
PENINSULA ENERGY LIMITED

ABN 67 062 409 303

NOTICE OF EXTRAORDINARY GENERAL MEETING

TIME: 10.30am (WST)

DATE: 20 April 2017

PLACE: BDO
Rokeby Room
38 Station Street
SUBIACO WA 6008

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Independent Expert has formed the opinion that the transaction the subject of:

- *Resolution 1 is FAIR AND REASONABLE;*
- *Resolution 2 is FAIR AND REASONABLE; and*
- *Resolution 3 is FAIR AND REASONABLE,*

to the non-associated Shareholders of Peninsula.

Peninsula's Directors (except Evgenij Iorich and Mark Wheatley who abstain from making a recommendation) recommend that eligible Shareholders vote IN FAVOUR of Resolutions 1, 2 and 3.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (08) 9380 9920.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

An Extraordinary General Meeting of the Shareholders of Peninsula Energy Limited to which this Notice of Meeting relates will be held at 10.30am (WST) on Thursday, 20 April 2017 at:

BDO
Rokeby Room
38 Station Street
SUBIACO WA 6008

YOUR VOTE IS IMPORTANT

The business of the Extraordinary General Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Extraordinary General Meeting are those who are registered Shareholders at 5.00pm (WST) on Tuesday, 18 April 2017.

VOTING IN PERSON

To vote in person, attend the Extraordinary General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that an Extraordinary General Meeting of Shareholders of Peninsula Energy Limited will be held at BDO, 38 Station Street, Subiaco at 10.30am (WST) on 20 April 2017.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Extraordinary General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

Resolutions 1 and 2 are interdependent. If either of Resolutions 1 and 2 are not passed, then Resolutions 1 and 2 will both be taken to have not been passed.

1. RESOLUTION 1 – ISSUE OF SHARES AND REPLACEMENT CONVERTIBLE NOTE TO RCF VI AND INCREASE IN RELEVANT INTEREST

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“Subject to Resolution 2 being passed, that, for the purposes of section 611 (item 7) of the Corporations Act and for all other purposes, Shareholders approve:

- (a) the issue of the RCF VI Replacement Note and of Shares to RCF VI or an Associate pursuant to the Convertible Loan Facility;*
- (b) the issue of Shares to RCF VI or an Associate pursuant to the exercise of the RCF Amendment Fee Options; and*
- (c) the increase in the voting power of RCF VI and the RCF Associates to up to 36.92%,*

on the further terms and conditions set out in the Explanatory Statement.”

Directors Recommendation: The Directors (except for Evgenij Iorich and Mark Wheatley, who abstain from making a recommendation) recommend that Shareholders vote in favour of Resolution 1.

Independent Expert’s Report: Shareholders should carefully consider the Independent Expert’s Report prepared by RSM for the purposes of the Shareholder approval required under section 611 (item 7) of the Corporations Act. The Independent Expert’s Report comments on the fairness and reasonableness of the transaction to the Shareholders in the Company who are not associated with the RCF Associates and has concluded that the proposal the subject of Resolution 1 is FAIR AND REASONABLE.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by RCF VI or any of its Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – ISSUE OF SHARES AND REPLACEMENT CONVERTIBLE NOTE TO PALA AND INCREASE IN RELEVANT INTEREST

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“Subject to Resolution 1 being passed, that, for the purposes of section 611 (item 7) of the Corporations Act and for all other purposes, Shareholders approve:

- (a) the issue of the Pala Replacement Note and of Shares to Pala or an Associate pursuant to the Convertible Loan Facility;*
- (b) the issue of Shares to Pala or an Associate pursuant to the exercise of the Pala Amendment Fee Options; and*
- (c) the increase in the voting power of Pala and the Pala Associates to up to 21.08%,*

on the further terms and conditions set out in the Explanatory Statement.”

Directors Recommendation: The Directors (except for Evgenij Iorich and Mark Wheatley, who abstain from making a recommendation) recommend that Shareholders vote in favour of Resolution 2.

Independent Expert’s Report: Shareholders should carefully consider the Independent Expert’s Report prepared by RSM for the purposes of the Shareholder approval required under section 611 (item 7) of the Corporations Act. The Independent Expert’s Report comments on the fairness and reasonableness of the transaction to the Shareholders in the Company who are not associated with the Pala Associates and has concluded that the proposal the subject of Resolution 2 is FAIR AND REASONABLE.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Pala or any of its Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 3 – APPROVAL OF GRANT AND DIRECT ENFORCEMENT OF THE EXTENDED SECURITY

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 10.1 and for all other purposes, Shareholders approve the grant to the Lenders and their direct enforcement of the Extended Security on the further terms and conditions set out in the Explanatory Statement.”

Directors Recommendation: The Directors (except for Evgenij Iorich and Mark Wheatley, who abstain from making a recommendation) recommend that Shareholders vote in favour of Resolution 3.

Independent Expert’s Report: Shareholders should carefully consider the Independent Expert’s Report prepared by RSM for the purposes of the Shareholder approval required under Listing Rule 10.1. The Independent Expert’s Report comments on the fairness and reasonableness of the transaction to the Shareholders in the Company who are not associated with RCF VI or Pala and their respective Associates and has concluded that the proposal the subject of Resolution 3 is FAIR AND REASONABLE.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by RCF VI, Pala or any of their respective Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

BY ORDER OF THE BOARD

**JONATHAN WHYTE
COMPANY SECRETARY
PENINSULA ENERGY LIMITED**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the Extraordinary General Meeting to be held at BDO, Rokeby Room, 38 Station Street, Subiaco, Western Australia on 20 April 2017 at 10.30am (WST).

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. RESOLUTIONS 1 AND 2 – ISSUE OF SHARES AND REPLACEMENT CONVERTIBLE NOTES TO RCF VI AND PALA AND INCREASE IN RELEVANT INTEREST

1.1 Background

The Company began in-situ uranium recovery operations from its Lance Uranium Projects in Wyoming, USA (Lance Projects) in December 2015.

The Lance Projects 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.

Due to the 2016 uranium price pull back the Company reviewed its operating plan during the third quarter of CY 2016 and implemented an interim operating strategy in the fourth quarter until uranium prices normalise. Under this interim operating strategy Peninsula's production is now aligned to complement delivery commitments under its existing term contracts, thereby maximising the value attained for the extracted resource.

Production at present is still in the first ramp up stage with six of the planned seven Stage 1 header houses in operation as at the time of this Notice. The 5th and 6th header houses came online during January and February 2017 respectively, and the 7th header house is forecast to come online during March/April 2017. Stage 1 full production will see seven header houses in operation. Production for the 6 months ended 31 December 2016 was 84,000 pounds U3O8.

With 100,000 pounds U3O8 delivered in the first half of January 2017 from the Lance Projects, the Company has a further 300,000 pounds U3O8 to be delivered in CY 2017.

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.

Peninsula currently has 7.8 million pounds of U3O8 remaining under contract for delivery to major utilities located in the United States and Europe. The weighted average delivery price for these five contracts over the next 10 years is US\$55/lb U3O8.

As set out below in section 1.3, proceeds from the Convertible Loan Facility agreements have been used for Stage 1 general well field development activities at the Lance Projects, resource development drilling and final Stage 2 engineering design.

Proceeds from the Convertible Loan Facility agreements have also been used for the Company's Karoo Uranium Projects in South Africa, which is currently progressing through a pre-feasibility study, and for general working capital purposes.

1.2 Convertible Loan Facility

As set out in the announcements dated 26 April 2016 and 14 October 2016, the Company has entered into binding convertible bridge loan agreements with Resource Capital Fund VI L.P. (**RCF VI**) and Pala Investments Limited (**Pala**) pursuant to which RCF VI and Pala (together, the **Lenders**) have agreed (subject to Shareholder and other approvals) to provide the Company with the required funding support through a loan and convertible loan facility (**Convertible Loan Facility**).

The Convertible Loan Facility comprises subordinated second ranking secured convertible bridge loans of an aggregate US\$20 million, advanced by RCF VI and Pala proportionally to each entity's then shareholding in Peninsula (RCF VI loan amount is US\$12.84 million and Pala loan amount is US\$7.16 million). The Convertible Loan Facility has been secured through the Lenders' accession to the existing security over the assets of Peninsula in Australia, the United States and the United Kingdom held by Investec Australia Ltd as security trustee (**Security Trustee**) originally granted to the Security Trustee to secure the Company's obligations to Investec Bank plc (**Investec**) in respect of a working capital facility signed in December 2015 (**Security**). The Lenders acceded to the Security Trust Deed by the execution of a Designation Notice and have entered into an intercreditor agreement with the Security Trustee and Investec pursuant to which the Lenders' rights in relation to the Security are subordinated to those of Investec. The terms of the Security are set out below in section 2.1.

Peninsula drew down US\$15 million (US\$9.63 million from RCF VI and US\$5.37 million from Pala) on 22 April 2016 (**Initial Drawdown**). Peninsula drew down US\$5 million (US\$3.21 million from RCF VI and US\$1.79 million from Pala) on 14 October 2016.

Upon receiving Shareholder approval at an Extraordinary General Meeting held on 28 November 2016 (**November 2016 EGM**), Peninsula issued convertible notes for a face value equal to the principal amount outstanding under the Convertible Loan Facility and any accrued but unpaid interest from time to time (**Original Convertible Notes**). Note that at the November 2016 EGM shareholders approved an increase in the voting power of RCF VI to as much as 41.84% and an increase in the voting power of Pala to as much as 24.59%.

The terms of the Original Convertible Notes provide that on the date which is 12 months from Initial Drawdown, being 22 April 2017¹ (**Original Repayment Date**), the Lenders have the option to convert the Original Convertible Notes to Shares in Peninsula at the price which is the lower of the following:

- A\$0.80 per Share; and
- the price of any equity raising carried out by the Company prior to the Original Repayment Date.

As set out in the announcement dated 8 December 2016, RCF VI and Pala have agreed in principle, subject to certain conditions, to replace the Original Convertible Notes with new convertible notes (**Replacement Convertible Notes**) on varied terms whereby the Original Repayment Date is to be extended by 12 months to 22 April 2018 (**Amended Repayment Date**) and the Lenders have the option to convert the Replacement Convertible Notes to Shares in Peninsula at a fixed price of A\$0.625 per Share. There are no other proposed variations to the terms of the Original Convertible Notes. Each of the Lenders entered into an amending deed in respect of its convertible bridge loan agreement on 24 February 2017 to, subject to satisfaction of certain conditions (including shareholder approval), effect these variations (each an **Amending Deed**).

The Original Convertible Notes currently (and the Replacement Convertible Notes, once issued, will) accrue interest to be calculated and paid quarterly at a coupon rate of 8% per annum.

¹ or earlier, upon the occurrence of an event of default or an acceleration event.

Interest can be paid in cash or Shares at the Lenders' election, in which case the issue price for Shares is determined by the 5 day VWAP prior to the quarter end (**Interest Shares**). RCF VI and Pala elected to receive payments of interest for the quarters ended 30 June 2016, 30 September 2016 and 31 December 2016 in the form of Interest Shares. The 30 June 2016 and 30 September 2016 Interest Shares to RCF VI and Pala were issued on 21 December 2016. The 31 December 2016 Interest Shares to RCF VI and Pala were issued on 10 January 2017. RCF VI and Pala are otherwise yet to elect whether to receive interest payments in cash or Shares.

The tranche of remaining Interest Shares for the period 1 January to 22 April 2017 was calculated using a Share price of A\$0.50 and using an USD/AUD exchange rate of 0.7000 as at 8 December 2016 (**Remaining Interest Shares**).

Under the terms of each of the Amending Deeds, each Lender is entitled to an amendment fee of 3.5% of the total proceeds of the Original Convertible Notes issued to that Lender (each an **Amendment Fee**), being an amount of US\$449,400 payable to RCF VI and an amount of US\$250,600 payable to Pala. The Amendment Fees are to be paid in cash or Shares (at each Lenders' election) at a price of A\$0.50 per Share (**Amendment Fee Shares**). RCF VI and Pala are yet to elect whether to receive their Amendment Fee in cash or Shares.

Under the terms of each Amending Deed, the Lenders are also entitled to the issue of 8,380,000 PENOD options (**Amendment Fee Options**), comprised of 5,380,000 PENOD options to RCF VI (**RCF VI Amendment Fee Options**) and 3,000,000 PENOD options to Pala (**Pala Amendment Fee Options**).

Subject to Shareholder approval being obtained for the Resolutions, the Amendment Fee Shares, shares issued on the exercise of any Amendment Fee Options, and Shares issued on conversion of the Replacement Convertible Notes (including Interest Shares) will be issued to the Lenders at the relevant time without disclosure in accordance with section 708A(5) of the Corporations Act (as modified by ASIC Legislative Instrument 2016/82) or, if the Company is unable to rely upon that section at that time, issued with disclosure in accordance with the Corporations Act.

RCF VI and its Associates currently hold 20.59% of the issued capital in the Company and Pala currently holds 11.37% of the issued capital in the Company.

The amendment of each Convertible Loan Facility is conditional upon, among other things, Shareholders approving Resolutions 1, 2 and 3. If Resolution 1, 2 or 3 is not passed, the Original Convertible Notes would be due for repayment by no later than 22 April 2017 or the Lenders could elect to convert the amount owing under the Original Convertible Notes into Shares at a conversion price of the lower of A\$0.80 per Share or the price per Share of any equity raising carried out by the Company before the Original Repayment Date.

Following the issue of the maximum number of Shares pursuant to conversion of RCF VI's Replacement Convertible Note (**RCF VI Replacement Note**), the issue of the maximum number of the RCF Amendment Fee Shares, and the issue of Shares pursuant to the exercise of all RCF VI Options, RCF VI and its Associates' voting power in the Company may increase to as much as 36.92% (as further set out in section 1.6(b)). The Company is seeking Shareholder approval for this increase in voting power pursuant to Resolution 1.

Following the issue of the maximum number of Shares pursuant to conversion of Pala's Replacement Convertible Note (**Pala Replacement Note**), the issue of the maximum number of the Pala Amendment Fee Shares and the issue of Shares pursuant to the exercise of all Pala Options, Pala and its Associates' voting power in the Company may increase to as much as 21.08% (as further set out in section 1.6(c)). The Company is seeking Shareholder approval for this increase in voting power pursuant to Resolution 2.

1.3 Use of funds

The Company estimates the use of the funds raised under the Convertible Loan Facility as follows:

- (a) US\$5,500,000 - to working capital expenditure in respect of Strata Energy;

- (b) US\$7,000,000 - to working capital expenditure in respect of Peninsula;
- (c) US\$1,500,000 - to Karoo Project development costs; and
- (d) US\$6,000,000 - to Lance Project development costs.

As at the date of this Notice, the funds have been fully spent in accordance with the disclosure in the Company's Appendix 5B quarterly cashflow reports released since the entering into the Convertible Loan Facility.

1.4 **PENOD Options**

RCF VI currently holds 18,825,302 PENOD Options. If exercised, RCF VI would acquire 18,825,302 Shares in consideration for payment of the exercise price of A\$37,650,604, being A\$2.00 per PENOD Option. In addition, RCF VI is entitled to 5,380,000 PENOD options under the terms of its Amending Deed. If the RCF VI Amendment Fee Options were exercised, RCF VI would acquire 5,380,000 Shares in consideration for payment of the exercise price of A\$10,760,000, being A\$2.00 per PENOD Option.

Pala currently holds 5,647,790 PENOD Options. If exercised, Pala would acquire 5,647,790 Shares in consideration for payment of the exercise price of A\$11,295,580, being A\$2.00 per PENOD Option. In addition, Pala is entitled to 3,000,000 PENOD options under the terms of its Amending Deed. If the Pala Amendment Fee Options were exercised, Pala would acquire 3,000,000 Shares in consideration for payment of the exercise price of A\$6,000,000, being A\$2.00 per PENOD Option.

1.5 **Corporations Act prohibition**

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a listed company if, as a result of the acquisition that person's or someone else's voting power in the company increases from 20% or below, to more than 20%, or from a starting point that is above 20% and below 90%.

Generally, under section 608 of the Corporations Act, a person has a relevant interest in securities if they:

- (a) are the holder of the securities; or
- (b) have power to exercise, or control the exercise of, a right to vote attached to securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

The voting power of a person is determined under section 610 of the Corporations Act. It involves calculating the number of voting shares in the company in which the person and the person's Associates have a relevant interest.

A person (**second person**) will be an "Associate" of the other person (**first person**) if:

- (a) the first person is a body corporate and the second person is:
 - (i) a body corporate the first person controls;
 - (ii) a body corporate that controls the first person; or
 - (iii) a body corporate that is controlled by an entity that controls the first person;

- (b) the second person has entered or proposes to enter into a relevant agreement with the first person for the purposes of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and
- (c) the second person is a person with whom the first person is acting, or proposing to act, in concert in relation to the company's affairs.

Exceptions to the section 606 prohibition

There are various exceptions to the prohibition in section 606 of the Corporations Act. Section 611 of the Corporations Act contains a table setting out circumstances in which acquisitions of relevant interests are exempt from the prohibition. Item 7 of this table provides an exemption where the acquisition is approved by a resolution passed at a general meeting of the company before the acquisition is made. The parties involved in the acquisition and their Associates are not able to cast a vote on the resolution.

The purpose of Resolution 1 is to obtain Shareholder approval for the issue of Shares and the RCF VI Replacement Note to RCF VI or an Associate pursuant to item 7 of section 611 of the Corporations Act. By passing Resolution 1, RCF VI will not be prohibited from acquiring Shares (including Shares on conversion of the RCF VI Replacement Note and on exercise of the RCF VI Options).

The purpose of Resolution 2 is to obtain Shareholder approval for the issue of Shares and the Pala Replacement Note to Pala or an Associate pursuant to item 7 of section 611 of the Corporations Act. By passing Resolution 2, Pala will not be prohibited from acquiring Shares (including Shares on conversion of the Pala Replacement Note and on exercise of the Pala Options).

1.6 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The following paragraphs set out information required to be provided to Shareholders under ASIC Regulatory Guide 74 and item 7 in the table in section 611 of the Corporations Act.

Shareholders are also referred to the Independent Expert's Report set out at Appendix A to this Notice.

(a) Identities of the persons proposing to make the acquisition, their Associates and any other persons acquiring a relevant interest

The RCF VI Replacement Note, and the Shares issued on conversion of the RCF VI Replacement Note (including Interest Shares), the RCF VI Amendment Fee Shares and the Shares issued on exercise of the RCF VI Options (**RCF VI Shares**), will be issued to RCF VI (or its nominee).

The Pala Replacement Note, the Shares issued on conversion of the Pala Replacement Note (including Interest Shares), the Pala Amendment Fee Shares and the Shares issued on exercise of the Pala Options (**Pala Shares**), will be issued to Pala (or its nominee).

(b) Increase in RCF VI's voting power in the Company resulting from the issue of RCF VI Shares and RCF VI Replacement Note

As at the date of this Notice, RCF VI has a relevant interest in 46,643,366 Shares and the current voting power of RCF VI and each of its Associates in the Company is 20.59% based on 226,497,635 Shares on issue. RCF VI currently holds 18,825,302 PENOD Options.

The effect of the acquisition of RCF VI Shares by RCF VI is summarised in the following table, which outlines the current and proposed shareholding of RCF VI and its Associates in the Company:

	Maximum number of Shares to be issued to RCF VI or its nominee	Total Shares to be held by RCF VI and its Associates	Total Shares on issue where RCF VI and Pala convert at same time	Percentage voting power where RCF VI and Pala convert at same time	Total Shares on issue where RCF VI converts and Pala does not	Percentage voting power where RCF VI converts and Pala does not
Current position	N/A	46,643,366	226,497,635	20.59%	N/A	N/A
Position if Replacement Convertible Notes are fully converted at A\$0.625¹, the maximum number of outstanding Remaining Interest Shares and Replacement Note Interest Shares are issued at A\$0.50¹, all of the RCF VI Options are exercised, and the RCF VI Amendment Fee Shares are issued at A\$0.50 per Share²	58,641,439 <i>Shares issued on conversion of Principal:</i> 29,348,571 <i>Amendment Fee Shares:</i> 1,198,880 <i>Remaining Interest Shares:</i> 913,067 <i>Replacement Note Interest Shares:</i> 2,975,619 <i>Shares issued on exercise of the RCF VI Options:</i> 24,205,302	105,284,805	312,999,391	33.64%	285,139,074	36.92%

Note: The figures in the above table have been calculated based on the assumption that Resolutions 1 and 2 are both passed, no Options on issue (other than the RCF VI Options and the Pala Options) are exercised, no other Shares are issued by the Company, and the shareholding of RCF VI and its Associates in the Company does not change. Shareholders should be aware that RCF VI and its Associates are entitled to increase their shareholding in the Company in the manner permitted under the Corporations Act.

The maximum voting power for which Shareholder approval is sought pursuant to Resolution 1 (being 36.92%) has been determined by applying a USD/AUD exchange rate of 0.7000 for possible USD amounts to be converted to AUD where the exchange rate is not currently known or set and by applying a A\$0.50 price per Share for possible future Share issues where the Share price or quantity of Shares to be issued is not currently known or set.

1 Assumed USD/AUD exchange rate of 0.70

2 USD/AUD exchange rate of 0.7497 as at 8 December 2016

(c) **Increase in Pala's voting power in the Company resulting from the issue of Pala Shares and Pala Note**

As at the date of this Notice, Pala has a relevant interest in 25,756,562 Shares and the current voting power of Pala and each of its Associates in the Company is 11.37% based on 226,497,635 Shares on issue. Pala currently holds 5,647,790 PENOD Options.

The effect of the acquisition of Pala Shares by Pala is summarised in the following table, which outlines the current and proposed shareholding of Pala and its Associates in the Company:

	Maximum number of Shares to be issued to Pala or its nominee	Total Shares to be held by Pala and its Associates	Total Shares on issue where Pala and RCF VI convert at same time	Percentage voting power where Pala and RCF VI convert at same time	Total Shares on issue where Pala converts and RCF VI does not	Percentage voting power where Pala converts and RCF VI does not
Current position	N/A	25,756,562	226,497,635	11.37%	N/A	N/A
Position if Replacement Convertible Notes are fully converted at A\$0.625¹, the maximum number of outstanding Remaining Interest Shares and Replacement Note Interest Shares are issued at A\$0.50¹, all of the Pala Options are exercised, and the Pala Amendment Fee Shares are issued at A\$0.50 per Share²	27,860,317 <i>Shares issued on conversion of Principal:</i> 16,365,714 <i>Amendment Fee Shares:</i> 668,534 <i>Remaining Interest Shares:</i> 518,977 <i>Replacement Note Interest Shares:</i> 1,659,302 <i>Shares issued on exercise of the Pala Options:</i> 8,647,790	53,616,879	312,999,391	17.13%	254,357,952	21.08%

Note: The figures in the above table have been calculated based on the assumption that Resolutions 1 and 2 are both passed, no Options on issue (other than the Pala Options and the RCF VI Options) are exercised, no other Shares are issued by the Company, and the shareholding of Pala and its Associates in the Company does not change. Shareholders should be aware that Pala and its Associates are entitled to increase its shareholding in the Company in the manner permitted under the Corporations Act.

The maximum voting power for which Shareholder approval is sought pursuant to Resolution 2 (being 21.08%) has been determined by applying a USD/AUD exchange rate of 0.7000 for

possible USD amounts to be converted to AUD where the exchange rate is not currently known or set and by applying a A\$0.50 price per Share for possible future Share issues where the Share price or quantity of Shares to be issued is not currently known or set.

1 Assumed USD/AUD exchange rate of 0.70

2 USD/AUD exchange rate of 0.7497 as at 8 December 2016

(d) Further background information on Resource Capital Funds

Resource Capital Funds (**RCF**) is a group of commonly managed private equity funds established in 1998 with a mining sector specific investment mandate spanning all hard mineral commodities and geographic regions.

Since inception, RCF has supported 164 mining companies, with projects located in 51 countries and across 29 commodities.

The sixth fund, Resource Capital Funds VI L.P. (**RCF VI**), with committed capital of US\$2.04 billion, is now being invested.

Further information about RCF can be found on its website at **www.resourcecapitalfunds.com**.

RCF has a strong team of investment professionals, with wide ranging industry and technical expertise and a demonstrated history of investments in mining globally. RCF's track record is based on its ability to pick technically and commercially compelling assets and support management to achieve desired outcomes whilst remaining throughout a source of patient capital. RCF aims to partner with companies to build strong, successful and sustainable businesses and in doing so strives to earn superior returns for all Shareholders.

(e) Further background information on Pala

Founded in 2006, Pala is an investment company dedicated to value creation in the mining sector, having invested in 87 companies in 25 countries across six continents.

Pala has an extensive team of accomplished mining industry professionals from all over the world, and seeks to partner with management teams, boards and shareholders to create long term value. Pala invests in all mining commodities in development, production and turnaround situations, as well as in mining products and services. Deep relationships in the mining, investment and advisory world allow Pala to assist its partners in developing business connections, raising finance, delivering transactions and strengthening management.

Further information about Pala can be found on its website at **www.pala.com**.

(f) Future intentions of RCF VI for the Company

RCF VI has informed the Company that its intentions mentioned in this section are based on the facts and information regarding the Company, its business and the general business environment which are known to RCF VI as at the date of the Notice, which is limited to publicly available information. Any future decisions regarding these matters will only be made based on all material information and circumstances at the relevant time. Accordingly, the statements set out below are statements of current intention only which, if circumstances change or new information becomes available in the future, could change accordingly.

No change to the composition of the Company's Board is currently proposed by RCF VI or the Company.

Other than as disclosed above or elsewhere in this Explanatory Statement, RCF VI:

- (i) has no current intention of making any significant changes to the existing business of the Company;
- (ii) has no current intention to inject further capital into the Company;
- (iii) has no current intention of making changes regarding the future employment of the Company's present employees;
- (iv) does not currently intend for any property to be transferred between the Company and itself or any person associated with it;
- (v) has no current intention to otherwise redeploy the fixed assets of the Company; and
- (vi) has no current intention to significantly change the Company's existing financial or dividend policies.

(g) **Future intentions of Pala for the Company**

Pala has informed the Company that its intentions mentioned in this section are based on the facts and information regarding the Company, its business and the general business environment which are known to Pala as at the date of the Notice, which is limited to publicly available information. Any future decisions regarding these matters will only be made based on all material information and circumstances at the relevant time. Accordingly, the statements set out below are statements of current intention only which, if circumstances change or new information becomes available in the future, could change accordingly.

No change to the composition of the Company's Board is currently proposed by Pala or the Company.

Other than as disclosed above or elsewhere in this Explanatory Statement, Pala:

- (i) has no current intention of making any significant changes to the existing business of the Company;
- (ii) has no current intention to inject further capital into the Company;
- (iii) has no current intention of making changes regarding the future employment of the Company's present employees;
- (iv) does not currently intend for any property to be transferred between the Company and itself or any person associated with it;
- (v) has no current intention to otherwise redeploy the fixed assets of the Company; and
- (vi) has no current intention to significantly change the Company's existing financial or dividend policies.

(h) **Terms of the proposed acquisition and contracts conditional on Shareholder approval of Resolution 1 and 2**

The terms of the proposed acquisition of Shares and Replacement Convertible Notes by RCF VI and Pala under the Convertible Notes and upon exercise of the RCF VI Options and Pala Options are summarised in sections 1.2 and 1.4 of this Explanatory Statement above. The terms of the Security granted for the benefit of the Lenders are set out in section 2.1 below, including the proposed extension of the Security.

Other than the Amending Deeds and the Security (and Extended Security), there are no other contracts or proposed contracts between the Lenders and the Company or any of

their Associates which are conditional upon, or directly or indirectly dependent on, Shareholder approval of Resolutions 1 or 2.

(i) **Timing of the proposed acquisition**

The timing of the proposed acquisition of Shares and Replacement Convertible Notes by RCF VI and Pala under the Convertible Note Facility and upon exercise of the RCF VI Options and Pala Options is extended by 12 months from the Original Payment Date to allow acquisition up to and including 22 April 2018, as set out in sections 1.2 and 1.6 of this Explanatory Statement.

(j) **Reasons for the proposed acquisition**

An explanation of the reasons for the proposed acquisition is set out in section 1.1 and 1.2 of this Explanatory Statement.

(k) **Directors' interests and recommendations**

The current Directors of the Company are Messrs John Harrison, John (Gus) Simpson, Richard Lockwood, Warwick Grigor, Evgenij Iorich, Harrison (Hink) Barker and Mark Wheatley.

Each Director (apart from Evgenij Iorich and Mark Wheatley, who abstain from making a recommendation) recommends that Shareholders vote in favour of Resolutions 1 and 2 for the following reasons:

- the terms of the Replacement Convertible Notes are more favourable to the Company and non-associated Shareholders as they extend the Original Payment Date by 12 months to 22 April 2018 and now have a fixed conversion price;
- financing costs associated with the Replacement Convertible Notes are competitive when compared to alternate financing options; and
- should Resolutions 1, 2 and 3 not be approved by Shareholders, the repayment date of the drawn amount of US\$20 million would be 22 April 2017, being 12 months earlier than it would otherwise be, and, in the event the Lenders did not elect to convert the Original Convertible Notes into Shares, the Company may not have sufficient funding available to make the repayment at that point in time.

No votes can be cast on Resolutions 1 or 2 by RCF VI, Pala or any of their respective Associates. Evgenij Iorich abstains from making a recommendation as he is an employee of Pala and serves as Pala's nominee on the Board of the Company. Mark Wheatley abstains from making a recommendation as he serves as RCF VI's nominee on the Board of the Company.

(l) **Independent Expert's Report as to whether the acquisition by RCF VI is fair and reasonable**

Accompanying this Notice is an Independent Expert's Report prepared by RSM. The Independent Expert's Report assesses whether the acquisition of Shares by RCF VI through the issue of the RCF VI Replacement Note and RCF VI Shares, and the increase in the voting power of RCF VI and the RCF Associates to up to 36.92%, pursuant to Resolution 1, and the acquisition of Shares by Pala through the issue of the Pala Replacement Note and Pala Shares, and the increase in the voting power of Pala and the Pala Associates to up to 21.08%, pursuant to Resolution 2 are fair and reasonable to the Shareholders not associated with RCF VI or Pala, respectively.

The report concludes that:

- the acquisition of Shares by RCF VI through the issue of the RCF VI Replacement Note and RCF VI Shares, and the resultant increase in the voting power of RCF VI and the RCF Associates to up to 36.92%, pursuant to Resolution 1, is fair and reasonable to the Shareholders not associated with RCF VI; and
- the acquisition of Shares by Pala through the issue of the Pala Replacement Note and Pala Shares, and the resultant increase in the voting power of Pala and the Pala Associates to up to 21.08%, pursuant to Resolution 2 is fair and reasonable to the Shareholders not associated with Pala

Please refer to the Independent Expert's Report of this Notice at Appendix A for further details and in particular the advantages and disadvantages of the issue of the RCF VI Replacement Note and RCF VI Shares, the subject of Resolution 1, to RCF VI, and the issue of the Pala Replacement Note and Pala Shares, the subject of Resolution 2, to Pala. This assessment is designed to assist all Shareholders in reaching their voting decision. It is recommended that all Shareholders read the Independent Expert's Report in full.

(m) **Interdependency**

If either Resolution 1 or Resolution 2 is not passed, the issue of Shares and Replacement Convertible Notes pursuant to Resolutions 1 and 2 will not proceed.

If Resolutions 1, 2 and 3 are not passed, the Original Convertible Notes would be due for repayment by no later than 22 April 2017 or the Lenders could elect to convert the amount owing under the Original Convertible Notes into Shares at a conversion price of A\$0.80 per Share or the price per Share of any equity raising carried out by the Company before the Original Repayment Date.

2. **RESOLUTION 3 – APPROVAL OF GRANT AND DIRECT ENFORCEMENT OF EXTENDED SECURITY BY THE LENDERS PURSUANT TO CONVERTIBLE NOTES**

2.1 **General**

The Original Convertible Notes are secured through the Lenders acceding to the existing security over the assets of Peninsula in Australia, the United States and the United Kingdom held by Investec Australia Ltd as security trustee (**Security Trustee**) and originally granted to secure the Company's obligations to Investec Bank plc (**Investec**) under a working capital facility signed in December 2015. The Lenders have entered into an intercreditor agreement with the Security Trustee and Investec pursuant to which the Lenders' rights in relation to the Security subordinated to those of Investec. The Lenders have joined the existing security arrangements through a Designation Notice signed by the Company, the Lenders and the Security Trustee.

At the November 2016 EGM, approval was given to grant RCF VI and Pala security over certain assets of the Company to secure the obligations under the Original Convertible Notes. As the Original Convertible Loan Notes are due for repayment by 22 April 2017, a new approval is required to enable the extension of the Security for the period between 23 April 2017 and 22 April 2018 (**Extended Security**) and direct enforcement of the Extended Security by the Lenders.

If Security is not extended and directly enforceable by the Lenders beyond 22 April 2017, this would entitle the Lenders by notice to the Company to declare all monies outstanding under the Original Convertible Notes due and payable on 22 April 2017.

2.2 **Application of Listing Rule 10.1**

Listing Rule 10.1 provides that approval of holders of an entity's ordinary securities is required where an entity proposes to dispose of or agree to dispose of a substantial asset to a second entity that is a substantial shareholder, or an Associate of a substantial shareholder of that second entity.

For these purposes:

- (a) a person is a substantial holder if the person and the person's Associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to an entity's voting securities; and
- (b) an asset is a substantial asset if its value, or the value of the consideration for it, is 5% or more of the equity interests of the company as set out in the latest accounts of the company given to ASX under the Listing Rules.

The Lenders are substantial Shareholders of the Company.

The Company's full year accounts for the period ended 30 June 2016 (as lodged with ASX on 30 September 2016) show that its equity interests were approximately US\$132.52 million. The value of the assets the subject of the Extended Security would exceed 5% of the Company's equity interests as shown in its last consolidated financial statements.

ASX deems the granting of a security interest over an asset to be a disposal of that asset. As such the granting of security by the Company for the benefit of the Lenders (by way of the Designation Notice) may be deemed under Listing Rule 10.1 to be a disposal of a substantial asset (ie the underlying assets to the Security Documents), on the basis that the Lenders are substantial Shareholders in the Company. As the value of the debt secured by the Extended Security Documents is greater than 5% of the equity interests of the Company as set out in its last accounts given to ASX, the Company is seeking Shareholder approval and ratification of the grant to the Lenders and their direct enforcement of the Extended Security pursuant to Listing Rule 10.1.

For the purposes of Listing Rule 10.1, the "disposal" of an asset includes the grant of a security over that asset. Accordingly, while the Company has already granted the Security, Shareholder approval for the purposes of Listing Rule 10.1 would be required before the Company could enter into any agreements to provide the Extended Security.

2.3 Independent Expert's Report

In accordance with Listing Rule 10.1, accompanying this Notice is an Independent Expert's Report prepared by RSM. The Independent Expert's Report assesses whether the grant to the Lenders and their direct enforcement of the Extended Security is fair and reasonable to the Shareholders who are not associated with RCF VI and Pala. The report concludes that the grant to the Lenders and the direct enforcement by RCF VI and Pala of the Extended Security is fair and reasonable to the non-associated Shareholders.

Please refer to the Independent Expert's Report of this Notice at Appendix A for further details and in particular the advantages and disadvantages of the grant to the Lenders and their direct enforcement of the Extended Security, being the subject of Resolution 3. This assessment is designed to assist all Shareholders in reaching their voting decision. It is recommended that all Shareholders read the Independent Expert's Report in full.

2.4 Resolution not approved

In the event Shareholder approval under Resolution 3 is not obtained to permit the direct extension and direct enforcement of the Security by the Lenders, the Security will remain in place until the earlier of 22 April 2017, repayment of the Original Convertible Notes on or before 22 April 2017 and conversion of the repayment amount by the Lenders to Shares at a price of A\$0.50 per Share on or before 22 April 2017.

2.5 Directors' recommendation

The Board (apart from Evgenij Iorich and Mark Wheatley, who abstain from making a recommendation) recommends that members vote in favour of Resolution 3.

GLOSSARY

30 June 2016 Interest Shares has the meaning given in section 1.2 of the Explanatory Statement.

A\$ means Australian dollars, the lawful currency of the Commonwealth of Australia.

Amended Repayment Date means 22 April 2018.

Amendment Fee has the meaning given in section 1.2 of the Explanatory Statement.

Amendment Fee Shares has the meaning given in section 1.2 of the Explanatory Statement.

Amendment Fee Options has the meaning given in section 1.2 of the Explanatory Statement.

Associate has the meaning given in section 1.5 of the Explanatory Statement.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as the context requires.

Board means the current board of Directors of the Company.

Business Day has the meaning set out in the Listing Rules.

Company or **Peninsula** means Peninsula Energy Limited (ABN 67 062 409 303).

Convertible Loan Facility has the meaning given in section 1.2 of the Explanatory Statement.

Convertible Note means either an Original Convertible Note or a Replacement Convertible Note.

Corporations Act means the *Corporations Act 2001* (Cth).

Designation Notice means a designation notice signed by the Company, the Lenders and the Security Trustee whereby the Lenders will join the existing security arrangements held by the Security Trustee.

Directors means the current directors of the Company.

Equity Securities has the meaning given in the Listing Rules.

Explanatory Statement means the explanatory statement accompanying this Notice of Meeting.

Extended Security means the Security with an extended term so that it continues to apply during the period between 23 April 2017 and 22 April 2018.

Extraordinary General Meeting or **Meeting** means the extraordinary meeting convened by this Notice.

Independent Expert's Report means the independent expert's report prepared by RSM set out in Appendix A to this Notice.

Interest Shares has the meaning given in section 1.2 of the Explanatory Statement.

Investec means Investec Bank plc.

Lenders means RCF VI and Pala.

Listing Rules means the Listing Rules of ASX.

Notice or **Notice of Meeting** means this notice of Extraordinary General Meeting of the Company including the Explanatory Statement and the Proxy Form.

November 2016 EGM means the Extraordinary General Meeting of the Company held on 28 November 2016.

Option means an option to purchase a Share and includes a PENOD Option.

Original Convertible Notes has the meaning given in section 1.2 of the Explanatory Statement.

Original Repayment Date means 22 April 2017.

Pala means Pala Investments Limited.

Pala Amendment Fee Shares means the Amendment Fee Shares which Pala can elect to receive in satisfaction of the Amendment Fee payable to it under its Amending Deed.

Pala Associate means an Associate of Pala.

Pala Replacement Note has the meaning given in section 1.2 of the Explanatory Statement.

Pala Options means 8,647,790 PENOD Options.

Pala Shares means Shares to be issued pursuant to the Replacement Convertible Notes or on exercise of Pala Options, which together with Shares currently held by Pala and its Associates, could result in Pala and its Associates holding a voting power in Peninsula of up to 21.08%.

PENOD Option means an Option listed on ASX exercisable at A\$2.00 on or before 31 December 2018.

Placement Facility has the meaning given in section 6.1 of the Explanatory Statement.

Proxy Form means the proxy form attached to this Notice of Meeting.

RCF means Resource Capital Funds, a group of private equity funds managed by RCF Management LLC.

RCF Amendment Fee Shares means the Amendment Fee Shares which RCF VI can elect to receive in satisfaction of the Amendment Fee payable to it under its Amending Deed.

RCF Associate means an Associate of RCF VI.

RCF VI Replacement Note has the meaning given in section 1.2 of the Explanatory Statement.

RCF VI Options means 24,205,302 PENOD Options.

RCF VI Shares means Shares to be issued pursuant to the Replacement Convertible Notes or on exercise of RCF VI Options, which together with Shares currently held by RCF VI and its Associates, could result in RCF VI and its Associates holding a voting power in Peninsula of up to 36.92%.

RCF VI means Resource Capital Fund VI LP.

Remaining Interest Shares has the meaning given in section 1.2 of the Explanatory Statement.

Replacement Convertible Notes has the meaning given in section 1.2 of the Explanatory Statement.

Resolutions means the resolutions set out in the Notice of Meeting and **Resolution** means any one of them.

RSM means RSM Australia Pty Ltd.

Security means the existing security over the assets of Peninsula in Australia, the United States and the United Kingdom held by Investec Australia Ltd as security trustee, granted originally to secure the obligations of the Company to Investec Bank plc pursuant to a working capital facility signed in December 2015 but amended to secure the obligations of the Company under the Convertible Loan Facility.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Strata Energy means Strata Energy Inc, a company incorporated in Delaware, United States of America.

US\$ means United States dollars, the lawful currency of the United States of America.

VWAP means volume weighted average price.

WST means Western Standard Time, Perth, Western Australia.

APPENDIX A – INDEPENDENT EXPERT'S REPORT



PENINSULA ENERGY LIMITED

Financial Services Guide and Independent Expert's Report

13 March 2017

We have concluded that the Proposed Transaction is Fair and Reasonable

We have concluded that the transfer of the Security is Fair and Reasonable

FINANCIAL SERVICE GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 (“RSM Corporate Australia Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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13 March 2017
Directors
Peninsula Energy Limited
Unit 17, Level 2, 100 Railway Road
SUBIACO WA 6008

Dear Directors

INDEPENDENT EXPERT'S REPORT ("REPORT")

1. Introduction

- 1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to be provided to Shareholders for a General Meeting of Peninsula Energy Limited ("Peninsula" or "the Company") to be held on or around 20 April 2017, at which shareholder approval will be sought for (among other things) the variation and extension of terms relating to the convertible loan facility ("Convertible Loan Facility") between the Company and substantial Shareholders, Resource Capital Fund VI L.P. ("RCF VI") and Pala Investments Ltd ("Pala") (together, the "Lenders") for a total of US\$20 million.
- 1.2 At the Extraordinary General Meeting held on 28 November 2016 ("November 2016 EGM") Shareholders approved the issue of convertible notes to RCF VI and Pala ("Original Convertible Notes").
- 1.3 Subsequently, on 8 December 2016, the Company announced that RCF VI and Pala had conditionally agreed to replace the Original Convertible Notes with new convertible notes ("Replacement Convertible Notes") on varied terms by way of a 12 month extension to the repayment date to 22 April 2018 and a fixed conversion price of A\$0.625 per Share ("Proposed Transaction").
- 1.4 The Original Convertible Notes are secured by a charge over the certain assets of the Company ("Security"). This Security will be extended for the duration of the Replacement Convertible Notes subject to Resolution 3 in the Notice.
- 1.5 RCF VI currently holds 20.6% of the issued capital in the Company and Pala currently holds 11.4% of the issued capital in the Company. RCF VI currently holds 18,825,302 options to acquire shares in the Company and Pala currently holds 5,647,790 options to acquire shares in the Company, which are all exercisable at \$2.00 per share.
- 1.6 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction and

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RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

provision of Security are fair and reasonable to Shareholders not associated with the Proposed Transaction (“Non-Associated Shareholders”).

- 1.7 The ultimate decision whether to approve the Proposed Transaction and Security should be based on each Shareholder’s assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction and Security, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

2. Summary and Conclusion

Proposed Transaction

Opinion

- 2.1 In our opinion, and for the reasons set out in Sections 11 and 12 of this Report, the Proposed Transaction is **fair and reasonable** to the Non-Associated Shareholders of Peninsula.

Context

- 2.2 The Original Convertible Notes were approved by Shareholders at the November 2016 EGM and subsequently issued to the Lenders. The terms that were approved by Shareholders enable the Lenders to convert the Original Convertible Notes at the lower of A\$0.80 per Share and the price of any equity raising carried out by the Company prior to the repayment date on 22 April 2017.
- 2.3 The Company conducted a Share placement in December 2016 (“Placement”) at an issue price of A\$0.50 per Share. As a result of the December Placement, the Original Convertible Notes are eligible to be converted at A\$0.50 per Share on 22 April 2017.
- 2.4 In connection with the December Placement, the Company has conditionally agreed with the Lenders to change the terms of the Original Convertible Notes by extending the repayment date by 12 months to 22 April 2018 and fix the conversion price at A\$0.625 per Share.
- 2.5 Our Report therefore acts to provide an opinion on whether the change in terms are fair and reasonable to Non-Associated Shareholders of the Company.

Approach

- 2.6 In assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 111 – *Content of Expert Reports* (“RG 111”), which provides specific guidance as to how an expert is to appraise transactions.
- 2.7 Where an issue of shares by a company otherwise prohibited under section 606 of the Act is approved under item 7 of section 611, and the effect on the company shareholding is comparable to a takeover bid, such as the Proposed Transaction, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 2.8 At the November 2016 EGM Shareholder approval was received for a maximum number of Shares to be issued, should the Lenders elect to convert their Original Convertible Notes, in accordance with Section 611, Item 7 of the Act. The Company is seeking approval for a variation of these terms under the Replacement Convertible Notes as required by Section 611, Item 7 of the Act.
- 2.9 The maximum number of Shares that could be issued to the Lenders assuming full conversion of the Original Convertible Notes is 37,598,781 Shares to RCF VI and 20,976,119 Shares to Pala, based on a conversion price of A\$0.50 per Share at which the December Placement was completed. If the Proposed Transaction is approved, the maximum number of Shares that could be issued through conversion of the Replacement Convertible Notes is 34,436,137 Shares to RCF VI and 19,212,527 Shares to Pala, based on a fixed conversion price of A\$0.625 each, plus 5,380,000 and 3,000,000 new PENOD Options respectively at an exercise price of A\$2.00 each.
- 2.10 In order to evaluate the impact of the variation in terms on Non-Associated Shareholders, we have compared the number of remaining Shares to be issued prior to the Proposed Transaction under the Original Convertible Notes with the number of Shares to be issued post the Proposed Transaction under the Replacement Convertible Notes. We have also calculated the value of Shares to be issued prior to and post the Proposed Transaction to provide context of the impact of the change in terms on Non-Associated Shareholders.
- 2.11 To consider whether or not the Proposed Transaction is “fair” to the Non-Associated Shareholders, we have therefore assessed and compared:

- The number of Shares to be issued prior to the Proposed Transaction (Original Convertible Notes); with
- The number of Shares to be issued post the Proposed transaction (Replacement Convertible Notes),

and, considered whether the Proposed Transaction is “reasonable” to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Proposed Transaction.

2.12 Further information of the approach we have employed in assessing whether the Proposed Transaction is “fair and reasonable” is set out at Section 4 of this Report.

Fairness

2.13 Whilst we have conducted our analysis assuming the full conversion of Shares under the Convertible Loan Facility, the table below sets out our assessment of the number of Shares to be issued prior to and post the Proposed Transaction, including each scenario regarding whether the Interest Shares and Amendment Fees are paid in cash, Shares or a combination of both.

Table 1 Assessed values of Peninsula Shares to be issued pre and post the Proposed Transaction

Assessment of fairness	Ref	Number of Shares (millions)		
		Total #	RCF VI #	Pala #
Number of Shares to be issued assuming Interest Shares and Amendment Fees are converted				
Shares to be issued under the Original Convertible Notes	9.2	58.6	37.6	21.0
Shares to be issued under the Replacement Convertible Notes	9.4	53.6	34.4	19.2
Number of Shares to be issued assuming Interest Shares are converted and Amendment Fees are paid in cash				
Shares to be issued under the Original Convertible Notes		58.6	37.6	21.0
Shares to be issued under the Replacement Convertible Notes		51.8	33.2	18.5
Number of Shares to be issued assuming Interest Shares are paid in cash and Amendment Fees are converted				
Shares to be issued under the Original Convertible Notes		57.2	36.7	20.5
Shares to be issued under the Replacement Convertible Notes		47.6	30.5	17.0
Number of Shares to be issued assuming Interest Shares and Amendment Fees are paid in cash				
Shares to be issued under the Original Convertible Notes		57.2	36.7	20.5
Shares to be issued under the Replacement Convertible Notes		45.7	29.3	16.4

Source: RSM analysis

- 2.14 The table above indicates that under each scenario regarding payment of the Interest Shares and Amendment Fees, the number of Shares to be issued under the Replacement Convertible Notes is less than the number of Shares to be issued under the Original Convertible Notes.
- 2.15 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Corporations Act 2001, we consider the Proposed Transaction to be fair to the Non-Associated Shareholders of Peninsula assuming the Replacement Convertible Notes are converted.

Reasonableness

- 2.16 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:
- The future prospects of the Company if the Proposed Transaction does not proceed; and
 - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.
- 2.17 If the Proposed Transaction does not proceed then the Company will be required to adhere to the terms of the Original Convertible Notes. Until the Company is able to provide investors with certainty around the conversion price and whether the Lender's will elect to call upon their debts on 22 April 2017, it may not be able to raise short-term capital at commercial rates.
- 2.18 The key advantages of the Proposed transaction are:
- The Proposed Transaction is fair;
 - The number of Shares given to RCF VI and Pala is less if the Proposed Transaction proceeds;
 - Eliminates potential cash shortfall from current working capital deficit and potential debt owing in April 2017;
 - Conversion of the New PENOD Options at \$2.00 would result in significant cash inflow for the Company;
 - The 12 month extension of the repayment date to 22 April 2018 provides the Company with greater flexibility to execute its operating plan and ensure it has sufficient funds should the debts be called upon at the repayment date; and
 - The Company may not be able to raise additional capital while the Company is bound to the terms of the Original Convertible Notes.
- 2.19 The key disadvantages of the Proposed Transaction are:
- The Lenders' maximum voting interests may be greater if the new PENOD Options issued under the Proposed Transaction are converted into Shares in the Company at or above \$2.00 per Share;
- 2.20 In our opinion, the position of the Non-Associated Shareholders of Peninsula if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of Peninsula.

Security

Opinion

2.21 In our opinion, the grant and direct enforcement of the Security is fair and reasonable to the Non-Associated Shareholders of Peninsula.

Fairness

- 2.22 At the November 2016 EGM approval was given to grant RCF VI and Pala security over certain assets of the Company to secure obligations under the Original Convertible Note. Approval is therefore required to enable the extension of the Security and its direct enforcement by the Lenders beyond 22 April 2017 in respect of the Replacement Convertible Notes.
- 2.23 The Security is limited to the value of the debt owed to RCF VI and Pala, plus other amounts otherwise owed to RCF VI and Pala under the Proposed Transaction. As such, RCF VI or Pala will not receive any value from the Security that is greater than the debt owing to them. For the purpose of our analysis, we have not considered any additional interest charges or additional amounts that may become payable as the quantum of such is not predictable and not material to our opinion of fairness. We note that the 8% p.a. coupon rate attached to the Convertible Loan Facility is not unreasonable.
- 2.24 In accordance with the guidance set out in RG 111 issued by ASIC, and in the absence of any other relevant information, for the purpose of ASX Listing Rule 10.1, we consider the grant and direct enforcement of the Security to be fair to the Non-Associated Shareholders of Peninsula, as the value of the Security cannot be greater than the value of the debt owed to RCF VI and Pala.

Reasonableness

- 2.25 RG 111 establishes that a transaction is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to approve the transaction in the absence of a superior alternative. In assessing the reasonableness of extending the Security, we have considered the following factors in our assessment:
- The future prospects of the Company if the Security is issued; and
 - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of issuing the Security.
- 2.26 The extension of the Security is a condition of the Proposed Transaction. If the extension of the Security is not approved, then the Proposed Transaction will not proceed. The terms of the Security have not changed, it is simply an extension of the period which the Security is valid so that it matches the term of the Replacement Convertible Notes.
- 2.27 We consider the key advantages of extending the Security to be as follows:
- The grant and direct enforcement of the Security is fair;
 - The number of Shares that will be issued is now known;
 - The 8% p.a. coupon rate attached to the Convertible Loan Facility is not unreasonable;
 - If Security is not approved, the Lenders would be entitled to declare all monies outstanding under the Original Convertible Notes due and payable on 22 April 2017; and
 - The extension of the Security allows the Proposed Transaction to take place.
- 2.28 The key disadvantage of extending the Security is:
- If, in an event of default by Peninsula and RCF VI and/or Pala enforce the Security, then some or all of Peninsula's assets may be sold (to the extent required to enable RCF VI and/or Pala to recover their respective debt).

- 2.29 In our opinion, the position of the Non-Associated Shareholders of Peninsula if the Security is extended is more advantageous than if the Security is not extended. Therefore, in the absence of any other relevant information and/ or a superior transaction, we consider that the extension of the Security and its direct enforcement by the Lenders is reasonable for the Non-Associated Shareholder of Peninsula.
- 2.30 Non-Associated Shareholders should have particular regard to the potential advantages and disadvantages set out above in the context of their own risk profile and investment strategy.

3. Summary of Transactions

Overview of existing Convertible Loan Facility

- 3.1 As set out in announcements dated 26 April 2016 and 14 October 2016, the Company had entered into convertible loan agreements from major Shareholders Resource Capital Fund VI L.P. and Pala Investments Ltd to raise US\$20 million (“Convertible Loan Facility”). Upon receiving Shareholder approval at the Extraordinary General Meeting held on 28 November 2016, convertible notes were issued to RCF VI and Pala for a face value equal to the principal amount outstanding under the Convertible Loan Facility and any accrued but unpaid interest at that date.
- 3.2 The US\$20 million loan is comprised of a US\$12.84 million loan from RCF VI and US\$7.16 million from Pala to be subscribed for by each Lender through the issue of convertible notes. The repayment date of the Original Convertible Notes is 22 April 2017.
- 3.3 At the time of the November 2016 EGM under the Convertible Loan Facility, the Lenders had the option to convert the Original Convertible Notes to Shares in Peninsula at the lower price of:
- A\$0.80 per Share; and
 - The price of any equity raising carried out by the Company prior to the repayment date on 22 April 2017.
- 3.4 An arrangement fee of 2% of the amount available under the Original Convertible Notes was also payable in cash or in fully paid ordinary Shares (at the Lenders’ election) using a conversion price of the lower of \$0.80 per Share or the 5 day VWAP immediately prior to the drawing of the relevant loan (“Arrangement Fee”). The Arrangement Fees have been fully distributed.
- 3.5 The Original Convertible Notes will bear interest at the rate of 8% per annum, payable quarterly in arrears in cash or shares at the Lenders’ election (“Interest Shares”).

Proposed changes in terms of the Convertible Notes

- 3.6 On 8 December 2016, Peninsula announced that it had conducted an A\$8.5 million Share Placement at an issue price of A\$0.50 per Share.
- 3.7 In connection with the December Placement, the Company announced that each of the Lenders have agreed to enter into a conditional amending deed which will result in the repayment date for the Original Convertible Notes being extended by 12 months to 22 April 2018 and the Lenders having the option to convert the Replacement Convertible Notes to Shares in Peninsula at a fixed price of A\$0.625 per Share (“Amending Deed”). There are no other proposed variations to the terms of the Original Convertible Notes.
- 3.8 Under the terms of each Amending Deed, the Lenders are each entitled to an amendment fee equal to 3.5% of the total proceeds of the Replacement Convertible Notes as at the November 2016 EGM issued to each Lender, being an amount of US\$449,400 payable to RCF VI and US\$250,600 payable to Pala (“Amendment Fee”). The Amendment Fees are payable in cash or Shares at the Lenders’ election at a price of A\$0.50 per Share.
- 3.9 Under each of the Amending Deeds, the Lenders are also entitled to the issue of 8,380,000 PENOD Options, comprising 5,380,000 PENOD Options to RCF VI and 3,000,000 PENOD Options to Pala. All PENOD listed on the ASX are exercisable at A\$2.00 each on or before 31 December 2018.
- 3.10 The Replacement Convertible Notes will be secured by a charge over certain assets of the Company, but will be subordinated to the existing Investec working capital facility (“Investec Facility”);
- 3.11 The maturity date of the Replacement Convertible Notes is 22 April 2018 (“Maturity Date”).

Table 2 Comparison of key terms between Convertible Notes

Terms	Original Convertible Notes ⁽¹⁾	Replacement Convertible Notes
Convertible Loan conversion price	the lower of A\$0.80 per Share; and the price of any equity raising carried out prior to repayment	A\$0.625 per Share
Repayment date	22-Apr-17	22-Apr-18
Arrangement Fee issue price⁽²⁾	A\$0.80 per Share	N/A
Interest Fee Issue price	5 day VWAP prior to quarter end	5 day VWAP prior to quarter end
Amendment Fee issue price	N/A	A\$0.50
Amendment Fee PENOD Options	N/A	8,380,000

Source: November 2016 EGM and the Notice

(1) On 8 December 2016 the Company announced an equity raising of A\$8.5 million at A\$0.50 per Share setting the issue price for the Original Convertible Notes to be converted at A\$0.50 per Share.

(2) The Arrangement Fee has been settled under the terms of the Convertible Loan Facility and is therefore not included in our assessment of the remaining Shares to be issued prior to and post the Proposed Transaction.

3.12 The Company is seeking approval for the maximum voting power to be granted to RCF VI and Pala under the Convertible Loan Facility, as follows:

Table 3 Maximum possible number of shares to be issued under the Replacement Convertible Notes

	Total Number of Shares	Number of RCF VI Shares	Number of Pala Shares
Convertible Loan at A\$0.625 each ⁽¹⁾	45,714,286	29,348,571	16,365,714
Amendment Fee Shares issued at A\$0.50 each ⁽²⁾	1,867,414	1,198,880	668,534
Conversion of Amendment Fee PENOD Options	8,380,000	5,380,000	3,000,000
Remaining Interest Shares at A\$0.50 each - Current Note ⁽¹⁾	1,432,043	913,067	518,977
Remaining Interest Shares at A\$0.50 each - Extension ⁽¹⁾	4,634,921	2,975,619	1,659,302
Total Shares Issued under Replacement Convertible Notes	62,028,663	39,816,137	22,212,527

Source: Company estimates

(1) Assuming average long-term AUD:USD exchange rate of 0.70

(2) Applying the spot AUD:USD exchange rate of 0.7497 as at 8 December 2016

Investec Facility

3.13 Security over the assets of Peninsula in Australia, the United States and the United Kingdom is held by Investec Australia Ltd and Investec Bank plc as part of a working capital facility signed in December 2015.

3.14 The Convertible Loan Facility and associated Lenders' Security will be subordinated to that held by Investec.

3.15 If Security is not extended and not directly enforceable by the Lenders beyond 22 April 2017, the Lenders would be entitled to declare all monies outstanding under the Original Convertible Notes due and payable on 22 April 2017.

Rationale for the Proposed Transaction

3.16 In light of the recent fall in uranium prices through the latter part of 2016, the Company altered its operating plan with regard to commissioning of the Lance Project. This includes optimising its existing term contracts and evaluating other funding options where appropriate. Under the terms of the Original Convertible Notes,

there is no certainty as to the price in which Shares may be converted or whether the Lenders' may elect to call upon their debts at 22 April 2017. The Proposed Transaction will provide investors with certainty as to these two variables, thus enabling the Company to seek additional funding at commercial rates should the low price environment continue and it be deemed beneficial to Shareholders.

Impact of Proposed Transaction on Peninsula's Capital Structure

3.17 The table below sets out a summary of the current capital structure of Peninsula and the capital structure should the remaining Shares be issued under the Original Convertible Notes.

Table 4 Share structure of Peninsula under the Original Convertible Notes

	Current Capital Structure		Original Convertible Notes issued					
			Both RCF VI & Pala convert		RCF VI convert only		Pala convert only	
Shares on issue:								
Non-Associated Shareholders	154,097,707	68.0%	154,097,707	54.1%	154,097,707	58.3%	154,097,707	62.3%
RCF VI	46,643,366	20.6%	84,242,147	29.6%	84,242,147	31.9%	46,643,366	18.8%
Pala	25,756,562	11.4%	46,732,681	16.4%	25,756,562	9.8%	46,732,681	18.9%
Total undiluted Shares on Issue	226,497,635	100%	285,072,535	100%	264,096,416	100%	247,473,754	100%
Options:								
Options on issue to Non-Associated Shareholders	21,430,092	46.7%	21,430,092	46.7%	21,430,092	53.2%	21,430,092	79.1%
Options on issue to RCF VI	18,825,302	41.0%	18,825,302	41.0%	18,825,302	46.8%	-	0.0%
Options on issue to Pala	5,647,790	12.3%	5,647,790	12.3%	-	0.0%	5,647,790	20.9%
Total Options and Performance Shares	45,903,184	100%	45,903,184	100%	40,255,394	100%	27,077,882	100%
Fully Diluted Position:								
Existing Non-Associated Share / Option holders(4)	154,097,707	61.4%	154,097,707	49.8%	154,097,707	54.5%	154,097,707	60.9%
RCF VI	65,468,668	26.1%	103,067,449	33.3%	103,067,449	36.4%	46,643,366	18.4%
Pala	31,404,352	12.5%	52,380,471	16.9%	25,756,562	9.1%	52,380,471	20.7%
Total diluted Shares on issue	250,970,727	100%	309,545,627	100%	282,921,718	100%	253,121,544	100%

Source: Company estimates

(1) Assuming the conversion of the Original Convertible Notes to Shares

(2) Our assessment of the Original Convertible Notes assumes that all PENOD Options issued to RCF VI and Pala are fully converted and any listed and unlisted options on issue to Non-Associated Shareholders are not converted.

3.18 The number of remaining Shares to be issued prior to the Proposed Transaction under the existing Original Convertible Notes are 37,598,781 to RCF VI and 20,976,119 to Pala, based on a conversion price of A\$0.50 per Share being the price at which the December Placement was completed. Unless further capital is raised at a price below A\$0.50 per Share, this is the maximum number of remaining Shares that could be raised under the Original Convertible Notes.

3.19 The table below sets out a summary of the current capital structure of Peninsula and the capital structure should the remaining Shares be issued under the Replacement Convertible Notes.

Table 5 Share structure of Peninsula under the Replacement Convertible Notes

	Current Capital Structure		Replacement Convertible Notes issued					
			Both RCF VI & Pala convert		RCF VI convert only		Pala convert only	
Shares on issue:								
Non-Associated Shareholders	154,097,707	68.0%	154,097,707	55.0%	154,097,707	59.1%	154,097,707	62.7%
RCF VI ⁽¹⁾	46,643,366	20.6%	81,079,503	28.9%	81,079,503	31.1%	46,643,366	19.0%
Pala ⁽¹⁾	25,756,562	11.4%	44,969,089	16.1%	25,756,562	9.9%	44,969,089	18.3%
Total undiluted Shares on Issue	226,497,635	100%	280,146,299	100%	260,933,772	100%	245,710,162	100%
Options:								
Options on issue to Non-Associated Shareholders	21,430,092	46.7%	21,430,092	39.5%	21,430,092	47.0%	21,430,092	71.2%
Options on issue to RCF VI	18,825,302	41.0%	24,205,302	44.6%	24,205,302	53.0%	-	0.0%
Options on issue to Pala	5,647,790	12.3%	8,647,790	15.9%	-	0.0%	8,647,790	28.8%
Total Options on issue	45,903,184	100%	54,283,184	100%	45,635,394	100%	30,077,882	100%
Fully Diluted Position:								
Existing Non-Associated Share / Option holders ⁽²⁾	154,097,707	61.4%	154,097,707	49.2%	154,097,707	54.0%	154,097,707	60.6%
RCF VI	65,468,668	26.1%	105,284,805	33.6%	105,284,805	36.9%	46,643,366	18.3%
Pala	31,404,352	12.5%	53,616,879	17.1%	25,756,562	9.0%	53,616,879	21.1%
Total diluted Shares on issue	250,970,727	100%	312,999,391	100%	285,139,074	100%	254,357,952	100%

Source: Company estimates

(1) Assuming the conversion of the Replacement Convertible Notes to Shares

(2) Our assessment of the Replacement Convertible Notes post the Proposed Transaction assumes that all PENOD Options issued to RCF VI and Pala are fully converted and any listed and unlisted options on issue to Non-Associated Shareholders are not converted.

3.20 The maximum number of Shares to be issued under the Replacement Convertible Notes post the Proposed Transaction are 34,436,137 Shares to RCF VI and 19,212,527 to Pala based on a fixed conversion price of A\$0.625 each, plus 5,380,000 and 3,000,000 new PENOD Options respectively at an exercise price of A\$2.00 each.

3.21 The table shows that, assuming only the Convertible Notes are converted into Shares, the Lenders will have a lesser interest in the total Share capital of Peninsula if the Proposed Transaction is approved. However, if the PENOD Options to be issued to the Lenders are “in the money,” where Peninsula’s Share price exceeds A\$2.00, then the Lenders will have a greater interest in Peninsula’s Share capital if the Proposed Transaction is approved.

4. Scope of the Report

Proposed Transaction

Corporations Act

- 4.1 Section 606 of the Act prohibits a person from acquiring a relevant interest in the issued voting shares of a public company if the acquisition results in that person's voting interest in the company increasing by more than 3% in every 6 months from a starting point that is above 20% or increasing their interest from a position of less than to greater than 20%.
- 4.2 At the date of this Report, the relevant voting interests of RCF VI and Pala in the Company are 20.6% (26.1% fully diluted) and 11.4% (12.5% fully diluted). At the November 2016 EGM, Shareholder approval was received for the Lenders to increase their relevant interest in the Company by up to 36.9% (41.8% fully diluted) for RCF VI and 22.5% (24.6% fully diluted) for Pala. If the Proposed Transaction proceeds, RCF VI may acquire a maximum interest of up to 31.1% (36.9% fully diluted) and Pala may acquire a maximum interest of 19.0% (21.1% fully diluted), assuming all PENOD Options issued to RCF VI and Pala are fully converted and any listed and unlisted options on issue to Non-Associated Shareholders are not converted.
- 4.3 Under Item 7 of Section 611 of the Act, the prohibition contained in Section 606 does not apply if the acquisition has been approved by the Non-Associated Shareholders of the company.
- 4.4 Although it does not appear that the Proposed Transaction breaches Section 606, the Company is seeking approval from the Non-Associated Shareholders for the change in terms under the Proposed Transaction in accordance with Item 7 of Section 611 of the Act.
- 4.5 Section 611(7) of the Act states that Shareholders must be given all information that is material to the decision on how to vote at the meeting. ASIC Regulatory Guide 111 ("RG 111") advises the requirement to commission an Independent Expert's Report in such circumstances and provides guidance on the content.

Basis of Evaluation

- 4.6 In determining whether the Proposed Transaction is "fair and reasonable" we have given regard to the views expressed by the ASIC in RG 111.
- 4.7 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.8 RG 111 states that the expert's report should focus on:
- the issues facing the security holders for whom the report is being prepared; and
 - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.9 Furthermore, RG 111 states that in relation to related party transactions the expert's assessment of fair and reasonable should not be applied on a composite test – that is, there should be a separate assessment of whether the transaction is "fair and reasonable" as in a control transaction.
- 4.10 RG 111.5 states that, *"in deciding on the appropriate form of analysis for a report, an expert should bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction. An expert should focus on the purpose and outcome of the transaction, that is the substance of the transaction, rather than the legal mechanism used to affect the transaction."*

- 4.11 The Corporations Act requires the expert to express an opinion as to whether a takeover bid is fair and reasonable under Section 640. However, RG 111.7 states that “*Nevertheless, the form of analysis an expert uses to evaluate a transaction should address the issues faced by security holders.*”
- 4.12 The Legal form of the Proposed Transaction is a change in terms. In the event that the Proposed Transaction process, it will not result in a material change in the underlying ownership structure of the Lance Project operations and, consequently, the substance of the transaction is not a control transaction. Having regard for the substance of the Proposed Transaction rather than its legal form, we do not consider it appropriate to assess the Proposed Transaction as a control transaction.
- 4.13 Consistent with the guidelines in RG 111, in assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, the analysis undertaken is as follows:
- Whether the number of Peninsula Shares to be issued prior to the Proposed Transaction is greater than the number of Peninsula Shares to be issued post the Proposed Transaction - fairness; and
 - A review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction - reasonableness.
- 4.14 The other significant factors to be considered include:
- The future prospects of the Company if the Proposed Transaction does not proceed; and
 - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.
- 4.15 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this report.

Security

Listing Rules

- 4.16 ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a substantial shareholder, a related party or any of its associates without the approval of holders of the entity's ordinary securities.
- 4.17 An asset is considered substantial "if its value; or the value of the consideration for it is, or in the ASX's opinion is 5% or more of the equity interest of the entity as set out in the latest financial statements given to the ASX".
- 4.18 The Lenders are substantial Shareholders of the Company. The equity interests of Peninsula as at 31 December 2016 were US\$136.3 million. The Security is granted over the present and future assets of Peninsula in Australia, the United States and the United Kingdom and therefore will exceed 5% of Peninsula's equity interests.
- 4.19 ASX Listing Rule 10.10 states that the notice for the shareholders' meeting required under ASX Listing Rule 10.1 must include a report on the transaction from an independent expert. The report must state whether, in the expert's opinion, the transaction is fair and reasonable to the Non-Associated Shareholders.
- 4.20 Accordingly, Peninsula is seeking approval to enable the extension of the Security and its direct enforcement by the Lenders between 23 April 2017 and 22 April 2018 in respect of the Replacement Convertible Notes. The Company has engaged RSM, to prepare a report which sets out our opinion as to whether direct enforcement of the Security is fair and reasonable to Non-Associated Shareholders.

Regulatory guidelines

- 4.21 In determining whether the extension of the Security is "fair and reasonable" we have also given regard to the views expressed by the ASIC in RG 111.
- 4.22 RG 111 states that in relation to related party transactions the expert's assessment of fair and reasonable should not be applied as a composite test – that is, there should be a separate assessment of whether the transaction is "fair and reasonable" as in a control transaction.
- 4.23 In assessing whether the extension of the Security is fair and reasonable to Non-Associated Shareholders, the analysis undertaken is as follows:
- Whether the value of the assets secured is greater than the value of the debt that will be owed in accordance with the terms of the Security – fairness; and
 - A review of other significant factors which Non-Associated Shareholders might consider prior to approving the Security – reasonableness.
- 4.24 The other significant factors to be considered when assessing the reasonableness of the extension of the Security include:
- The future prospects of the Company if the Security is not provided; and
 - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as consequence of issuing the Security.
- 4.25 Our assessment of the Security is based on economic, market and other conditions prevailing at the date of this Report.

5. Profile of Peninsula

Background

- 5.1 Peninsula Energy Limited is an ASX listed uranium mining company engaged in the mining, exploration and development of uranium projects in the United States and South Africa.
- 5.2 The Company's flagship assets are the Lance uranium projects located on the North-East flank of the Powder River Basin in Wyoming, USA ("Lance Project"). The Company commenced in-situ uranium production from the Lance Project in December 2015 and delivered its first drummed uranium to the conversion facility in May 2016.
- 5.3 The Lance Project 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.
- 5.4 On 8 December 2016, the Company announced the implementation of an interim operating plan for CY2017 and deferral of the commencement of capital expenditure on Stage 2 until an additional long term uranium sale contract was secured. Production under this interim plan is now aligned to complement delivery commitments under existing term contracts.
- 5.5 The Company also holds a 74% interest in the Karoo uranium/molybdenum exploration project located in the Republic of South Africa ("Karoo Project"). The Karoo Project, located in the Western Cape, Eastern Cape and Northern Cape Provinces of South Africa comprise 40 prospecting rights covering 7,774 km² of the main uranium-molybdenum bearing sandstone channels in the Karoo Basin. New applications for mining and prospecting rights have been submitted to initiate mining and extend the tenure of the title holdings and once completed the total tenement holding will reduce to an area covering 3,818 km². Feasibility studies and resource development on the Karoo Project continue to progress.

Directors and management

- 5.6 The directors and key management of Peninsula are summarised in the table below.

Table 6 Peninsula Directors

Mr John Simpson	Chief Executive Officer and Managing Director	Mr Simpson is a Science and Arts graduate from Curtin University, Western Australia. He joined the Peninsula Energy Board in August 2007 and has over 25 years of experience in the management of listed mineral companies. He has had principal involvement in a number of successful mineral discoveries in Africa, Australia and North America
Mr John Harrison	Non-Executive Chairman	Mr Harrison has 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 Warwick Grigor	Non-Executive Director	Mr Grigor is a law and economics graduate of the Australian National University with over 25 years' experience in financial markets and stock broking. Mr Grigor is currently Executive Chairman and founder of Far East Capital Ltd, a specialist mining company financier and corporate advisor, and Non-Executive Chairman of ASX listed First Graphite Ltd. Mr Grigor was previously Executive Chairman of Canaccord Genuity (Australia) Ltd.
Mr Richard Lockwood	Non-Executive Director	Mr Lockwood is a director of London based Arlington Group Asset Management Limited and was previously the senior resources fund manager at CQS Asset Management Ltd

		having merged his New City Investment Management group with CQS in 2007. Mr Lockwood has over 50 years' experience in the funds management and mining investment sectors across the United Kingdom, Australia, and South Africa. He has extensive involvement with the uranium sector via institutional investment markets including being the founder of specialist uranium investment fund, Geiger Counter Ltd.
Mr Evgenij Iorich	Non-Executive Director	Mr Iorich is currently Portfolio Manager at Pala Investments Limited (Pala) and has extensive experience in the natural resources sector across a broad range of commodities with a focus on M&A opportunities, operational, financial planning and corporate structuring
Mr Harrison Barker	Non-Executive Director	Mr Harrison (Hink) Barker retired June 1, 2015 from the Generation segment of Dominion Resources with over 40 years of fossil and nuclear fuel commercial and technical responsibilities. Since 1992, Mr Barker had been the manager responsible for Dominion's procurement of nuclear fuel and the related processing steps of conversion from U ₃ O ₈ to UF ₆ , enrichment of UF ₆ , and fabrication of nuclear fuel assemblies
Mr Mark Wheatley	Non-Executive Director	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. Mr. Wheatley has 10 years' experience in the uranium industry and been involved in ISR project feasibility studies, start up, production, rehabilitation and closure.

Source: S&P Capital IQ/ ASX

Financial Information of Peninsula

- 5.7 The information below provides summaries of the financial performance of Peninsula for the years' ended 30 June 2016 and 30 June 2015 extracted from the audited financial statements of the Company, and the six months ended 31 December 2016 from the Company's unaudited management accounts.
- 5.8 The auditor of Peninsula, BDO, issued an unqualified audit opinion on the financial statements for the year ended 30 June 2016, but for an emphasis of matter with regard to the Company's ability to operate as a going concern.

Financial Performance

Table 7 Peninsula Historical Financial Performance

US\$ 000	Ref.	31-Dec-2016 Unaudited	30-Jun-2016 Audited	30-Jun-2015 Audited
Revenue		5,672	5,771	-
Cost of sales		(7,491)	(3,110)	-
Gross profit		(1,819)	2,661	-
Other income		1	44	193
Selling and marketing expenses		(447)	(1,050)	-
Administration expenses		(1,542)	(3,836)	(3,931)
Depreciation expense		(7)	(201)	(202)
Foreign exchange gain		(1,050)	1,094	1,435
Other expenses		(82)	(1,644)	(1,278)
Loss before interest and tax	5.9	(4,946)	(2,932)	(3,783)
Finance costs		(1,260)	(597)	(647)
Net loss for before tax		(6,206)	(3,529)	(4,430)
Income tax expense		-	-	-
Loss for the year from continuing operations		(6,206)	(3,529)	(4,430)

Source: Company financial statements

- 5.9 Peninsula's financial performance is indicative of a company in the early stages of ramp-up following first production along with a circa 40% fall in uranium prices in the second half the latter part of 2016.
- 5.10 In December 2015, Peninsula commenced uranium recovery at the Ross Permit Area of its Lance Project in the United States. The Company made its first deliveries of uranium under its existing uranium contracts between January and June 2016. A total of 200,000 lbs of uranium was delivered by the Company to its customers between mid-December 2016 and mid-January 2017. 100,000lbs of these deliveries was sourced from Lance Projects production and the remaining 100,000 lbs was sourced from market purchases.
- 5.11 While cost of sales have grown considerably since 30 June 2016 in line with higher production, revenue has grown at a lesser rate due to a fall in uranium prices through the latter part of 2016, with an alternate operating plan implemented to insulate the Company from the low price environment as per the Company's announcement on 8 December 2016.

Financial Position

Table 8 Peninsula Historical Financial Position

US\$ 000	Ref.	31-Dec-2016 Unaudited	30-Jun-2016 Audited	30-Jun-15 Audited
Assets				
Cash and cash equivalents		5,459	3,759	24,990
Trade and other receivables - current		8,713	3,672	2,872
Inventory		5,519	2,221	-
Total current assets	5.13	19,691	9,652	27,862
Trade and other receivables - non current		-	3,117	-
Property, plant and equipment		29,553	29,101	13,143
Mineral exploration and evaluation		9,690	8,181	9,040
Mineral development	5.10	121,495	110,737	91,758
Other financial assets		3	3	3
Total non-current assets		160,741	151,139	113,944
Total assets		180,432	160,791	141,806
Liabilities				
Trade and other payables		6,212	3,164	2,835
Borrowings	5.14	26,542	17,988	204
Deferred revenue		381	1,119	-
Provisions		165	70	50
Total current liabilities	5.13	33,300	22,341	3,089
Borrowings		851	692	899
Provisions	5.15	10,115	5,234	753
Total non-current liabilities		10,966	5,926	1,652
Total liabilities		44,266	28,267	4,741
NET ASSETS	5.10	136,166	132,524	137,065
Equity				
Issued capital		192,147	184,073	181,013
Reserves		4,901	3,237	7,071
Accumulated losses		(62,096)	(55,890)	(52,361)
Non-controlling interest		1,214	1,104	1,342
Total equity		136,166	132,524	137,065

Source: Company Financial Statements

- 5.12 As at 31 December 2016, Peninsula had net assets of US\$136.2 million driven by \$121.5 million capitalised mineral development relating to the Lance Project and US\$9.7 million capitalised exploration and evaluation expenditure relating to the Karoo Project.
- 5.13 The Company had a net working capital deficit (current assets less current liabilities) of US\$13.6 million and net debt (cash less borrowings) of US\$21.9 million including US\$5.5 million cash and cash equivalents.
- 5.14 Borrowings include the US\$20 million Original Convertible Notes drawn down during 2016.

- 5.15 Long term provisions at 31 December 2016 represent estimated rehabilitation provisions recognised in relation to the exploration and development activities for costs associated with the restoration of various sites.

Capital Structure

- 5.16 Peninsula has 226,497,635 ordinary shares on issue and 45,903,184 listed PENOD Options. The top 20 Shareholders of Peninsula as at 10 March 2017 are set out below.

Table 9 Peninsula Top 20 Shareholders

Rank	Name	Total Units	% Issued Share Capital
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	46,765,205	20.65%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	36,786,266	16.24%
3	CITICORP NOMINEES PTY LIMITED	26,749,474	11.81%
4	BNP PARIBAS NOMS PTY LTD	6,209,681	2.74%
5	MR GULKESH TINKU SINGH KOONER	4,649,086	2.05%
6	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,792,414	1.67%
7	MR GAVIN MCPHERSON	2,480,393	1.10%
8	BNP PARIBAS NOMINEES PTY LTD	999,291	0.44%
9	ETCHELL CAPITAL PTY LTD	982,043	0.43%
10	CCP TECHNICAL LIMITED	979,696	0.43%
11	NEOMAN PTY LTD	813,000	0.36%
12	PENINSULA ENERGY LTP PTY LTD	783,490	0.35%
13	BLOODSTONE LIMITED	555,556	0.25%
14	MR WALLY MICHAEL YURYEVICH	524,875	0.23%
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	503,575	0.22%
16	MR COLIN WILLIAM LOXTON & MR MURRAY JOHN LOXTON	499,913	0.22%
17	KELCO TECHNOLOGIES PTY LTD	492,313	0.22%
18	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	479,770	0.21%
19	MR REZA REZAZADEH VIND	475,000	0.21%
20	EAGLE GROUP INVESTMENTS PTY LTD	445,738	0.20%
Total Top 20 Shareholding		135,966,779	60.03%
	Others	90,530,856	39.97%
Total issued capital		226,497,635	100%

Source: Company / Computershare

- 5.17 As at the date of this Report, RCF VI has a relevant interest in 46,643,366 Shares and the current voting power of RCF VI and each of its Associates in the Company is 20.6% based on 226,497,635 Shares on issue on an undiluted basis. RCF VI also hold 18,825,302 listed PENOD Options, which translate to a maximum voting power of 26.1% on a fully diluted basis, assuming that all PENOD Options issued to RCF VI and Pala are fully converted and any listed and unlisted options on issue to Non-Associated Shareholders are not converted.
- 5.18 Pala currently holds 25,756,562 Shares and an undiluted voting power in the Company of 11.4%. Pala also holds 5,647,790 listed PENOD Options which translates to a maximum voting power of 12.5% on a fully diluted basis, assuming that all PENOD Options issued to Pala and RCF VI are fully converted and any listed and unlisted options on issue to Non-Associated Shareholders are not converted.

5.19 The remaining 21,495,092 listed PENOD Options are held by Non-Associated Shareholders of the Company. There are 2,250,001 unlisted options held by a sophisticated investor and a further 384,747 unlisted options held by non-executive directors of the Company. All listed and unlisted options are out of the money at the date of this report and are therefore excluded from any dilutive calculations.

Share price performance

5.20 The figure below sets out a summary of Peninsula's closing Share prices and traded volumes for the 12 months to 10 February 2017. We note that the Proposed Transaction was announced in connection with the December Placement on 8 December 2016. As such we make comment on the period immediately preceding and subsequent to this date.

Figure 1 Peninsula daily closing Share price and traded volumes



Source: S&P Capital IQ/ ASX

5.21 In the period prior to 5 December 2016, Peninsula shares were generally traded consistently, although at relatively low volumes.

5.22 Two significant days of trading during this period occurred on 26 April 2016 and 13 July 2016. 26 April 2016 marks when the Company's securities came out of a trading halt in connection with the first announcement of the A\$20m Convertible Loan Facility. On 12 July 2016, the Company released an update on the Lance Projects, where the CEO presented to Shareholders via an audio broadcast the following day. The upturn in Share price and elevated volumes on 13 July 2016 appear to reflect the market's positive response to these announcements.

5.23 Subsequent to the announcement of the Proposed Transaction, in early 2017, the Company's Shares experienced a significant increase in price and volume, which was met with a price and volume query by the ASX. While the Company responded on 6 January 2017 stating that it was not aware of any information that was not already publicly available, we note that a 30% gain in the year to date uranium price is likely to be a driver for this activity. The Company also undertook a number of shareholder information sessions throughout January 2017 which may have further contributed to the positive performance.

5.24 Peninsula's Share price performance is discussed in more detail in Paragraphs 10.2 to 10.4.

6. Profile of Resource Capital Fund

Background

- 6.1 Resource Capital Funds (“RCF”) is a group of commonly managed private equity funds, established in 1998 with a mining sector specific investment mandate spanning all hard mineral commodities and geographic regions. Since inception, RCF has supported 164 mining companies, with projects located in 51 countries and across 29 commodities. The sixth fund, Resource Capital Fund VI L.P. (“RCF VI”) with committed capital of \$2.04 billion, is now being invested.
- 6.2 Further information about RCF can be found on its website (www.resourcecapitalfunds.com).

7. Profile of Pala Investments Limited

Background

- 7.1 Pala investments Limited (“Pala”) is a multi-strategy investment company that endeavours to create value in the mining and metals sector. Pala has a team of industry professionals and seeks to partner with management teams, boards and shareholders to create long-term value.
- 7.2 Through its private equity investments, Pala invests across the mining value chain including mining projects in a range of commodities, with a focus on late-stage development, production and turnaround situations, as well as businesses that serve the mining sector, including mining consumables and services, trading and logistics.
- 7.3 In addition, Pala employs a range of liquid investment strategies in order to create value throughout the commodities cycle, including investments in various asset classes from fixed income to commodity derivatives and equities.
- 7.4 For more information, visit www.pala.com

8. Valuation Approach

Valuation methodologies

- 8.1 In assessing the Fair Value of an ordinary Peninsula Share prior to and immediately following the Proposed Transaction, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:
- the discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
 - the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
 - the amount which would be available for distribution on an orderly realisation of assets;
 - the quoted price for listed securities; and
 - any recent genuine offers received.
- 8.2 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

- 8.3 Market based methods estimate the Fair Value by considering the market value of a company’s securities or the market value of comparable companies. Market based methods include;
- The quoted price for listed securities; and
 - Industry specific methods.
- 8.4 The recent quoted price for listed securities method provides evidence of the fair market value of a company’s securities where they are publicly traded in an informed and liquid market. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.
- 8.5 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based methods

- 8.6 Income based methods estimate value by calculating the present value of a company’s estimated future stream of earnings or cash flows. Income based methods include:
- Capitalisation of maintainable earnings; and
 - Discounted cash flow methods.
- 8.7 The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.
- 8.8 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an

assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

Asset based methods

- 8.9 Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net assets on a going concern basis.
- 8.10 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 8.11 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame.
- 8.12 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Selection of Valuation Methodologies

- 8.13 We do not consider the valuation of a Peninsula Share to be necessary to assess the fairness to Shareholders because our preferred analysis considers the change in terms and number of Shares to be issues under each scenario.
- 8.14 To assess the change in terms we have compared the number of Shares to be issued to the Lenders under the Original Convertible Notes prior to the Proposed Transaction with the number of Shares to be issued under the Replacement Convertible Notes post the Proposed Transaction.
- 8.15 As an extension to this assessment, we have calculated the value of Peninsula Shares to be issued prior to and post the Proposed Transaction to provide context to Shareholders as to the value impact of the Proposed Transaction. We have assessed the value of Peninsula Shares by utilising the quoted market price methodology by calculating the Fair Value of a Peninsula Share and multiplying this to the number of Shares to be issued prior to and post the Proposed Transaction. Peninsula's Shares are listed on the ASX which means there is a regulated and observable market for its Shares.
- 8.16 As the number of Shares to be issued to the Lenders will not vary by more than 3% under the terms of the Replacement Convertible Notes, we have not considered the change in terms as a control transaction and have not considered a premium for control.

9. Number of Peninsula Shares to be issued pre and post the Proposed Transaction

9.1 As stated at paragraph 8.14 we have assessed the change in terms in respect of the Proposed Transaction by comparing the number of Peninsula securities to be issued to the Lenders prior to and post the Proposed Transaction.

Number of Shares to be issued prior to the Proposed Transaction

9.2 Set out in the table below is the number of Peninsula Shares to be issued to the Lenders under the Original Convertible Notes, assuming:

- A conversion price of the lower of A\$.80 per Share and the price of any equity raising carried out prior to repayment; and
- A repayment date of 22 April 2017.

Table 10 Remaining Peninsula Shares to be issued prior to the Proposed Transaction

Original Convertible Notes	Low #	Preferred #	High #
Principal:			
Drawdown	USD 20,000,000	USD 20,000,000	USD 20,000,000
Exchange rate (AUD:USD)	0.70	0.70	0.70
Conversion price (A\$)	0.50	0.50	0.50
Conversion of Loan Principal	57,142,857	57,142,857	57,142,857
Interest:			
8% Coupon from 1 January 2017 to 22 April 2017	USD 497,778	USD 497,778	USD 497,778
Exchange rate (AUD:USD)	0.70	0.70	0.70
Conversion price (A\$)	0.50	0.50	0.50
Conversion of Remaining Interest Fee Shares	1,422,222	1,422,222	1,422,222
Adjustment to December 2016 Interest Fee	9,821	9,821	9,821
Shares to be issued prior to the Proposed Transaction	58,574,900	58,574,900	58,574,900

Source: the Notice

9.3 Assuming the Original Convertible Notes are converted, the number of Peninsula Shares to be issued prior to the Proposed Transaction as 58,574,900 Shares.

Number of Shares to be issued post the Proposed Transaction

9.4 The number of Peninsula Shares to be issued to the Lenders under the Replacement Convertible Notes following the Proposed Transaction, assuming a fixed conversion price of A\$0.625 per Share and a repayment date of 22 April 2018, is detailed below.

Table 11 Peninsula Shares to be issued post the Proposed Transaction

Replacement Convertible Notes	TOTAL #	RCF VI #	Pala #
Principal:			
Drawdown	USD 20,000,000	USD 12,840,000	USD 7,160,000
Exchange rate (AUD:USD)	0.70	0.70	0.70
Conversion price (A\$)	0.625	0.625	0.625
Conversion of Loan Principal	45,714,286	29,348,571	16,365,714
Arrangement Fee:			
Value at 3.5% of proceeds	USD 700,000	USD 449,400	USD 250,600
Exchange rate (AUD:USD)	0.7497	0.7497	0.7497
Issue price (A\$)	0.500	0.500	0.500
Arrangement Fee Shares	1,867,414	1,198,880	668,534
Conversion of Remaining Interest Fee Shares to 22 April 2017	1,432,044	913,067	518,977
Interest:			
8% Coupon from 23 April 2017 to 22 April 2018	USD 1,622,222	USD 1,041,467	USD 580,756
Exchange rate (AUD:USD)	0.7000	0.7000	0.7000
Conversion price (A\$)	0.500	0.500	0.500
Conversion of Remaining Interest Fee Shares - 12 month extension	4,634,921	2,975,619	1,659,302
Shares to be issued post the Proposed Transaction	53,648,664	34,436,137	19,212,527

Source: the Notice

9.5 Assuming the Replacement Convertible Notes are converted, our assessed number of Peninsula Shares to be issued prior to the Proposed Transaction is 53,648,664.

9.6 We have not included the 8,380,000 new PENOD Options to be issued to the Lenders under the Replacement Convertible Notes. The PENOD Options are currently well “out of the money” and would require the Company’s Share price to increase substantially, to above \$2.00, to be converted. Further, this would result in the Company receiving \$16.8 million in cash as the PENOD Options are exercised, which would offset the dilutive impact of the Shares issued to the Lenders.

10. Valuation of Peninsula Shares to be issued prior to and post the Proposed Transaction

10.1 As stated at paragraph 8.15, in order to provide context for Shareholders as to the impact of the Proposed Transaction on value, we have utilised the number of Shares calculated in in Section 9 and multiplied this by the Fair Value of Peninsula Shares using the quoted price of its listed securities to determine the value of Peninsula Shares to be issued to the Lenders pre and post the Proposed Transaction.

Value per Share – Quoted Price of Listed Securities

10.2 In the following section we have considered the quoted market prices of Peninsula’s shares on a public exchange. Peninsula’s Shares have been traded steadily in the period following the announcement of the Original Convertible Notes on 26 April 2016. As such our analysis is based on the ASX traded shares since this date to the announcement of the Proposed Transaction on 8 December 2016.

Analysis of recent trading in Peninsula shares

10.3 Figure 2 below sets out a summary of Peninsula’s closing share price and volume of Peninsula shares traded in the period between 26 April 2016 and 10 February 2017.

Figure 2 Daily closing price and traded volumes of Peninsula



Source: S&P Capital IQ/ ASX

10.4 In the 180 days trading prior to 8 December 2016, Peninsula shares traded at a low of \$0.48 on 27 June 2016 and a high of \$0.91 on 12 January 2017.

10.5 In order to provide further analysis of the market prices for Peninsula shares, we have considered the volume weighted average market price (“VWAP”) for 1 day, 5 day, 10 day, 30 day, 60 day, 90 day, 120 day and 180 trading day periods:

Table 12 Peninsula VWAP as at 8 December 2016

# of Days	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
VWAP	0.527	0.536	0.550	0.556	0.569	0.589	0.608	0.629
Total Volume (000's)	232.2	303.7	735.6	2,316.1	4,779.9	6,934.1	10,263.6	14,804.8
Total Volume as a % of Total Shares	0.13%	0.17%	0.41%	1.30%	2.68%	3.89%	5.76%	8.31%
Low Price	0.500	0.500	0.500	0.500	0.500	0.500	0.480	0.480
High Price	0.560	0.577	0.590	0.650	0.650	0.710	0.800	0.940

Source: S&P Capital IQ/ ASX

Value of a Peninsula Share on a non-control minority basis

10.6 In our opinion, the weighted average share price of Peninsula over the last 30 days prior to 8 December 2016 is most reflective of the underlying value of a Peninsula share. As such, we consider a range of values between \$0.527 and \$0.556 (1 – 30 day VWAP) reflects the quoted market price valuation of a Peninsula share on a minority basis prior to the Proposed Transaction.

Valuation of Shares to be issued prior to the Proposed Transaction

10.7 Utilising the number of Shares to be issued under the Original Convertible Notes as discussed in paragraph 9.3 and the Fair Value of a Peninsula Share calculated in paragraph 10.6 above, our valuation of the Peninsula Shares to be issued to the Lenders prior to the Proposed Transaction is detailed below.

Table 13 Valuation of Original Convertible Notes

	Ref.	Low A\$	Preferred A\$	High A\$
Remaining Shares to be issued prior to the Proposed Transaction	9.2	58,574,900	58,574,900	58,574,900
Fair Value per Share - Quoted market price	10.6	\$0.527	\$0.541	\$0.556
Value of Original Convertible Notes		\$30,845,543	\$31,697,461	\$32,549,380

Source: RSM analysis

10.8 In our opinion, the Fair Value of Peninsula Shares to be issued prior to the Proposed Transaction is between approximately A\$30.8 million and A\$32.5 million with a preferred value of A\$31.7 million.

Valuation of Peninsula Shares to be issued post the Proposed Transaction

10.9 Based on the number of Peninsula Shares to be issued from under the Replacement Convertible Notes identified in paragraph 9.5 and our Fair Value of a Peninsula Share calculated in paragraph 10.6 above, our valuation assessment post the Proposed Transaction is detailed below.

Table 14 Valuation of Replacement Convertible Notes

	Ref.	Low A\$	Preferred A\$	High A\$
Ordinary Shares Issued post the Proposed Transaction ⁽¹⁾	9.4	53,648,664	53,648,664	53,648,664
Fair Value per Share - Quoted market price	10.6	\$0.527	\$0.541	\$0.556
Value of Replacement Convertible Notes		\$28,251,387	\$29,031,658	\$29,811,929

Source: RSM Analysis

(1) Excludes listed PENOD Options issued under the Proposed Transaction

10.10 In our opinion, the Fair Value of Peninsula Shares to be issued post the Proposed Transaction is between approximately A\$28.3 million and A\$29.8 million with a preferred value of A\$29.0 million.

10.11 As discussed in paragraph 9.6 we have not included the new PENOD Options to be issued in our Valuation of the Replacement Convertible Notes.

11. Is the Proposed Transaction Fair to Peninsula Shareholders?

11.1 Our assessed number of a Peninsula Shares to be issued to the Lenders prior to and the Proposed Transaction, is summarised in the table and figure below.

Table 15 Assessed values of Peninsula Shares to be issued pre and post the Proposed Transaction

Assessment of fairness	Ref.	Number of Shares (millions)		
		Total #	RCF VI #	Pala #
Number of Shares to be issued prior to the Proposed Transaction	9.2	58.6	37.6	21.0
Number of Shares to be issued post the Proposed Transaction	9.4	53.6	34.4	19.2

Source: RSM analysis

11.2 The table above indicates that, assuming the Replacement Convertible Notes are converted, the number of Shares to be issued is less than number of Shares to be issued under the Original Convertible Notes.

11.3 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Corporations Act 2001, we consider the Proposed Transaction to be fair to the Non-Associated Shareholders of Peninsula assuming the Replacement Convertible Notes are converted.

11.4 Furthermore, displayed below is a summary of our calculated value of Shares to be issued prior to and post the Proposed Transaction.

Table 16 Summary of value of Peninsula Shares to be issued prior to and post the Proposed Transaction

	Ref.	Low A\$	Preferred A\$	High A\$
Value of Original Convertible Notes	10.8	30,845,543	31,697,461	32,549,380
Value of Replacement Convertible Notes	10.10	28,251,387	29,031,658	29,811,929

Source: RSM analysis

11.5 The value of Peninsula Shares to be issued post the Proposed Transaction is less than the value of Peninsula Shares to be issued prior to the Proposed Transaction, which supports our fairness assessment discussed in paragraph 11.3 above.

12. Is the Proposed Transaction Reasonable to Peninsula Shareholders?

12.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of Peninsula if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Future prospects of Peninsula if the Proposed Transaction does not proceed

12.2 At 31 December 2016 the Company had a net working capital deficit of approximately US\$13.2 million meaning there is a potential cash shortfall if the debt owing on the Original Convertible Notes is called upon on 22 April 2017. Should the Proposed Transaction not be approved, the Company may have be required to raise more additional capital at a discount to its Fair Value.

Advantages and disadvantages

12.3 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceeds than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

Advantage 1 – Value of Shares issued to Lenders is less under the Proposed Transaction

12.4 The value of remaining Shares to be issued to RCF VI and Pala is less under the Replacement Convertible Notes than the Original Convertible Notes.

Advantage 2 – Eliminate potential overhang of working capital deficit and debt repayment

12.5 The extension of the repayment date would alleviate the potential cash shortfall brought about by the Company's current working capital deficit and potential debt repayment due on 22 April 2017.

Advantage 3 – Exercise of PENOD Options if the Share price is greater than \$2.00 would result in significant cash inflow

12.6 Conversion of the PENOD Options at \$2.00 would result in a cash inflow of \$16.8 million.

Advantage 4 – Financial flexibility from extension of repayment date

12.7 Extending the repayment date of the Convertible Loan Facility by 12 months provides the Company with the financial flexibility to execute its short-term operating plan and provide with sufficient funds repay the Lenders in cash should they elect not to convert to Shares.

Advantage 5 – Failure to amend terms may discourage future investors

12.8 If the Proposed Transaction does not proceed, the Company may not be able to raise additional short term capital at commercial rates while uncertainty remains around the conversion price and whether Lenders' will elect call upon their debts at the repayment date.

Disadvantages of approving the Proposed Transaction

Disadvantage 1 – The Lenders’ maximum voting interests may be greater if the PENOD Options are converted into Shares at or above \$2.00 per Share

- 12.9 If the price of Peninsula’s Shares increases to above \$2.00 and the Lenders elect to convert their new PENOD Options issued under the Proposed Transaction into Shares in the Company, the maximum voting interests of the Lenders may be greater than if the Proposed Transaction had not proceeded.

Alternative Proposal

- 12.10 If the Proposed Transaction does not proceed, Peninsula will be required to adhere to the terms of the Original Convertible Notes.

Conclusion on Reasonableness

- 12.11 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of Peninsula.
- 12.12 An individual shareholder’s decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, Shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD

A GILMOUR



Director

G YATES



Director



APPENDICES

A. DECLARATIONS AND DISCLAIMERS

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Mr. Andrew Gilmour and Mr Glyn Yates are directors of RSM Corporate Australia Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Security. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Peninsula Energy Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$15,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of Peninsula Energy Limited receives Shareholder approval for the Security, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of

Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting;
- Audited financial statements for Peninsula for the years ended 30 June 2015 and 30 June 2016 and draft management accounts for the six months ended 31 December 2016;
- ASX announcements of Peninsula;
- S&P Capital IQ database; and
- Discussions with Directors, Management and staff of Peninsula

C. GLOSSARY OF TERMS

Term or Abbreviation	Definition
\$	Australian Dollar
Act	Corporations Act 2001 (Cth)
APES	Accounting Professional & Ethical Standards Board
Arrangement Fee	A fee which the Lenders are entitled to be paid in cash or Shares based on 2% of the total proceeds of the Convertible Loan Facility
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Company	Peninsula
Control basis	As assessment of the Fair Value on an equity interest, which assumes the holder or holders have control of entity in which the equity is held
Convertible Loan Facility	Has the meaning given in the Notice
CY##	Calendar year ended 31 December
DCF	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
Directors	Directors of the Company
EBIT	Earnings, Before, Interest and Tax
EBITDA	Earnings, Before, Interest, Tax, Depreciation and Amortisation
Equity	The owner's interest in property after deduction of all liabilities
EV	Enterprise Value, meaning, the total value of the equity in a business plus the value of its debt or debt-related liabilities, minus any cash or cash equivalents available to meet those liabilities
Fair Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY##	Financial year ended 30 June
IER	This Independent Expert Report
Interest Shares	Interest on the Convertible Loan Facility to be calculated and paid quarterly at a coupon rate of 8% per annum in cash or Shares at the Lenders' election, in which case the issue price for Shares is determined by the 5 day VWAP prior to the quarter end
Maturity Date	The date which is 12 months from drawdown of the Convertible Loan Facility, being 22 April 2017

Non Associated Shareholders	Shareholders who are not a party, or associated to a party, to the Proposed Transaction
Non control basis	As assessment of the Fair Value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held
Notice	The notice of meeting to vote on the Proposed Transaction and the Security
NPBT	Net Profit Before Tax
NPAT	Net Profit After Tax
Option or Options	An option to purchase a Share and includes a PENOD Option
PENOD Option	PENOD Option means an Option listed on ASX exercisable at A\$2.00 on or before 31 December 2018.
PEN or Peninsula	Peninsula Energy Limited
Proposed Transaction	The variation and extension to the proposed US\$20 million convertible loan agreements with the Lenders
Regulations	Corporations Act Regulations 2001 (Cth)
Report	This Independent Experts Report prepared by RSM dated 13 March 2017
RG 111	ASIC Regulatory Guide 111 Contents of Expert's Reports
RSM	RSM Corporate Australia Pty Ltd
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
Share or Shares	Ordinary issued capital in the Company
SME	Small to medium enterprises
VALMIN Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015)
VWAP	Volume weighted average share price

THE POWER OF BEING UNDERSTOOD
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RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

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rsm.com.au

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LODGE YOUR VOTE

-  **ONLINE**
www.linkmarketservices.com.au
-  **BY MAIL**
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C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
-  **BY FAX**
+61 2 9287 0309
-  **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138
-  **ALL ENQUIRIES TO**
Telephone: 1300 554 474 Overseas: +61 1300 554 474



X99999999999

PROXY FORM

I/We being a member(s) of Peninsula Energy Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box) **OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **10:30am (WST) on Thursday, 20 April 2017 at BDO, Rokeby Room, 38 Station Street, Subiaco WA 6008 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.


VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an

STEP 2

Resolutions

	For	Against	Abstain*
1 Issue of Shares and Replacement Convertible Note to RCF VI and Increase in Relevant Interest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Issue of Shares and Replacement Convertible Note to Pala and Increase in Relevant Interest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of Grant and Direct Enforcement of the Extended Security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

STEP 3

Shareholder 1 (Individual) Joint Shareholder 2 (Individual) Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary Director/Company Secretary (Delete one) Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am (WST) on Tuesday, 18 April 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Peninsula Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**