

31 DECEMBER 2016 QUARTERLY ACTIVITIES REPORT

31 January 2017

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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Website

www.pel.net.au

Capital Structure

198.1 million shares
43.3 million \$2.00 2018 options

Cash at 31 December 2016

A\$11.8 million

Market cap at 31 December 2016

A\$110.4 million

For further information please
contact:

info@pel.net.au

HIGHLIGHTS

- 200,000lbs U₃O₈ delivered under term contracts over Dec 2016 - Jan 2017
- Weighted average price was US\$55/lb. U₃O₈
- Streamlined operating strategy implemented
- Production aligned to contract delivery commitments
- 35,000 lbs. U₃O₈ produced in December Quarter
- Sustainable cash generation from Lance Projects targeted for H1 2017
- A\$8.5 million placement successfully completed
- Cash as at 31 December of A\$11.8 million
- Receivables as at 31 December are a further US\$ 4.7 million



WYOMING, USA – LANCE PROJECTS

(Peninsula Energy 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, USA in December 2015.

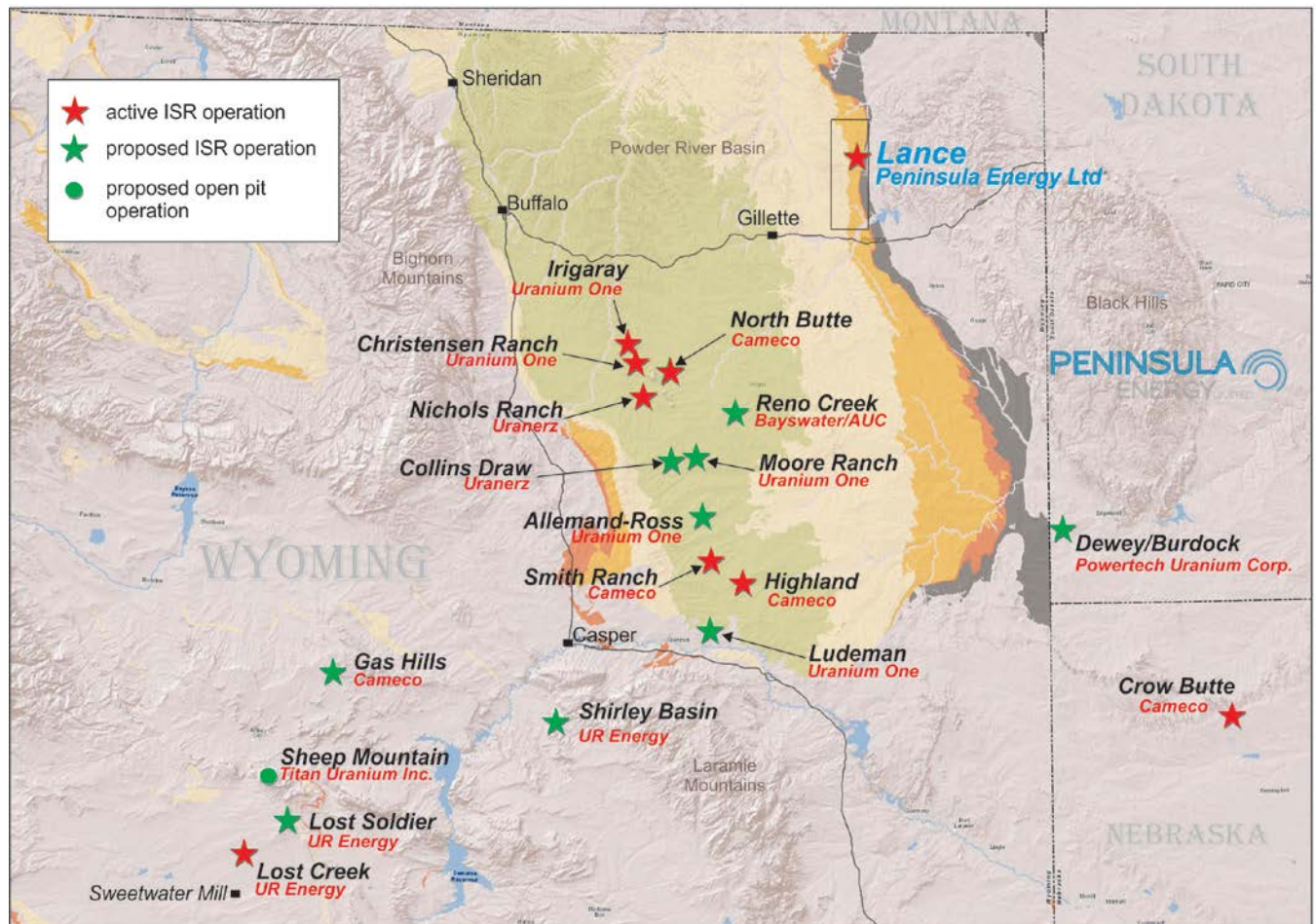


Figure 1: Lance Projects location, Wyoming USA

Due to the 2016 uranium price pull back the Company reviewed its operating plan during the Q3 CY2016 and implemented an interim operating strategy in Q4 until uranium prices normalise. Peninsula’s production is now aligned to complement delivery commitments under its existing term contracts, thereby maximising the value attained for the extracted resource.

Following the delivery of 200,000lbs U₃O₈ over December 2016 and January 2017 (which are detailed further in this report), Peninsula has a further 300,000 pounds U₃O₈ remaining to be delivered in 2017. The weighted average cash price of the remaining deliveries over the next 10 years is approximately US\$55 per pound.

The Company has implemented cost reduction measures including reducing the number of drilling rigs and contractors on site to reflect a lower level of ongoing wellfield development activity in 2017. While the Company will operate in line with the modified - low cost production plan on an interim basis, optionality has been preserved to enable Peninsula to expand quickly when the market improves.



Production for the 6 months ended 31 December 2016 was 84,000 pounds U_3O_8 , with 35,000 pounds U_3O_8 extracted in the December quarter, in-line with the interim operating strategy. Production for the quarter was primarily from header houses 1, 2 and 3. Approximately 40,000lbs of uranium product was drummed during the quarter. One delivery of drummed product was made to a North American conversion facility in December 2016 and a further two deliveries were made during the first week of January 2017.

Extreme weather conditions during November and December (temperatures as low as minus 30°C) periodically hampered ongoing wellfield maintenance activities with staff unable to access the wellfield. Header house 4 has been slow to ramp up and is also considerably smaller than the other Stage 1 header houses due to its positioning near Mine Unit 1 regulatory boundaries, with a large portion of the ore body in that area only able to be accessed when Mine Unit 3 is developed in the future. Inclement weather also affected the completion of construction and commissioning of header houses 5, 6 and 7. Header house 5 is now online and commenced sending uranium to the CPP in January 2017. As at the end of January header house 5 is performing well and in line with forecasts. Average flowrates from extraction wells remain consistent with the planned rate of 20 GPM, substantially confirming the porosity and permeability of the Lance orebody.

Header house 6 is now commissioned and is forecast to be sending uranium to the CPP in February 2017. Header house 7 is expected in to be commissioned in February 2017 and to commence sending uranium to the CPP during March 2017.



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

Approximately US\$ 3.5 million of production costs were incurred during the quarter as part of the production ramp-up.



The implementation of the interim operating strategy means that the planned Stage 2 expansion at the Lance Projects, including the construction of seven additional header houses, has been placed on hold until a sustainable improvement in the uranium market occurs and additional term contracts are secured.

The Company will however continue with the roll out of additional header houses, as construction of header houses 8 thru 10 will allow flowrates across all production wells to be optimised, reducing operating costs and increasing average uranium head-grade. Lower operating costs combined with existing high value term contracts should see Peninsula move to sustainable cash generation in the first half of 2017, a significant achievement in the current market.

When implemented, Stage 2 is planned to reduce all-in costs by bringing the elution, drying and packaging functions in house combined with greater economies of scale. Associated funding for Stage 2 (including the revenue streaming facility) is also on hold at this time.



Figure 3: CPP Interior, Lance Projects, Wyoming USA

200,000 pounds of U_3O_8 sales were completed by the Company in December 2016 and January 2017 pursuant to long-term contracts at an average realised cash price of US\$55 per pound U_3O_8 .

The January 2017 delivery of 100,000 pounds U_3O_8 was from material sourced entirely from the Lance Projects while the Company contracted for the purchase of 100,000 pounds U_3O_8 for the December 2016 delivery.

With 100,000 pounds U_3O_8 delivered in the first half of January 2017, the Company has a further 300,000 pounds U_3O_8 to be delivered in CY 2017 which will generate significant cash from operations.

Peninsula currently has 7.8 million pounds of U_3O_8 remaining under contract for delivery to major utilities located in the United States and Europe. Projected revenue remaining under these existing long term contracts is approximately US\$430 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 .

2017 has already seen a rebound in the reported Spot uranium price and across the board increases in the valuations of uranium companies. The announcement that Kazatomprom will reduce production by 10% (5 million pounds) in the 2017 year is positive news for the industry and may signal a price rebound during 2017.

As at 31 December 2016, a total of 38 full time employees are now directly employed on the project (excluding drilling and geophysical contractor personnel).

SOUTH AFRICA – KAROO PROJECTS

(Peninsula Energy 74% / BEE Groups 26%)

Peninsula continued to implement the restructuring strategy embarked on during Q2 2016 aimed at reducing the Company's tenement landholdings which, at the time, comprised of 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). During the quarter, after consultation with our BEE partner, it was agreed to relinquish the Fraserburg and Loxton project areas in the Northern Cape province, neither of which contained any mineral resource. Subject to completion of the various regulatory processes, Peninsula's total tenement holding will amount to 3,818 km², of which 322 km² Peninsula has freehold ownership (Figure 4) BEE partners hold the residual 26% interest in these tenements, as required by South African law.

During the quarter Peninsula continued to conduct the major activities in support of a Pre-Feasibility Study (PFS) for the Quaggasfontein, Ryst Kuil and Kareepoort mining right application areas 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.

During the quarter all the metallurgical tests required to support the full design of the processing plant was completed, which enabled finalisation of the process plant flow street, layout and in-plant infrastructure. Mine designs and layouts for both open pit and underground and all engineering works associated with the proposed mine and plant tailings storage facility continued. Preliminary designs and layouts were completed in early January 2017. Life of mine capital and operating cost estimates will now be prepared using this information.

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. Closure applications were submitted to the Department of Mineral Resources (DMR) for all other prospecting rights deemed less prospective. Final closure certificates will be issued by the DMR once the closure applications have been evaluated, the timing of which is uncertain as it is not subject to a regulatory timeframe. See Figure 5 below.



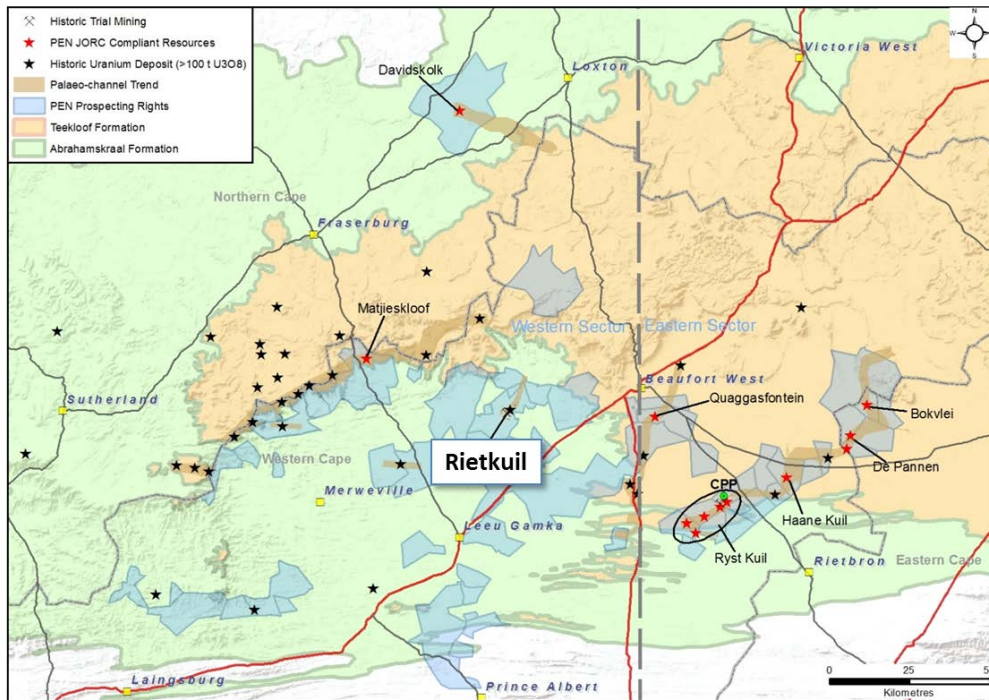


Figure 4: South Africa – Karoo Uranium Project Area Original Locations

Various work streams required to update and expand on the technical studies in support of the environmental impact assessment reports relating to the mining right applications continued during the quarter, most notable of which was the completion of an expanded hydro census.

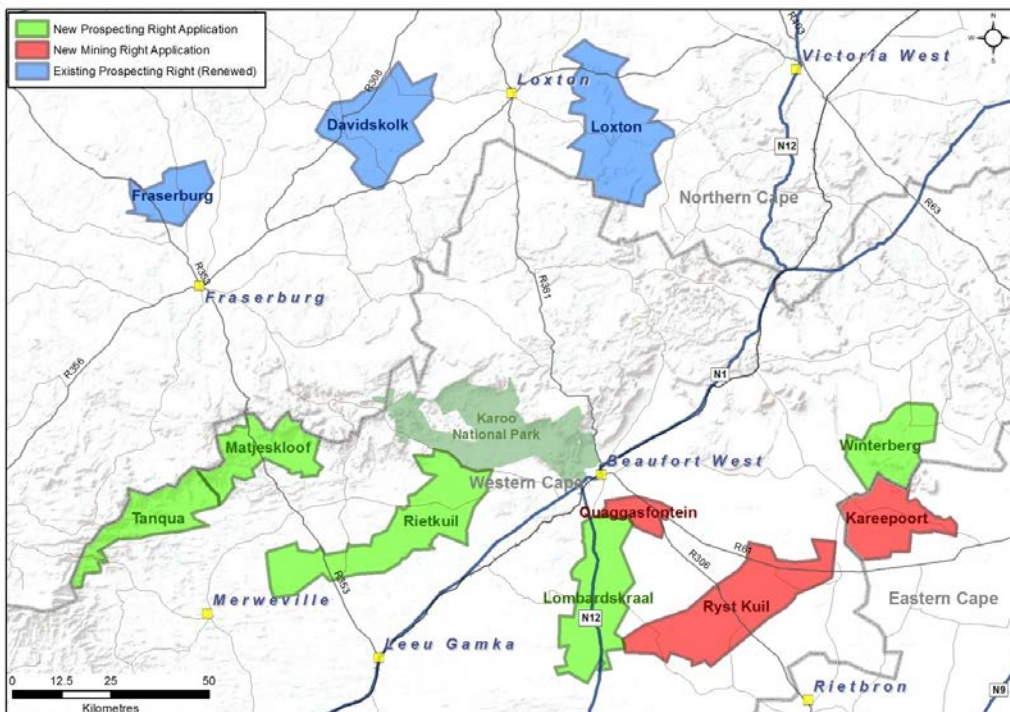


Figure 5: South Africa – New Prospecting and Mining Right Applications



CORPORATE

In December 2016 the Company raised A\$8.5 million through a placement of 17 million ordinary shares at an issue price of \$0.50 per share to key institutional and sophisticated investors, including \$A5.1 million to existing shareholders Resource Capital Fund VI L.P. (RCF VI) and Pala Investments Limited (Pala) (Placement).

Proceeds from the Placement are being used to roll-out additional header houses at the Lance Projects, for general working capital purposes and/or to repay debt drawn on the Investec revolving loan facility.

The Company expects to shortly announce that it is offering existing shareholders the opportunity to participate in a Share Purchase Plan (SPP) to raise up to A\$5 million.

Under the SPP, existing eligible shareholders will be invited to subscribe for up to \$15,000 worth of fully paid ordinary shares in the Company at \$0.50 per share, being the same price as the Placement.

In April 2016 Peninsula entered into convertible loan agreements with major shareholders RCF VI and 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.

In addition, RCF VI and Pala agreed to a variation of the Convertible Note whereby the maturity date is extended by 12 months to 22 April 2018 and the conversion price is set at a fixed price of A\$0.625 per share (a premium of 25% over the Placement Price). The new set fixed price is an improvement of 25% from the conversion price that would otherwise have applied. The variation is subject to any necessary regulatory approvals (including shareholder approval, if required)

NYSE MKT Listing

No activities were undertaken during the quarter for the NYSE MKT listing. As previously announced, the Company expects to progress the NYSE MKT listing once Stage 2 funding has been completed. At the time of this report, the Stage 2 expansion and associated funding remain on hold.

Cash Position

The Company's cash position at the end of the quarter, including commercial bills, bonds and security deposits was A\$11.8 million (US\$8.6 million). Receivables from the sale of uranium were US\$4.7 million at 31 December 2017.

Drawn debt at 31 December 2016 was US\$27.6 million, with US\$8.3 million available in undrawn facility limits (subject to the Company maintaining minimum liquidity levels in the form of cash or undrawn debt).

The Company expects to conduct an SPP to raise an additional A\$5 million soon after the release of this report.



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 categorised 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 31 December 2016

Karoo Projects, South Africa
Mining Right Applications

Tenement	Project Area	Company	PEL % Held	Extent (ha)	Date of Submission
MR (EC) 10029	Kareepoort	Lukisa JV Company	74%	34,448	18/05/2015
MR (WC) 10085	Ryst Kuil	Lukisa JV Company	74%	68,926	20/06/2016
MR (WC) 10086	Quaggasfontein	Tasman Pacific Minerals	74%	9,917	20/06/2016
Total Extent				113,291	

Prospecting Right Applications

Tenement	Project Area	Company	PEL % Held	Extent (ha)	Date of Submission
PR (WC) 10247	Matjeskloof	Tasman-Mmakau JV Company	74%	33,694	21/06/2016
PR (WC) 10248	Lombardskraal	Beaufort West Minerals	74%	52,568	21/06/2016
PR (WC) 10249	Winterberg	Beaufort West Minerals	74%	29,775	21/06/2016
PR (WC) 10250	Rietkuil	Beaufort West Minerals	74%	69,696	04/07/2016
PR (WC) 10251	Tanqua	Beaufort West Minerals	74%	34,718	04/07/2016
Total Extent				220,451	

Current Prospecting Rights

Tenement	Project Area	Company	PEL % Held	Extent (ha)	Expiry
PR (NC) 330	Davidskolk	Tasman Pacific Minerals	74%	48,074	19/04/2019
Total Extent				48,074	

Prospecting Right Closures Submitted

Tenement	Project Area	Company	PEL % Held	Extent (ha)	Status
PR (WC) 154	Prince Albert	Lukisa JV Company	74%	40,966	Awaiting closure certificate
PR (WC) 178	Various	Lukisa JV Company	74%	69,687	Awaiting closure certificate
PR (WC) 180	Hans Rivier	Lukisa JV Company	74%	7,262	Awaiting closure certificate
PR (WC) 187	Prince Albert	Lukisa JV Company	74%	2,426	Awaiting closure certificate
PR (WC) 207	Laingsburg	Lukisa JV Company	74%	40,075	Awaiting closure certificate
PR (WC) 228	Laingsburg	Lukisa JV Company	74%	6,933	Awaiting closure certificate
PR (WC) 257	Vaalkuil	Lukisa JV Company	74%	3,752	Awaiting closure certificate
PR (NC) 331	Fraserburg	Tasman Pacific Minerals	74%	20,496	Awaiting closure certificate
PR (NC) 347	Loxton	Tasman Pacific Minerals	74%	63,387	Awaiting closure certificate
Total Extent				254,983	



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) Private Land (FEE) – Mineral Rights (approx. 10,078 acres) Federal Mining Claims – Mineral Rights (approx. 12,717 acres) Federal Mining Claims – Surface Access – Grazing Lease (approx. 40 acres) State Leases – Mineral Rights (approx. 10,690 acres) State Leases – Surface Access (approx. 1,229 acres) 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) Raki Raki (Geopacific JV) Raki Raki (Geopacific JV)</p>	SPL 1231 SPL 1373 SPL 1436	50% 50% 50%

