
- Cash as at 30 September 2013 of \$6.4m (at 31 October 2013 - \$17.5m)



WYOMING, USA – LANCE PROJECTS

(Peninsula Energy 100%)

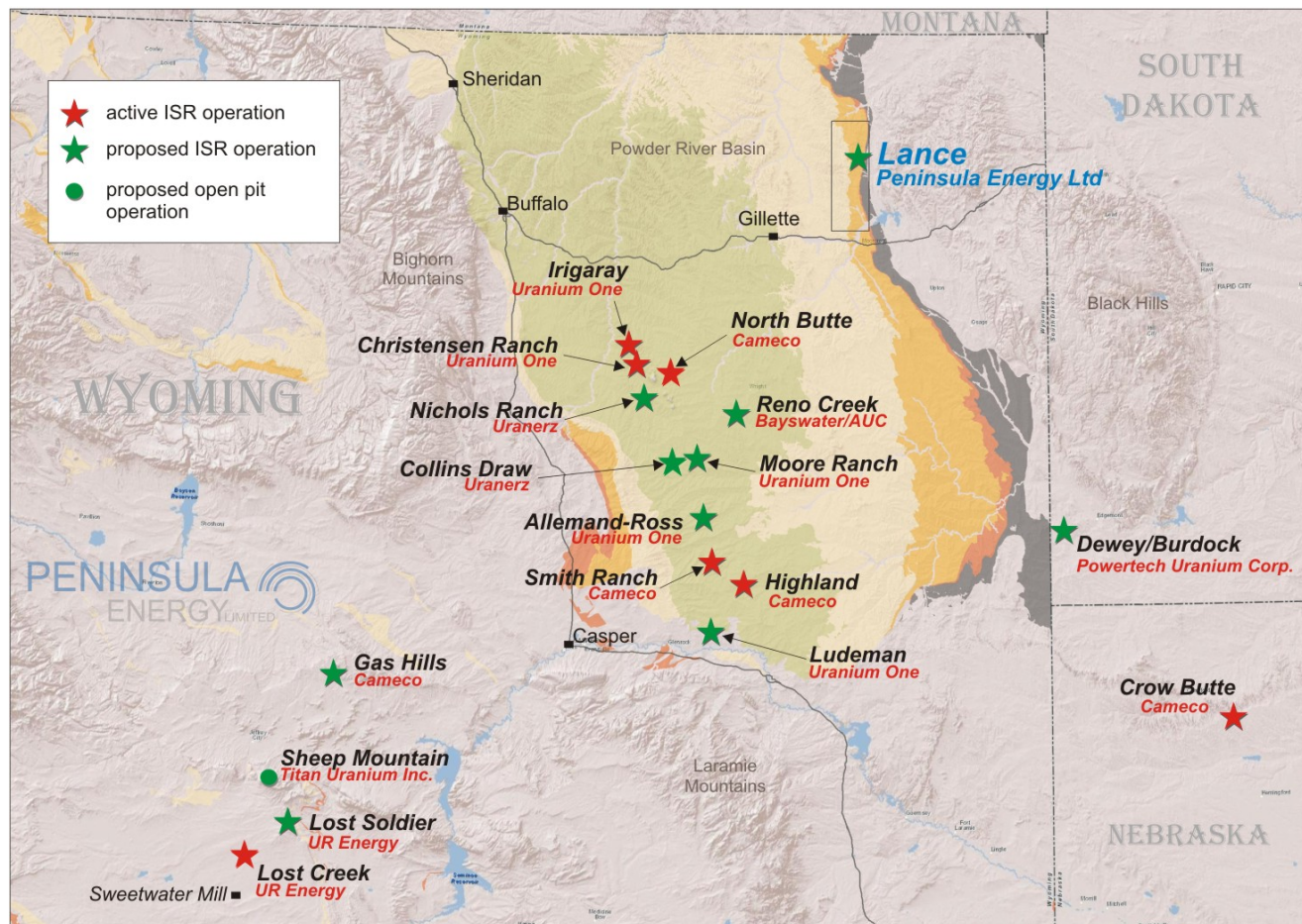


Figure 1: Lance Projects location, Wyoming USA

Initial site construction programme

As previously advised Peninsula has obtained the requisite permits and licenses required to commence site construction activities at the Lance Projects.

During the quarter Peninsula's wholly owned subsidiary Strata Energy Inc (Strata) sent Requests for Proposal (RFPs) to several local and regional earthwork contractors. After reviewing the proposals, a qualified contractor was selected and contract executed. The earthwork contractor was mobilized during the week commencing 21 October and groundbreaking for civil works began with top soil removal undertaken in preparation for the construction of the main access roads, pad preparations for the Central Processing Plant (CPP), administration building and installation of the site sediment control pond.

RFPs were also sent to various vendors for the supply of the Ion Exchange and other pressure columns. A vendor has now been selected and the purchase order has been placed in order to commence construction of this long lead item.

RFPs have been sent for a uranium dryer and responses are anticipated shortly.

Final design for the well field piping has also commenced.

Strata continues to perform close spaced delineation drilling in and around the first mine unit to optimize the well field pattern design within the first production unit. Strata also continues to install monitor wells to gather more site specific information about geology and hydrology for use during production.

Permitting

During the quarter the US Nuclear Regulatory Commission (NRC), following the conclusion of the public review period, notified the Company of the issuance date for the final Supplemental Environmental Impact Statement (SEIS) and the Combined Source and 11e.(2) Byproduct Source Material License (SML) for the Ross permit area. Respectively the dates are 31 January and 3 March 2014.

As referenced above, Peninsula has already obtained the requisite permits and licenses required to commence initial site construction activities and with funding drawdown approved has initiated the order of long lead equipment items for the CPP.

Wellfield Optimisation Study

During the quarter Peninsula announced the completion of the Wellfield Optimisation Study (WOS) which follows the CPP Optimisation Study (OS) completed in March 2013. The WOS and OS were both undertaken as part of Peninsula's detailed engineering work undertaken in advance of construction of the Lance Projects.

The OS delivered significant capital cost savings in the CPP while the WOS delivered a significant reduction in wellfield capital and operating costs along with an increased rate of wellfield production.

The WOS was conducted over several months by the senior development and production team at Strata in conjunction with the engineering and construction contractor TREC Inc. (TREC). This production team includes geologists and engineers with extensive in-situ recovery (ISR) process-well field design, plant construction and production experience.

Detailed design of the first mining unit within the Ross Production Unit, together with the results of lixiviant optimisation testing, are the catalysts that have enabled the improved WOS results to be achieved.

The operating parameters modelled in the WOS were the same as those applied to the OS and May 2012 Feasibility Study (FS). As a result of the increased wellfield production capacity for each production unit, the inclusion of the Barber Production Unit is able to be deferred until the point in time when the Ross Production Unit commences its natural production decline.

The WOS focused on the detailed wellfield design for the first mining unit within the Ross Production Area. The parameters derived from the review were then applied over the total resource base. This resulted in a reduction in the total number of wells to be developed decreasing both the wellfield capital and wellfield closure costs.

Whilst undertaking the value engineering on the CPP the Company completed further metallurgical test work to optimise the lixiviant solution that is to be cycled through the injection wells. These test results have demonstrated that the pregnant lixiviant can be extracted with a higher head grade than previously forecast. The revised head grade is consistent with other mature ISR operations in the Powder River Basin.

Adding Value to the Lance Projects

Over the past 20 months the Company has significantly added to its internal capability through the employment of an experienced ISR production team in Wyoming and a Chief Operating Officer with extensive experience in pre-construction value engineering.



Commodity markets have experienced volatility in recent times so the primary focus of the Company has been on factors that it can control and influence, namely capital costs, operating costs, production profile and mine planning.

Cost Benchmarking

On 30 August 2013 independent uranium market analyst, UxC Consulting, LLC (UxC), released the latest Uranium Production Cost Study report. This report benchmarks production costs for all existing uranium producers, together with planned and possible producers. For the purposes of the report, the Lance Projects have been classified as “planned” taking into account the advanced stage of permitting that the project has achieved.

Results from the global benchmarking exercise have shown the following:

- Against all existing and planned global production, the Lance Projects rank in the first tier (or lowest cost) producers; and
- Against all planned global production, the Lance Projects rank as the equal lowest production cost producer with one other project.

SOUTH AFRICA – URANIUM EXPLORATION

(Peninsula Energy 74% / BEE Group 26%)

Peninsula has a 74% interest in a total of 42 prospecting rights (PR's) covering 7,800 km² of the main uranium-molybdenum bearing sandstone channels in the Karoo Basin (Karoo Projects) (Figure 3). Completion of the acquisition of some of these prospecting rights is subject to conditions precedent as detailed in the previous Karoo announcements. The residual 26% interest remains with the BEE partners as required by South African law.

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. Additional surface access rights have also been contracted on a further 153km² until 2021. This area is largely contiguous with the freehold land.

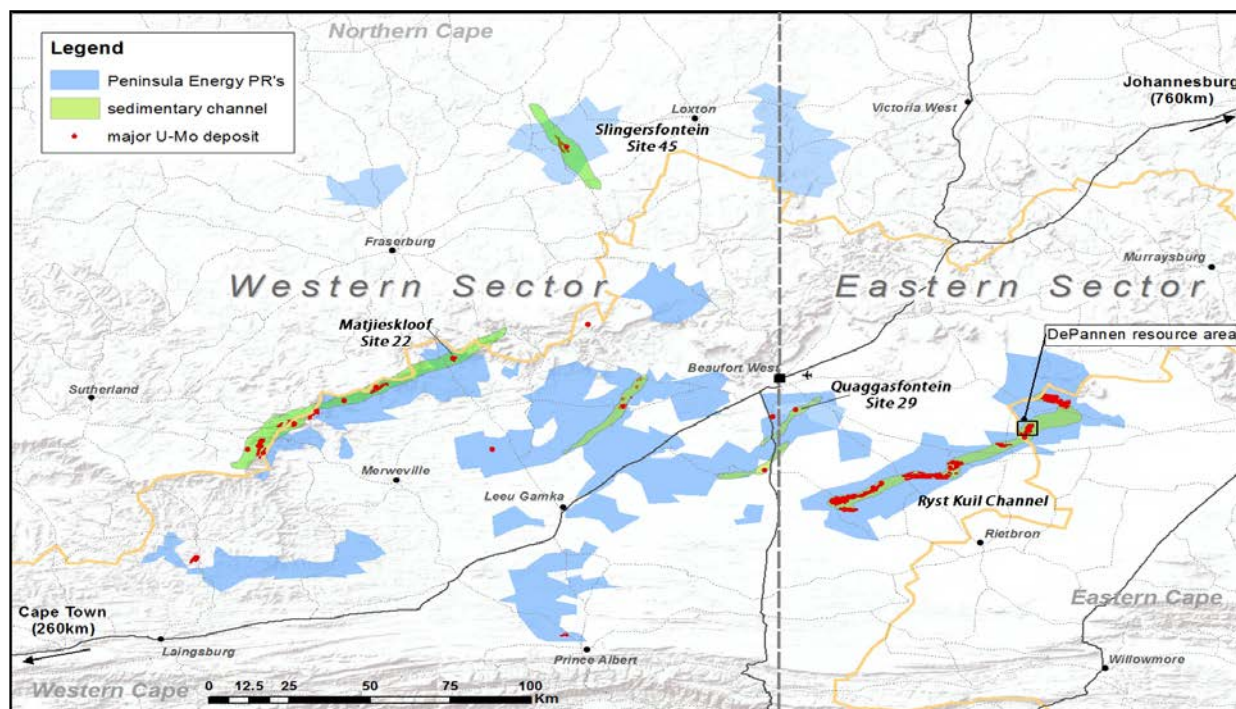


Figure 2: South Africa – Karoo Uranium Project Area Locations

In February 2013 Peninsula commenced drilling along the RystKuil channel in the Eastern Sector of its Karoo Projects. The drilling program has been successful in its objectives of identifying additional areas of mineralisation outside the current resource limits and also in converting existing inferred mineralisation to indicated status. The results to date are consistent with the historic drilling results and confirm the presence of shallow uranium mineralisation (at depths mostly under 30m from surface). Within the channel system, uranium and molybdenum mineralisation is localised within smaller-scale sedimentary features in the order of 1-2m in thickness and up to several hundred metres in length. The shallow nature of the mineralisation and resources are potentially amenable to open pit mining which would have highly favourable implications for the economics of the planned operations at Karoo.

Scoping Study

During the quarter Peninsula announced that a scoping study has been completed on the Eastern Sector of the Karoo Projects by South African based engineering, procurement and construction consultants DRA Mineral Projects (Pty) Ltd (DRA). Based on the positive results of the scoping study the Company plans to commence a Pre-Feasibility Study (PFS) in Q4 2013. Subject to the positive results from the PFS a Definitive Feasibility Study will follow.

Discussions have been held between the Company and the Australian Nuclear Science and Technical Organisation (ANSTO) and Mintek (SA) on the extent and schedule for the metallurgical testwork required to support the optimal and final technical processing solution for the PFS work. Samples have been prepared for shipment and an application to transport the samples has also been submitted to the DMR and DoE.

Current Work

The Social and Labour Plan (SLP) was completed during the quarter in preparation for submission to the Department of Mineral Resources to support the Mining Licence Application. Post the Scoping Study DRA have continued with the preparation of the Mine Works Plan that will accompany the mining licence application.

CORPORATE

BlackRock Debt Drawdown

On October 15 the Company advised that the second key condition precedent (CP) that allows the drawdown of notes issued to funds managed by BlackRock Financial Management, Inc. (BlackRock) had been met.

Under the terms of the notes two material CP's were required to be met before debt funds under the notes could be made available to Strata for the allowable initial site construction.

The first material CP was the grant by the Wyoming Department of Environmental Quality Permit to Mine (PTM), which was granted in late 2012.

The second material CP was that Peninsula entered into a U₃O₈ sales agreement on terms satisfactory to BlackRock. Amongst other standard procedural items the terms required the sales agreement to have a net present value equal to or greater than the principal amount of the notes and to include clauses allowing it to be used as security in the unlikely event that Strata defaulted on the repayment of the notes. Amendments made to an existing sales agreement have enabled this CP to be met.

Placement to Sophisticated Investors

On 17 October the Company advised that it has entered into agreements with institutional and sophisticated investors to raise up to \$2 million through the issue of 80 million new shares at 2.5 cents per share. Participants in the placement will receive



one free attaching listed option (PENOC) exercisable at \$0.03 on or before 31 December 2015 for every two new shares subscribed in the placement (Placement). Under the terms of the existing share subscription agreement, BlackRock subscribed to their pro-rate entitlement.

Funds received from the placement will be used to progress feasibility studies at the Karoo Projects in South Africa, general activities at the Lance Projects and for working capital.

The new investors have been introduced by Hartleys Limited and Canaccord Genuity (Australia) Limited, the Joint Lead Managers to the Placement.

The Placement Shares and attaching options were issued on 28 and 31 October 2013.

Directors and Senior Executives Adopt Salary Sacrifice Program

During the quarter the Company advised that the Directors and senior executives had unanimously opted for a salary sacrifice program (SSP) to re-direct cash outflow of the Company in the lead up to the Lance Projects development.

This program is reducing the cash component of director and senior executive remuneration in exchange for shares. These cash saving measures were undertaken to ensure funds are directed to the Company's key priority, the advancement of the Lance Projects to production.

Under the terms of the SSP a proportion of Directors fees and senior executive remuneration is being paid as equity in the form of PEN ordinary fully paid shares (Shares). The number of Shares issued in lieu of cash remuneration is being calculated using the volume weighted average share price over the last 5 business days of each month.

On an annualised basis these measures will result in significant cash savings that will be re-directed to project related activities.

Cash Position

The Company's cash position at the end of the quarter, including commercial bills, bonds and security deposits was \$6.4million. Allowing for the Placement and initial funds draw-down on the BlackRock notes post quarter end, the pro-forma cash position, including commercial bills, bonds and security deposits was \$17.5million.

For further information please contact:

John Simpson
Executive Chairman
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 they are undertaking as a Competent Person as defined in the 2004 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 van der Walt consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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

Please note that in accordance with Clause 18 of the JORC (2004) Code, the potential quantity and grade of the "Mineralised Potential" in this report must be considered conceptual in nature as there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

In accordance with the relevant regulations governing the disclosure of mineral projects, readers are cautioned that mineable resources based on inferred resource material are considered too speculative geologically to enable them to be classified as reserves.

Karoo Projects: Where eU3O8 results are reported, it relates to values obtained from radiometric logging of drillholes. eU3O8 grades were determined using a GeoVista gamma sonde measuring at 0.05m (5cm) intervals. Raw gamma counts per second were converted to eU3O8 by applying the formula $eU3O8 (ppm) = (\text{Gamma (CPS)} / (1 - \text{Gamma (CPS)} * \text{Deadtime})) * K\text{-Factor}$. The logging protocol, formula and gamma sonde calibrations (calibrated at the IAEA accepted Pelindaba Calibration facility) used by Peninsula were supplied by Geotron (Pty) Ltd, an independent geophysical logging consultancy based in Potchefstroom, South Africa. Daily calibration checks were done in selected Control Holes at the drilling area to check for drift and instrument error.

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.

