



15 January, 2015

ASX Code: PEN

Speculative Buy

3-6 Month Price Target: \$0.06

12-18 Month Price Target: \$0.16

Peninsula Energy is undervalued; set to become a major U.S. uranium producer - months from production

Capital Structure

Sector	Materials
Share Price (A\$)	0.019
Fully Paid Ordinary Shares(m)*	6.912B
Options (m)	2.798B
Market Cap (A\$m)*	\$131.3M
Approx Cash (A\$m)*	
*incl funding and new issue	\$69.4M
Enterprise Value (A\$m)	\$68.8M
Share Price Year H-L (A\$)	\$0.038-0.015

Directors & Management

John Simpson	Executive Chairman
Alfred Gilman	Technical Director
Warwick Grigor	Non-Executive Director
Neil Warburton	Non-Executive Director
John Harrison	Non-Executive Director

Major Shareholders (Number of shares)

Resource Capital Fund	1.17B
Black Rock	640M
JP Morgan	463M
Pala	440M

Analysts

Richard Badauskas/ Andrew McCrea	+61 2 92995001
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Share Price Performance



Peninsula Energy Ltd (ASX: PEN) is six months away from becoming a major U.S. producer of U3O8 from the Lance Projects in the Powder River Basin of Wyoming, and is in Pre-Feasibility Studies at the Karoo U3O8 Projects in South Africa.

The Powder River Basin contains large volumes of U3O8 deposited in sandstone. These sandstone based U3O8 resources are accessible via In-Situ Recovery (ISR) methodology that exhibit very low CAPEX and OPEX and are more profitable producers of yellowcake than their hard rock peers.

Proactive Investors believes that the proven ISR methodology has the same positive economic effect on the mining of U3O8 as fracking has on the oil and gas industry.

The low cost economics of ISR yellowcake production in the Powder River Basin has seen Cameco (TSX: CCO, NYSE: CCJ) and Russian Government owned Uranium One operate significant ISR production within the Basin. These two entities are responsible for about 30% of global production of U3O8. Their presence supports premium valuations on peer projects that are approaching production.

Peninsula currently controls the largest JORC code compliant ISR resources of U3O8 in North America at 53.7 million pounds along with significant exploration targets estimated at 158 – 217 million pounds of U3O8.

The Lance Projects are fully permitted for U3O8 production at the rate of 3 million pounds per year, and in Stage One will produce 500,000 - 700,000 pounds of U3O8 per year, constituting 10% of U.S. U3O8 production. The Project is highly scalable and can ramp up production to maximum permitted levels (3,000,000 pounds of U3O8 per year) as demand and pricing for U3O8 increase and maintain a mine life that will span many decades.

Peninsula has advanced the Karoo U3O8 Projects into Pre-Feasibility Studies with current JORC resources of 56.9 million pounds of U3O8 and has an exploration target of 250 – 350 million pounds of U3O8.

Proactive Investors believe that the Karoo Projects have substantial resource growth potential at U3O8 grades that are 74% - 132% higher than other African uranium projects such as the Langer Heinrich Mine in Namibia. Paladin Energy (ASX: PDN) recently sold a 25% stake in Langer Heinrich to a major Chinese utility for US\$190 million, valuing the mine at US\$764 / A\$885 million.

Peninsula has gained major institutional investor support that includes Resource Capital Funds, BlackRock, Pala and JP Morgan. A U.S. stock exchange listing would not surprise given project geographical location and this should attract additional institutional support and buying.

U.S. uranium producer Energy Fuels has announced it will acquire Uranerz Energy for US\$150M, creating potential further upside from M&A activity in the sector.

Proactive Investors has calculated an Enterprise Value/Pound attributable to Lance and Karoo of \$392.1 million or \$0.06 per share (see Estimate of Value and Summary). We believe that Karoo has potential to rival Langer Heinrich and that potential will play out over the next 3-18 months. Lance provides the near term potential as production and further development work are underway. We believe these provide a path toward creating a global major U3O8 house and business valued in excess of \$1 billion or \$0.16 per share (undiluted) - dependent on higher U3O8 prices.

INVESTMENT CASE – FOCUS ON LANCE URANIUM PROJECTS

PENINSULA TO EMERGE AS A MAJOR U.S. PRODUCER OF U3O8 WITH CASH FLOW TO DRIVE DEVELOPMENT OF LANCE AND KAROO PROJECTS

U.S. U3O8 PRODUCTION DATA – DRIVEN BY ISR TECHNOLOGY

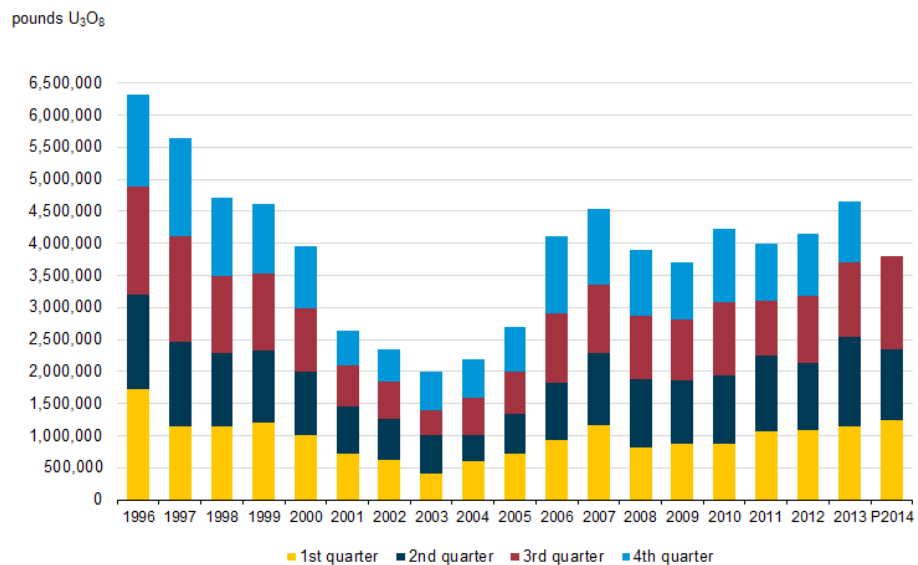
Peninsula Energy Ltd is emerging as a peer group leader in the development of uranium assets located in the U.S. state of Wyoming. The state is the largest producer of uranium oxide or U3O8 in the United States. Production is driven by heavyweights Uranium One and Cameco Corporation which established its In-Situ Recovery (ISR) uranium projects in Wyoming in the 1990's and is capitalised at US\$6.4 billion.

Cameco is the world's largest publicly traded uranium company and is the world's second largest uranium producer, accounting for 15% of world production.

The current development boom is being driven by the use of the proven ISR methodology that is currently responsible for around 50% of global production of U3O8. Average global ISR costs to produce U3O8 can be up to 25% cheaper when compared to traditional open pit or underground rock mining of uranium ore.

The Cameco ISR mines in Wyoming are reported to deliver a cash cost that is 10% lower than hard rock mines in the Canadian Athabasca basin that operate on grades that are up to 200 times richer than their ISR competitors. Capital costs are also much lower and are very scalable, allowing for initial production to commence at a low production base, and build up as cash flow grows.

Figure 1. Uranium concentrate production in the United States, 1996 - 3rd quarter 2014



P = Preliminary data.
Source: U.S. Energy Information Administration: Form EIA-851A and Form EIA-851Q, "Domestic Uranium Production Report."

IMAGE 1.0 U.S. PRODUCTION OF U3O8 NOW DRIVEN BY ISR TECHNOLOGY

According to the U.S. Energy and Information Administration "U.S. EIA" U.S. production of uranium concentrate or U3O8 in the third quarter 2014 was 1,468,608 pounds, up 34% from the previous quarter and up 25% from the third quarter 2013. During the third quarter 2014, U3O8 was produced at eight U.S. uranium facilities.

These included treatment of hardrock uranium ores at the White Mesa Mill in Utah, and ISR process plants at Alta Mesa, Texas, Crow Butte, Nebraska, Hobson/La Palangana, Texas, and Lost Creek, Nichols Ranch, Smith Ranch-Highland and Willow Creek all in Wyoming.

The Powder River Basin in Wyoming is the epicentre of a boom in low cost production of U3O8 via ISR technology

Application and recovery of U3O8 via ISR technology can be up to 25% cheaper than conventional hard rock and open pit mining

U.S. production of U3O8 increased by 25% over the last four quarters

Third quarter U.S. production of U3O8 was 1,468,608 pounds

Lance Projects to commence production in mid-2015 at a rate of 500,000 – 700,000 pounds of U3O8 and increase over three stages to 2,300,000 pounds of U3O8 per year

Contracts almost complete for Stage One production

Lance Project funded for commencement of production in mid-2015

LANCE PROJECTS TO ACCOUNT FOR 10% OF CURRENT U.S. PRODUCTION OF U3O8

The Lance Projects Process Plant is currently being constructed and is scheduled to commence Stage One production in the 3rd quarter of 2015 at an annualised rate of 500,000 – 700,000 pounds of U3O8 or approximately **10% of total current U.S. production**. Stage Two and Stage Three production will boost this to an annualised rate of 2,300,000 pounds of U3O8.

This production is underwritten by the largest JORC code compliant ISR uranium resource in North America that currently totals 53.7 million pounds of U3O8.

Peninsula holds an existing contract with a weighted average delivery price of US\$73-75 per pound for the period 2015 – 2020 which represents 34-50% of forecast annualised sales, and recently added an additional contract for 912,500 pounds for delivery from 2016 – 2024.

The Company plans to enter into contracts for an additional 0.6 – 1.6 million pounds of U3O8 for delivery into the period 2015 – 2020, and only needs to contract out 0.5 million pounds of production to fully protect near term production from lower spot prices that are currently at US\$37.00 per pound (Kitco 15/12/14).

A new contract was announced on December 3, 2014 with a major United States utility for the supply of up to 912,500 pounds of uranium that will commence in 2016 and continue through to 2024. The agreement terms and base price are consistent with current term contract pricing across the industry, and also contains a price escalation clause that is applied on a quarterly basis.

Peninsula has responded to an additional four requests for product that total 10.0 million pounds of U3O8 and is holding further product sale discussions with two additional utilities. Peninsula also expects to see several new rounds of Request for Product Quantities (RFPQ's) commencing in Q1 2015 as utilities start to secure product for their uncovered inventory positions in 2017 and beyond.

Proactive Investors notes that all sales are transacted in U.S. dollars and an investment in Peninsula represents an excellent hedge for Australian investors seeking protection from a weak Australian dollar. We note that the Australian dollar has already declined by more than 10% since the end of the September quarter. During that time the increasing value of Peninsula's U.S. assets have not (yet) produced any appreciation in the share price.

LANCE URANIUM PROJECT NOW FULLY FUNDED FOR COMMENCEMENT OF U3O8 PRODUCTION IN 2015

THE POWDER RIVER BASIN OF WYOMING IS THE EPICENTER OF THE RE-BIRTH OF U.S. URANIUM PRODUCTION – AND IS NOW SET ON A MAJOR GROWTH PATH

The use of the proven low cost ISR methodology for production of U3O8 in the Powder River Basin will have a similar and dramatic effect on the valuation of U.S. uranium producers that is comparable to the introduction of high tech fracking technology in the U.S. oil industry, especially in the Bakken and Permian Basins.

Wyoming has a history of mining uranium that commenced in 1953 with extraction of U3O8 from surface and near surface mining near Pumpkin Buttes. In-situ mining of yellowcake commenced in the early 1990's. In 2010 the Cameco owned Smith Ranch was the only ISR mine in Wyoming, and serves as the starting point of the current boom in ISR production of U3O8.

In-situ recovery of U3O8 started in the 1960's mostly in the old Soviet Republics. In 2000, 16% of U3O8 production was derived from ISR. By 2013, this had leapt to 46% of global production and is utilised in the states of Wyoming, Texas and Nebraska, along with Australia and Kazakhstan.

Peninsula was a very early mover on the application of ISR methodology when it secured its 100% interest in the Lance Projects in 2007.

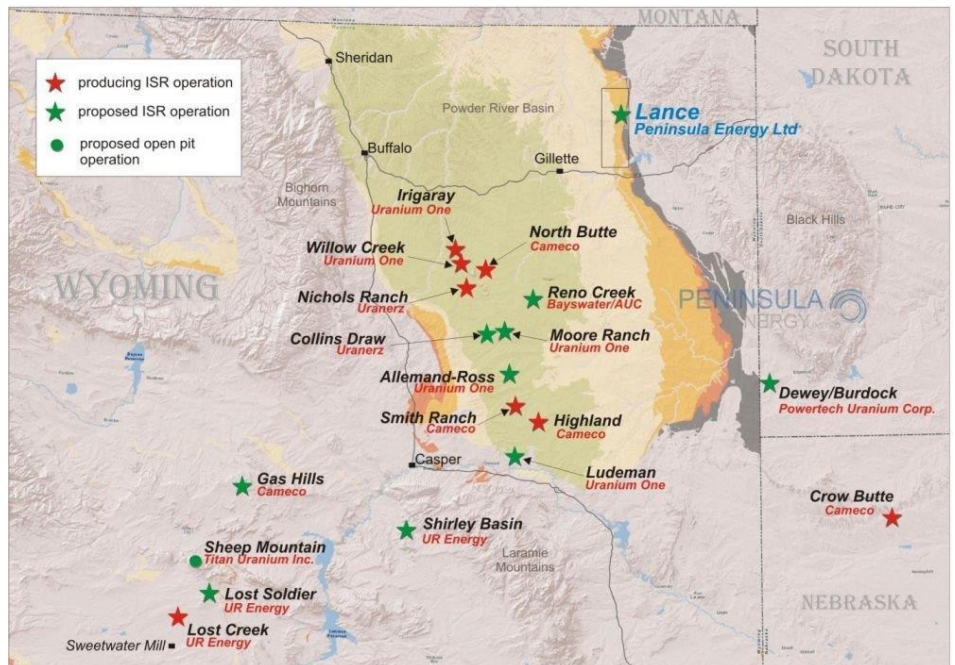
Wyoming is host to eight producing and nine proposed ISR (including the Lance Projects) that deploy well established ISR methods that recover yellowcake from underground reserves of uranium ores.

Uranium deposits that are amenable to ISR methodology contain uranium mineralisation that is retained within a sandstone aquifer that is bounded on top and bottom by formations of rock that are impermeable. The injection of an alkaline lixiviate via a cluster of wells allows the solution to percolate through the porous sandstone formation which dissolves and collects the uranium mineralisation. The pregnant solution is then collected by a number of recovery wells that are strategically located within the mineralised formation.

The pregnant uranium solution is then pumped through an ion exchange and elution process that recovers powdered yellowcake which contains approximately 80% uranium oxide that is upgraded for fuel fabrication or enrichment.

ISR methodology exhibits a low CAPEX and small environmental footprint when compared to traditional mining that requires the construction of expensive open pits or underground mines. The methodology has the added advantage of being scalable which also reduces initial CAPEX even further.

*Powder River Basin
epicentre of ISR
development*



MAP 1.0 LOCATION OF LANCE AND OTHER ISR PROJECTS IN POWDER RIVER BASIN

The Lance Projects are proximate to eight producing and eight proposed ISR projects within the Powder Basin, and additional projects outside the basin are noted to the southwest and southeast.

*Lance Projects are close to
population centres,
infrastructure, and road
access*

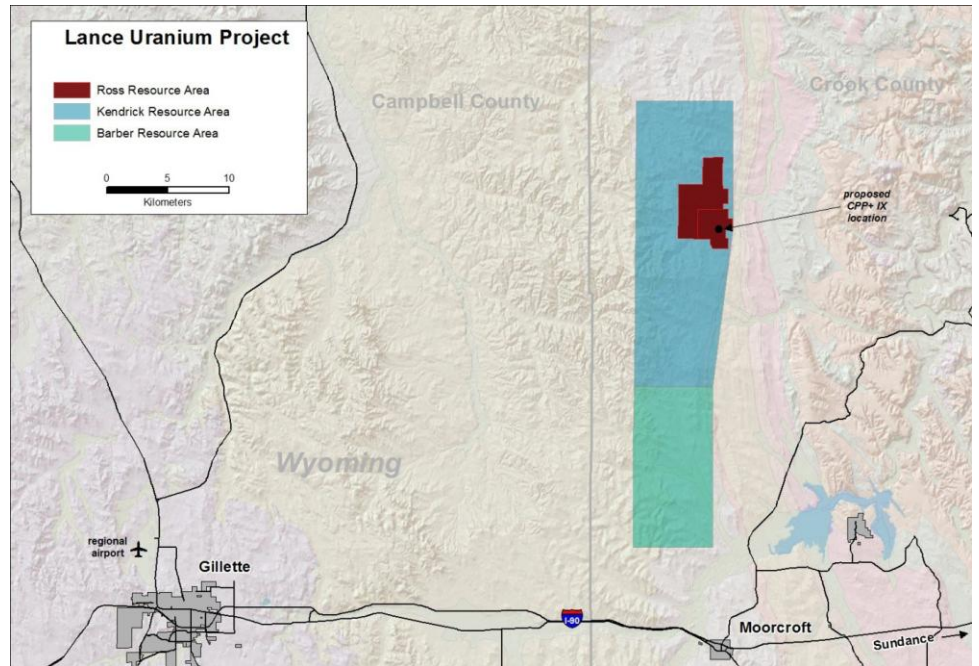
Lance Projects host a JORC compliant 53.7 million pounds of U3O8....

And has an exploration target of 157 – 217 million pounds

JORC resources have been delineated in 5 of the 13 historical resource areas comprising the Lance Projects

Additional uranium targets of 250 -350 million pounds have very significant and bullish upside for development as a global class uranium resource.

Peninsula continues to acquire strategic ground in the Powder River Basin



MAP 1.1 LANCE PROJECT AREAS ARE CLOSE TO INFRASTRUCTURE AND POPULATION CENTRES

LANCE PROJECTS JORC RESOURCE AND POTENTIAL UPSIDE

The Lance Projects are 100% owned by Peninsula Energy via its U.S. subsidiary Strata Energy Inc., and are located on the North East flank of the Powder River Basin in Wyoming.

The uranium potential within the project area was first evaluated between 1970 to 1979 by Nuclear Dynamics and Bethlehem Steel and then by Pacific Power Hydro. These entities completed 5,000 exploration and development holes for a total that exceeded 912,000 metres of drilling.

Peninsula acquired the Lance Projects in 2007 along with the drilling database and pilot plant data, and is now the dominant mineral rights holder in the area. Peninsula completed an additional 2,350 holes of drilling for completion of a JORC compliant resource containing a Measured, Indicated and Inferred Resource of 53.7 million pounds of U3O8.

LANCE PROJECTS UPDATED JORC RESOURCE ESTIMATE

	MILLIONS OF TONS	MILLIONS OF LBS U3O8	GRADE OF U3O8 PPM
MEASURED	4.1	4.5	495
INDICATED	11.6	12.7	497
INFERRED	35.5	36.5	467
TOTAL	51.2	53.7	476

IMAGE 1.1 JORC RESOURCE ESTIMATE AT 200 PARTS PER MILLION CUT-OFF

The Lance Projects are very large and include 312 line kilometres of identified roll fronts that include an **exploration target of 158 - 217 million pounds of U3O8 (169 – 196 million tonnes at a grade of 426 – 530 parts per million U3O8)** inclusive of the current JORC defined resource. These roll fronts stretch over 50 kilometres north and south, and are open to the north, south and west.

The host rocks for uranium mineralisation are the Cretaceous Fox Hills and lower Lance Formations that include sandstones and inter bedded siltstones and mudstones. The uranium deposits are in the form of bands of multiple sinuous, narrow features described as “roll fronts” that are precipitated at a biochemical interface in the groundwater.

The Company has mapped 20 sandstone units (within the JORC estimate independently confirmed by World Industrial Minerals) that occur over a distance of 8.9 kilometres with a north to south orientation, and have average depth to mineralisation of about 162 metres. The depth of mineralisation increases gradually towards the west due to dipping strata and the higher relief. Depth of mineralisation varies by up to a hundred metres and occurs below the top of the water table.

The project area is very close to required infrastructure, skilled labour and all services, and is within a basin that supplies the United States with about 40% of its coal needs. This

Source Materials License obtained for a production rate of 3 million tonnes per year

Mine Unit 1 within Ross will produce for 2 years and is part of an assemblage of 4 mine units in Ross that will produce 3.7 million pounds of U3O8

Ross Production Unit 1

includes one of the world's largest coal deposits at the Peabody Energy (NYSE: BTU) North Antelope Rochelle Mine that has produced over one billion tonnes of coal since the 1980's.

The Powder River Basin is a geologic structural basin that extends 190 kilometres from east to west and 320 kilometres from north to south and covers southeast Montana and northeast Wyoming. The basin also contains major deposits of uranium contained in sandstones in the Wasatch Formation (Eocene) within Wyoming that are "roll front" type deposits that are currently identified and extend from the Irigaray Deposit to the Ludeman Deposit over a distance of approximately 130 kilometres.

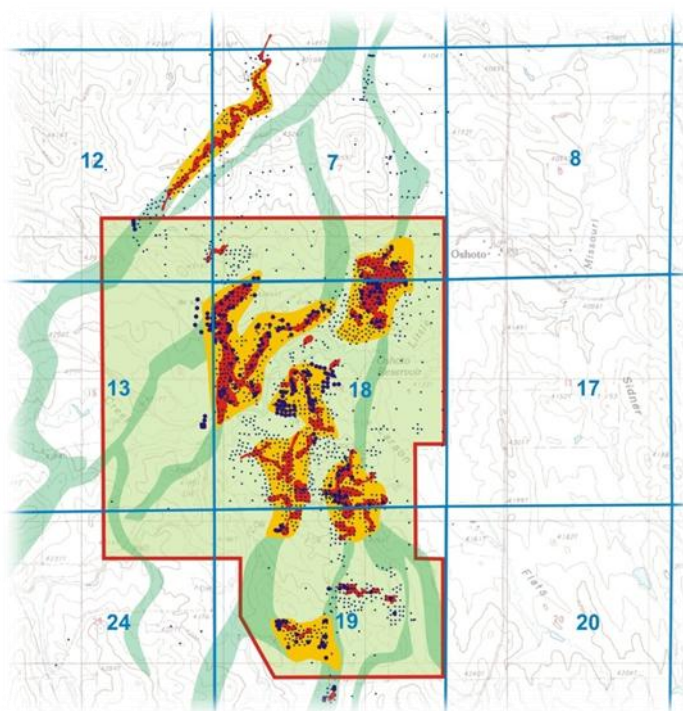
The Lance Projects are located approximately 100 kilometres to the northeast of Irigaray, and constitute approximately 30% of the currently known strike length of uranium mineralisation contained within the Powder River Basin, and illustrate the very significant upside that is inherent within this asset.

As of March 2012 Peninsula had landholdings of 30,204 acres of mineral rights in the Ross, Kendrick, and Barber Production Units, and surface access rights to 26,566 acres. Mineral leases in the proposed project area are a combination of private use, state, and federally owned lands. The Company is actively acquiring the remaining tenure in the Lance District, and nearing completion on the acquisition of further key strategic ground.

MINING OF THE LANCE PROJECTS

Peninsula holds all licenses and permits required to develop and operate the Lance Projects including a Source Materials License issued by the US Nuclear Regulatory Commission and a Permit to Mine granted by the Wyoming Department of Environmental Quality. All licenses and permits took less four years to acquire and allow for production of U3O8 at a rate of up to 3.0 million pounds per year.

Mining of the Ross, Kendrick and Barber fields will be via the proven ISR method. The first field to be produced will be Mine Unit 1 within the Ross Production Units that will commence in mid-2015 and has a life of approximately two years. Ross has four Mine Units with estimated U3O8 resources of 5.9 million pounds and estimated production of 3.7 million pounds of U3O8.



MAP 1.2 ROSS PRODUCTION UNIT HAS FOUR MINE PRODUCTION UNITS

JORC Resource of 53.7 million pounds of U3O8 estimated to produce 28.1 million pounds of U3O8

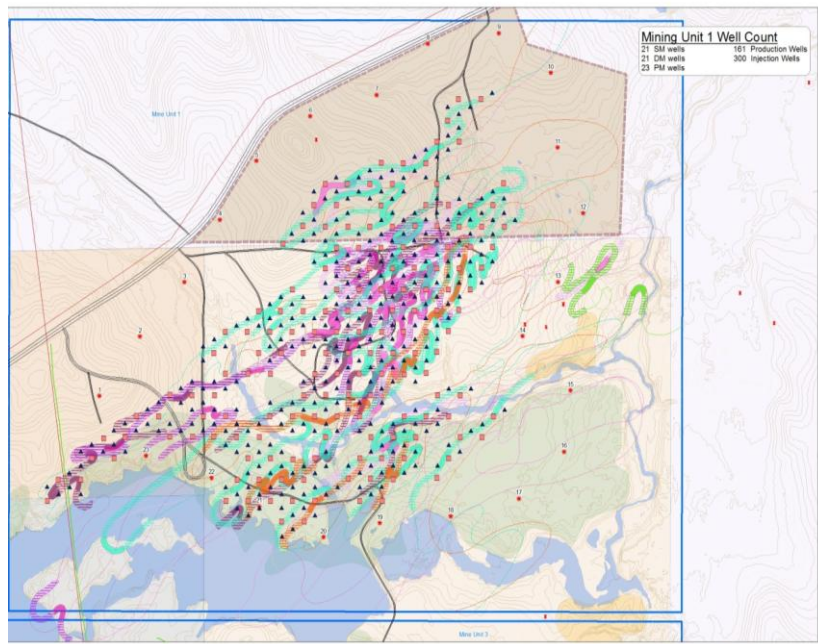
Three Production Stages

Stage One 500,000-700,000 pounds of U3O8 per year

Stage Two 1,200,000 pounds of U3O8 per year

Stage Three 2,300,000 pounds of U3O8 per year

Utilises generic off the shelf equipment and proven extraction methodology



MAP 1.3 MINING LAYOUT OF PRODUCTION UNIT ONE AT ROSS WITH A MINE LIFE OF 2 YEARS

ESTIMATED PRODUCTION TIMETABLE AND AMOUNT OF PRODUCTION FROM EACH FIELD

PRODUCTION UNIT	COMMENCE PRODUCTION	ESTIMATED RESOURCES MILLIONS OF POUNDS	ESTIMATED PRODUCTION MILLIONS OF POUNDS
ROSS	2015 STAGE ONE	5.9	3.7
KENDRICK	STAGE TWO	15.9	8.8
BARBER	STAGE THREE	31.9	15.6
TOTAL		53.7	28.1

IMAGE 1.2 PRODUCTION TO BE STAGGERED TO MEET CONTRACTED GROWTH FOR U3O8

Peninsula has reconfigured a three stage scalable production development plan in conjunction with TREC Inc. which is the design and build engineering contractor on the Lance Projects.

The scalable development plan now is:

- Stage One – production rate of 500,000 – 700,000 lbs of U3O8 per year
- Stage Two – production rate of 1,200,000 lbs of U3O8 per year
- Stage Three – production rate of 2,300,000 lbs of U3O8 per year

This plan significantly reduces Stage One capital expenditure to US\$33 million (now fully funded) and decreases the volume of uranium sales to be contracted in this stage until the price of uranium reaches more attractive and more profitable levels.

Commissioning of Stage One has the added benefit of instituting profitable operations and de-risking Stage Two and Three upgrades.

STAGE ONE OPERATIONS

Up to seven wellfield units will be in operation at any point in time. Each wellfield unit is comprised of 77 wells. The Central Processing Plant has been significantly reduced and now contains six ion exchange columns. The remaining Stage One capital expenditures of US\$33 million also cover contingencies, with currently completed funding underwriting commencement of production within the next six months.

STAGE TWO OPERATIONS

Up to fourteen wellfield units are in operation at any one point in time. The Central Processing Plant is expanded to accommodate an additional six ion exchange columns for a total of twelve columns, along with supporting process equipment. This includes elution, drying and packaging equipment. Capital expenditure for this stage is set at US\$35 million and includes contingencies.

Well field activity consists of shallow wells drilled to a depth of 168 – 213 metres at 23 metre spacing

STAGE THREE OPERATIONS

Fourteen wellfield units are developed in the Barber Unit. A satellite plant that includes twelve ion exchange columns and a reverse osmosis module constructed at Barber. The loaded resin from the Barber satellite plant will then be trucked to the Central Processing Plant for treatment and packaging. Capital for this stage is set at US\$78 million and includes contingencies.

A three stage ramp up allows the Company great flexibility, as the ISR process is very scalable and utilises generic and well established process plant and wellfield equipment that is readily available. Production capacity can be expanded by drilling out sections of a production unit to generate pregnant uranium solution and adding parallel recovery circuits with ion exchange and elution columns to recover U3O8.



IMAGE 1.3 ION EXCHANGE COLUMN READY FOR INSTALLATION AT CENTRAL PROCESSING PLANT



IMAGE 1.4 WELLS ARE DRILLED AT INTERVALS OF 75 FEET / 23 METRES AND AVERAGE DEPTH IS 550-700 FEET / 168-213 METRES

STRONG FINANCIAL METRICS DRIVE DEVELOPMENT

The three stage ramp-up has the effect of transferring a large component of both production and associated costs from the first five years of operations into later years when U3O8 prices are forecast to be higher.

Peninsula has updated project metrics which produce the following attractive financial returns:

Unlevered Pre-Tax Net Present Value of US\$288 million, Internal Rate of Return 36%, and turns cash flow positive in 2016

Average costs are US\$30.76 per pound in Stages One and Two

Annualised free cash flow from Stage Two at US\$27.9 million per year....

Increases to US\$70.9 million per year in Stage Three

At US\$70 per pound of U3O8 Stage Three produces annualised free cash flow of US\$93.9 million

- Unlevered Pre-Tax Net Present Value (8%) of US\$288 million
- Operations become cash flow positive in 2016
- Pre-Tax Internal Rate of Return of 36% based on US\$54 per pound of U3O8

The price of US\$54 per pound of U3O8 is the present value of average prices used from 2015 – 2024 for existing contracts and forecast new sales from contracts that are under negotiation by the Company and are escalated at the minimum industry escalation rate. After 2024, a present value rate of US\$60 per pound is applied.

Current JORC resources at the Lance Projects are a very attractive source of long term supply for the nuclear power generation industry. All in sustaining costs for the three stage ramp up are extremely positive providing a healthy profit margin:

- Stage One and Stage Two average costs are US\$30.76 per pound of U3O8
- Stage Three costs at a steady state are US\$29.16 per pound of U3O8

All costs are un-escalated and include contingencies where applicable. They also include royalties, state, ad valorem, and severance taxes, operating costs, ongoing wellfield development costs, closure costs, rehabilitation costs, delivery of concentrate to a converter, but exclude selling and marketing costs, finance charges and corporate taxes.

Proactive Investors notes that Stage One production from Unit 1 at Ross should reach a steady state output of U3O8 in 2016 at an annualised rate of 500,000 – 700,000 pounds and create the following free cash flow or EBITDA:

LANCE PROJECTS FINANCIAL METRICS FORECAST FOR 2016 FOR STAGE ONE

PRODUCTION RATE ANNUALISED	FREE CASH FLOW ANNUALISED US\$/LB	ANNUALISED CASHFLOW US\$	FREE CASH FLOW ANNUALISED CASHFLOW A\$
500,000 U3O8 LBS	\$23.24	\$11,620,000	\$13,712,000
700,000 U3O8 LBS	\$23.24	\$16,268,000	\$19,196,000

IMAGE 1.5 FREE CASH FLOW STAGE ONE

This is based on a long term average contract price of US\$54.00 per pound at an annualised production rate of 500,000 - 700,000 pounds that generates a total revenue range of US\$27,000,000 – US\$37,800,000. All in sustaining costs of US\$30.76 per pound deducted from US\$54.00 per pound produce a free cash flow of US\$23.24 per pound and generate annualised EBITDA (Earnings before Interest, Taxation, Depreciation, and Amortisation) of US\$11,620,000 – US\$16,268,000. Annualised free cash-flow is converted into A\$ at a rate of US\$0.85 for illustrative purposes only.

LANCE PROJECTS FINANCIAL METRICS FOR STAGE TWO

PRODUCTION RATE ANNUALISED	FREE CASH FLOW ANNUALISED US\$/LB	ANNUALISED CASHFLOW US\$	FREE CASH FLOW ANNUALISED CASHFLOW A\$
1,200,000 U3O8 LBS	\$23.24	\$27,888,000	\$32,908,000

IMAGE 1.6 FREE CASH FLOW STAGE TWO

Stage Two cash flow is based on U3O8 at US\$54.00 per pound

LANCE PROJECTS FINANCIAL METRICS FOR STAGE THREE

PRODUCTION RATE ANNUALISED	FREE CASH FLOW ANNUALISED US\$/LB	ANNUALISED CASHFLOW US\$	FREE CASH FLOW ANNUALISED CASHFLOW A\$
2,300,000 U3O8 LBS	\$30.84	\$70,932,000	\$83,670,000

IMAGE 1.7 FREE CASH FLOW STAGE THREE

Peninsula applies a long term U3O8 price of US\$60.00 per pound, and a lower all in sustaining cost of US\$29.16 per pound for its financial metrics for Stage Three, and we extrapolate annualised free cash flow as noted in Image 1.7.

The foregoing financial projections are based on an orderly long term completion of production from each stage before production commences from the next stage.

Proactive Investors believes that the appearance of major institutional investors and provision of both equity and debt funding is based on the belief that uranium prices will continue to rise - driven by higher global demand and reduced supply. This may allow Stage Two Production to get underway at Lance before Stage One is completed and is value accretive to Peninsula.

Increasing U3O8 prices are extremely bullish for financial returns from Lance Projects

Investors should also take note that Peninsula uses a conservative average head grade (rate of recovery) for U3O8 of 38 parts per million that is supported by multi-year bench testing. We believe that the average recovered grade may be exceeded.

Ur-Energy commissioned its Lost Creek ISR project in 2013 (Powder River Basin, and proximate to Lance) at an estimated recovered head grade of 42 parts per million of U3O8. Lost Creek has been operating for four quarters and reported quarterly recoveries of 211, 179, 152, and 135 parts per million of U3O8 that far exceed bench scale testing.

Peninsula has retained Ralph Knode and Mike Brost who have over 30 years of uranium ISR experience to manage development and production at Lance via Strata Energy, and their experience is that new operations typically see higher well field grades in the initial years of operation. This will assist with the further de-risking of the business model.

INCREASING U3O8 PRICES ARE VERY BULLISH FOR LANCE PROJECTS

Proactive Investors notes that a number of bullish factors are coming into play in global U3O8 markets (see Global Markets and Pricing of Uranium) that may lead to higher prices in the nearer term. The U3O8 market has historically been extremely volatile pushing to the upside in 2007 at US\$135 per pound, and collapsing in mid-2014 to under US\$30.00 per pound.

In February 2014 Paladin Energy shut down 3.3 million pounds of annualised U3O8 production at its Kayelekera uranium mine in Malawi where the cash cost of production was reported at US\$39.20 per pound. Management stated that the mine would not resume production until the price of U3O8 stabilised above US\$75.00 per pound, and forecast that U3O8 demand is expected to exceed supply in 2016.

We have taken a more conservative approach and applied both US\$60.00 and US\$70.00 per pound of U3O8 to conceptual contracts executed on a long term basis at the start of 2016, and assumed commencement of full scale production from Stage Two at the start of 2018.

We note that Peninsula is now fully funded and mostly hedged for Stage One operations that are forecast to produce for 5 – 7 years at 500,000 – 700,000 pounds per year out to 2021 – 2023. Sensitivity to an increase in U3O8 prices for the year 2018 is illustrated as follows:

LANCE PROJECTS CONCEPTUAL FINANCIAL PROJECTION 2018 USING U3O8 AT US\$60.00 AND \$70.00 LB

PRODUCTION RATE ANNUALISED	FREE CASH FLOW US\$/LB	ANNUALISED CASHFLOW US\$	FREE ANNUALISED CASHFLOW A\$
STAGE ONE 700,000 LBS	\$23.24	\$16,268,000	\$19,196,000
STAGE TWO 1,200,000 LBS	\$29.24*	\$35,088,000	\$41,404,000
TOTAL 1,900,000 LBS		\$51,356,000	\$60,600,000
STAGE ONE 700,000 LBS	\$23.24	\$16,268,000	\$19,196,000
STAGE TWO 1,200,000 LBS	\$39.24**	\$47,088,000	\$55,564,000
TOTAL 1,900,000 LBS		\$63,356,000	\$74,760,000

IMAGE 1.8 CONCEPTUAL CASH FLOW MODEL IS ACCRETIVE FOR STAGES ONE AND TWO IN 2018.

Stage Two output of 1.2 million pounds of U3O8 from Kendrick has sufficient JORC resources to support a 7.3 year Life of Mine that is followed by Stage Three output of 2,300,000 pounds of U3O8 per year for an additional 6.8 years of Life of Mine.

The Lance Project areas retain very significant uranium exploration targets of 158 - 217 million pounds of U3O8 that will underwrite ISR operations for multi decades if maintained at the same production pace that is forecast for Stage Three operations.

Proactive Investors assumes a conceptual US\$70.00 per pound price for U3O8 and projects annualised free cash flow as follows:

LANCE PROJECTS CONCEPTUAL FINANCIAL METRICS FOR STAGE THREE AT US\$70 LB

PRODUCTION RATE ANNUALISED	FREE CASH FLOW US\$/LB	ANNUALISED CASHFLOW US\$	FREE ANNUALISED CASHFLOW A\$
2,300,000 U3O8 LBS	\$40.84	\$93,932,000	\$110,840,000

IMAGE 1.9 STAGE THREE CONCEPTUAL FINANCIAL METRICS

Please note that we have taken a very conservative view and deducted all in sustaining costs before calculating free cash flow per pound. This free cash flow may actually be greater than stated.

*Major financial Institutions
provide very significant
support for Peninsula.*

*Karoo Projects have JORC
resource of 56.9 million
pounds*

FUNDING FOR LANCE PROJECTS IN PLACE

On 18 December 2014 Peninsula announced the successful completion of the accelerated institutional component of the \$52.6 million renounceable entitlement offer that was announced two days earlier.

This institutional component of the entitlement offer was fully subscribed by RCF VI, Pala Investments Limited, BlackRock Funds and JP Morgan AM UK Ltd and raised gross proceeds of \$23.9 million. The offer price was \$0.02 per share with a 1 for 2 free attaching option that is exercisable at \$0.05 per share on or before 31 December 2018.

An earlier share offer (on the same terms) for the sum of \$16.8 million was placed with RCF VI on 16 December 2014, and brings the total raised to \$40.7 million.

A further \$28.7 million is to be raised through a retail offer to eligible shareholders on the same terms as the completed institutional placements. The offer will be completed on a pro-rata basis and will be open from 29 December 2014 to 23 January 2015.

Trading of the Retail Entitlement Rights will commence on 18 December 2014 and conclude on 16 January 2015.

The Retail Entitlement Offer will be underwritten for the sum of \$10.9 million by RFC Ambrian and sub-underwritten RCF VI, and Pala Investments Ltd. RCF VI and Pala have also provided a \$17.8 million standby debt facility. These two amount guarantee the full value of the Retail Entitlement Offer ensuring that the Company is 100% funded for Stage 1 of the Lance Projects.

All of the issued shares and options will be publicly tradeable.

MAJOR GLOBAL FUNDS ARE INVESTED – ATTEST TO MANAGEMENT AND PROJECT QUALITY

Resource Capital Funds is a Denver based and mining focused private equity firm. The firm has funded 131 mining companies located across 43 countries that are developing or producing from 29 commodities.

The firm has opened its RCF VI fund that is investing \$2.04 billion into mining companies that include Peninsula.

BlackRock, Inc is an American multinational investment management corporation that is based in New York, and is the world's largest asset manager with over \$4.59 trillion in assets under management.

JP Morgan Asset Management UK is one of the UK's largest asset managers and is a subsidiary of JP Morgan of the United States.

Pala Investments Limited is a Swiss based investment firm that specialises in the mining sector. The firm has invested in 87 companies spread across 25 countries.

KAROO URANIUM PROJECTS, SOUTH AFRICA

Peninsula commenced exploration in South Africa in 2006 and was awarded prospecting rights by the Department of Mineral Resources over six project areas located in the Western, Northern and Eastern Cape Provinces. These prospecting areas include three historic deposits that were explored by JCI and Union Carbide Exploration Corporation during the late 1970's and early 1980's.

Peninsula has a 74% interest in a total of 41 Prospecting Rights covering 7,800 square kilometres of the main uranium-molybdenum bearing sandstone channels in the Karoo Basin known as the Karoo Projects, and include acquisition of 35 Prospecting Rights previously held by AREVA. The residual 26% interest remains with the Black Economic Empowerment partners as required by South African law.

The AREVA Prospecting Rights are subject to a US\$45 million payment on securing a minimum of 50% debt financing facility of the amount required to develop the project.

The Karoo Projects are categorized into the Eastern and Western Sectors. In the Eastern Sector, Peninsula has freehold ownership over an area of 322 square kilometres which

Peninsula moves into Feasibility Studies with a timeline to commissioning U3O8 production in 2017/2018

South African Government institutes new nuclear energy policy aimed at increasing production of electricity that will be of great benefit to South African U3O8 producers

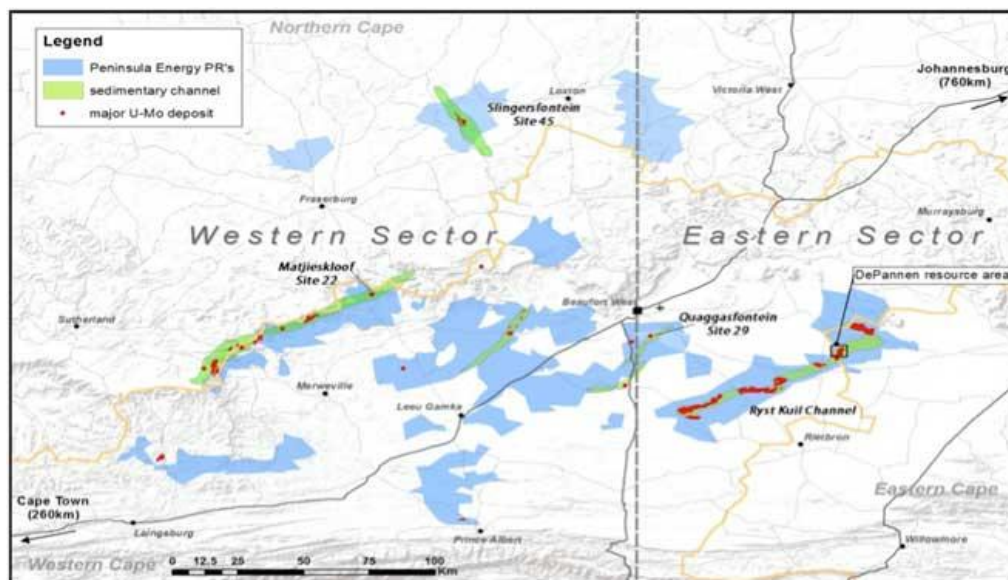
JORC resource grades are high at an average of 1,108 parts per million of U3O8

covers a significant proportion of the reported resource and allows unlimited surface access.

A number of the main targets have been evaluated with 46,000 metres of Rotary Core and Diamond drilling, and supported by 597,000 metres of drilling completed within the ARVEA area acquisition. This has allowed for the generation of a 3D geological model and JORC Code compliant resource estimate.

Uranium and molybdenum mineralisation is hosted in fluvial channel sandstone deposits in the western and central parts of the Main Karoo basin within the Adelaide Subgroup and to a much lesser extent, the Molteno and Elliot formations of the Permian-Triassic Beaufort Group (Karoo Supergroup). The occurrences are epigenetic, tabular and sandstone-hosted and the thickest sandstone bodies tend to contain the highest proportion of mineralisation.

The combined Karoo Projects contain **56.9 million pounds of JOC compliant Indicated and Inferred Resource along with a further exploration target of 250m -350 million pounds of U3O8**. The resource estimate was undertaken by independent consultants Optiro Pty Ltd.



MAP 1.4 KAROO PROJECTS SOUTH AFRICA

The current Karoo resources are located within two well defined sedimentary channels that each extend for up to 100 kilometres of strike length and run parallel to each other.

KAROO PROJECTS JORC RESOURCE ESTIMATE

	MILLIONS OF TONNES	MILLIONS OF LBS U3O8	GRADE OF U3O8 PPM
INDICATED	8.0	21.9	1,242
INFERRED	15.3	35.0	1,038
TOTAL	23.3	56.9	1,108

IMAGE 1.10 JORC RESOURCE ESTIMATE 600 PPM CUT-OFF

KAROO PROJECTS JORC RESOURCE ESTIMATE EAST AND WEST SECTORS

CLASSIFICATION	SECTOR	eU3O8 CUT-OFF	MILLIONS OF TONNES	GRADE OF U3O8 PPM	MILLIONS OF LBS U3O8
INDICATED	EASTERN	600 PPM	7.1	1,206	18.7
	WESTERN	600 PPM	0.9	1,657	3.2
INFERRED	EASTERN	600 PPM	11.8	1,046	27.2
	WESTERN	600 PPM	3.5	1,019	7.8
TOTAL			23.5	1,108	56.9

IMAGE 1.11 RESOURCE BREAK DOWN INTO SECTORS

KAROO PROJECTS TOTAL CONCEPTUAL POTENTIAL OF TARGETS

EXPLORATION AREAS	MILLIONS OF TONNES	GRADE U3O8 PPM	eU3O8 MILLIONS OF POUNDS
RANGE	FROM TO	FROM TO	FROM TO
TOTAL	126 - 133	900 - 1200	250 - 350

IMAGE 1.12 CONCEPTUAL EXPLORATION TARGETS

In September 2013 Peninsula completed a Scoping Study on the Eastern Sector of the Karoo Projects with the independent assistance of South African based DRA Mineral Projects Pty Ltd. The Study showed significant potential for the extension of both open pit



*Scoping Study confirms
viability of Karoo*

*Latest drilling program hits
high grades of U3O8 close to
surface*

and underground mineral resources within seven mineralised zones that were under evaluation, and that further potential exists in the mineralised zones within the Ryst Kuil channel that was not evaluated in the Study.

The Study confirmed that positive cash-flow could be generated over the proposed life of the project utilising the currently estimated JORC resource. Peninsula then progressed into a Pre-Feasibility Study (PFS).

In May 2014 Peninsula completed and lodged a Mining Licence Application over 16 Mining Rights (MLA), and retained Ferrett Mining and Environmental Services to assist with the environmental management impact assessment plan as part of the MLA.

The PFS is expected to demonstrate that the deposits within the Karoo Projects can be operated as a large scale operation that will initially draw ore from a multiple open pit operation which in-turn will allow low-cost direct decline access to underground resources, all feeding into a single centralised process plant.

Mintek of South Africa have been retained to complete and refine metallurgical studies and optimise radiometric sorting of ore. Current studies indicate that an acid leach can recover an economically acceptable 90.8% of U3O8.

VERY HIGH NEAR SURFACE GRADES REPORTED WITHIN EASTERN SECTOR

In October 2014 Peninsula reported that re-probing of historic drill holes had intercepted very high grades at near surface that included:

- 2.9 feet at 4,728 ppm eU3O8 from 24.9 feet
- 3.3 feet at 3,608 ppm eU3O8 from 24.9 feet
- 2.8 feet at 3,307 ppm eU3O8 from 31.8 feet
- 3.1 feet at 2,783 ppm eU3O8 from 28.9 feet

These results confirm the historic presence of high grade mineralisation in the Rietkuil area that has potential to extend the current JORC resource base. Initial gamma probing at Block F(N) at Ryst Kuil has delivered very high grades at shallow depths, returning 29 significant intersections (greater than 200 ppm eU3O8) from the 95 holes re-logged to date, and ranged in depth from 24.3 to 39.9 feet below surface.

A 3-5 year work program is proposed to evaluate and expand the JORC compliant resource that will focus on the Eastern Sector Ryst Kuil channel and Rietkuil area. Work will include ground based prospecting, geological mapping, geophysical logging, geochemical sampling of historic drill holes and completion of a PFS with associated permitting and technical studies.

Testing of the Western Sector will follow after completion of the Eastern Sector work program.

SOUTH AFRICAN DEMAND FOR U3O8 SET FOR SIGNIFICANT GROWTH

South Africa is planning to spend as much as US\$100 billion over a period of 15 years to build nuclear reactors to provide 9,600 megawatts of power. The country currently draws about 80% of its power needs from coal, and has aging infrastructure that is incapable of guaranteeing a constant supply of base load high intensity supply of electricity (including to electric rail networks and electric-arc furnace etc) that has led to recurring blackouts and loss of productivity,

Eskom is the state owned utility has an installed capacity of about 42,000 megawatts that includes the 1,800 megawatt Koeberg nuclear plant. South Africa is currently in discussions to increase power from nuclear projects.

The growth of nuclear power in South Africa should allow locally based U3O8 producers such as Peninsula to capture significant long term supply contracts to Eskom.

RAKIRAKI GOLD PROJECT, FIJI

Peninsula maintains a 50% ownership of Rakiraki which has been subject to very limited application of modern geophysical exploration techniques. The project includes three main

U.S. produces 20% of its power from nuclear reactors and imports 90% of the fuel required to power them

Global nuclear reactor fleet produces 11% of global electricity requirements

gold prospects at Qalau, 4300E and Tataiya Ridge and numerous additional gold anomalies that are found in a similar geological setting to the Vatukoula deposit 35 kilometres to the south west. Vatukoula has produced over 7 million ounces of gold over a 75 year mine life and holds an additional 4.1 million ounces of Proven Mineral Resources and 0.75 million ounces of Mineral Reserves.

Ground magnetics have been completed over part of the Qalau prospect along with trenching that has identified a 15 metre wide zone of mineralisation contained within quartz veining, with highlights of 3 metres at 3.75 g/t gold, and 2 metres at 3.36 g/t gold. Operator of the project is Geopacific Resources (ASX: GPR) with a 50% interest.

U.S. URANIUM MARKET

THE UNITED STATES IS A MAJOR CONSUMER OF URANIUM

According to the U.S. EIA there are currently 62 commercially operating nuclear power plants with 100 nuclear reactors in 31 states in the United States. Thirty-five of these plants have two or more reactors. The Palo Verde plant in Arizona has three reactors and had the largest combined net summer generating capacity of 3,937 megawatts (MW) in 2012.

Five reactors are under construction, five are in the planning stage, and another 17 have been proposed. This may increase the U.S. fleet by 5% – 10% in the next decade, with an additional upside of approximately 15% available if most of the proposed plants go into permitting, funding and construction phases by 2030. Political shifts within the U.S. Senate, Congress and States is indicating a more favourable attitude towards nuclear power.

The United States currently generates about 20% of its power from uranium fuelled nuclear reactors, and imports over 90% of its fuel requirements. The World Nuclear Association confirmed that in 2013 the United States consumed 18,816 tonnes or 41.4 million pounds of U3O8 for output of 790.2 billion kWh.

GLOBAL MARKETS AND PRICING OF URANIUM

CURRENT REACTOR FLEET AND DEMAND FOR U3O8

According to the World Nuclear Association the global nuclear reactor fleet is currently at 437 units that outputs 11% of the global demand for electricity. In 2013 these reactors produced 2,539 billion kWh and consumed 65,908 tonnes of U3O8. This supply comes from mines, stockpiles and secondary sources such as the decommissioning of nuclear weapons. World-wide mine supply is currently only producing 85% of the annualised demand requirements for all nuclear reactors.

The supply of U3O8 from secondary sources has also undergone a very significant and structural contraction as outlined in Image 2.0. That is a contraction of 62% from peak supply in 2006 to the annual forecast for 2021 which may reach a 30 year low of 18 million pounds or 8,200 tonnes. The U.S. and Russian HEU agreement which has been terminated is marked in black, reprocessing of tails is marked in dark green, Russian stockpiles are marked in light green, U.S. stockpiles, reprocessed plutonium and uranium and repurchased uranium are marked in light grey.

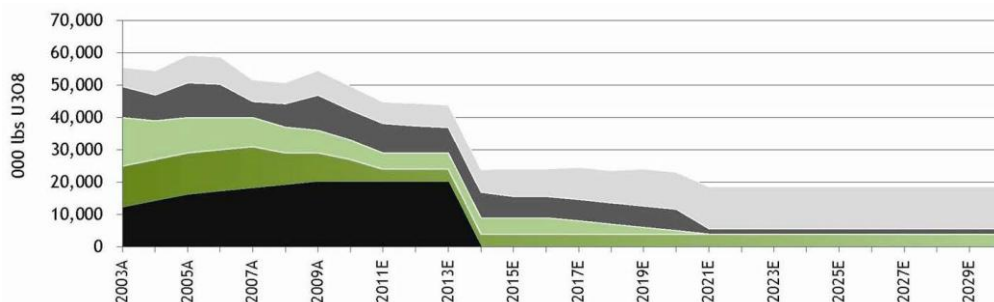


IMAGE 2.0 SUPPLY OF U3O8 FROM SECONDARY SOURCES HAS UNDERGONE SIGNIFICANT CONTRACTION

In 2013 the global leader in U3O8 production from mine sources was Kazakhstan with 22,567 tonnes or 45.1 million pounds, followed by Canada with 9,332 tonnes or 20.5

Production of 1 pound of nuclear fuel requires tens pounds of yellowcake or U3O8

Demand for global nuclear energy is forecast to grow by 55% - 89% by 2030

U3O8 prices have always been volatile and the next bull market in U3O8 will repeat this volatility to the upside

Spot price for U3O8 at 26 December 2014 was US\$36.25 per pound

million pounds, and Australia with 6,332 tonnes or 13.9 million pounds. Total global production was 59,673 tonnes or 131.3 million pounds.

CONVERSION OF YELLOWCAKE INTO NUCLEAR FUEL

U3O8 or yellowcake is the end product of mining and milling of hard rock ore, or recovery from leachate using ISR mining. Yellowcake is only mildly radioactive and contains approximately 0.7% of the uranium-235 isotope that must be enriched to a 3.5% - 5.0% level before it can be utilised in a nuclear power reactor.

This is accomplished by turning the U3O8 into a gaseous state that creates uranium hexafluoride or UF6. This UF6 can be enriched to a level of 3.5% -5.0% and converted into a uranium dioxide or UO2 powder that can be pelletised for use in nuclear power plant fuel rods. Ten pounds of U3O8 are required to produce one pound of pelletised UO2 nuclear fuel.

GLOBAL NUCLEAR POWER GROWTH FORECAST OF 55% - 89% BY 2030

There are 72 nuclear reactors that are under construction, 179 are planned or are on order, and 308 are proposed. Within this total China is constructing 26 reactors and, has planned or proposed an additional 180 units. India is constructing 6 reactors and has planned or proposed an additional 57 units.

China currently consumes 19 million pounds of U3O8 per year, with demand forecast to grow to 73 million pounds by 2030. China produces 4 million pounds of U3O8 per year or 21.1% of its current needs, and 5.5% of its medium term forecast needs.

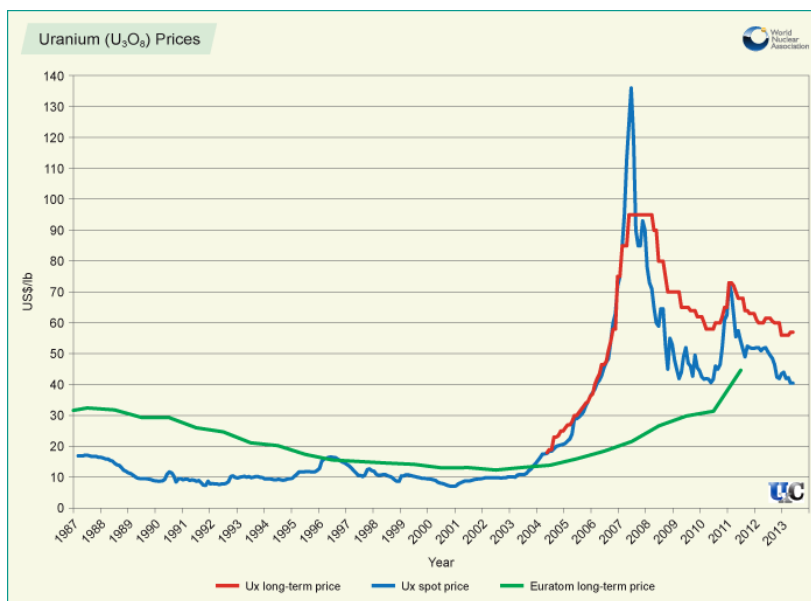


IMAGE 2.1 URANIUM PRICES 1987 – MID 2014 M INCLUDING LONG TERM AND SPOT SALES

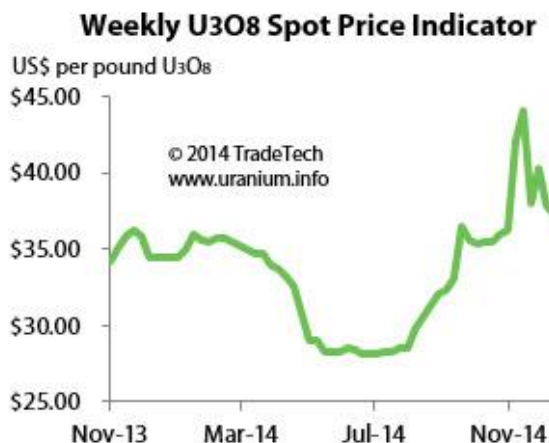


IMAGE 2.2 CURRENT SPOT PRICE OF U3O8 AT 26/12/14 WAS US\$36.25 PER POUND

Spot trading typically represents less than 20% of available supply and represents around 40 million pounds of U3O8 sales per year. The bulk of U3O8 is contracted within a 3 – 15 year term contract with producers selling directly to utilities.

The World Nuclear Association Report on Supply and demand from 2013 – 2030 forecasts demand for uranium to increase considerably up to 2030, that will increase demand for uranium from 62,000 tU to 119,000 tU with new mines required beyond 2025. The report also notes that after 2017 there will also be a shortage of facilities capable of enriching U3O8 into UF6 for conversion into UO2.

Global nuclear capacity to produce electricity is expected to grow at an annual rate of 3.0% - 4.2% and includes the re-opening of Japanese reactors. This is forecast to produce global capacity within a range of 574 GWe – 700 GWe by 2030 for total growth of 55% - 89%.

FACTORS THAT MAY DRIVE URANIUM PRICE HIGHER IN THE NEAR TERM

U.S. Government sales from the Excess Inventory Management Plan instituted in 2008 with inventory valued at billions of dollars play a significant role in the supply of uranium to utilities. The Department of Energy has plans in place to complete the sale of up to 10.3 million pounds of U3O8 by 2017. U.S. uranium producers are up in arms over the plan as the excess supply depresses prices and has resulted in litigation (ConverDyn v US DOE). The U.S. Government is looking to settle the case, and reduce the flow of surplus inventory into the market.

The Highly Enriched Uranium Agreement “HEU” with Russia ended in 2013 and removed 24 million pounds of (weapons grade) secondary supply from the market.

Global production of uranium has been cut in response to low prices, and new developments have been cancelled. This includes the closure of Honeymoon Well in South Australia, Kaylekera in Malawi, and deferral of Mkuju River in Tanzania. Production cutbacks have been reported at Rossing (35%), Langer Heinrich (23%), MacArthur River and Key Lake (18%), and Olympic Dam (11%).

Supplies in Western Africa are also under threat from Islamic terrorism in Niger, and water and power shortages in Namibia.

Japan is planning to re-start its nuclear reactors in 2015 after the nuclear regulator gave them a clearance subject to local approval. Recent elections saw the return of the ruling Liberal Democrat Party which strongly supports nuclear energy re-starts that has already seen local approval to re-start two units at Senai. There are an additional 30 reactors out of a fleet of 50 units that are planning to come back on line by 2018. This will effectively remove the threat of sales from a 100 million pound / 45,455 tonne U3O8 stockpile held in Japan from further depressing the long term market for U3O8.

The timeline for the mining of U3O8 and production of enriched fuel for nuclear reactor use can extend over a period of 18 months and is not subject to the type of “instant” demand pressures that occur with natural gas, coal or heating oil when severe hot or cold weather affects demand. So nuclear utilities tend to plan their purchases several years in advance and spot prices for U3O8 tend to reflect this reality, and will over time reflect a more bullish view as Japanese reactors come on line.

Utilities have already stepped up their purchases with Exelon (NYSE: EXC) which is the largest nuclear utility in the U.S. with 23 reactors at 14 U.S. locations reporting purchases of uranium for medium term production needs. Peninsula has reported that recent activity in the term market for U3O8 has driven the price from US\$45 per pound to US\$49 per pound for an increase of 8.9%.

CHINA DEMAND WILL DRIVE U3O8 PRICING

China currently gets 2% of its electric power needs from 20 reactors, and is in process to expanding its power grid by up to 80%. The country has 27 reactors under construction and plans to build another 60 reactors over the next decade.

World Nuclear Association forecasts need for new uranium mines beyond 2025 with very long lead times to production development must start now

Many issues point to a current collapse in supplies, deferral of new exploration and development that will lead ultimately to much higher prices for U3O8

Japan restarts its nuclear fleet and risk of sales from Japanese stockpiles of U3O8 vanish

China will lead the world in global demand for U3O8 from its planned fleet of nuclear reactors

Geopolitical risk has increased with the collapse of the Russian Ruble and Russia's control of a significant amount of business associated with production of U3O8 and production of nuclear power may be placed in jeopardy

Peninsula restructured in 2005 and commenced work on Karoo and Lance in 2006 -2007

China leads the globe in its proposal to deploy up to a total of 230 nuclear reactors that will over time have a dramatic effect on demand for U3O8. On 15 December 2014, and after a 19 year development program the Chinese bought on-line their first sodium cooled fast neutron reactor after operating the plant at full capacity. The demonstration plant can achieve 20 megawatts of electricity generating capacity and has been connected to the local grid. China is one of the few countries to have mastered fast reactor technologies and will now build a larger demonstration fast reactor before commercialising the technology.

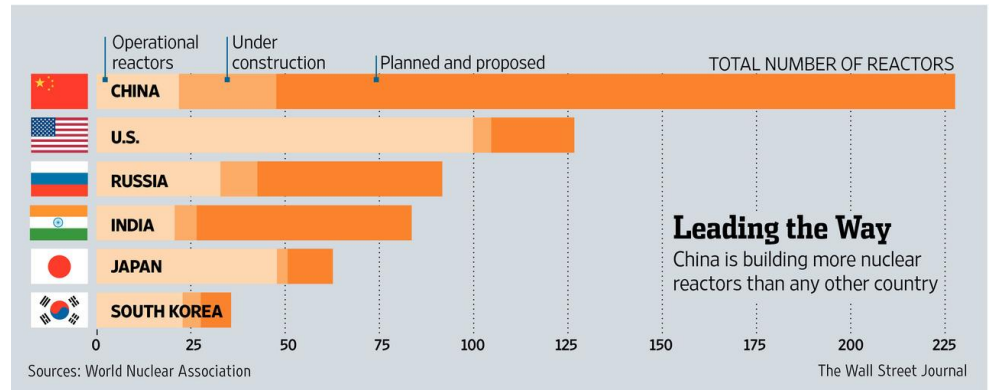


IMAGE 2.3 CHINA'S PROPOSED REACTOR FLEET WILL DOMINATE LONGER TERM GLOBAL DEMAND FOR U3O8

China has already commenced construction of the first 2 units of the CP1400 reactor that is an enlarged version of the AP1000 developed by Westinghouse. An additional 19 units of the CP1400 are intended to be deployed across the country, and form part of a major export push to build the same plants across the globe.

Geopolitical risk has risen sharply with the collapse of the Russian ruble and economic sanctions against that country. This has the potential to destabilise the supply of uranium into U.S. and European markets, and there is increasing competition between Russia and China to capture supply from Kazakhstan that will further reduce the flow of uranium. On 1 January 2015 a new free trade agreement comes into force that binds Kazakhstan and Russia closer together and is heavily involved with the development of Russia's plans to be a major player in the construction of nuclear power plants around the globe, and supply of uranium fuel to power them especially through Uranium One.

Operational risk has been heightened with technical issues affecting production within the mine and mill complex at Cigar Lake, and labour issues at McArthur River which are both in Canada. Production of uranium at grades of around 20% are technically very complex and involve the freezing of a brine solution into the rock around the orebody to prevent flooding. These two operations are major suppliers of uranium to global markets and further highlight the ongoing supply risk when the bulk of uranium production is concentrated within a small number of entities.

Supply chain issues are highlighted by the fact that the U.S. only has three process plants capable of converting uranium oxide powder into a gaseous F6 (hexafluoride) which is then suitable for enrichment into nuclear fuel. In October 2014 the Honeywell plant in Metropolis, Illinois suffered a leak of F6 resulting in a plant shut down for repairs and clean up.

COMPANY OVERVIEW

Peninsula Energy Ltd is listed on the ASX as a resource company that restructured and changed its name from Kanowna Lights to Peninsula Energy Ltd in mid-2005. In 2006 - 2007 the Company acquired uranium interests in the Karoo of South Africa and in the United States in the Powder River Basin of Wyoming known as the Sundance Project (precursor to the Lance Projects). In 2012 Peninsula acquired the South African uranium assets of AREVA, significantly increasing the size and scale of its Karoo Projects.

Major shareholders list reads like a "Who's Who" of blue chip investment funds

Peer Group valuations of ISR producers in the Powder River Basin driven by uranium heavy weights like Cameco who have an ISR presence along with production facilities

ISR yellowcake producers in the Powder River Basin maintain very healthy Valuations per Pound due to high profitability during a time of low pricing for U3O8

The Company is evolving into a significant global producer of uranium that utilises low CAPEX and OPEX for in-situ production of uranium derived from "roll fronts" contained within sedimentary basins.

Production from the Lance Projects is scheduled to commence by mid-2015, and development, commissioning and production from the Karoo Projects from open pit and underground sources is forecast for 2017 / 2018.

Cash held at the end of the September quarter was \$7.84 million with projected expenses for the December quarter estimated at \$3.0 million for development, \$300,000 for exploration, and \$850,000 for administration for a remaining balance of \$3,680,000.

During the December quarter the Company raised \$40.7 million (before costs) and has a retail offer outstanding to raise \$28.7 million of which \$10.9 million is underwritten and the remaining \$17.8 million guaranteed through a standby debt facility. Total committed funding is \$69.4 million (before costs).

Upon completion of the Entitlement Offer in late January 2015, the Company will have a proforma cash balance of \$54 million and negligible drawn debt.

At the end of the September quarter, the Company had a loan facility that was drawn down for \$16.5 million which was repaid in December 2014 following receipt of the initial proceeds under the \$69.4 million funding solution.

The new equity and credit facility funding will be sufficient to support completion and commissioning of Stage One operations of US\$33 million / A\$40.25 million at the Lance Projects in mid-2015, and are forecast to reach profitable operations in 2016.

Major shareholders include (before full completion of current offer):

- Resource Capital Fund VI 1.169 billion shares
- BlackRock 639.84 million shares
- Pala 644.29 million shares
- JP Morgan 462.5 million shares
- Directors and senior management 90.90 million shares and 183.0 million performance rights.

ESTIMATE OF VALUE AND PEER COMPARISON

PEER GROUP LEADER IN THE POWDER BASIN IS CAMECO

The peer group leader in the ISR space in North America and especially in Wyoming is **Cameco** (Market Capitalisation C\$7.6 / A\$8.0 billion) is a Canadian based company that has widespread international uranium assets that produce approximately 15% of total global output of U3O8. Cameco has Compliant Reserves and Resources of 1.49 billion pounds of U3O8 and carries a **Valuation** of C\$8.09 / A\$8.48 billion, or **C\$5.43 / A\$5.70 per pound**.

Cameco has eight projects with Proven Reserves, of which four are ISR, and is moving heavily into development of ISR with a total of eight projects. In the September quarter Cameco produced 4.0 million pounds of U3O8 from hard rock sources in Canada, and 1.4 million pounds from three ISR projects, with 35% of total production coming from ISR. Cash costs are C\$21.16 / A\$22.20 per pound, and total costs are C\$26.64 / A\$27.96 per pound.

Cameco has significant interests in Wyoming that are proximate to Peninsula's interests and include Smith Ranch and Highland, Gas Hills and North Butte. Cameco is looking to expand its presence in the Powder River Basin, and mostly recently entered into a tolling agreement to process yellowcake produced by Uranerz (NYSE MKT: URZ).

PEER GROUP DATA AND ENTERPRISE VALUATIONS U.S. U3O8 PRODUCERS

The Powder River Basin hosts highly profitable ISR operations in a very low risk, and promising environment that generates extremely robust Valuations per pound of ISR U3O8.



Recent M&A activity in the uranium sector provides a new platform for re-rating of market valuations of companies like Peninsula

...this could see further acquisitive activity among uranium companies

Peninsula owns the largest JORC compliant U3O8 resources in North America, along with the largest resource potential

URANERZ (NYSE MKT: URZ, subject to Merger Agreement with Energy Fuels for a fully diluted market capitalisation of US\$165.5 / A\$195.3 million) is a U.S. based Company that is a “new breed” ISR producer that owns the Nichols Ranch ISR Project in Wyoming with 19.0 million pounds of Compliant Resources of U3O8 plus an additional 20 million pounds of resource potential.

The Company projects 200,000 – 300,000 pounds of U3O8 production in 2014 at a cost of US\$35.00 per pound (inclusive of cash costs, taxes and royalties), and has a tolling agreement with Cameco that maintains a nearby process plant. The project is permitted to produce up to 2.0 million pounds of U3O8 for a 6 year Life of Mine (LOM). LOM head grade is at 65 parts per million of U3O8 and recovery rate is at 73%.

On 5 January 2015 Uranerz announced a Merger Agreement with Energy Fuels (NYSE MKT : UUU) which consists of UUU script valued at US\$1.50 per URZ share and carries an Enterprise Valuation of US\$6.20 / A\$7.32 per pound of compliant U3O8 resources. This valuation reflects the higher profitability associated with ISR operations.

UR ENERGY (NYSE MKT: URG, Market Capitalisation US\$141.4 / A\$172.5 million) is a U.S. based company with ISR operations in the Powder River basin, Wyoming. URG has of 36.2 million pounds of U3O8 Compliant Resources spread across three project areas plus an additional 22 million pounds of resource potential.

URG is producing U3O8 at an annualised rate of 524,000 pounds, and a cash cost of US\$23.14 per pound (incl taxes). The project has a license to produce up to 2.0 million pounds of U3O8 for nine year LOM. LOM head grade is 47 parts per million of U3O8 and recovery rate is at 68.7%.

URG has a **Valuation is US\$3.79 / A\$4.61 per pound** and reflects the higher valuation accorded to Powder Basin producers.

ISR OPERATIONS OUTSIDE OF THE POWDER BASIN AND HARD ROCK PEERS

URANIUM ENERGY (NYSE MKT: UEC, Market Capitalisation US\$152.0 / A\$185.4 million) is a U.S. based company that has produced a total of 490,300 pounds of U3O8 since 2011 via its ISR operations based at Hobson Texas. UEC has Compliant Resources of 87.2 million pounds of U3O8 across 14 projects located in Wyoming, Colorado, Arizona, New Mexico and Texas.

The Company carries a **Valuation of US\$1.89 / A\$2.30 per pound**. The lower valuation may reflect the fact that Uranium One divested the Hobson ISR assets in 2009 to concentrate on development of higher potential ISR assets located in the Powder River Basin, Wyoming.

ENERGY FUELS (NYSE MKT: UUUU, Market Capitalisation US\$123.0 / A\$150.1 million) is a U.S. based company that is currently producing ~25% of total U.S. output of U3O8, and projects 2014 production of 825,000 pounds of U3O8. Energy Fuels has Compliant Reserves and Resources of 123.4 million pounds of U3O8 that are derived from 13 sources that are all hard rock and non-ISR. UUUU carries a Valuation of US\$0.89 / A\$1.09 per pound that reflects the low profitability of hard rock mining and milling of U3O8 in the current pricing climate.

Uranium producer Energy Fuels has announced it is acquiring Uranerz Energy in an all-stock deal valued at roughly US\$150 million, creating one of the largest uranium companies in the U.S that would create the largest U.S. focused uranium company

Proactive Investors has derived an Enterprise **Valuation of US\$6.20 per pound of JORC compliant resources of 53.6 million pounds of U3O8 held by Peninsula or US\$332.3 million/ A\$392.1 million** (exchange rate of US\$0.85). This is the same valuation that UUU and URZ apply to the current merger consideration. We note that Uranerz is already in production and is further along in de-risking its Nichols Ranch Project by about 12 months, but exhibits a much shorter Life of Mine and resources.

VALUATION OF KAROO BUILT AROUND LARGE HIGH GRADE RESOURCE TARGETS

The **Karoo Projects** are 75% owned by Peninsula and host JORC compliant Resources of 56.9 million pounds, with Peninsula retaining an interest in 42.7 million pounds of U3O8.

Proactive Investors notes that depressed Peer Group Valuations for African U3O8 assets produce an EV for Karoo of \$0.36 per pound on JORC compliant resources for a total of \$20.5 million...

The Company has completed a Scoping Study and acquired a very significant database and U3O8 resources from the previous owner AREVA that underpins the completion of the current Feasibility Study.

Peninsula is contractually committed to a US\$45 million payout to AREVA upon securing at least 50% of project funding required to construct and commission the project. The Company is proceeding with technical studies to evaluate 188 -262 pounds of U3O8 targets and 42.7 million pounds of JORC Resources (being its 75% share).

This places an implied valuation of US\$0.15 – US\$0.20 per pound on combined resources and resource targets, and is in effect a long dated call option on the future direction of uranium prices. The US\$45 million call will most likely fall due within the next three years and take place when demand for U3O8 is much stronger and pricing is forecast in the range of US\$60.00 - US\$70.00 per pound.

KAROO PEER GROUP VALUATIONS – AFRICAN URANIUM EXPLORATION

The current market valuation for African U3O8 resources is discounted for other ASX listed peers operating in Africa such as A-Cap and Bannerman due to lower grades and cut-offs.

The Bannerman owned Etango has completed a DFS and the project that hosts a resource that carries grades of 194 parts per million / 0.43 pounds per tonne, at a cut-off grade of 100 parts per million / 0.22 pounds per tonne and carries a Valuation of \$0.12 per pound.

By way of contrast the Karoo Projects host a JORC confirmed grade of 1,108 / 2.43 pounds per tonne that are 571% higher than Etango at a cut-off grade of 600 parts per million / 1.32 pounds per tonne that is 600% greater than Etango.

BANNERMAN RESOURCES (ASX: BMN Market Capitalisation A\$26.0 million) is developing the Etango Uranium Project in Namibia which hosts JORC compliant Resources of 212.6 million pounds of U3O8. BMN has completed Definitive Feasibility Studies at Etango and the 80% interest retained by BMN hosts 170 million pounds of U3O8 for a Valuation of \$0.12 per pound.

BANNERMAN has a JORC Reserve at Etango of 119 million pounds of U3O8 at a grade of 194 parts per million (0.43 pounds) and a 100 parts per million (0.22 pounds) cut-off.

A-CAP RESOURCES (ASX: ACB Market Capitalisation of A\$15.8 million) is developing the Letlhakane uranium Project in Botswana which hosts a JORC compliant Indicated and Inferred Resource of 250.9 million pounds of U3O8. Letlhakane has progressed into Feasibility Studies and carries a Valuation of A\$0.04 per pound of U3O8.

A-Cap at Letlhakane has a Compliant Total Resource of 82.5 million pounds of U3O8 at a grade of 447 parts per million (0.98 pounds) and a 300 parts per million (0.66 pounds) cut-off.

PALADIN ENERGY (ASX:PDN) operates the Langer Heinrich Uranium Mine in Namibia with a Measured and Indicated Resource of 158.8 million pounds of U3O8 at a grade of 0.052% (1.14 pounds), and recently shut down Kayelekera with a Measured and Indicated Resource of 23.9 million pounds at a grade of 0.072% (1.58 pounds).

Total JORC resources and targets for Paladin at Langer Heinrich and Kayelekera total 182.7 million pounds.

The grades and tonnage potential of Karoo significantly exceed those of its Australian / African peer group of developers Bannerman and A-Cap, and producer Paladin Energy.:

Proactive Investors has derived an initial Valuation for Karoo that is significantly higher than that applied to Etango due to the much higher grades at Karoo. This could increase further with the completion of Pre-Feasibility Studies, Bankable Feasibility Studies, funding and commissioning. We calculate a **Valuation of \$0.36 per pound for JORC compliant resources of 56.9 million pounds.**

Peninsula is primed to become an emerging global force in the production of uranium

Proactive Investors notes that Peninsula owns 110.6 million pounds of U3O8 JORC resources and 408 - 567 million pounds of resource potential which are the building blocks of a very significant uranium mining house

We note that resource potential at Karoo is between 250 – 350 million pounds of U3O8 at grades between 900 parts per million / 1.98 pounds per tonne – 1,200 parts per million / 2.64 pounds per tonne.

Proactive Investors believes that the Karoo Projects have a higher probability of reaching production due to the very high grades of U3O8 in the resource of 1,108 parts per million (equivalent of 2.44 pounds), and high cut-off grade of 600 parts per million (1.32 pounds).

CONCLUSION

Proactive Investors concludes that the Lance Projects will establish Peninsula as a very significant and long life producer of U3O8 with a LOM that will extend for decades.

PENINSULA OWNS THE LARGEST ISR RESOURCES IN NORTH AMERICA

Lance Projects currently hosts a JORC Compliant Resource of 53.7 million pounds, and is the largest JORC code compliant ISR resource in North America. Lance Projects are much larger than peer group entities in the Powder River Basin that include URG with 13.4 million pounds of U3O8, or URZ with 16.2 million pounds of U3O8.

The Lance Projects also host the largest resource potential that is estimated at 158 – 217 million pounds of U3O8, whereas URG has 20 million pounds and URG 22 million pounds of U3O8 uranium resource targets. Peninsula has already reported conversion of Inferred Resources to Indicated Resources at a rate that exceeds 1,000%.

Peninsula is estimating a 20 year LOM for Lance, whereas URZ is estimating a 9 year LOM, and URG a 6 year LOM, and this is before Peninsula fully evaluates its large resource targets.

Proactive Investors believes that the scope and potential scaling of the Lance Projects U3O8 resources represent additional long term opportunity to obtain permits and establish satellite ISR operations. These operations will be in addition to current permitting and push output of U3O8 beyond three million pounds per year. We believe that this is most likely to occur within the current decade, and occur at much higher prices for U3O8.

COMMISSIONING AT LANCE WILL OPEN UP NEW PROJECT OPPORTUNITIES

Peninsula joins a short list of competent operators in the Powder River Basin that include Cameco in obtaining a Source Material License and By-Products License (SML/BPL) from the U.S. Nuclear Regulatory Commission. The Lance SML/BPL took less than four years to complete and attests to the integrity, skill level and uranium ISR experience inherent within Peninsula management.

There are other projects that are proximate to Lance that include Dewey Burdock, and Reno Creek that have struggled and failed to obtain permitting. Strong cash flows from Lance will open up opportunities for acquisition or joint venture across the Powder River Basin and beyond.

PENINSULA - AN EMERGING GLOBAL FORCE IN PRODUCTION OF U3O8

Proactive Investors notes that that the currently defined JORC resources at Karoo host a grade of 1,108 parts per million (2.43 pounds per tonne) of U3O8 at a cut-off grade of 600 parts per million (1.32 pounds per tonne), and host additional resource potential of 250 – 350 million pounds at grades of 900 parts per million (1.98 pounds per tonne) – 1,200 parts per million (2.64 pounds per tonne).

TOTAL GLOBAL JORC U3O8 RESOURCES AND RESOURCE TARGET ESTIMATES

SOURCE	TYPE	MILLIONS OF LBS U3O8	MILLIONS OF LBS U3O8
LANCE PROJECTS	JORC	53.7	
LANCE PROJECTS	TARGETS		158 - 217
KAROO PROJECTS	JORC	56.9	
KAROO PROJECTS	TARGETS		250 - 350
TOTAL		110.6	408 - 567

IMAGE 2.4 TOTAL JORC RESOURCES AND RESOURCE TARGETS

Total global resources and resource targets for both Karoo and Lance are within a range of 518.6 – 677.6 million pounds of U3O8 that will undergo significant upgrades over the next 2-3 years.

Proactive Investors believes that Peninsula has the potential over the next 3 – 5 years to build a resource and production platform that will rival the stature of Paladin's African

Sovereign risk is also not a significant factor with the geographical location of Peninsula's key Lance Projects

The Board and Management team have experience required for the production phase

assets at Langer Heinrich and Kayelekera. We note that the Karoo sandstones within the Karoo Projects carry much higher U3O8 grades and will provide Peninsula with a much higher level of profitability.

The Lance Projects have the potential to develop into a significant and highly profitable uranium production centre that will assist with the funding and development of the Karoo Projects and drive development of additional ventures.

RISK ANALYSIS

- **Sovereign and geopolitical risk:** Peninsula maintains a corporate presence in Australia, near term production in the United States and a development project in South Africa and. Uranium mining is very heavily influenced by government regulation that may have a negative impact on future operations.
- **Commodity and currency risk:** Operations will be expressed in both US\$ and A\$ terms and will be heavily affected by changes in uranium prices. Volatility within the currency and uranium markets may affect cash balances and future cash flows.
- **Operational risk:** The Company is an entity with limited resources and is operating in the uranium production sector that is dominated by multi-billion dollar uranium entities and governments that may take actions that are detrimental to the Company. The Company is dependent on access to local infrastructure that includes road, rail, utilities, pipelines, waterways and labour. Development and operation of in-situ uranium production and process plant may become impaired or unavailable due to plant failure, accident or natural disaster.
- **Reliance on key management and personnel:** There is no guarantee that current management and technical staff will stay in place, or that they will continue to function at a level of skill and proficiency that is required to maintain or grow the business.
- **Local community relations and environmental risk:** Development of in-situ mining operations requires good relations with local communities, and compliance with environmental regulations. Plant operations may become hazardous and deteriorate to the point where future operations become problematic.
- **Financial position:** The Company has limited cash reserves and is reliant on shareholder support, establishment of contractual relationships, additional funding and sales contracts to develop, establish, and maintain production and development of uranium assets.
- **Market risks:** Declines in equity markets or a change in interest rates may affect the ability of the Company to fund its operations. Failure to secure or maintain long term contracts for the sale of uranium oxide may also have a negative impact on operations.
- **Litigation risk:** The Company may become embroiled in litigation and disputes that adversely impact its operations.

DIRECTORS AND MANAGEMENT

John Simpson

Executive Chairman

BSc, B.A

John Simpson has over 25 years of management experience in listed resource companies and joined the Peninsula Board in August 2007. He has had a significant involvement in successful mineral discoveries in Africa, Australia, and North America, and is currently the Non-Executive Chairman of Quest Petroleum and Namibian Copper. Previous senior executive positions were with Gindalbie Mining, Australian Mineral Sands and Panorama Resources.

Alfred Gillman

Technical Director

B.Sc (Hons), FAusIMM

Alfred Gillman has over 25 years of experience as a geologist in uranium, gold and base metals and includes extensive work in sandstone hosted uranium deposits of the Karoo Basin in South Africa, Powder River Basin in Wyoming, and the unconformity style deposits of northern Australia. He specialises in resource estimation and advanced computer modelling and is responsible for delineating resources and advancing exploration models for the Lance and Karoo Projects. He was Group Exploration Manager of Harmony Gold and is a Director of Triton Minerals.

Warwick Grigor
Non-Executive Director

B.Ec, LLB, MAusIMM, FAICD

Warwick Grigor is a highly experienced mining analyst who has worked with Hamersley Iron, Jacksons, and Graham Moore and Partners where he became Australia's first specialist gold mining analyst. He was founding research partner at Pembroke Securities, Senior Analyst at County Natwest, and founded Far East Capital as a specialist mining company financier and corporate adviser. He also was a founding partner and former Chairman of Canaccord Genuity Australia which has an Australian and Asian presence.

Neil Warburton
Non-Executive Director

Assoc MinEng WASM, MAusIMM, FAICD

Neil Warburton is a mining engineer with over 34 years of experience. During 2000-2012 he held senior positions that assisted Barmenco to grow its Australian business and become West Africa's largest underground mining contractor with annual revenues of more than \$800 million. He currently serves as Non-Executive Chairman of Red Mountain Mining, and is a Non-Executive Director of Australian Mines, Sirius Resources and Namibian Copper.

John Harrison
Non-Executive Director

John Harrison has over 45 years of experience that includes 20 years of investment banking in London. He has developed extensive international contacts that he has advised that are involved with a range of commodities that include uranium, and has raised over half a billion pounds in equity capital during that time. He currently serves as Non-Executive Chairman in the UK of RFC Ambrian, and West Cumbria Mining.

SHARE PRICE CATALYSTS

- Completion of retail rights entitlement issue to close on 23 January 2015, and issue up to 2.62 billion new shares at \$0.02 per share with free 1 for 2 options (to raise up to \$52.6 million). Shares will be issued on 6 February 2015. Institutional take up and underwriting commitment covers \$47.3 million of this amount and confirms success of the funding. In addition to the institutional entitlement acceptance commitments and Retail Offer underwriting commitments, A \$17.8 million standby debt facility guarantees the full funding amount to ensure that Peninsula is fully funded for Stage 1 of the Lance Projects.
- Equity funding allows for completion of Central Processing Plant, well completions and other necessary works for commissioning at Lance Projects and start of initial production of U3O8 in mid-2015.
- Completion of additional term contracts for uranium sales to underwrite cash flow from Stage One production at Lance Projects.
- First data and revenue flows commence in the third and fourth quarters of 2015. Investors should watch for data on recovered U3O8 grades. Proactive Investors believes that U3O8 recovered grades may exceed current projections and increase early stage revenue flows and decrease per pound cash costs.
- Proactive Investors notes that strong institutional interest in Peninsula is often a precursor to production as it becomes a cash flow generating business that is driven by a growing demand from nuclear power utilities for U3O8 and continuation of a

Major Price catalysts include completion of Central Process Plant and commencement of ISR operations in mid- 2015

Proactive Investors calculates a combined current valuation of Lance and Karoo of \$334.22 million or \$0.06 per Peninsula Energy share with potential upside to \$0.16 on successful completion of development programs and higher U3O8 pricing in 12-18 months.

bullish trend in U3O8 prices in the near and medium term. Investors should watch TradeTech and UxC for updates on uranium pricing.

- Equity funding drives completion of Pre-Feasibility Study at Karoo Projects in South Africa and flow of bullish news over the next 12 months.
- Bullish exploration and technical data from initial Scoping Study and ongoing studies at Karoo Projects are pointing to potential production start-up of U3O8 in 2017 / 2018. This will be driven by South African Government policy to develop nuclear power plants as part of national policy to upgrade the electricity grid over the next decade.

SUMMARY

Proactive Investors notes that the Powder River Basin of Wyoming has become a global growth "hotspot" for development of new ISR uranium resources. This is happening at a time of low U3O8 prices and when many hard rock and open pit projects are unfunded or have closed down due to high capital and operating costs.

ISR production of yellowcake has inherently lower relative OPEX and CAPEX. This provides the smaller operators with Valuations per pound that are not matched by hard rock and open pit producers, and includes Uranerz with a Valuation of US\$4.96 per pound of U3O8 and Ur Energy with a Valuation of US\$3.79 per pound. Both entities are permitted for production of 2 million pounds of yellowcake per year.

Bullishly, uranium producer Energy Fuels has announced it is acquiring Uranerz Energy in an all-stock deal valued at roughly US\$150 million, creating one of the largest uranium companies in the U.S that would create the largest U.S. uranium producer.

The merger Agreement with Energy Fuels which consists of UUU script valued at US\$1.50 per URZ share and carries an Enterprise Valuation of US\$6.20 / A\$7.32 per pound of compliant U3O8 resources. This valuation reflects the higher profitability associated with ISR operations.

Peninsula is permitted to produce 3 million pounds of yellowcake per year, and holds a much larger confirmed U3O8 resource that is 400% larger than Ur Energy and 330% larger than Uranerz. Resource targets held by Peninsula are 850% larger than Ur Energy and 94% larger than Uranerz.

Proactive Investors derives and calculates a Valuation of US\$6.20 per pound of U3O8 for Peninsula Energy for its JORC resources of 53.6 million pounds at Lance with a total value of US\$332.3 / A\$392.1 million.

This is the same valuation that UUU and URZ apply to the current merger consideration. We note that Uranerz is already in production and is further along in de-risking its Nichols Ranch Project by about 12 months, but exhibits a much shorter Life of Mine and resources.

Share price volatility is fairly typical at market tops and bottoms, and we would not be surprised to see share price valuations increase in the near to medium term as demand for U3O8 continues to revive.

We have not derived a Valuation to U3O8 resource targets at Lance and note that over the longer term they represent a considerable asset of the company. This may exceed billion of dollars in value (at much higher U3O8 prices) when converted into resource and mineable reserves status and developed for recovery over several decades.

Proactive Investors derives a Valuation at Karoo of A\$0.36 per pound for JORC resources of 56.9 million pounds for a total value of A\$20.5 million. This valuation takes into account peer group comparison and we believe that the valuation will grow as the Karoo target tonnage of 250 – 350 million pounds is converted into resources or reserves **over the next 36 months.**

Proactive Investors derives a current combined valuation for Lance and Karoo of \$412.6 million **or \$0.06 per share** on expanded capital (on successful completion of current retail funding, and share total of 6.912 billion) within 3-6 months.

Karoo has very significant conceptual resource potential that may carry U3O8 grades that run 74% - 132% higher than Paladin's Langer Heinrich and Kayelekera Mines, and

A listing on a major U.S. Stock Exchange would not surprise given the location of Lance Projects

...this would see potentially further institutional investor support given the announced merger of Energy Fuels and Uranerz Energy

ongoing drilling programs will confirm or deny this potential. Realisation of this potential will see a valuation that could over time approach that accorded to Langer Heinrich.

In July 2014 Paladin sold a 25% stake in Langer Heinrich for US\$190 million / A\$224.2 million to China National Nuclear Corporation which is China's largest nuclear utility and places a current valuation on Langer Heinrich of A\$896.8 million.

We contend that Karoo has conceptual potential over the next 36 months to develop into a project that will rival Langer Heinrich in size and exceed in grade. On this basis, we calculate that that the combination of Lance and Karoo has potential for Peninsula to become a major global U3O8 "mining house" to create a valuation that on our estimates could exceed one billion dollars by 2017 / 2018. This would equate to a price target of \$0.16 per share within 36 months.

The just announced merger of Energy Fuels and Uranerz Energy could jump-start M&A activity in the sector and Peninsula Energy is well placed to be at the forefront of consolidation in the sector.

A U.S. stock exchange listing would not surprise given the geographical location of the Lance Projects and would likely result in additional institutional support and buying.

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Care has been taken to define the level of risk to return associated with a particular company. Our recommendation ranking system is as follows:

Buy	Companies with 'Buy' recommendations have been cash flow positive for some time and have a moderate to low risk profile. We expect these to outperform the broader market.
Speculative Buy	We forecast strong earnings growth or value creation that may achieve a return well above that of the broader market. These companies also carry a higher than normal level of risk.
Hold	A sound well managed company that may achieve market performance or less, perhaps due to an overvalued share price, broader sector issues, or internal challenges.
Sell	Risk is high and upside low or very difficult to determine. We expect a strong underperformance relative to the market and see better opportunities elsewhere.

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