PENINSULA ENERGY LIMITED

Research Note

ISR: THE LOW COST ADVANTAGE

Investment Highlights

- **Peninsula Energy Limited (PEN) is on the cusp of uranium production from its Lance Projects in Wyoming, USA. PEN has essentially secured Stage 1 funding with the support of major institutional investors. The project's key advantage is its low capital and operating costs, as it is a sandstone deposit which allows for the use of the In-Situ Recovery (ISR) processing method. Significantly, PEN has secured forward contracts that are well above the current spot uranium price. In addition, PEN has assembled a highly experienced team with previous ISR construction and operational expertise and is targeting first production for Q3/CY15. We rate PEN a Speculative Buy.**
- **Valuation of $0.06/sh**: We have determined a Net Asset Value (NAV) for PEN of $0.06/sh. This is based on a three stage development of the Lance Projects with a 20 year mine life and recovery of 28Mlb of tri-uranium oct-oxide (U_3O_8 or yellow cake) at an average all-in sustaining cash cost of below US$30/lb. Stage 1 is a low capital proposition at US$33m which will allow for the commencement of production in the short term. Stage 2 requires an additional US$35m in capital and will essentially double Stage 1 production. Stage 3 requires US$78m, however, a large proportion should be sourced from Stage 1 & 2 cashflows.
- **ISR Cost Advantage**: The ability to use the ISR method of recovery at Lance provides a significant cost advantage over other uranium companies that mine hardrock open pit. The ISR method uses wells to inject native ground water and alkaline reagents into the ore zone which dissolves the uranium which is pumped to surface for recovery.
- **Fully funded to Stage 1 Production:** PEN has essentially sourced funding for $69.4m through a completed $16.8m institutional share placement and a $52.6m entitlement offer of which $28.7m remains to be completed and is partially underwritten ($10.9m) with the remainder guaranteed through a standby debt facility ($17.8m). Overall, this provides sufficient funding to move into Stage 1. The funding was heavily supported by Resource Capital Fund (RCF), Pala Investments (Pala), Blackrock and JP Morgan UK.
- **Solid Forward Contracts:** PEN has done an excellent job in securing two sales contracts at prices which are significantly above current spot uranium prices. The first sales contract is for 1Mlbs at a price of US$73-75/lb and the second contract is for almost 1Mlbs at current term prices (US$50-US$53/lb).

Year End June 30	2013A	2014A	2015F	2016F	2017F
Reported NPAT ($m)	(6.9)	(6.8)	(8.0)	(2.7)	0.5
Recurrent NPAT ($m)	(14.6)	(6.7)	(8.0)	(2.7)	0.5
Recurrent EPS (cents)	(4.3)	(2.0)	(0.1)	(0.0)	0.0
EPS Growth (%)	na	na	na	na	na
PER (x)	na	na	na	na	na
EBITDA ($m)	(12.6)	(6.5)	(7.1)	0.1	6.9
EV/EBITDA (x)	(0.4)	(2.3)	(15.1)	1,836.8	21.3
Capex ($m)	0.0	0.0	26.2	21.0	22.8
Free Cashflow	4.4	(5.0)	(31.9)	(21.2)	(17.8)
FCFPS (cents)	1.3	(1.5)	(0.5)	(0.3)	(0.3)
PFCF (x)	na	na	na	na	na
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0

*Please see page 21 for explanatory note

16 January 2015

12mth Rating		SPEC BUY
Price	A$	0.02
Target Price	A$	0.06
12m Total Return	%	176.1
RIC: **PEN.AX**		BBG: **PEN AU**
Shares o/s	m	6911.7
Free Float	%	48.0
Market Cap.	A$m	138.2
Net Debt (Cash)	A$m	-54.3
Net Debt/Equity	%	na
3m Av. D. T'over	A$m	0.10
52wk High/Low	A$	0.04/0.02
2yr adj. beta		0.42
Valuation:		
Methodology		DCF
Value per share	A$	0.06

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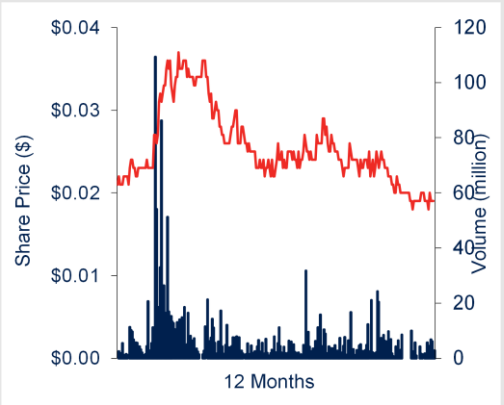
12 Month Share Price Performance



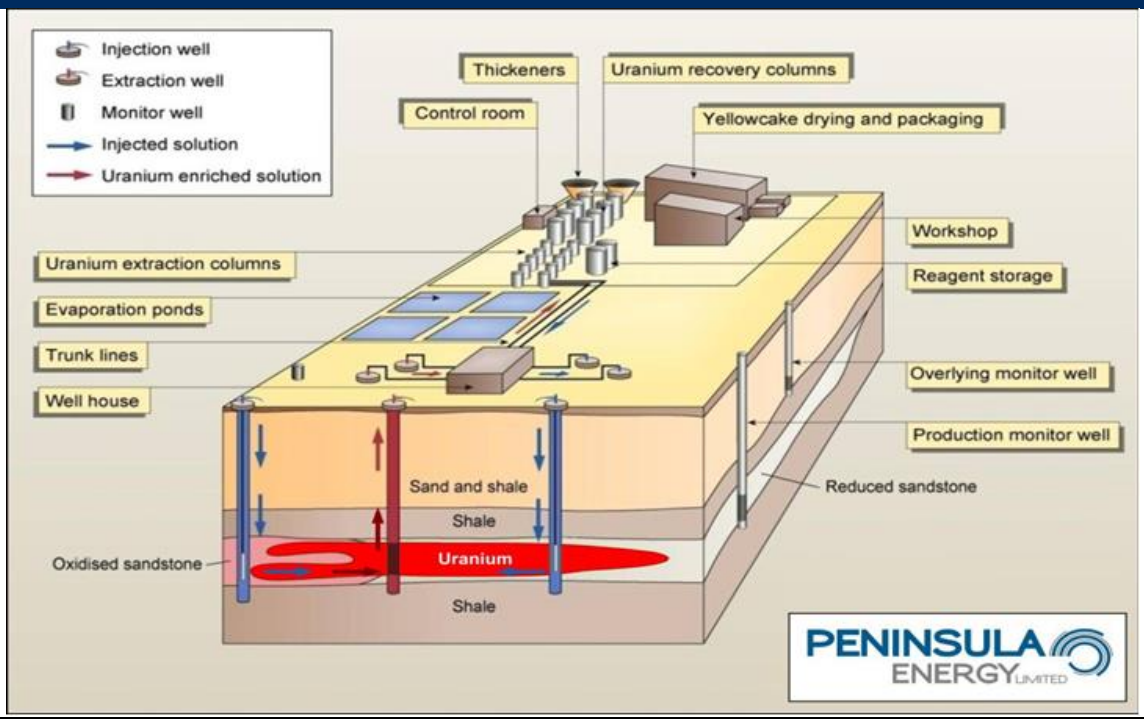
Performance %	1mth	3mth	12mth
Absolute	-5.0	-17.4	-9.5
Rel. S&P/ASX 300	-3.0	3.4	11.2

INVESTMENT SUMMARY

We are initiating coverage of Peninsula Energy (PEN) with a **Speculative Buy** rating and price target of **$0.06/sh**. PEN has essentially secured the funding required to move into Stage 1 production (up to 700,000lbpa U_3O_8). First production is expected in the latter half of the calendar year. We calculate Stage 1 would generate c$12mpa in cashflow at US$60/lb U_3O_8 uranium price. Stage 2 will essentially double production (1.2Mlbpa U_3O_8) for an additional US$35m in capital and Stage 3 (2.3Mlbpa U_3O_8) will require an additional US$78m. This additional capital is expected to be obtained through debt financing and from cashflows from Stages 1 & 2. In total, PEN is targeting production from Lance of 28Mlb over at least a 20 year mine life. We note there is good potential to increase mine life well beyond 20 years given the significant resource growth potential. All-in sustaining cash costs over the life of the project are expected to be sub-US$30/lb.

Lower cost Insitu Recovery (ISR) Project: PEN's Lance Projects use the In-Situ Recovery (ISR) mining method which has been used by previous and current mines in Wyoming since the 1960's. The key advantage to this method is the low capital and operating cost of mining. ISR involves leaching the uranium in the ground without need to move ore/waste, crushing and tailings as in a conventional mining scenario. ISR involves injecting a chemical solution (Acid/Bi-carbonate) into the ore horizon this will leach the uranium into solution which is then pumped to surface through a production well. The pregnant solution is then processed in a standard uranium plant (Figure 1). The Ion Exchange Columns use resin beads to attract the uranium from solution which is the stripped, dried and packaged in drums for sale. ISR mines in the United States use an alkali leach (bi-carbonate) process due to the presence of large quantities of acid-consuming minerals, such as gypsum and limestone, in the host aquifers.

Figure 1: In-Situ Leach Processing



Source: Peninsula Energy Limited

Clear Path to Production: We see a clear path to production at Lance following the $69.4m funding package which is largely finalised. The package consists of a $16.8m institutional share placement which is completed and a $52.6m Entitlement Offer. $23.9m of the Entitlement Offer has been completed as an accelerated entitlement offer to RCF, Pala, Blackrock and JP Morgan. There is $28.7m remaining to be completed which is partially underwritten by RCF and Pala ($10.9m) with the remainder guaranteed through a standby debt facility of $17.8m. With the funding from the institutional component completed PEN can commence construction. Site earthworks have been completed with the installation of underground plumbing and electrical requirements and pour of the concrete foundations for the central processing plant and administration buildings underway.

Solid Uranium Contracts with Weighted Average Price (WAP) of US$62-65/lb: PEN already has two uranium concentrate sale and purchase agreements for up to approximately 2Mlb U_3O_8 to be delivered through to 2024. The first of these agreements was entered into in February 2011 for approximately 1Mlbs U_3O_8 to be delivered through to 2020 and has a weighted average delivery price between 2015 and 2020 of US$73-75/lb U_3O_8 – a price that is substantially higher than the current Term Contract (US$50/lb U_3O_8) and Spot prices ($35.40/lb U_3O_8). An additional contract was announced on 3 December 2014 for up to 912,500lbs with a price consistent with the current Term Contract price (Psl. est. US$50-US$53/lb U_3O_8) escalated on a quarterly basis. PEN is currently in negotiations with several utilities regarding additional sale agreements and intends to enter at least one more sale agreement within the next 2 to 3 months to further de-risk the cashflow profile for Stage 1.

US Based Advantage Supplier to US Utilities: The US has the highest number of nuclear reactors in the world and have obtained the majority of their material under the recently concluded Highly Enriched Uranium ("HEU") agreement between Russia and the US. Therefore, the US utilities will need to find additional feed sources for their reactors. As such, US utilities will prefer domestic material such as PEN's for security of supply. Obtaining material from Russia, Kazakhstan or Niger would obviously present further country risks for the US utilities. It's worth noting that 50% of the world's uranium enrichment is performed in Russia and with the continuing crisis in the Ukraine further sanctions against Russia could impact the enrichment market.

Uranium Market Becoming Increasingly Favourable: Based on our analysis, the long term fundamentals of the uranium market remain intact with potential for upside from current prices. The key driver for the nuclear renaissance remains China which is expected to build the world's largest fleet of reactors over the next decade. In November, Chinese President Xi Jinping signed an historic agreement to cap carbon emissions by 2030 and turn to low carbon emission sources/renewables, including nuclear, for 20% of China's energy needs. This will require a greater contribution from nuclear which currently makes up 2% of China's energy needs (growing to 6% by 2020). As China builds further reactors it will need to secure additional uranium supply. We see a structural supply shortfall developing with new supply being curtailed due to depressed prices and delays in the funding and development of new projects.

Solid Management Team with ISR experience: PEN has assembled a solid US based team with previous ISR build and operating experience. The key technical driver is Ralph Knode who has 30 years of experience with Cameco and Uranium One in ISR mine development and operation in USA, Central Asia and Australia. Mike Brost is VP Geology North America and has 30+ years of experience in uranium roll front exploration and well field planning, design and operation with US subsidiary of Cameco. Ben Schiffer is the lead permitting consultant and has 30 years of operating experience in all facets of the Wyoming regulatory and permitting landscape. Brian Pile is the Senior Project Manager with contracting firm TREC (leading US engineering firm) in design and construction management of ISR facilities in North America.

Significant Exploration Upside at Lance: We note, at Lance, that PEN has explored only a small portion of its prospects to delineate its 53.7Mlb U_3O_8 Mineral Resource. The Company has outlined an exploration target of 158-217Mlb U_3O_8 (169-196Mt at 426-530ppm U_3O_8). This is unlikely to be an immediate priority given that PEN has already outlined over 20 years of material.

Karoo Project shows potential: Our preliminary analysis of the Karoo project in South Africa (PEN 74%) has merit with a solid resource (56.9Mlb U_3O_8) with excellent grades (1108ppm U_3O_8) that has the potential for an ISR operation. The other key advantage is that the regional infrastructure is excellent with a town of 30,000 people within 30km, N1 Highway Cape Town to Johannesburg and Railway and regional airport. We value the project at $35.2m which is based on $0.80/lb of resource in the ground which is higher than the peer average of $0.54/lb due to the project excellent grade. This could potentially be revised higher as PEN de-risks and further advances the project.

VALUATION

We have determined a Net Asset Value (NAV) for PEN of $0.06/sh. The majority of our sum-of-the parts valuation is related to the Company's Lance Projects in Wyoming, USA. Our assumptions for the project are based on the three stage scalable production development plan as outlined by the design and build contractor (TREC Inc) and PEN in October 2014. In total the Lance Projects have an estimated 20 year mine life with total production of 28Mlb U_3O_8 which assumes a 53% conversion from Mineral Resources (54Mlb) into recoverable material. This is more conservative than the assumptions (63-78%) made by other producers/developers in Wyoming. The All-in sustaining cash cost is estimated at sub-US$30/lb U_3O_8 (uninflated). The lower cost compared to other conventional mining operations is due to the ISR method of extraction which we discussed in our investment highlights.

The three stage development option allows for significantly lower initial upfront capital requirements (Stage 1: US$33m) than in the previous optimisation study (US$114m). PEN essentially has sufficient funding for Stage 1 following the $69m fully underwritten Institutional Placement/Retail Entitlement offer with RCF, Blackrock and Pala all participating. We have assumed that first production will occur in Q3/CY15 and ramp up to a Stage 1 nameplate production rate of between 0.5-0.7Mlbpa U_3O_8 by 2016. In Stage 1, the majority of the initial capital will be used to fund the drilling of the injection and production wells with up to seven well field units targeting the Ross area. The uranium will be processed through six ion exchange columns with drying and packaging performed offsite under an existing contract. All-In-sustaining cash costs for Stage 1 are estimated at US$41/lb U_3O_8. We estimate cashflow of $3m per quarter based on Stage 1 assuming production is sold at a US$60/lb uranium price.

We have assumed that Stage 2 will commence in early 2017 and will double the number of well field units to 14 with production increasing to 1-1.2Mlbpa U_3O_8. The critical item here is financing the US$35m in capital needed which will pay for the additional production units, elution circuit and drying and packaging circuit. We have assumed that the Company uses debt finance as we believe this is likely if PEN proves Stage 1 and uranium prices increase as we have forecast. In Stage 2, PEN will commission wells within the Kendrick deposit which will replace depletion at Ross.

In Stage 3, US$78m in capital is required which assumes the addition of a satellite plant. We have assumed that a combination of funds from cashflow (c$50m) and further debt (cUS$25m) will allow the production rate to reach 1.7-2.3Mlbpa U_3O_8 by 2020. Stage 3 requires building a satellite plant containing an additional ion exchange (IX) circuit, with additional elution, drying and packaging capacity installed in the central processing plant. This will allow production to target the Barber deposit which is at the southern end of PEN's tenure holdings. Once PEN reaches Stage 3, cash costs are expected to be below US$29/lb (uninflated).

In terms of the remaining value for PEN we have allocated $25.2m for unmined resources at Lance (which is based on the Mineral Resources that are not mined under the above scenario) based on a peer comparative value of $1/lb which is approximately half the $2.24/lb value for producers. We have used $0.80/lb for the Karoo resources (59Mlb U_3O_8; PEN 74%) which is at the higher end of the peer comparatives due to the excellent grades (1,108ppm U_3O_8). We used corporate costs of $5mpa escalated. We have also assumed 90% of PEN's material is contracted to 2020 which then reverts to our long term escalated pricing of US$70/lb.

Figure 2: PEN Valuation Table

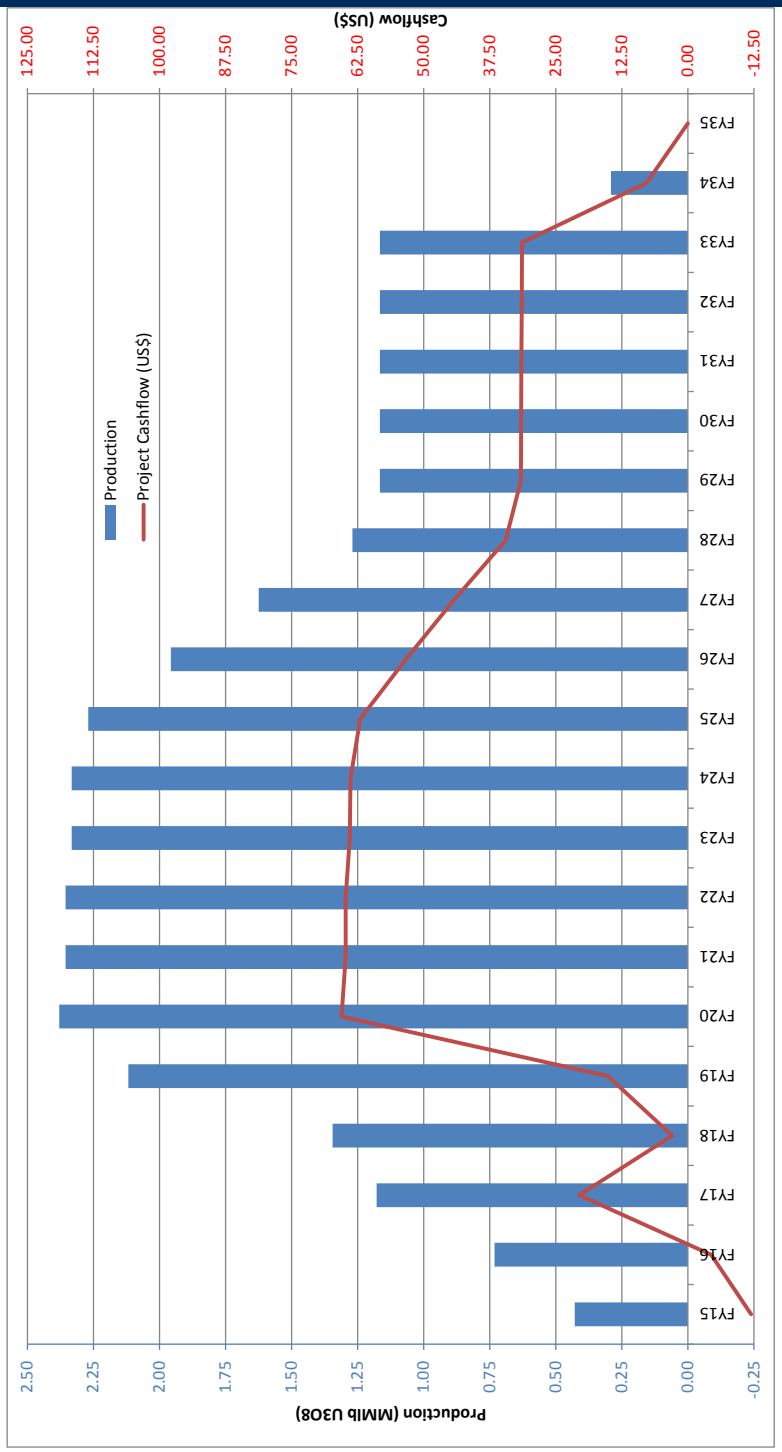
Base Case NPV	A$m	A$/sh
Lance	323.8	0.047
Exploration (unmined res.)	25.2	0.004
Karoo	35.2	0.005
Listed investments	0.0	0.000
Corporate	(40.9)	(0.006)
Forwards	(15.9)	(0.002)
Unpaid Capital	0.0	0.000
Cash	54.3	0.008
Debt	0.0	0.000
NPV (@8%)	**381.7**	**0.055**

Source: Patersons Securities Limited

PRODUCTION AND CASHFLOW CHART

Figure 3, outlines the projected production and cashflows (including capital expenditures) from our financial model for the Lance Projects over the initial 20 year mine life. We note that the highest cashflows are achieved in the period FY2020-FY2025 where they are maintained above US$60m. The cashflows then decline as a result of well field depletion. PEN may look to maintain these cashflows through development of other exploration areas which are still to be tested.

Figure 3: Uranium Production and Cashflow Chart



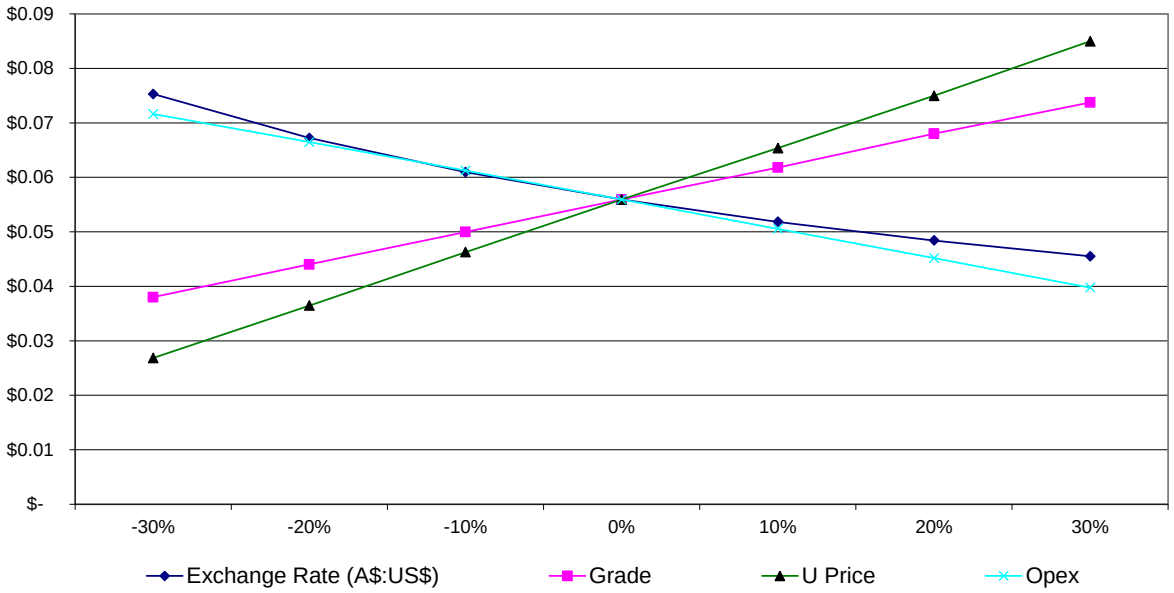
Source: Patersons Securities Limited

SENSITIVITY ANALYSIS

In Figure 4, we have conducted a sensitivity analysis on our NAV of $0.06/sh and changing parameters within our Lance project financial model. A 10% move in uranium price results in a 17% move in our valuation, while a 10% change in grade results in a 10.5% change in our valuation. The second most sensitivity factor is well field head grade and in the initial well field start-up will be critical. PEN's In-situ resource grade is similar to Ur Energy's Lost Creek project which is currently performing above expectations, however, this could be given back in later years as the well field depletes.

Figure 4: Sensitivity Analysis

	U Price							
NPV	**0.06**	**-30%**	**-20%**	**-10%**	**0%**	**10%**	**20%**	**30%**
Grade	**-30%**	0.017	0.024	0.031	0.037	0.044	0.051	0.058
	-20%	0.020	0.028	0.036	0.043	0.051	0.059	0.066
	-10%	0.023	0.032	0.041	0.049	0.058	0.067	0.075
	0%	0.026	0.036	0.046	**0.055**	0.065	0.074	0.084
	10%	0.029	0.040	0.050	0.061	0.072	0.082	0.093
	20%	0.032	0.044	0.056	0.067	0.078	0.090	0.102
	30%	0.036	0.048	0.061	0.073	0.085	0.098	0.110



Source: Patersons Securities Limited

CAPITAL STRUCTURE

Following the completion of the recently announced $69.4m placement/underwritten entitlement issue, PEN is expected have 6911.7m share on issue. In addition, PEN will have the following options on issue:

- 781.7m tradable options (PENOC) exercisable at $0.03/sh on or before December 2015.
- 1736.0m tradable options (to be quoted) exercisable at $0.05/sh on or before 31 December 2018.

We estimate PEN will have c$54m in cash following the completion of the placement/entitlement issue and the repayment of the Blackrock convertible note (A$16.554m). This should be sufficient to fund Stage 1 of the Lance Projects. We note that the solid support shown by RCF, Blackrock, Pala and JP Morgan in the recent placement provides solid backing for the development of the Lance Projects.

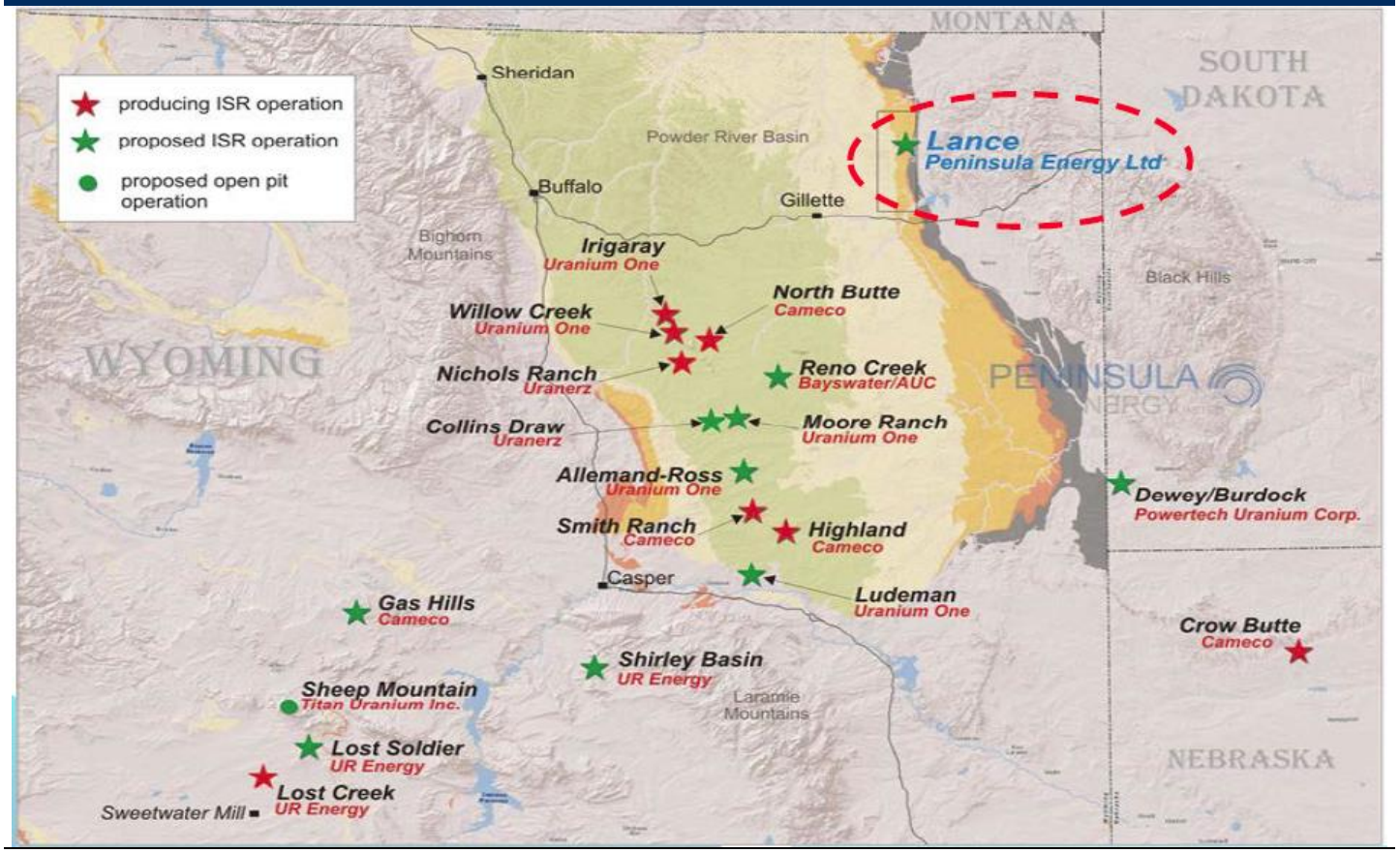
BACKGROUND OF URANIUM MINING IN WYOMING

Uranium mining in Wyoming has a long history with uranium first discovered in 1918 in silver and copper tailings. Commercial uranium mining began in the early 1950's with good demand from the US Government keen to continue to develop its nuclear program. Early mines were open pit until the early 1960's when In-Situ Recovery (ISR) methods arrived. The uranium mining industry quickly expanded peaking in the 1970's. There have been 24 mines in operation in the state since 1953 and nine mills were in operation during the 1980's. As with many commodities, uranium tends to experience boom and bust cycles. The three mile island incident in 1979 signalled the end of the boom and uranium and nuclear plants went into deep hibernation. Most operations could not be sustained due to low uranium prices. For example, the Sweetwater mill owned by Kennecott (now Rio Tinto) was constructed in 1980 and operated from 1981 to 1983 and has been on standby since. Camceo managed to maintain production at its Smith-Highland project and started its Crow Butte project in the early 1990's.

Operating Peers

It wasn't until the recent uranium boom of 2006-7 that interest returned to uranium mining in Wyoming. However, given the hiatus in uranium mining it has taken additional time for uranium mines to receive the necessary approvals to move into production. UrEnergy (URE-TSX) and Energy Fuels/Uranerz were the trailblazers and entered into production in 2013 and 2014 respectively (Figure 5). Uranium One also commenced production in mid-2012 at its Willow Creek project. The Lance uranium project owned by PEN and Hank uranium mine owned by Energy Fuels are the closest new mines to production. PEN has from a strong uranium focused team which has proven capable of obtaining all necessary approvals.

Figure 5: Uranium Mining In Wyoming



Source: Peninsula Energy

Peer Comparatives (Wyoming)

In Figure 6, we show a peer comparison for other producers in the region. PEN is trading below the peer average due to its pre-production status. Once in production it should trade more in-line with its peers. It is worth mentioning that, in early January 2015, Energy Fuels (EFR-TSX) proposed a merger with Uranerz (URZ-US) who is currently producing from the Nichols Ranch ISR mine in Wyoming. Uranerz has a Mineral Resource base of 19.5Mlb U_3O_8 and an EV of US$120.8m (A$148.2m) implying an EV/lb of resource of $7.60/lb, which is significantly more than PEN's EV/lb ($0.98/lb).

Figure 6: Wyoming Peer Comparatives

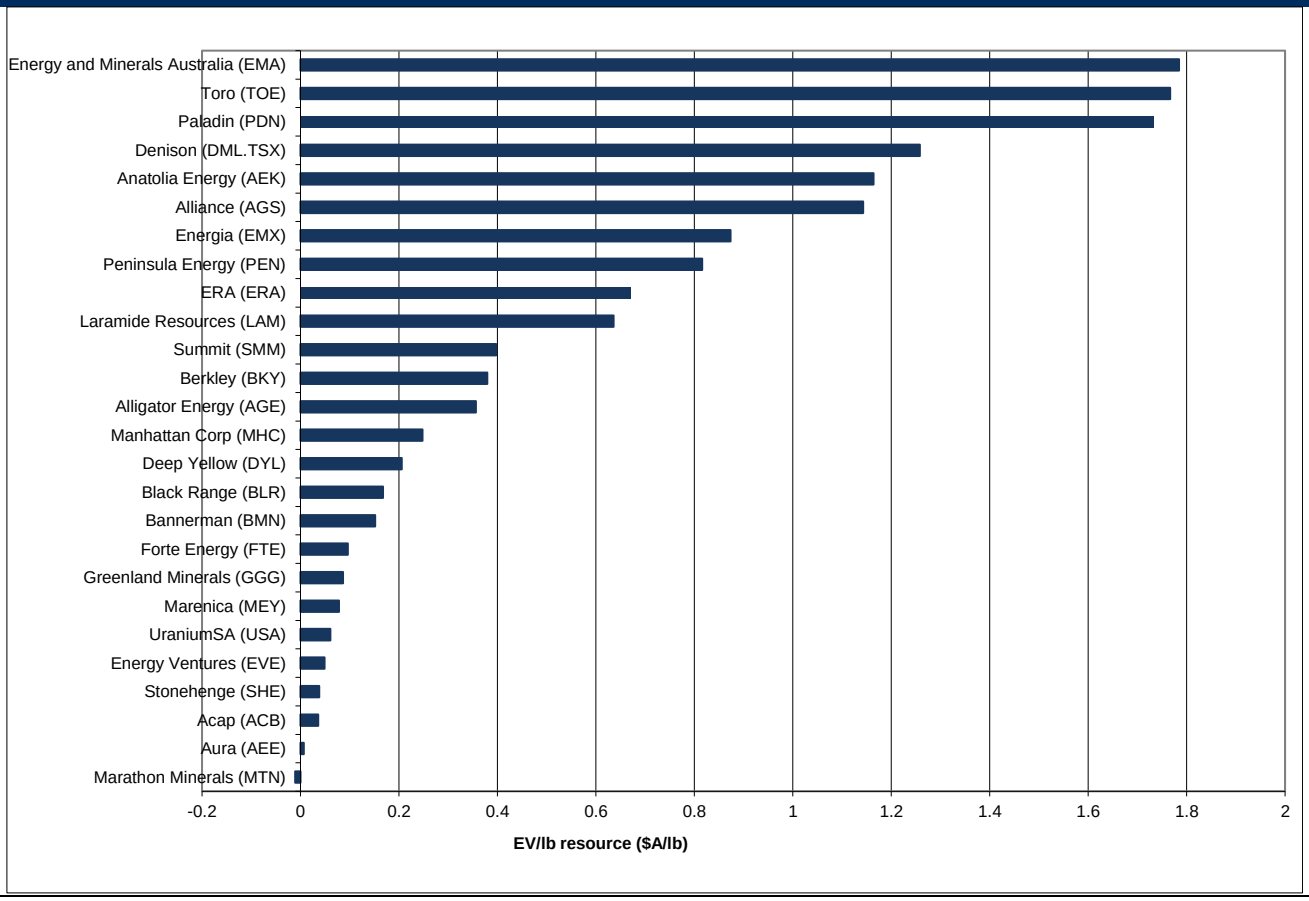
Company Name	Code	Exchange	EV ($m)	Project Name	Status	Resources			EV/lb
						Mt	Grade (ppm	Mlb (U_3O_8)	
Cameco Corporation	CCO	TSX	9,030	North Butte-Brown Ranch	Production	9	690	16.8	NA
Uranium One Inc.			NA	Willow Creek	Production	3	1,300	17.1	NA
Cameco Corporation	CCO	TSX	9,030	Smith Ranch-Highland	Production	25	600	37.4	NA
Ur-Energy Inc.	URE	TSX	193.9	Lost Creek	Production	12	520	13.4	6.64
Peninsula Energy Limited	PEN	ASX	52.6	Lance	Preproduction	51	470	53.6	0.98
Uranerz Energy Corporation	URZ	NYSE MKT	132.8	Powder River Basin	Production	10	920	20.4	6.51
Azarga Uranium Corp.	AZZ	TSX	11.2	Dewey Burdock	Reserves Development	3	1,850	12.3	0.91
Average									**3.76**

Source: Patersons Securities Limited

EV/RESOURCE

In Figure 7, we show the EV/lb resource for a selection of ASX uranium developers/producers, the average resource per pound is $0.50/lb. In terms of the producers, they trade at an average EV/lb of resource of $2.74/lb.

Figure 7: EV/Resources ASX Peers



Source: Patersons Estimates

URANIUM MARKET BECOMING INCREASINGLY FAVOURABLE

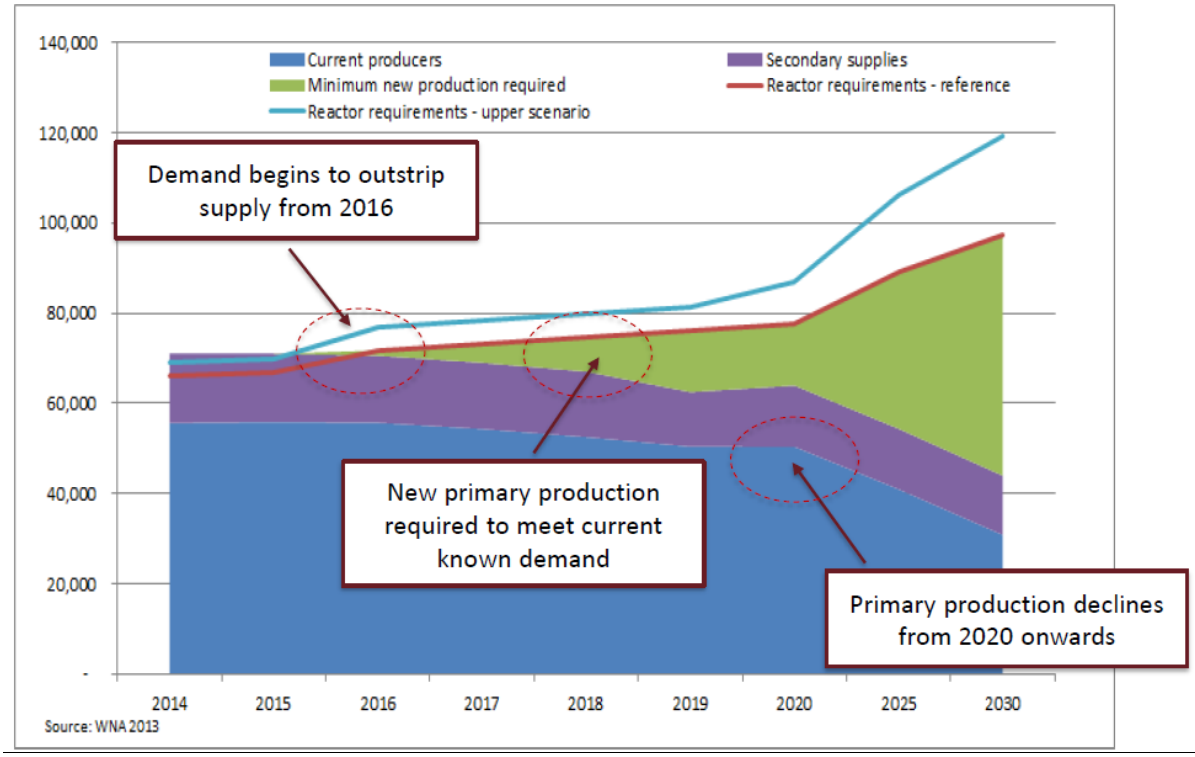
According to the International Energy Agency (IEA) the world's energy needs are expected to grow 37% by 2040 and given that many countries have committed to maintain or reduce pollution levels; nuclear power is one of the limited number of electricity generation options available at scale to reduce CO_2 emissions. Globally, the number of nuclear reactors in operation remained fairly constant at around 440 until the Fukushima accident in 2011 when all 48 Japanese reactors were placed offline. We note that around half of these Japanese reactors are expected to return to service by 2017.

Significantly, there are now 71 reactors under construction, 174 planned and 301 proposed. By 2030, the World Nuclear Association (WNA) forecasts that 574 reactors will be in operation requiring c250Mlb per annum of uranium oxide (U_3O_8) (current demand c170Mlb). Current primary supply is 145Mlb per annum with the remainder made up from secondary supplies which are declining with the conclusion of the Megatons to Megawatts program (HEU agreement for 24Mlb per annum) between US and Russia in 2013. Therefore, with limited secondary supplies the world requires at least an additional c80Mlb per annum or 16 times the current production of Paladin's Langer Heinrich mine. The Langer Heinrich mine was one of the only new uranium mining operations built during the last uranium price upswing in 2007.

Figure 8 is based on the WNA supply/demand model and demonstrates the potential for deficits in the uranium market from 2016. That said, we do note that Japan is likely to have a stockpile of some 50-70Mlb U_3O_8e which could push deficits out towards 2018. We discuss this later in the report.

There is a significant structural supply shortfall looming (shown in green) that will need to be replaced by new projects. Since the market is forward looking, we believe that in 2015 there is potential for uranium prices to react positively. Higher prices are needed to allow the development of new projects. Based on our database of new projects we believe prices of between US$60-80/lb are needed to bring on additional projects towards development. It should also be remembered that many of these projects will need a significant lead-time of 2-5 years to move into production.

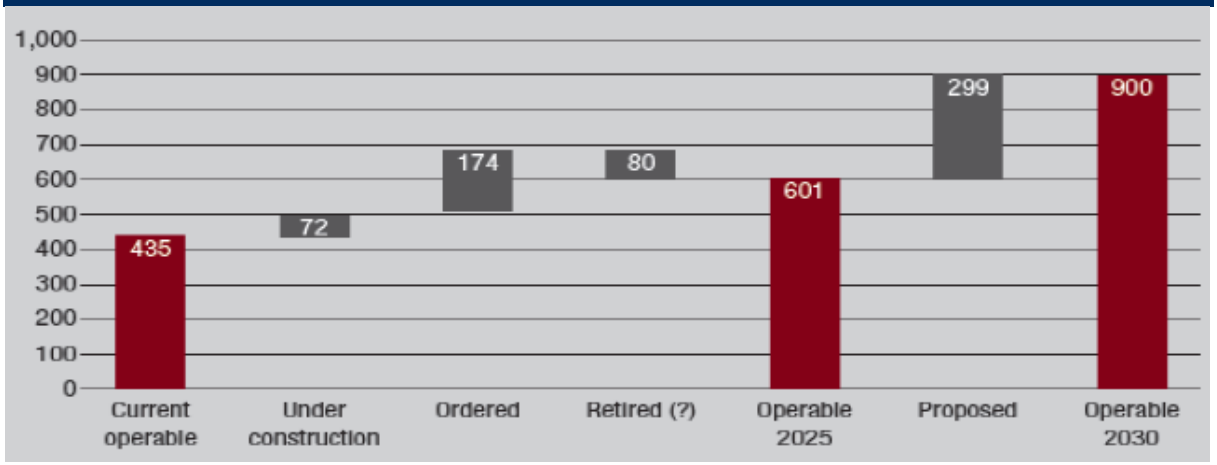
Figure 8: WNA Supply/Demand Model



Source: Toro Energy AGM Presentation

China the Key Driver: China is the key driver behind the expected deficit in the uranium market. It has 21 reactors in operation, 27 in construction, 60 planned and 120 proposed. We believe there could be plans for many more with its commitment to have 20% of its energy from renewables including nuclear by 2030. China will need to continue to secure supply of uranium to fuel its growing fleet of reactors. In addition, India is following in China's footsteps with 21 in operation, 6 under construction, 22 planned and 35 proposed. Russia also has reactor growth plans, however not to the same extent as China with 10 under construction, 31 planned and 18 proposed. Interestingly, other nations have plans to build their first nuclear reactors include: UAE, Jordon, Vietnam. The US who owns the largest fleet of reactors (100) is constructing 5 new reactors, the first time a reactor has been built since the early 1980's. In Figure 9, we outline the expected growth in global reactors which are forecast to grow by 38% by 2025 and more than double by 2030 over current levels. As a rule of thumb, each nuclear reactor consumes approximately 0.5Mlb U_3O_8 per annum (which is converted to UF_6 as reactor fuel) with the initial start-up phase requiring around 2-3 times this amount. Nuclear Reactor utilities generally enter into long term contracts for material well in advance to ensure there is sufficient supply for the reactors. Utilities have a stockpile of fuel rods with an inventory of anywhere from 18-36 months to have sufficient fuel for the reactors. As such utilities would currently be looking to secure material for the 2017/18 period.

Figure 9: Reactor Growth to 2030



Source: Toro Energy Limited

Structural Supply Shortfall: As outlined in Figure 8, we note there is a looming structural supply shortfall post-2016. This combined with the continuing delays in the development of new projects has the potential to continue to exacerbate the future supply shortfall. The largest new projects with the potential for delays include: Cigar Lake (18Mlbpa), Husab (15Mlbpa) and Immouraren (11Mlbpa). We believe at least part of the delay in bringing some of these larger projects into production is a lack of price incentive with the owners of these projects having the luxury of not having to produce in the lower price environment. That said, these projects are large projects and require significant lead time to bring them towards production.

Given China's acceleration in nuclear reactor builds, it will need to continue to secure supply of uranium to fuel its growing fleet of reactors. China has been active in the uranium market acquiring significant stockpiles of physical uranium and also purchased the Husab uranium project from Extract Resources in 2011 for $2.2b. Chinese State interests also purchased a 25% stake in Langer Heinrich and Chinese related private interests (HOPU) will own c15% of Paladin Energy (PDN) following the closure of a recently announced entitlement issue.

ASSETS

Lance Uranium Projects, Wyoming

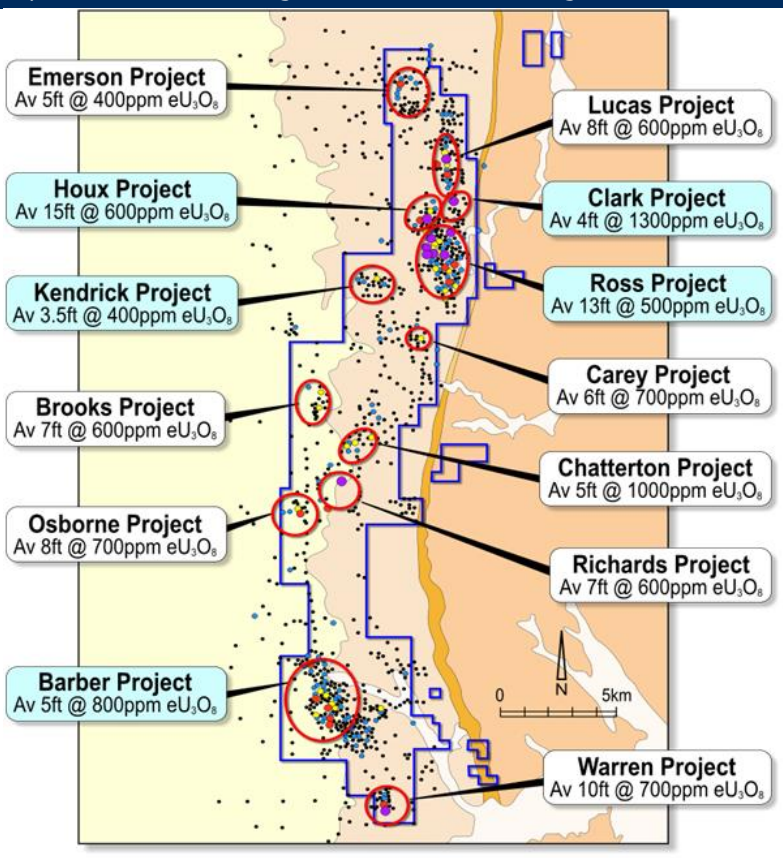
Overview

PEN acquired the Lance Projects in February 2007 from PacMag (PMH-ASX) as part of a package of uranium projects which included projects in South Australia and Western Australia. PEN was quick to begin to add to previous work from the NuBeth JV who drilled 4,738 holes in the 1970's. Significantly, PEN subsequently increased the resource from 5Mlb U_3O_8 in 2010 to 53.7Mlb U_3O_8 in 2013. As the resource has continued to grow PEN has conducted several economic studies and received all necessary permits to commence production in mid-2015. As outlined previously PEN has done an excellent job in reducing the upfront capital through a staged production approach as outlined in October 2014. PEN is targeting production of 28Mlb U_3O_8 over a 20 year mine life at cash costs below US$30/lb U_3O_8. Stage 1 will involve US$33m in capital to produce 600-800klbpa U_3O_8. Stage 2 will essentially double production to 1-1.2Mlbpa U_3O_8 for US$35m in capital through the doubling of installed wells and the addition of an elution, drying and packaging circuit. Stage 3 requires US$78m in capital to increase production to 1.7-2.3Mlbpa U_3O_8. The higher capital cost is needed for a new Satellite plant containing an additional Ion Exchange (IX) circuit and increased elution, drying and packaging capacity in the central processing plant.

Background

The Lance Projects are located on the North-East flank of the Powder River Basin in Wyoming (Figure 10). The original NuBeth Joint Venture between Nuclear Dynamics Inc, Bethlehem Steel Corporation and later Pacific Power and Hydro (NuBeth JV), discovered thirteen substantial zones of uranium mineralisation associated with an extensive system of roll fronts confirmed by drilling between 1970 and 1979. As part of this exploration program, the NuBeth JV drilled more than 5,000 exploration and development holes, totalling in excess of 912,000m. A proprietary database of the historic drilling and pilot plant data was acquired by Peninsula in 2007, defining a then relatively unknown uranium district of which Peninsula is now the dominant mineral rights holder.

Figure 10: Main Prospects Identified Through Historic/Recent Drilling



Source: Peninsula Energy

Resources

The Mineral Resource of 53.7Mlb U_3O_8 is based on previous drilling conducted by PEN who completed 2,250 rotary mud drill holes over 4 years to the end of 2012 and c5,000 historical holes conducted by NuBeth. The resource covers three distinct production units which include: Ross (11.2Mlb), Kendrick (29.6Mlb) and Barber (12.9Mlb). Overall, the Mineral Resource has 32% classified in the measured and indicated with the remainder in inferred.

Figure 11: Lance Projects Wyoming Resource Summary (January 2013)

Total	Tonnes Ore (M)	U_3O_8 kg (M)	U_3O_8 lbs (M)	Grade (ppm U_3O_8)
Measured	4.1	2.1	4.5	495
Indicated	11.6	5.7	12.7	497
Inferred	35.5	16.6	36.5	467
Total	51.2	24.4	53.7	476

Source: Peninsula Energy Limited

Processing

Once the pregnant water based uranium solution is pumped to surface it is then put through an ion exchange column which uses a special resin bead to attract the uranium from solution. The uranium loaded resin beads are then transported to a processing plant, where uranium is stripped from beads and produces yellowcake (U_3O_8). The yellowcake is then dried and packaged for further processing to be used in a nuclear reactor. In Stage 1, PEN will do the stripping, drying and packaging offsite under contract at 1 of 2 other plants who have scaled back production.

Exploration Upside

The Lance Projects have 305 line km of identified roll fronts and an exploration target of 104-163mlbs U_3O_8, which is in addition to the JORC-compliant resource. These roll fronts stretch over 50km north-south and are open to the north, south and west. The main prospects are shown in Figure 10. While the potential is large it will not be an immediate focus for the Company given that over 20 year of recoverable resources have been identified based on the current production profile.

Permitting

If we consider the relatively complex regulatory environment in the US (Figure 12), PEN has done an excellent job in achieving the necessary permits/licences to reach production at the Ross formation. There are 3 key licenses required to commence production:

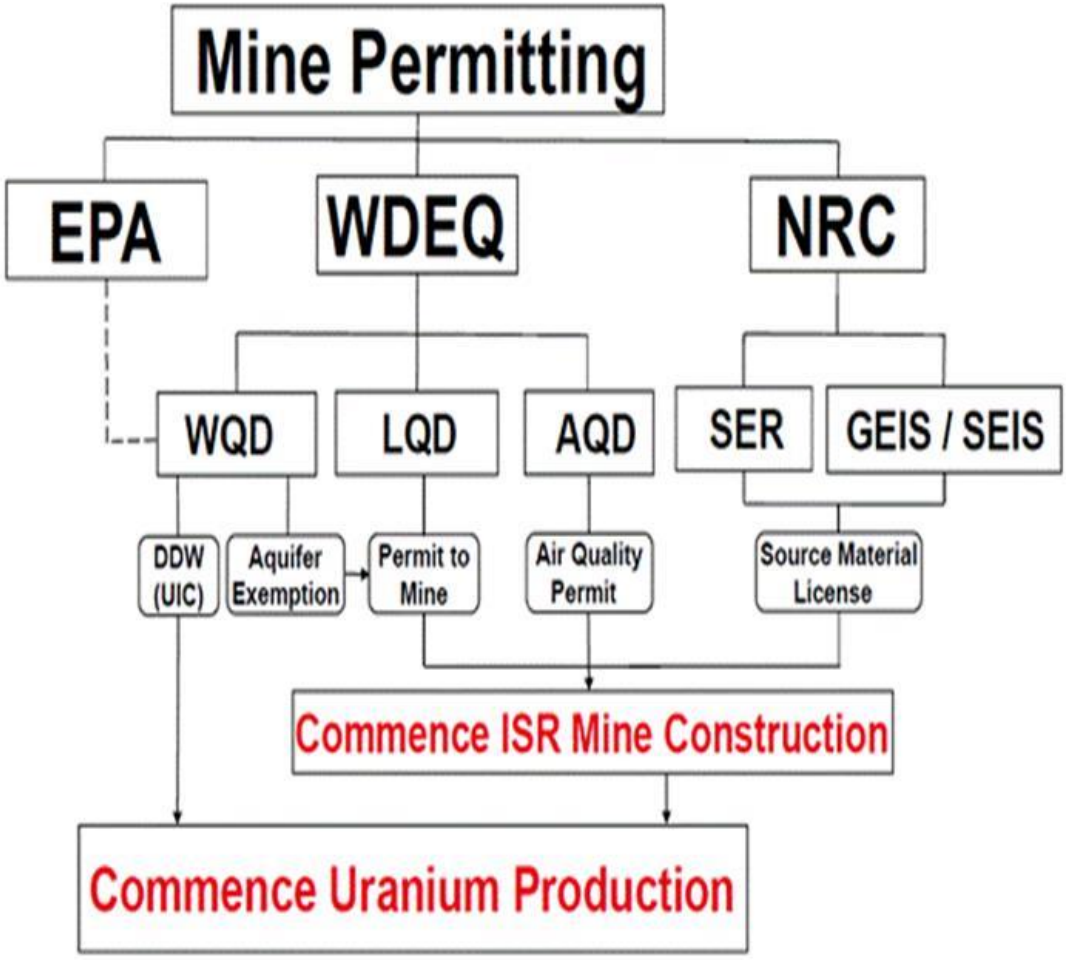
1. Deep Disposal Well (DDW) License: In April 2011 Strata received approval from the Wyoming Department of Environmental Quality (WDEQ) for the construction, testing, and operation of Underground Injection Control (UIC) Class 1 wells at the Lance Projects. This deep disposal well (DDW) permit allows Strata to construct and test up to five such wells in the Ross Permit area. The DDWs will be used to inject low-level wastes into an isolated rock formation at a depth in excess of 8,000 feet below the surface. It is anticipated that these DDWs will meet the water management requirements of an ISR operation at Ross.

2. Permit to Mine (PTM): In November 2012 the WDEQ granted Peninsula's wholly owned subsidiary Strata Energy Inc. (Strata) a PTM for the Ross permit area, the first planned production unit at the Lance Projects.

3. Source Materials License (SML): In late April 2014 the NRC issued Peninsula the final SML. Issuance of the SML concluded the licensing process for the three million pound per annum capacity CPP and the Ross Project. Peninsula now has the capacity to produce uranium from the largest 2012 JORC-Compliant in-situ recovery resource in the USA (54Mlb U_3O_8). The SML was the culmination of a four-year permitting process involving multiple local, state and federal regulatory agencies.

Additional permits will be needed to produce from the Kendrick and Barber formations and these will be amendments/extensions to the existing licences. Amendments and extensions to existing licences are common practice in Wyoming with a number of existing operations successfully completing these on their existing permits.

Figure 12: The US Licencing Requirement for Production from Lance



Source: Peninsula Energy

Karoo Project

Overview

We will provide a more complete analysis of PEN's Karoo project (PEN 74%) following our visit to site in February 2015. Our preliminary analysis is that the project has merit with a solid resource (56.9Mlb U_3O_8) with excellent grades (1108ppm U_3O_8) that has the potential for a significant mining operation. The other key advantage is that the regional infrastructure is excellent with a town of 30,000 people within 30km, N1 Highway Cape Town to Johannesburg, railway and regional airport. We value the project at $35.2m which is based on $0.80/lb of resource in the ground which is at the higher end of the peer comparative range. We justify this due to the excellent grades which are well above the average of 545ppm U_3O_8. Our value on Karoo could potentially be revised higher as PEN de-risks and further progresses the project.

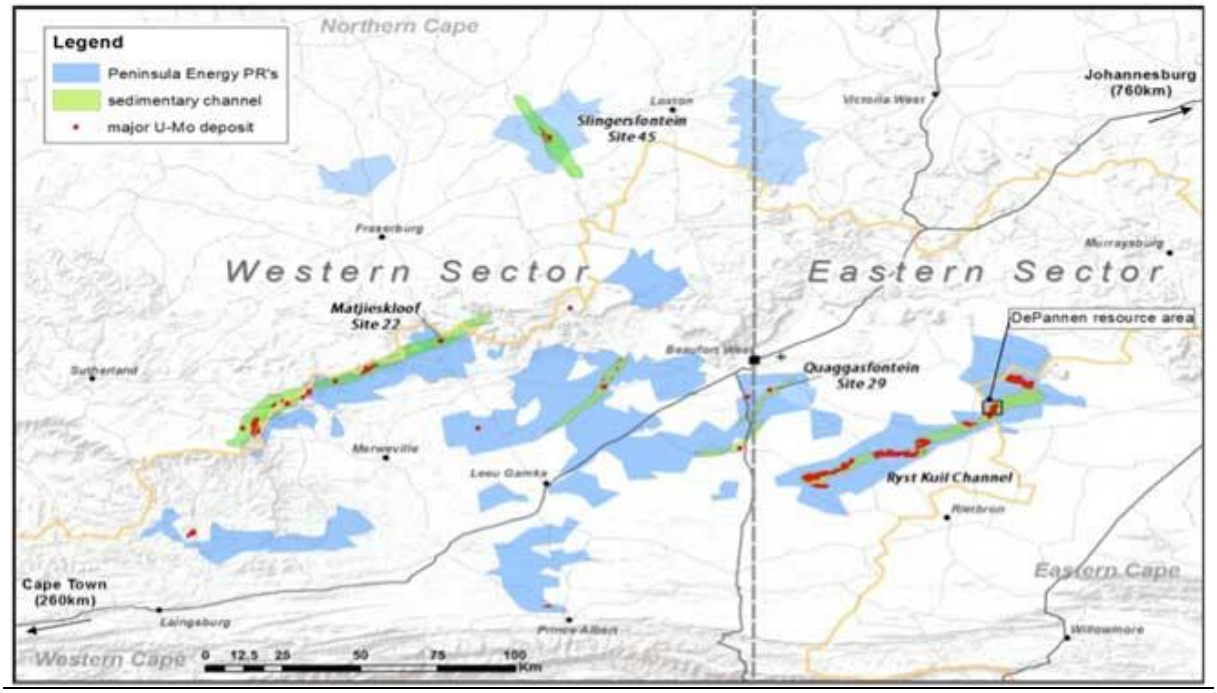
Background

During the period 1970 -1985 extensive exploration and mineral evaluation has been conducted on the prospecting licenses that now make up the Karoo Projects. The companies that have completed this work include ESSO, Union Carbide, JCI, and Uramin. Within the project areas approximately 10,000 bore-holes have been drilled, several comprehensive mining evaluation studies completed and both trial open-cast and decline mining has been undertaken. Ore from the mining trials was then used in an array of mineral processing studies in an attempt to unlock the extensive mineral potential that the Karoo promises.

PEN has a 74% interest in a total of 41 prospecting rights (PR's) covering 7,800km² of the main uranium-molybdenum bearing sandstone channels in the Karoo Basin (Karoo Projects). Peninsula completed the acquisition of 35 of these PR's, previously held by AREVA, in December 2013. The residual 26% interest remains with the BEE partners as required by South African law.

The Karoo Projects are categorised into the Eastern and Western Sectors as shown in Figure 13. In the Eastern Sector, Peninsula has freehold ownership over an area of 322 km² which covers a significant proportion of the reported resource and allows unlimited surface access.

Figure 13: Karoo Projects Location



Source: Peninsula Energy

PEN commenced activity 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.

The aim of exploration work on the original six PR's has been to evaluate historic exploration targets and develop new targets throughout the Karoo. Since the commencement of exploration PEN has completed approximately 31,000m of Reverse Circulation and Diamond drilling and geophysically logged an additional 15,000m of open historic holes at three of the original six PR's.

The acquisition of AREVA's assets in South Africa brings an additional 35 PR's and 597,000 metres of drilling into the database. Recent work has been undertaken to compile and validate all data from Tasman's own drilling areas and the new data acquired from AREVA in order to produce a 3D geological model and JORC compliant resource estimate, as detailed below.

Various studies have determined that 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 PR's acquired from AREVA are complementary, in terms of mineral endowment, geology and geographic location, to the assets that Peninsula held in the Karoo Basin prior to the acquisition. The combined Karoo Projects contain 50mlbs Indicated and Inferred Resource (JORC 2012 Code) with a further exploration target of 200m -300mlbs U_3O_8.

Reserves/Resources

The current JORC-compliant resource estimate totals 56.9Mlb U_3O_8 (Figure 14) and is based on 7,230 drill holes from a database comprising 9,343 drill holes, which includes 1,245 additional holes probed or drilled by PEN since 2011, including 16 diamond holes and 801 reverse circulation holes.

Previous exploration conducted by Esso Minerals Africa (Esso), JCI and Union Carbide at the Karoo Projects in the 1970s included 1.6 million metres of drilling together with trial open-cut and trial decline mining programs. Based on the results of these programs, the previous holders of the PR have estimated approximately 99Mlbs U_3O_8 and 61Mlbs molybdenum (Mo).

Figure 14: Karoo Resource Estimate

Classification	eU_3O_8 (ppm) cut-off	Tonnes (millions)	eU3O8 (ppm)	eU_3O_8 (million lbs)
Indicated	600	8.0	1,242	21.9
Inferred	600	15.3	1,038	35.0
Total	600	23.3	1,108	56.9

Source: Peninsula Energy Limited

Scoping Study

In September 2013, PEN completed a scoping study on the Karoo project. The results suggested that an alkaline leach without Molybdenum would be the preferred route, however, further metallurgical work conducted in April 2014 suggested an acid leach provided higher recoveries of 90.8%. Therefore PEN is currently conducting a Pre-feasibility study (PFS) using an acid leach method of recovery which is due in early 2015. At this stage, PEN has not released any further details on the capital or operating costs for the project. These are expected to become available in due course as part of the PFS.

Permitting

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

environmental impacts. These have been agreed to and the SLP and ESR documents are being updated for forwarding to the DMR.

Exploration Upside

The Karoo Projects cover a significant proportion of the Karoo Basin Permian sandstones, which are believed to represent an Exploration Target of between 250 and 350Mlbs U_3O_8. This Exploration Target, as shown in Figure 15, is based on the total cumulative prospective strike length of about 200km that occurs within the PR's, together with the reported U_3O_8lbs/km along the modelled sections of the Eastern Sector channel sandstones. Further drilling will be needed to define further uraniferous resources.

Figure 15: Exploration Target Karoo

Exploration Areas	Tonnes (M)		Grade ($ppmU_3O_8$)		eU_3O_8(Mlbs)	
Range	From	To	From	To	From	To
Total	126	133	900	1200	250	350

Source: Peninsula Energy

RISKS

PEN essentially has sufficient capital to reach Stage 1 uranium production from its Lance Uranium projects in Wyoming. We outline the key risks to production.

Operating: Production results may differ materially from those outlined in the staged plan as outlined by PEN. While pilot wells have been completed, the final production wells may behave differently due to a number of factors which include and are not limited to sand permeability and porosity which may impact grade and/or recoveries. If the projected porosity, permeability, and tranmissivity are incorrect, the consequence could be detrimental to the project.

Resource to Reserve Conversion: The conversion of resources into recoverable material may differ from those anticipated by the Company. PEN is expecting a 53% conversion of Mineral Resources into recoverable uranium. We note that this is more conservative than other Wyoming focused uranium producers which use a 68-75% conversion. While sufficient drilling has been conducted to define indicated resources at Ross, extensive drilling will be required over the life of mine to delineate the other production units (Kendrick and Barber)

Funding: In order to achieve our valuation, PEN requires further funding at Lance for Stage 2 (US$35m) and Stage 3 (US$78m). At this stage we have assumed debt funding and funding out of cashflows. There is a risk that further funding may be difficult to achieve. We forecast an improving uranium market and expect that funding would be available to expand production.

Commodity Price: The majority of revenues will be derived from the sale of uranium. Fluctuations in the uranium price affect the Company's ability to mine at a profitable margin. That said, the Company has completed contracts above the uranium spot price for 2Mlb U_3O_8. We forecast uranium prices to continue to strengthen over the medium to longer term. However, we note nuclear accidents, such as Fukushima, have the potential to impact uranium prices.

Permitting/Environmental: While all the permitting has been achieved for Stage 1, further permits will be required during Stage 2 which will be used to allow the commencement of Stage 3. There is a small risk that this may not be achieved. We also note that PEN will be required to remediate/clean-up the wells in the future, once they are depleted.

Social Issues: PEN has engaged an excellent public relations firm and has overcome any social issues that have arisen. The Company has also met or exceeded the standards established in the Equator Principles. The Equator Principles are a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

Exchange Rate: PEN has a US based Project and as an Australian domiciled Company, is subject to fluctuations in foreign currency exchange rates between the Australian dollar and US dollar that have the potential to decrease the profitability of the Company.

Directors

Mr John (Gus) Simpson (Executive Chairman)

Mr Simpson is both a Science and Arts graduate from Curtin University, Western Australia. He joined the Peninsula 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. Previously held positions include senior executive roles with Gindalbie Mining NL, Australian Minerals Sands NL, Panorama Resources NL and Tanganyika Gold Limited. Mr Simpson brings a high level of strategic commercial expertise to the company.

Mr Warwick Grigor (Non Executive Director)

Mr Grigor is a highly respected and experienced mining analyst, with an intimate knowledge of all market related aspects of the mining industry. He is a graduate of the Australian National University having completed degrees in law and economics. His association with mining commenced with a position in the finance department of Hamersley Iron, and from there he moved to Jacksons, Graham, Moore and Partners to become Australia's first specialist gold mining analyst. Mr Grigor left to be the founding research partner at Pembroke Securities and then the Senior Analyst at County NatWest Securities. He retired from County in 1991 to found Far East Capital Limited that was established as a specialist mining company financier and corporate adviser. Mr Grigor is also a founding partner and former Executive Chairman of Canaccord Genuity Australia Limited, an Australian based stockbroking organisation with offices in Melbourne, Sydney and Hong Kong, owned 50% by Canaccord Genuity Limited. Mr Grigor's research knowledge and market intelligence gives Peninsula a strong strategic direction.

Mr Alf Gillman (Technical Director)

Mr Gillman has over 25 years of experience as a geologist in uranium, gold and base metals. He has extensive uranium experience including the sandstone hosted deposits of the Karoo Basin in South Africa, Powder River Basin in Wyoming and the unconformity style deposits of northern Australia. Mr Gillman specialises in resource estimation and advanced computer modelling and since joining Peninsula has developed extensive knowledge of its projects, been instrumental in the delineation of the Company's resources, led the development of the mineralisation / exploration models and has served as the Competent Person for both the Lance and Karoo Projects. For most of his career, Mr Gillman has held senior management positions, including Group Exploration Manager of Harmony Gold and he is a Fellow and Chartered Professional of the Australian Institute of Mining and Metallurgy.

Mr Neil Warburton (Non Executive Director)

Mr. Warburton has worked within the Mining Industry his entire career in roles ranging from underground miner through senior mining engineer to executive directorships managing large mining and contracting companies. He has over 33 years' experience in all areas of mining operation. Over the period 2000-2012 Neil held senior positions with Barminco Limited culminating in being the Chief Executive Officer. He successfully grew Barminco into Australia and West Africa's largest underground mining contractor with revenues of more than $800m. Prior to joining Barminco Neil held several senior corporate positions, this included serving as Managing Director of Coolgardie Gold NL. Neil started his career with Western Mining Corporation as a graduate mining engineer and progressed to Manager of Open Pit and Underground Operations. Neil is a graduate from the Western Australia School of Mines with an Associate Degree in Mining Engineering. He is a Fellow of the Australian Institute of Company Directors (FAICD) and Member of the Australian Institute of Mining and Metallurgy. He currently serves as Executive Chairman of ASX Listed Red Mountain Mining Limited and is a Non-Executive Director of ASX Listed Australian Mines Limited, Sirius Resources NL and Namibian Copper NL.

Mr John Harrison (Non Executive Director)

Mr Harrison brings to Peninsula a wealth of experience and resource sector knowledge acquired over a 45 year career including 20 years of investment banking in London. During this time Mr Harrison has developed an extensive international contact base advising companies across a range of commodities, (including uranium) and raising more than £500m in equity capital in the process. Prior to joining RFC Ambrian and following a successful career in the Lloyd's reinsurance market, Mr Harrison was Managing Director at Numis Securities Ltd where he worked on the development and listing of the then-new Lloyd's corporate underwriting vehicles, an activity upon which the Numis corporate finance franchise was built.

Mr Harrison is currently Non-Executive Chairman (UK) of international advisory and broking firm RFC Ambrian Ltd and Non-Executive Chairman of UK coking coal development company West Cumbria Mining PLC.

Key Management

Mr Glenn Black (Chief Operating Officer)

Mr Black is an engineer who has 36 years of experience in the mining industry in senior management and operational positions, including extensive experience in mine/plant construction, project management, development and implementation. He has worked across a broad spectrum of minerals and in energy generation. Prior to joining Peninsula, Mr Black has been employed for the last 20 years with the De Beers Mining Group, most recently at Debswana Diamond Company, the world's leading producer of diamonds by value, where he held senior construction, engineering and project management positions. Mr Black's experience at De Beers included direct involvement in the building and commissioning of multiple mines, other plant and infrastructure.

Mr Ralph Knode (Chief Executive Officer - Strata Energy Inc)

Mr Knode has over 30 years of experience in uranium exploration, property evaluation, mine construction and mine operations throughout North America, Kazakhstan and Australia. Prior to joining Peninsula, Mr Knode held senior management positions at Uranium One, most recently as Senior Vice President, Projects. For over 25 years Mr Knode held various mid-level and senior management positions for Cameco's USA subsidiaries Crow Butte Resources and Power Resources and JV Inkai in Kazakhstan. In these capacities, Mr Knode has been directly involved in the start-up and/or operation of five In Situ Recovery projects on three different continents.

David Coyne (Chief Financial Officer)

Mr Coyne has over 20 years' experience in the mining, and engineering and construction industries, both within Australia and internationally. Prior to joining Peninsula, Mr Coyne held senior executive positions with Australian listed companies Macmahon Holdings Limited and VDM Group Limited, and with unlisted global manganese miner Consolidated Minerals. Over the past 10 years, Mr Coyne has been directly involved in a number of equity and debt raising transactions and has been the project director on a company-wide systems implementation project. Mr Coyne has previously served on the Board of listed iron ore miner, BC Iron Limited, where he also held the role of Chairman of the Audit and Risk Committee.

Key Contractors

WWC Engineering (Mine Permitting Engineers)

WWC Engineering (WWC) was appointed to conduct the mine permitting program at the Lance Projects. WWC is based in Wyoming and specialise in regulatory permitting and ground & surface water hydrology. WWC has over 30 years of experience in all facets of the Wyoming regulatory and permitting process and is already familiar with the Lance Projects having been involved in the rehabilitation of the NuBeth pilot plant at Ross in the 1980's.

TREC, Inc (Feasibility, Engineering and Design/Build)

TREC, Inc is a leading US engineering firm in design and construction management of ISR facilities in North America

TREC's recent ISR Uranium Design Experience includes: Uranium One Moore Ranch Project, Central Processing Plant and redesign for Satellite facility following acquisition of Irigary/Christiansen Ranch facilities

- Uranium One Irigary/Christensen Ranch restart, design and construction oversight
- Ur-Energy Lost Creek Project, Central Processing Plant, including ongoing construction support
- Uranerz Energy Nichols Ranch Project, Central Processing Plant, including construction management support for first ten months of project development
- Preliminary economic assessments, pre-feasibility and feasibility studies for numerous uranium operations in the Western United States

TREC's recent ISR Uranium Construction Experience includes:

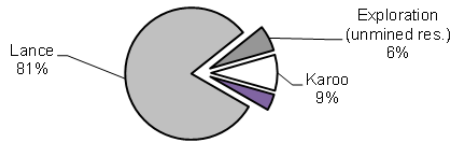
- Cameco North Butte Project, Full-time on-site Construction Safety Management, including contractor coordination
- Uranerz Energy Nichols Ranch Project, Full-time on-site Construction Management during first ten months of project

Thompson and Pugsley, PLLC (Legal, Permitting, Regulatory Specialists)

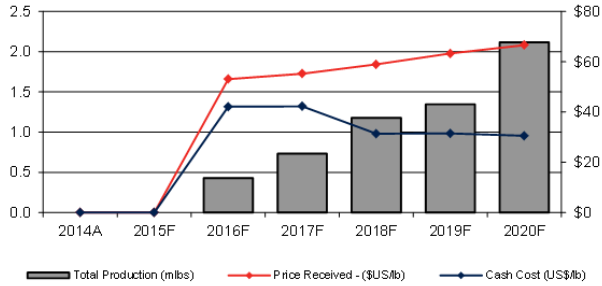
Thomson and Puglsy, PLLC has a specialised practice that focuses on the legal and regulatory policy issues associated with radioactive, toxic and hazardous substances that arise under USA federal, state and international laws. Based in Washington DC, the firm's practice covers a full range of transactional, corporate, regulatory, litigation, legislative advocacy services associated with occupational / environmental health and safety and natural resource production. The firm assists clients in developing strategic and tactical planning to navigate the complex and changing legislative and regulatory landscape attendant to their businesses. The firm's broad technical expertise and in-depth understanding of the natural resource, development and production, including uranium recovery, industrial minerals, ceramics, pigment and specialty chemical industries affords clients legal expertise with a ready understanding of their industry, their issues and their needs.

Pennisula Energy		0.020
Base Case NPV	**A$m**	**A$/sh**
Lance	323.8	0.047
Exploration (unmined res.)	25.2	0.004
Karoo	35.2	0.005
Listed investments	0.0	0.000
Corporate	(40.9)	(0.006)
Forwards	(15.9)	(0.002)
Unpaid Capital	0.0	0.000
Cash	54.3	0.008
Debt	0.0	0.000
NPV (@8%)	**381.7**	**0.055**

Valuation Summary of Major Assets



Uranium Production Summary



Reserves & Resources

M & I Resources	Mt	ppm	U3O8 (kt)	(mlbs)
Lance Project				
Ross	9	521	5	9.9
Kendrick	4	498	2	4.8
Barber	3	415	1	2.4
Sub Total	**16**	**496**	**8**	**17**
Karoo Project	8	1257	11	24
Total (M & I)	**24**	**796**	**19**	**42**
Inferred Resources	**Mt**	**ppm**	**U3O8 (kt)**	**(mlbs)**
Lance	35	467	17	36.5
Karoo	15	1040	16	35.1
Total (Inferred)	**51**	**640**	**32**	**72**
Total	**74**	**689**	**51**	**113**

Directors

Name	Position
John (Gus) Simpson	Executive Chairman
Warwick Grigor	Non-Executive Director
Neil Warburton	Non-Executive Director
John Harrison	Non-Executive Director
Alf Gillman	Technical Director

Substantial Shareholders	No. Shares	%
Resource Capital Fund	1169.0	21.3
Pala Investments	644.0	11.8
Blackrock	639.8	10.6
JP Morgan	462.0	8.4

	Year End June 30			
Commodity Assumptions	**2014A**	**2015F**	**2016F**	**2017F**
A$:US$	0.92	0.85	0.79	0.80
Uranium (US$/lb)	35.93	37.00	50.00	62.50
Sensitivites ($US/sh)	**-10%**	**0%**	**+10%**	
Uranium Price	0.046	0.055	0.065	
Lance Grade	0.049	0.055	0.061	
Lance Opex	0.061	0.055	0.050	

Production Summary	**2014A**	**2015F**	**2016F**	**2017F**
Lance	0.00	0.00	0.43	0.73
Total Production (mlbs)	**0.00**	**0.00**	**0.43**	**0.73**
Cash Cost (US$/lb)	na	na	42.08	42.25
All-In-Sustaining Costs (US$/lb)	na	na	42.08	42.25
Price Received - ($US/lb)	na	na	53.08	55.26

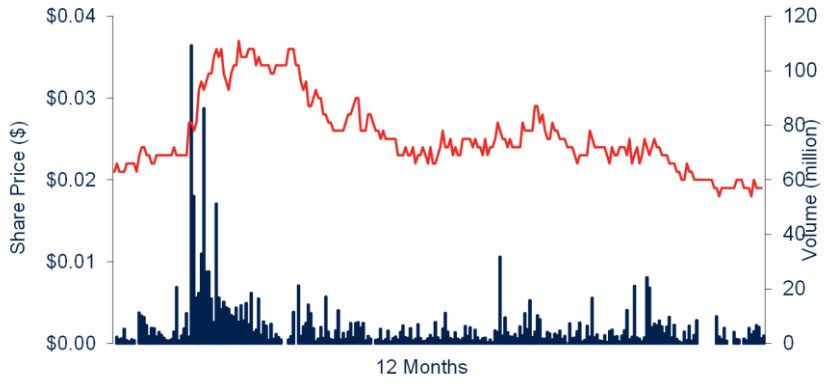
Profit & Loss (A$m)	**2014A**	**2015F**	**2016F**	**2017F**
Sales Revenue	**0.0**	**0.0**	**28.7**	**50.8**
Other Income	0.5	0.8	0.3	0.5
Operating Costs	0.0	0.0	22.1	37.4
Exploration Exp.	0.0	2.3	1.7	1.8
Corporate/Admin	7.0	5.6	5.1	5.2
EBITDA	**(6.5)**	**(7.1)**	**0.1**	**6.9**
Depn & Amort	0.2	0.0	2.8	4.8
EBIT	**(6.7)**	**(7.1)**	**(2.7)**	**2.1**
Interest	0.0	0.9	0.0	1.4
Operating Profit	(6.7)	(8.0)	(2.7)	0.7
Abnormals (pre-tax)	0.1	0.0	0.0	0.0
Tax expense	0.0	0.0	0.0	0.2
Minorities	0.0	0.0	0.0	0.0
NPAT	**(6.8)**	**(8.0)**	**(2.7)**	**0.5**
Normalised NPAT	**(6.7)**	**(8.0)**	**(2.7)**	**0.5**

Cash Flow (A$m)	**2014A**	**2015F**	**2016F**	**2017F**
Adjusted Net Profit	(6.7)	(8.0)	(2.7)	0.5
+ Interest/Tax/Expl Exp	0.2	3.2	1.7	3.4
- Interest/Tax/Expl Inc	0.2	3.6	2.0	3.7
+ Depn/Amort	0.2	0.0	2.8	4.8
+/- Other	0.0	0.0	0.0	0.0
Operating Cashflow	**(6.5)**	**(8.4)**	**(0.2)**	**5.0**
- Capex (+asset sales)	0.0	26.2	21.0	22.8
- Working Capital Increase	(1.7)	(2.7)	0.0	0.0
Free Cashflow	**(4.8)**	**(31.9)**	**(21.2)**	**(17.8)**
- Dividends	0.0	0.0	0.0	0.0
+ Equity Raised	6.6	68.3	0.0	0.0
+ Debt Drawdown (Repaid)	0.0	(12.4)	0.0	35.0
Net Change in Cash	**1.8**	**24.0**	**(21.2)**	**17.2**
Cash at End Period	7.0	31.0	9.7	26.9
Net Cash/(LT Debt)	(5.4)	31.0	9.7	(8.1)

Balance Sheet (A$m)	**2014A**	**2015F**	**2016F**	**2017F**
Cash	7.0	31.0	9.7	26.9
Total Assets	110.9	163.8	162.7	199.9
Total Debt	15.3	0.0	0.0	35.0
Total Liabilities	16.5	8.0	9.7	46.4
Shareholders Funds	94.4	155.8	153.1	153.5
Ratios				
Net Debt/Equity (%)	5.7	na	na	5.3
Interest Cover (x)	na	na	na	1.5
Return on Equity (%)	na	na	na	0.3

*Note: The financial information presented by PSL is expressed in Australian Dollars and is shown based on 30 June financial year end as reported by the Company. However, we note PEN presents its project information as Calendar year end and in US Dollars.

Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return

Stock recommendations: Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.

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