

ASX: PEN, PENOC

Peninsula Energy Limited
ABN 67 062 409 303

Directors

Gus Simpson - Executive Chairman
Alf Gillman - Technical Director
Warwick Grigor - Non Exec Director
Neil Warburton - Non Exec Director
John Harrison - Non Exec Director

Management

Gus Simpson - CEO
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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Website

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Capital Structure

3,438 million shares
862 million options

Cash at 30 September 2014

\$7.84million

Market cap at 30 September 2014

\$82.5 million

For further information please
contact:

info@pel.net.au

30 SEPTEMBER 2014 QUARTERLY ACTIVITIES REPORT

31 October 2014

HIGHLIGHTS

WYOMING, USA – LANCE URANIUM PROJECTS

- Lance Projects Reconfigured for Current Market Start Up
- Stage 1 CAPEX reduced to US\$33m
- Targeted Production Commencement first half of 2015

SOUTH AFRICA – KAROO URANIUM PROJECTS

- Commencement of re-probing historic holes at Rietkuil
- High Grade Near Surface Intercepts at Rietkuil
- PFS progressing

CORPORATE

- John Harrison appointed to Board
- Funding institutions completing due diligence
- Cash as at 30 September 2014 of A\$7.84m



WYOMING, USA – LANCE PROJECTS

(Peninsula Energy 100%)

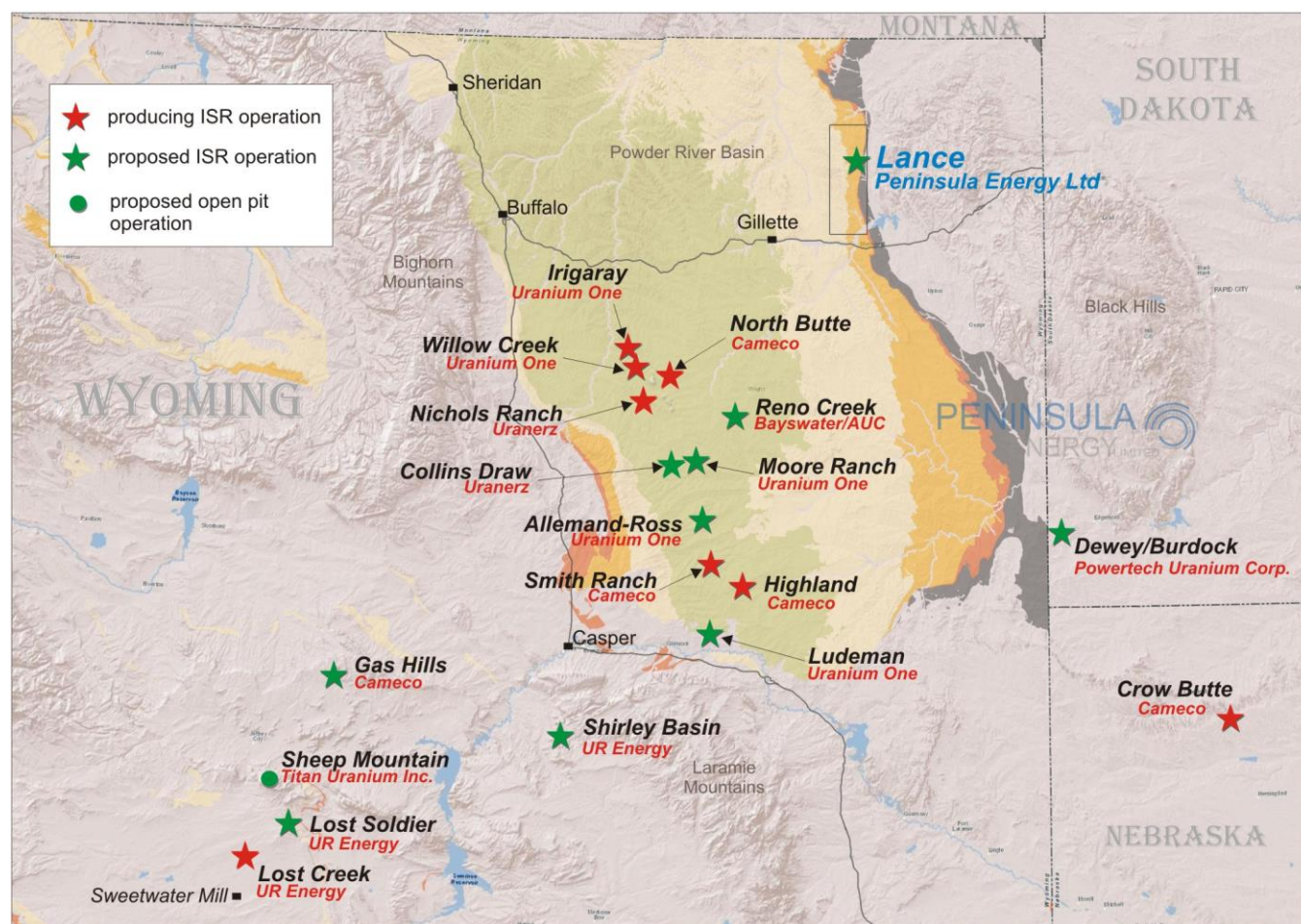


Figure 1: Lance Projects location, Wyoming USA

Lance Projects Reconfigured for Current Market Start Up

In October 2014 Peninsula announced that the Board has approved a lower cost three stage scalable production development plan for its Lance Projects in Wyoming, USA. This new plan was completed over the last two quarters by Peninsula personnel in conjunction with TREC Inc., the design and build contractor to the Lance Projects.

The scalable production development plan comprises a three (3) stage ramp-up strategy:

- Stage 1 – production rate of between 500,000 and 700,000 lbs U₃O₈ per annum;
- Stage 2 – production rate of 1,200,000 lbs U₃O₈ per annum; and
- Stage 3 – production rate of 2,300,000 lbs U₃O₈ per annum.

The scalable production development plan significantly reduces the initial funding required to initiate sustainable production at the Lance Projects, decreases the volume of uranium needed to be contracted in stage 1 and allows the Company to defer most of the planned uranium sales contracts until such time as the uranium price is more attractive.

Furthermore, commissioning of the processing facility and wellfield operations in stage 1 significantly de-risks stage 2 and stage 3 upgrades.

Whilst some product needs to be contracted over the next five years the existing contract Peninsula has in place at a weighted average price (WAP) of \$73-\$75 per pound allows an acceptable return on investment and preserves the majority of the existing in-ground uranium for contracting at a later date.

Scalable Production Development Plan

The scalable production development plan focuses on the timing and extent of equipment required for the Central Processing Plant (CPP) and the roll out of wellfield development at varying rates of production. Timing and extent of wellfield development has been adjusted to match the CPP processing capacity at each stage.

Technical parameters such as metallurgical rates of recovery, wellfield flow rates, wellfield pattern design, total number of wells to be developed, aggregate life of mine production, and wellfield closure requirements are unchanged from the Wellfield Optimisation Study reported in the second half of 2013.

The major aspects of each stage are:

Stage 1

- Up to seven (7) wellfield units are in simultaneous operation at any one point in time;
- Six (6) ion exchange columns are installed and commissioned in the CPP;
- Initial CPP building structure and footprint is significantly reduced (from original design parameters) so as to house the reduced plant and equipment;
- Remaining capital expenditure for Stage 1 including contingency is US\$33 million.

Stage 2

- Up to fourteen (14) wellfield units are in simultaneous operation at any one point in time;
- CPP building structure and footprint is expanded to accommodate additional processing equipment;
- An additional six (6) ion exchange columns are installed and commissioned in the CPP increasing the total number of ion exchange columns to 12;
- Elution, drying and packaging equipment are installed in the expanded CPP; and
- Capital expenditure for Stage 2 including contingency is US\$35 million.

Stage 3

- Fourteen (14) wellfield units are developed in Barber;
- A satellite plant comprising 12 ion exchange columns and a reverse osmosis module is constructed at Barber;
- Loaded resin from the satellite plant is trucked to the CPP for treatment and packaging; and
- Capital expenditure for Stage 3 including contingency is US\$78 million.

Scalable Production Plan Benefits

There are a number of benefits for Peninsula in electing to proceed with the scalable production plan and a three stage ramp-up.



Initial capital expenditure required to reach positive cashflow at the Lance Projects is substantially reduced.

A lower proportion of the resource¹ will be sold between 2015 and 2018 reducing the Company's need to contract in a reduced price environment.

The existing term contract, with a weighted average delivery price of US\$73-75/lb between 2015 and 2020, will now represent 34-50% of annual sales during the initial years of operation thereby resulting in an achieved higher average sale price.

Commencing production at the new initial rate will reduce the production risk considerably and should make the future debt funding of stages 2 & 3 both more achievable and less costly.

¹ JORC Table 1 included in an announcement to the ASX released on 27th March 2014: "Company Presentation – Mines and Money Hong Kong". Peninsula confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Additional Term Contracts

The Company plans to enter into term contracts for an additional 1.5 - 2.5mlbs U3O8 for delivery over the next 5 years. Only 0.5mlbs needs to be contracted in the next 12 months due to ramp up and the timing of deliveries under the existing contract. The Company is or has responded to four Requests for Product (RFP's) during the quarter (totalling approx. 10mlbs U3O8) and is holding further product sale discussions with three additional utilities.

Production Profile

A three (3) stage production ramp-up allows Peninsula greater flexibility with the timing of future production increases. The nature of ISR lends itself well to capacity increases that are staged. Supporting this flexible approach, equipment used in processing plant facilities is generic and readily available as is the equipment used for wellfield development and operations.

Expanding the production capacity in the CPP, once production has started, consists of the addition of parallel recovery circuits and ion exchange and elution columns.

Unlike hard rock open cut or underground mining operations, the ISR mining method does not require any pre-strip or significant development time or cost to access the ore body. ISR wellfields directly access the ore body, providing a short lead time between the start of development rollout and the commencement of production in an expanded area.

Strong Financial Metrics

The value proposition for the Lance Projects remains compelling, especially when considering that the Lance Projects has the largest JORC-Code compliant ISR uranium resource in North America (53.7m lbs U3O8). The three (3) stage ramp-up has the effect of transferring a large component of both production and the associated costs from the first 5 years of operations into later years when prices are forecast to be higher.

This has the effect of maintaining the attractive financial metrics previously reported. Updated financial metrics for the Lance Projects reflecting the scalable production plan are shown in the following table:



Table 1: Updated Lance Projects Financial Metrics

Unlevered Pre-Tax NPV (8%)	US\$288 million
Positive Cashflow	Year 2
Pre-Tax IRR	36%
Selling Price ⁽¹⁾	US\$54 / lb

Notes:

1. US\$54/lb is the present value of average prices between 2015 and 2024 (existing sales contract and forecast new sales contracts yet to be entered into), escalated at the minimum industry standard escalation rate. Post-2024, a present value price of US\$60/lb (consistent with uranium industry consensus) is applied over the remaining life of mine.

The Lance Projects are a cost effective source of new uranium for the nuclear power generation industry. Ongoing sustaining costs position the Lance Projects to be a reliable and long life source of uranium supply. Updated all-in sustaining costs reflecting the three (3) stage ramp-up are:

- Stage 1 and 2 (average) – US\$30.76 / lb U3O8
- Stage 3 Steady-State – US\$29.16 / lb U3O8

Notes:

1. All costs are un-escalated and include contingency (where applicable);
2. Stage 3 Steady-State production average of 2.3mlbs per annum;
3. Costs include royalties, state / ad valorem / severance taxes, operating costs, ongoing wellfield development costs, closure costs, rehabilitation costs and delivery of concentrate to a converter, but exclude selling and marketing costs, financing charges and corporate taxes;
4. Resource replacement exploration and drilling costs are excluded; and
5. Non-Strata corporate costs incurred by the ultimate parent company are excluded.

Production Target and Financial Information

The Company confirms that the material assumptions underpinning the production targets and financial information referred to in this release are materially consistent with the information included in an announcement to the ASX released on 27th March 2014: "Company Presentation – Mines and Money Hong Kong".

SOUTH AFRICA – KAROO PROJECTS

(Peninsula Energy 74% / BEE Groups 26%)

Peninsula has a 74% interest in a total of 41 prospecting rights (PR's) covering 7,774 km² of the main uranium-molybdenum bearing sandstone channels in the Karoo Basin (Karoo Projects) (Figure 2). The residual 26% interest remains with BEE partners as required by South African law.

The Karoo Projects are categorized 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.

High Grade Near Surface Intercepts at Rietkuil

During the quarter, Peninsula commenced with field activities at the Rietkuil project area (Rietkuil), approximately 40 km west of Beaufort West in the Karoo, South Africa, to locate historic drill holes for radiometric re-logging. In October 2014 Peninsula announced the first results from the re-logging at Rietkuil.

The initial gamma probing at Block F(N) has delivered very high grades at shallow depths, returning 29 significant intersections from the 95 re-logged holes to date. This included intercepts of 2.9ft @ 4,728ppm eU3O8, 3.3ft @ 3,608ppm eU3O8 and 2.8ft @ 3,307ppm eU3O8



The initial re-logging of historic holes at Rietkuil has been successful in confirming the location and grade of the historic drill results and in validating the mineralisation that was identified by Union Carbide Exploration Corporation (UCEX) in the 1970s.

Probing and re-logging is occurring in areas that are outside the existing JORC Code-compliant resources¹ and have the potential to expand the existing resource. Information from the re-logging exercise will be evaluated and utilised to in the next update to the JORC Code-compliant resource estimate for the Karoo Projects.

For a comprehensive description of assessment and reporting criteria used for reporting of the exploration results, readers are referred to the JORC Table 1 declaration included in the announcement released to ASX on 29 October 2014 titled "High Grade Near Surface Uranium Intercepts at Karoo Projects, South Africa".

Mining License Application Process

The Mining Licence Application (MLA) for the Karoo Projects, comprising 16 mining rights, was submitted to the Department of Mineral Resources (DMR) in the previous quarter. Discussions with the DMR are ongoing, and during September 2014 the DMR requested that the Social and Labour Plan (SLP) and Environmental Scoping Reports (ESR) submitted as part of the MLA be updated to include certain community and social uplift clarifications and additional detail regarding potential environmental impacts. These have been agreed to and the SLP and ESR documents are being updated for forwarding to the DMR.

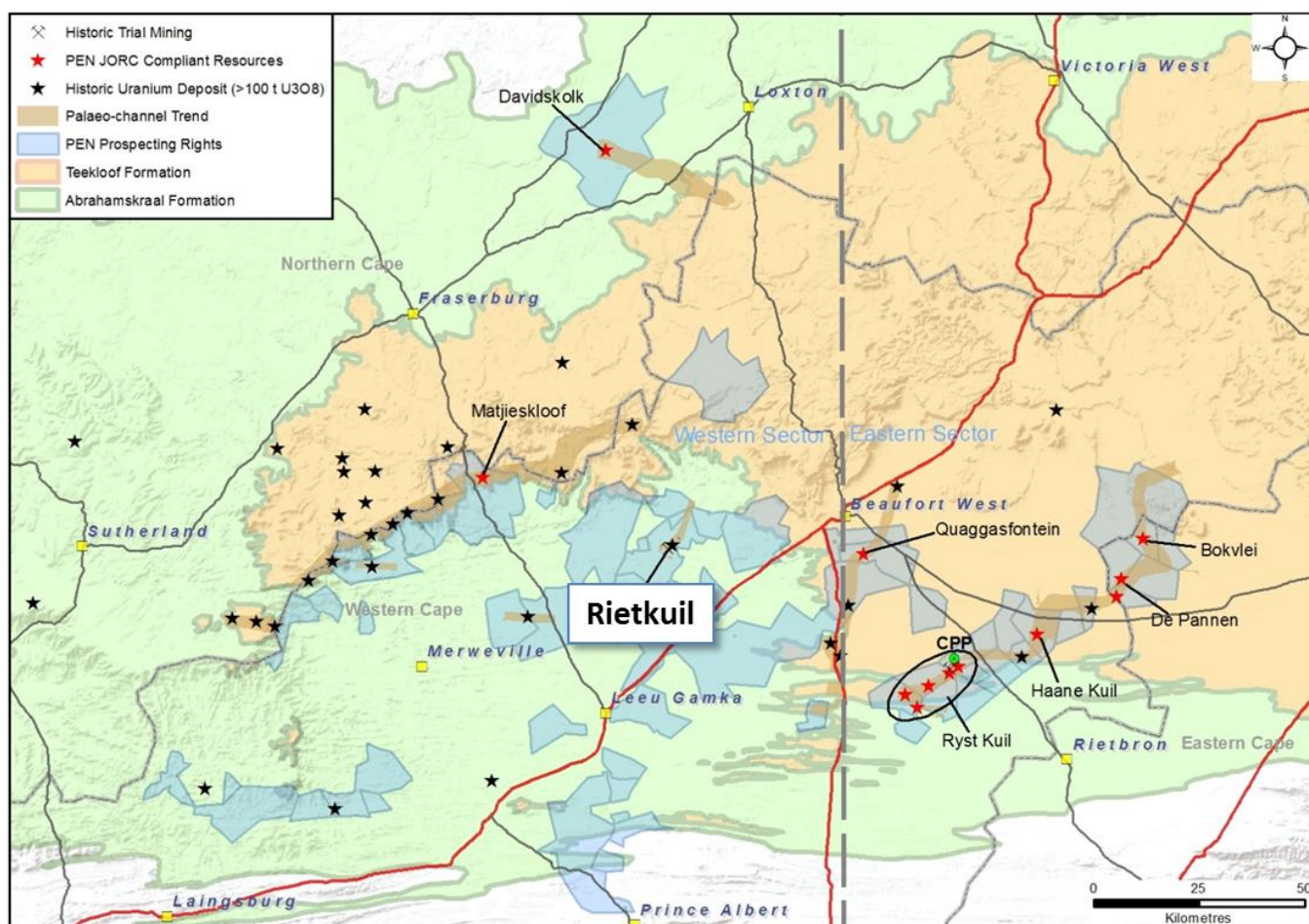


Figure 2: South Africa – Karoo Uranium Project Area Locations

Development Progress

Subsequent to the finalisation of the Mintek metallurgical test work in April 2014, DRA Mineral Projects (Pty) Ltd were commissioned to re-run an alkaline versus acid trade off study to determine the optimal treatment solution and way forward through Pre-Feasibility and Bankable Feasibility studies.

This review was completed at the end of June 2014, and the results indicated that better recovery efficiencies were consistently achieved using acid leaching across all 5 sample areas. The final report was submitted by Mintek in July with the results of the metallurgical testwork and the updated DRA report, which was completed in August 2014, definitively supporting acid leach as the technical solution moving into Feasibility Study. The test showed the average acid recovery efficiency of 90.8% versus alkaline of 83.1%.

From an operating cost perspective, the result of this review also indicated that ongoing operating costs per pound of uranium produced would be materially lower using an acid leach processing route when compared with an alkaline processing route.

An acid leach circuit will now form the primary processing route through the Pre-Feasibility Study. Information obtained from the work undertaken by both DRA and Mintek shall be incorporated in the Pre-Feasibility Study (PFS) for the Karoo Projects that is currently in progress. It is expected that the PFS will further demonstrate that the deposits within the Karoo Projects offer several potential large-scale development options, including simultaneous open pit, adit-access and decline-access mining operations feeding through to a single central processing plant.

CORPORATE

Lance Projects Funding Update

The scalable production development plan for the Lance Projects detailed above has been positively received by prospective funding partners and with the funding solution well advanced, Peninsula is now targeting commencement of production in the first half of 2015 in time for its scheduled July 2015 uranium deliveries.

Peninsula is engaged in advanced negotiations with a number of existing shareholder and other international institutions on finalising the project funding for stage 1 of the Lance Projects. Technical and site due diligence has now been completed by these parties, with final commercial and legal due diligence continuing.

Stages 2 & 3 are expected to be funded by a combination of debt and working capital surplus and it is likely that one or more of the current senior secured debt providers the Company has been engaged with over the last 18 months will be the project debt provider(s).

Appointment of John Harrison

On 1 September 2014 Peninsula appointed Mr. John Harrison to the Board as a Non-Executive Director.

Mr. Harrison is currently Non-Executive Chairman (UK) of international advisory and broking firm RFC Ambrian Ltd and Non-Executive Chairman of UK coking coal development company West Cumbria Mining PLC. Mr. Harrison brings to Peninsula a wealth of experience and resource sector knowledge acquired over a 45 year career including 20 years of investment banking in London.

During this time Mr. Harrison has developed an extensive international contact base advising companies across a range of commodities (including uranium) and raising more than £500m in equity capital in the process. Mr. Harrison was also instrumental in bringing JP Morgan Asset Management to the Peninsula register in March of this year.



Cash Position

During the quarter, a further US\$2.0 million was drawn under the BlackRock Notes. The Company's cash position at the end of the quarter, including commercial bills, bonds, funds drawn on the BlackRock Notes and security deposits was \$7.84 million.

The amount drawn on the BlackRock Notes at 30 September 2014 was US\$14.444 million (A\$16.554 million) leaving US\$7.556 million (A\$8.660 million) undrawn at the end of the quarter.

Debt Collateral

Note that the inherent NPV of the existing offtake contract that serves as collateral for the BlackRock Notes is over US\$25m, well in excess of the amount of the current drawn debt amount.

For further information please contact:

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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 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 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

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, Karoo Projects: eU3O8

Classification	Sector	eU ₃ O ₈ (ppm) CUT-OFF	Tonnes (millions)	eU ₃ O ₈ (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 2014

Location/Project Name	Tenement	Percentage Held
<u>Karoo Region, South Africa (Karoo Projects)</u>		
Karoo Uranium, South Africa	PR (WC) 25	74%
Karoo Uranium, South Africa	PR (WC) 33	74%
Karoo Uranium, South Africa	PR (WC) 34	74%
Karoo Uranium, South Africa	PR (WC) 35	74%
Karoo Uranium, South Africa	PR (WC) 47	74%
Karoo Uranium, South Africa	PR (WC) 59	74%
Karoo Uranium, South Africa	PR (WC) 60	74%
Karoo Uranium, South Africa	PR (WC) 61	74%
Karoo Uranium, South Africa	PR (WC) 80	74%
Karoo Uranium, South Africa	PR (WC) 81	74%
Karoo Uranium, South Africa	PR (WC) 127	74%
Karoo Uranium, South Africa	PR (WC) 137	74%
Karoo Uranium, South Africa	PR (WC) 151	74%
Karoo Uranium, South Africa	PR (WC) 152	74%
Karoo Uranium, South Africa	PR (WC) 153	74%
Karoo Uranium, South Africa	PR (WC) 154	74%
Karoo Uranium, South Africa	PR (WC) 156	74%
Karoo Uranium, South Africa	PR (WC) 158	74%
Karoo Uranium, South Africa	PR (WC) 162	74%
Karoo Uranium, South Africa	PR (WC) 167	74%
Karoo Uranium, South Africa	PR (WC) 177	74%
Karoo Uranium, South Africa	PR (WC) 178	74%
Karoo Uranium, South Africa	PR (WC) 179	74%
Karoo Uranium, South Africa	PR (WC) 180	74%
Karoo Uranium, South Africa	PR (WC) 187	74%
Karoo Uranium, South Africa	PR (WC) 188	74%
Karoo Uranium, South Africa	PR (WC) 207	74%
Karoo Uranium, South Africa	PR (WC) 208	74%
Karoo Uranium, South Africa	PR (WC) 228	74%
Karoo Uranium, South Africa	PR (WC) 257	74%
Karoo Uranium, South Africa	PR (EC) 07	74%
Karoo Uranium, South Africa	PR (EC) 08	74%
Karoo Uranium, South Africa	PR (EC) 28	74%
Karoo Uranium, South Africa	PR (NC) 331	74%
Karoo Uranium, South Africa	PR (NC) 347	74%
Karoo Uranium, South Africa	PR (EC) 09	74%
Karoo Uranium, South Africa	PR (EC) 12	74%
Karoo Uranium, South Africa	PR (EC) 13	74%
Karoo Uranium, South Africa	PR (WC) 168	74%
Karoo Uranium, South Africa	PR (WC) 170	74%
Karoo Uranium, South Africa	PR (NC) 330	74%

Location/Project Name	Tenement	Percentage held
<u>Wyoming, USA (Lance Projects)</u> Lance Projects are located within the area contained within Township and A Township and Range System in Crook County, Wyoming USA. USA, including various surface and mineral right holdings, hence tenement references are not applicable. Private Land (FEE) – Surface Access Agreements (approx. 26,856 acres) Private Land (FEE) – Mineral Rights (approx. 9,375 acres) Federal Mining Claims – Mineral Rights (approx. 12,006 acres) State Leases – Mineral Rights (approx. 10,590 acres)	N/A	100%

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