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Peninsula Energy Limited (PEN-AU)

Initiating Coverage

Metals and Mining

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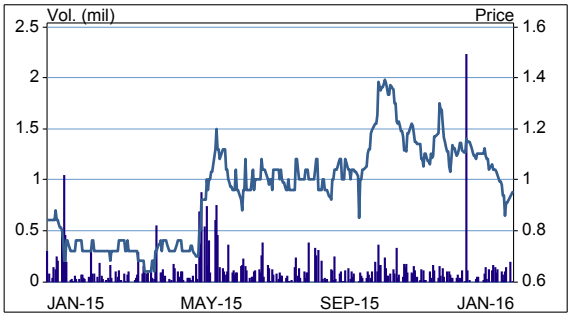
Emerging ISR Producer With Scalability; Initiating With a Buy

Stock Data	01/27/2016
Rating	Buy
Price	A$0.95
Exchange	ASX
Price Target	A$2.60
52-Week High	A$1.45
52-Week Low	A$0.03
Enterprise Value (MM)	A$154.0
Market Cap (MM)	A$167
Public Market Float (MM)	175.9
Shares Outstanding (MM)	175.9
3 Month Avg Volume	144,212
Balance Sheet Metrics	
Cash (MM)	A$12.90
Total Debt (MM)	A$0.00
Total Cash/Share	A$0.07

General: Revenue and EPS estimates in US$. Stock data and Balance Sheet data in A$.

EPS Diluted			
Full Year - Jun	2015A	2016E	2017E
FY	(0.11)	(0.03)	0.04
Revenue ($M)			
Full Year - Jun	2015A	2016E	2017E
FY	0.2	17.7	44.3



Peninsula Energy presents a unique opportunity. Peninsula Energy, based in Australia, owns the Lance Projects located in Wyoming and is focused on developing an In-Situ Recovery (ISR) uranium powerhouse. In our view, the low cost ISR processing technique, coupled with high priced long-term contracts positions Peninsula as a viable uranium producer despite spot uranium prices hovering around $35 per pound. Management began signing long-term contracts for production at Lance in 2011 when uranium prices were significantly higher than today. The firm currently has contracts in place totaling 7.8 million pounds at an average price of $59 per pound through 2020. Therefore, the average price Peninsula is expected to receive throughout the remainder the decade is significantly higher than the current long-term price of approximately $45 per pound, which we feel locks in margin and de-risks operations as a whole. In our view, Peninsula's long-term contracts and low cost ISR operations position the firm to thrive despite lower spot uranium prices.

First production was reached in 2015. In December 2015, the firm brought its Ross Permit Area (located within the Lance Projects) online with ISR production commencing. We currently estimate average cash costs of just $22 per pound during Stage 1, generating an impressive gross margin of approximately 63%. Further, Lance hosts a significant resource base totaling 53.6 million pounds, including 4.5 million pounds in Measured, 12.6 million pounds in Indicated and 36.5 million pounds in Inferred resources. We note that while the majority of resources are Inferred, the firm currently has six drill rigs operating, which we feel could ultimately increase resources while upgrading the existing resource base.

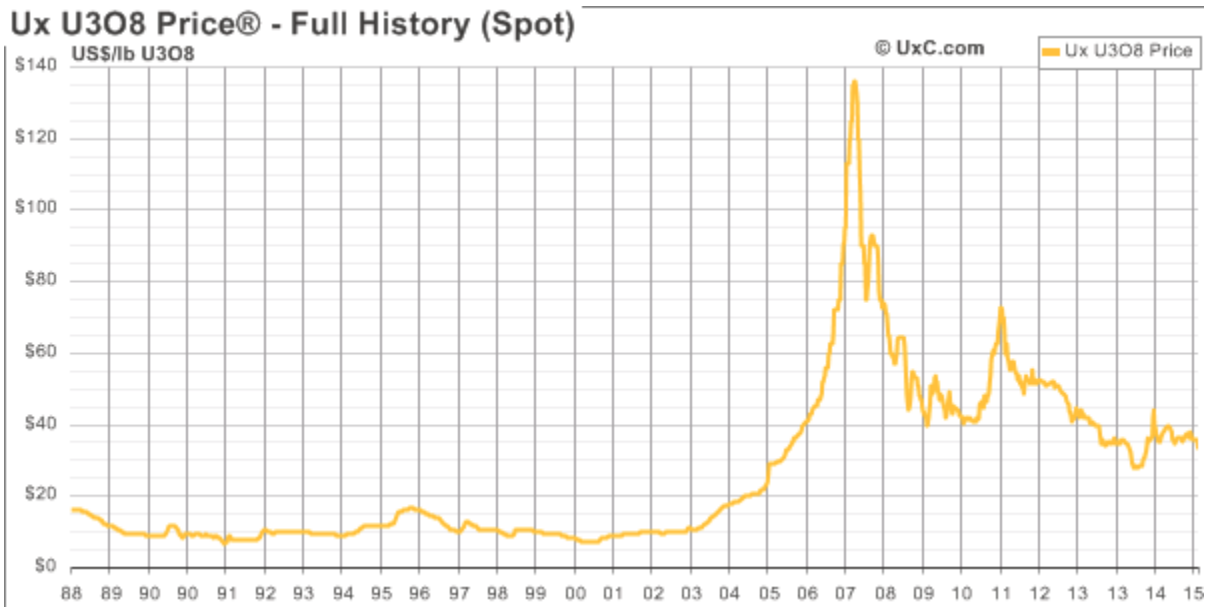
The Lance Projects are scalable. The Lance Projects are currently being developed in a three-stage approach with Stage 1 recently completed. Moreover, Stage 1 provides Lance with production capabilities totaling 600-800,000 pounds per year, which is expected to be sourced from the Ross Permit Area. Stages 2 and 3 are expected to bring total capacity to 1.2 and 2.3 million pounds per annum, respectively. In our view, the staged expansion approach at Lance should allow the firm to not only smooth out capital requirements but finance a portion of Stage 2 ($35 million) and Stage 3 ($78) million with cash flow from operations. We view this strategy as prudent as capital requirements for incremental expansions can be completed depending on market conditions at the time.

We are initiating coverage on Peninsula Energy with a Buy rating and A$2.60 per share price target. Our valuation is based on a DCF of operations at the Lance Projects utilizing a 10% discount rate and an average uranium sales price of $59 per pound (per PEN's long-term contracts) through 2020 and $60 per pound thereafter. Further, we add in-situ value for resources at Peninsula's Karoo Projects in South Africa. Additionally, we utilize a staged approach with respect to expansion at Lance with Stage 2 coming online in 2018 and Stage 3 following in 2020. We view Peninsula's average long-term contract price of $59 per pound as significant, and believe the firm should enjoy the benefits of strong margins relative to peers without contractual commitments despite weaker uranium prices.

The Uranium Market at a Glance

The uranium market is poised for a rebound. Although the Fukushima accident in 2011 has resulted in a prolonged downturn in the uranium industry, we believe the sector is beginning to exhibit signs of a turnaround. Since falling from a high of just under $140 per pound in 2007, the commodity hit a nine-year low in 2014 of approximately $28 per pound. Since that time, uranium prices have rebounded to around $35 per pound and have begun to stabilize. While the decline in uranium prices has undoubtedly hindered producers' expansionary plans, we see growth from the demand side of the equation throughout the second half of this decade with China serving as the main driver.

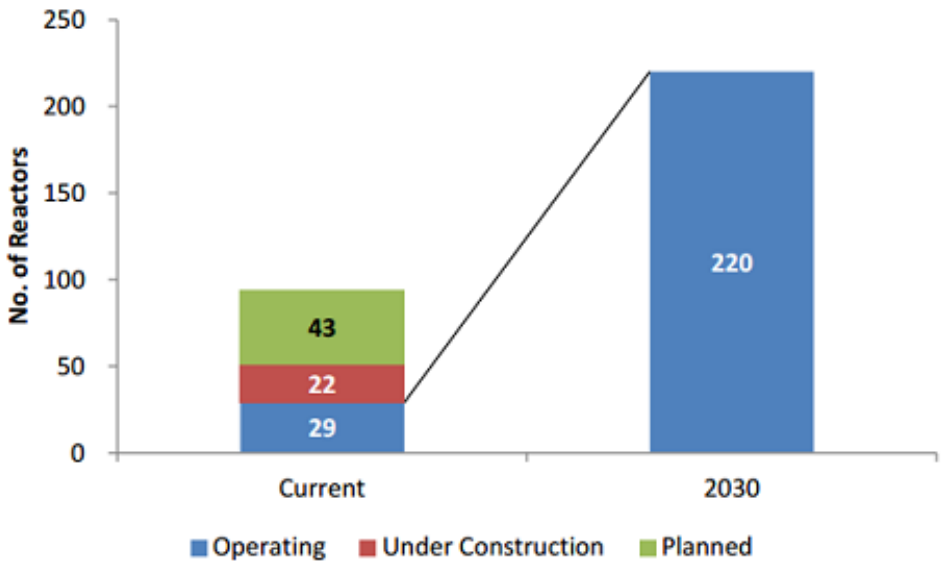
Exhibit 1: Uranium Price Chart



Source: The Ux Consulting Company, LLC.

China's nuclear ambitions are strong. Prior to Fukushima, the number of nuclear reactors under construction worldwide stood at 58 compared with 64 today. To us, these figures are not indicative of a declining industry—an argument that has been floated by nuclear energy opponents. In our view, China stands as a prominent force behind reactor construction as the country currently has capacity of 23 GWe with a stated goal of reaching 58 GWe by 2020 and 97 GWe by 2025. The Chinese government announced a five year plan from 2016-2020 that is expected to result in an investment of $100 billion in order to construct seven nuclear reactors each year until 2020. Furthermore, nuclear power provides just 2% of all electricity consumed in China compared with 19% in the United States. Given China's fight against pollution coupled with nuclear energy's minor amount of greenhouse gas emissions, we believe nuclear's contribution to overall electricity consumption in China should begin to rise from the current figure of approximately 2% as additional nuclear reactors are constructed going forward.

Exhibit 2: Expected Reactor Growth in China



Source: IEA World Energy Outlook 2014.

Utilities are often insensitive to uranium prices. While uranium remains a critical component in the life cycle of a nuclear reactor, we believe utilities should remain somewhat price insensitive due to the input cost of uranium relative to operating a reactor. Moreover, uranium represents less than 7% of the overall cost of generating nuclear fuel but is absolutely necessary in operating a reactor. That being said, we believe utilities are generally more concerned with securing stable supply, rather than negotiating the best possible price.

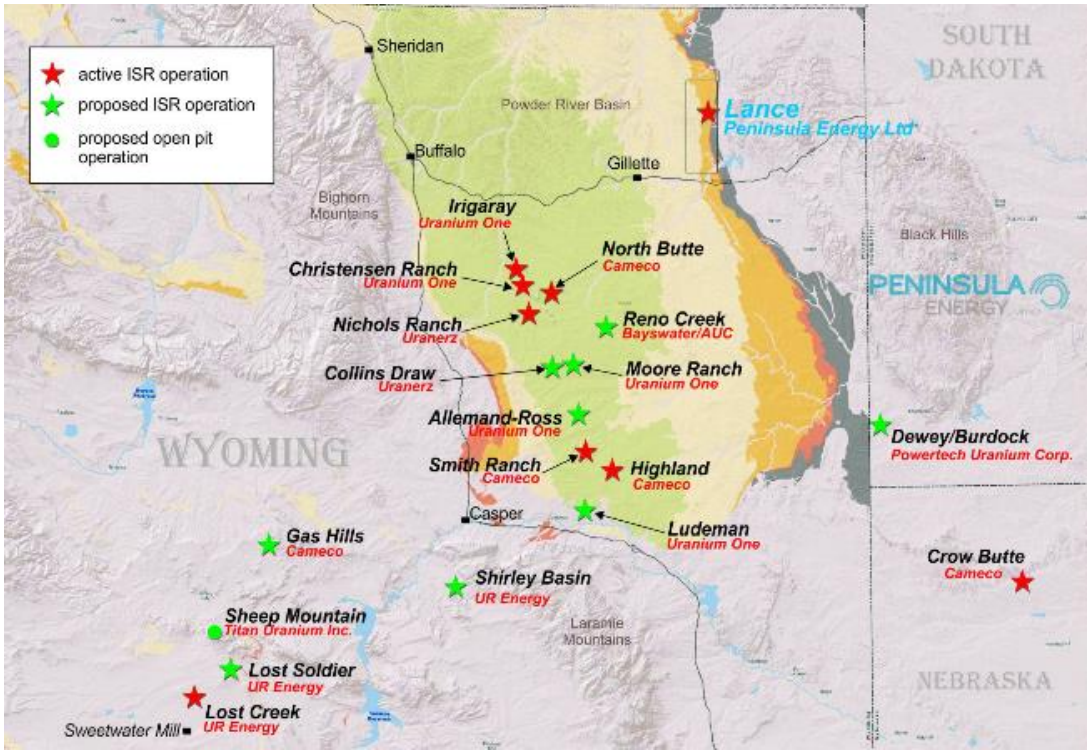
We believe United States utilities may prefer domestic supply. In short, we think this bodes well for Peninsula's U.S. based ISR assets. Given that the United States is the largest operator of nuclear reactors in the world (99), the country is an inherently large consumer, requiring over 18,000 tonnes in 2015. Notably, the United States imports the majority of its uranium rather than sourcing its needs from domestic producers. In short, the Highly Enriched Uranium (HEU) agreement between the United States and Russia provided United States utilities with the required material for operation. Given that Russian stockpiles have reportedly now been depleted (according to UXC), we believe utilities may need to source material elsewhere. In our opinion, the elimination of jurisdictional risk for utilities by securing future uranium needs domestically should become increasingly attractive going forward. Peninsula currently has a large, United States based resource that we think utilities may start to prefer over geopolitically higher-risk sources such as Kazakhstan, Africa, or Russia.

The future is now. In general, it takes approximately 18-24 months for uranium to come out of the ground and go through the enrichment process for fuel fabrication. Given this, uranium that is secured today cannot be utilized for nearly two years—creating a gap in the supply/demand equation, which we think could surface in 2017. It is for this reason that we believe utilities should begin entering the market in the near future. Due to consistently low uranium prices, little new supply has come online leading us to believe that a supply shortfall could occur due to the lead time necessary in bringing new projects online. In our view, Peninsula is in prime position to take advantage of the coming upswing in the uranium market through its low cost, currently producing Lance Projects.

Peninsula Energy Overview

Peninsula Energy is an emerging uranium producer. Peninsula owns the Lance Projects, located on the North-Eastern side of the prolific Powder River Basin in Wyoming in addition to the Karoo Projects in South Africa. Following Peninsula's receipt of the Nuclear Regulatory Commission's (NRC) authorization for operation, the Lance Projects entered production on December 2, 2015. While production at Lance ramps up, we expect Peninsula to maintain an acquisitive stance and believe the firm could acquire additional assets once Lance is firmly cash flowing in 2016.

Exhibit 3: Uranium Projects In Powder River Basin

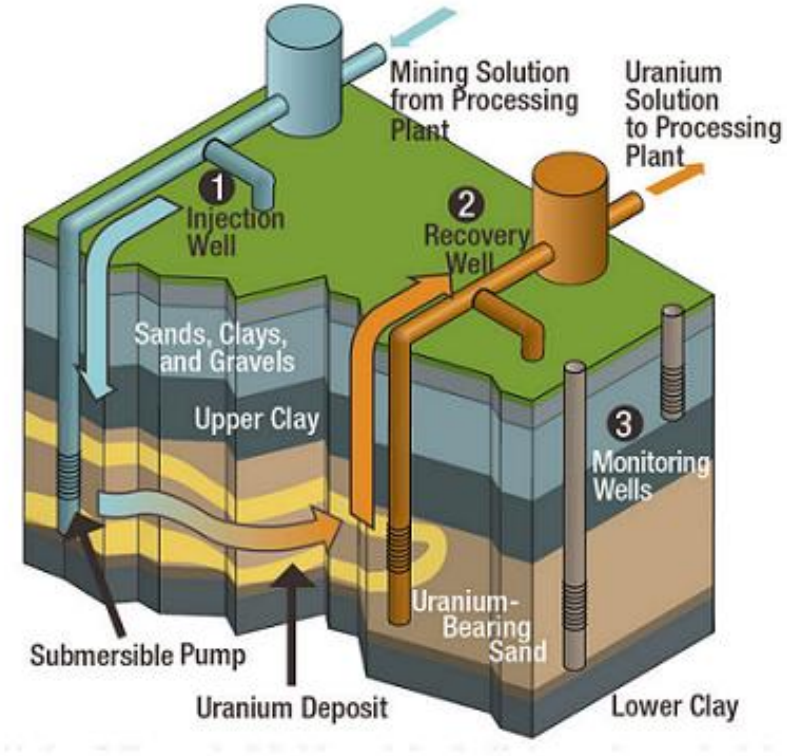


Source: Peninsula Energy.

The Lance Projects are amenable to ISR techniques. Moreover, the Powder River Basin as a whole is known for ISR mining, which we view as a low-cost method that creates minimum land disturbance at surface as well as no tailings from the project. In-situ means "in place" as the method leaches the uranium from the rock, while leaving the rock in place. Moreover, we feel ISR mining has become more prevalent recently due to depressed uranium prices as the method has lower capital and operating costs compared with hard rock conventional uranium projects. It is for this reason that operating expenses are generally lower under ISR methods as the cost of physically moving the rock is eliminated from the process. That being said, the advent of ISR mining allows lower-grade deposits, such as those found in the Powder River Basin, to economically produce uranium. While lower costs of production can be achieved utilizing ISR mining, we note that economies of scale and higher production rates are not as easily achieved when compared with conventional uranium milling operations.

The ISR method is a fairly simple process. A solution called lixiviant (usually water mixed with oxygen, hydrogen peroxide, and sodium carbonate or carbon dioxide) is injected into the ore body through various wells in an effort to free the uranium from the rock. Following this, the solution is collected and sent to a processing plant, where the uranium is separated from the solution via an ion-exchange process. The separated uranium is then concentrated and dried, producing the final saleable product of yellowcake. The yellowcake is often drummed in barrels and can be stored on-site for inventory building purposes or shipped to conversion facilities for its final use in fuel for nuclear reactors.

Exhibit 4: ISR Mining Schematic



Source: U.S. NRC.

Peninsula benefits from high priced long-term contracts that are in place. Although current uranium spot prices are approximately $35 per pound, Peninsula currently has multiple long-term contracts in place; some of which were strategically signed as early as 2011. Notably, on January 5, 2015, Peninsula announced the completion of its first delivery under a contract signed in 2011 with a United States utility. While the details of the delivery were not disclosed, given that the contract was signed in 2011, we anticipate the price per pound to be significantly higher than today's spot price—potentially above $65-70. Furthermore, we know that Peninsula's basket of contracts includes one contract consisting of 1.0 million pounds at an average weighted average price of $73-75 dollars per pound, which we believe could be the contract responsible for the first sale of uranium at Lance. In total, Peninsula's current long-term contracts have an average delivery price of $59 per pound from 2016 to 2020 totaling 7.8 million pounds of production. The average price of Peninsula's contracts compare favorably to the current long-term contract price of approximately $45 per pound. In our view, management has taken a prudent approach in securing long-term contracts in order to lock in margin during today's depressed uranium price environment. While nearly 8.0 million pounds are already locked up in contracts, we expect management to continue to evaluate signing long-term contractual opportunities for an additional 1.0-2.0 million pounds of production for delivery over the next five years.

Peninsula is the newest ISR producer in the United States. As of December 2015, Peninsula joined the ranks of peers with ISR operations located in the United States (see Exhibit 5). Moreover, we highlight that on a global resource basis, Peninsula ranks second only to Energy Fuels in the below exhibit. We note that Energy Fuels recently completed the acquisition of Uranerz, which provided the firm with ISR operations in the Powder River Basin—in the same neighborhood as Peninsula's Lance Projects. On an enterprise value to resource (EV/lb) basis, Peninsula ranks in-line with its peers, which average $1.32 per pound. Further, while we recognize that not all pounds are created equal and this comparison is based on global resource (not just U.S. based ISR projects), we believe the comparison should provide investors with high-level knowledge of how the market is currently valuing pounds in the ground.

Exhibit 5: Peninsula Peer Comparison

Company	Rating	Price	Resources (M lbs)	EV	EV/lb resources
Energy Fuels	UUUU; Buy	$2.13	134.7	$78.5	$0.58
Uranium Energy Corp	UEC; Buy	$0.87	87.2	$100.0	$1.15
Ur-Energy	URG; Buy	$0.54	33.0	$101.2	$3.07
Uranium Resources	URRE; not rated	$0.35	44.4	$22.2	$0.50
Peer average			*65.0*	*$72.8*	*$1.32*
Peninsula Energy*		**$0.95**	**110.5**	**$152.8**	**$1.38**

**Peninsula stock data translated to US$ for comparitive purposes; stock data as of 01/27/16*

Source: Company reports, Rodman & Renshaw estimates.

High-priced uranium contracts command a premium valuation. In short, we view Ur-Energy as the most comparable peer due to the fact that both firms currently have long-term higher priced contracts in place with that premium being reflected in Ur-Energy's EV/lb market valuation. In 2015, Ur-Energy had contracted sales of 630,000 pounds at an average price of $49.42 per pound. Moreover, while Peninsula has higher-priced long-term contracts, approximately half of its resources are attributable to the earlier stage Karoo Projects in South Africa. Further, we highlight that like Ur-Energy, Peninsula maintains high priced long-term contracts and expect Peninsula's EV/lb in the ground valuation to increase as market awareness builds with respect to its higher-priced long-term contracts.

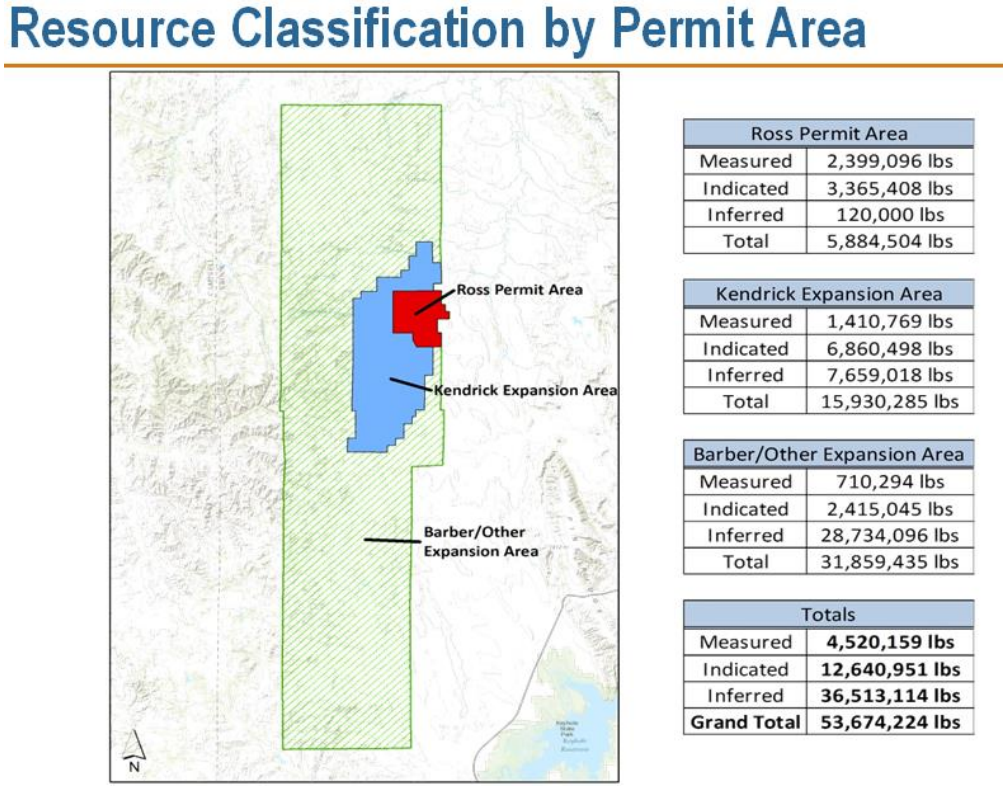
A United States listing in the works; greater liquidity and capital markets presence expected. The firm is currently in the process of listing on the NYSE MKT—an exchange that hosts Peninsula's peers including Energy Fuels, Uranium Energy Corp, Ur-Energy and others. In our view, a listing on the NYSE should provide Peninsula with not only greater liquidity but better access to the capital markets, particularly in the United States. While the process has not been completed yet, we ultimately expect the listing to be finalized in 2016, which we believe coincides nicely with the production ramp up throughout 2016.

Lance Projects: A Massive ISR Opportunity

The right land in the right neighborhood. The Lance Projects comprise approximately 120 square kilometers in the prolific Power River Basin, which is home to multiple ISR operations. Mineralization was first discovered in the Lance area through drilling between 1970 and 1979 with the completion of 5,000 holes for approximately 912,000 meters of drilling. Notably, Peninsula acquired historic drill and pilot plant test data in 2007 prior to the area surrounding the Lace Projects becoming well-known for uranium mineralization. In our view, Peninsula's expansive land package could be further exploited through additional exploration work, ultimately resulting in an even larger resource base.

Impressive resource base that could be set to grow. The project currently has a JORC compliant (Australia's equivalent to Canada's NI 43-101 compliance) resource estimate outlined Measured and Indicated resources of 15.7 million tonnes for a total of 17.2 million pounds of uranium. Further, the resource estimate outlines Inferred resources of 35.5 million tonnes of ore for an additional 36.5 million pounds for a total of 51.2 million tonnes and 53.7 million pounds. The resource estimate is further classified into three separate production units including Ross (5.8 million pounds), Kendrick (15.9 million pounds), and Barber/other (31.9 million pounds). At present, the firm is focusing primarily on its Ross permit area and the Kendrick expansion area. However, we note that the Barber area and other expansion areas currently contain 31.9 million pounds of U3O8 in Measured, Indicated and Inferred, which are a major addition to the Ross permit area that has 5.9 million pounds and the Kendrick area which contains 15.9 million pounds. Although some of these are lower quality resources (for example, only 710,294 pounds at Barber are Measured, the rest are Indicated or Inferred), we do believe that some resource upgrades should occur over the next several years.

Exhibit 6: Resources at the Lance Projects



Ross Permit Area	
Measured	2,399,096 lbs
Indicated	3,365,408 lbs
Inferred	120,000 lbs
Total	5,884,504 lbs

Kendrick Expansion Area	
Measured	1,410,769 lbs
Indicated	6,860,498 lbs
Inferred	7,659,018 lbs
Total	15,930,285 lbs

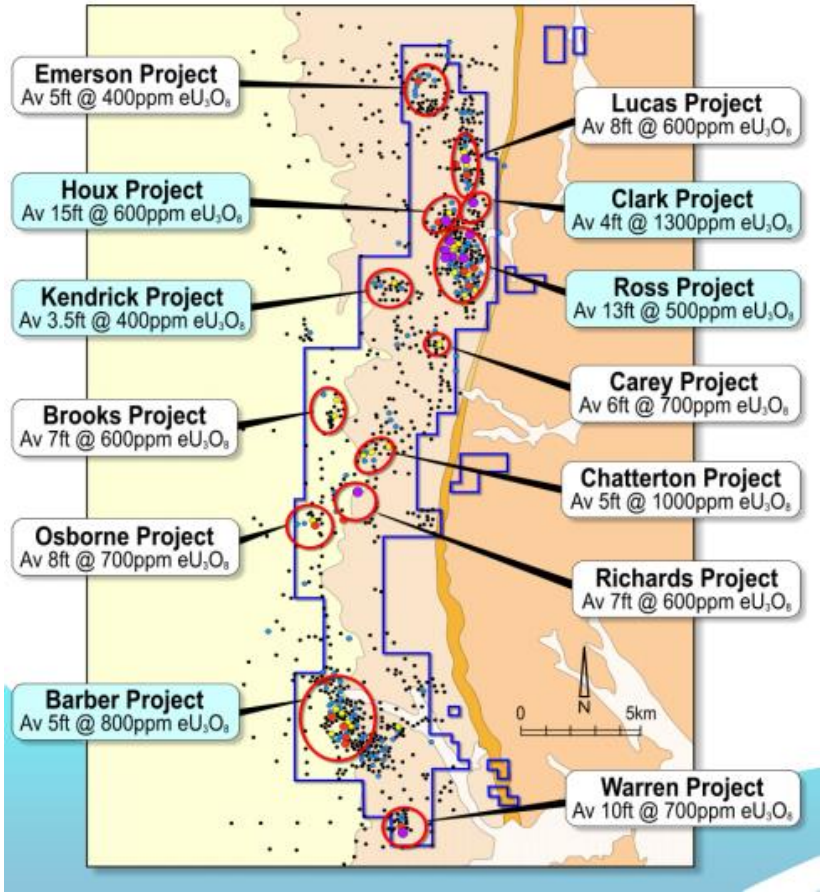
Barber/Other Expansion Area	
Measured	710,294 lbs
Indicated	2,415,045 lbs
Inferred	28,734,096 lbs
Total	31,859,435 lbs

Totals	
Measured	**4,520,159 lbs**
Indicated	**12,640,951 lbs**
Inferred	**36,513,114 lbs**
Grand Total	**53,674,224 lbs**

Source: Company reports.

The Lance Projects have significant exploration upside. Notably, nearly 90% of the drilling conducted by Peninsula has focused on the Ross, Kendrick, and Barber production units. That being said, the initial production area, Ross, accounts for just 5% of the firm's expansive land package. Moreover, the 120 square kilometer land package contains a total of 305 kilometers of known stacked roll fronts. Based on historic conversion rates from roll front length to resources, management has outlined a further target of adding between 104 and 163 million additional pounds of uranium. While we do believe further resource expansion is probable, we do not feel drilling for additional resources at this time should be of great focus as the firm has already outlined sufficient resources—more than 15 years of production at a 2.3 million pound per annum run rate (assuming 50% conversion of Inferred resources). In short, we do not believe the market ascribes much value for resource growth in today's uranium market environment.

Exhibit 7: Lance Exploration Targets



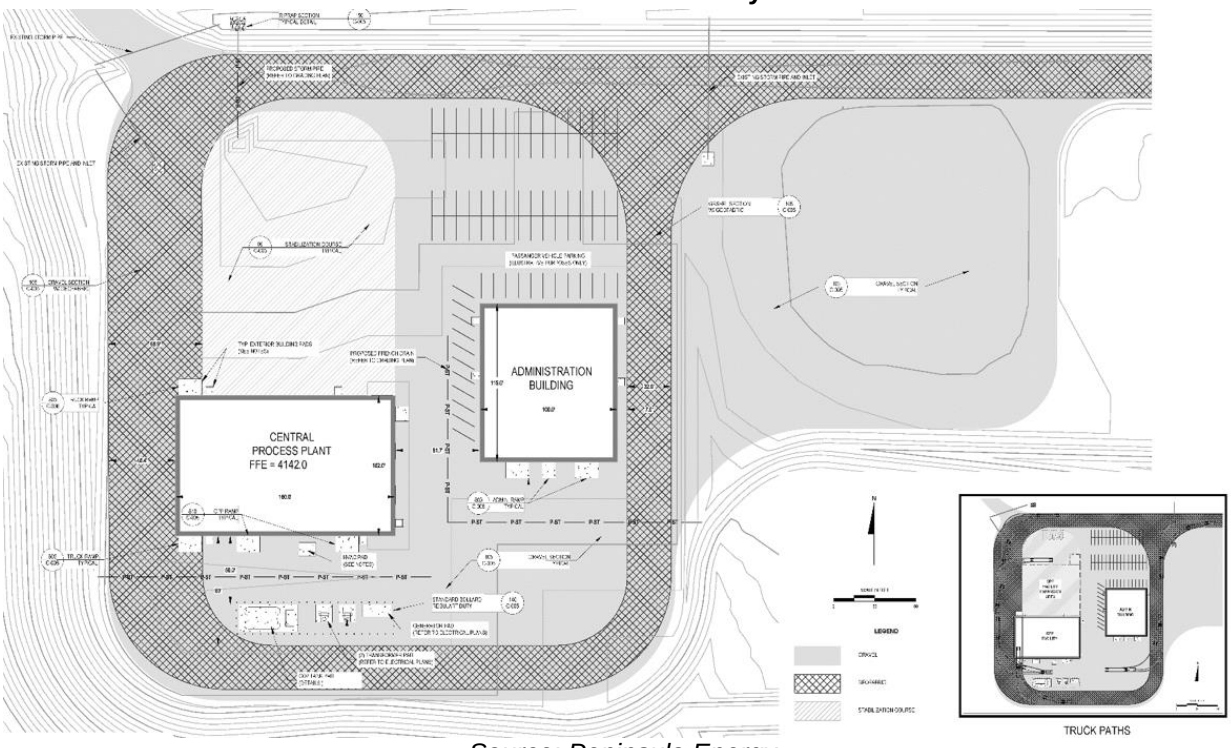
Source: Peninsula Energy.

All permits have been received for the Lance Projects. Notably, the firm has acquired all the required permits and licenses to construct, operate, and sell uranium from the Lance Projects in Wyoming. The project is currently permitted to produce up to 3.0 million pounds per annum and has received NRC Pre-Operational Inspection approval on November 30, 2015, which allowed for the commencement of production. That being said, construction of the project began in early 2015 with the installation of monitor wells in addition to the installation of the deep disposal well allowing for a timely production startup. Further, we note that extensions to existing permits may be required in order to produce from the Kendrick and Barber Projects. In our view, obtaining the necessary permits for production from future areas should not be an issue as the Power River Basin area and Wyoming as a whole are accustomed to mining.

Staged construction to smooth out initial capital requirement obligations. While Lance is fully permitted for a 3.0 million pound per annum operation, management has chosen to pursue a staged development plan. We believe this strategy is prudent from both an initial capital requirement perspective as well as from a development risk standpoint. Stage 1 of the project is expected to provide Lance with production capabilities of between 600-800,000 pounds per annum, with Stage 2 and 3 bringing production capacity to 1.2 million and 2.3 million pounds per annum, respectively. In our opinion, this staged approach should allow the firm to subsidize Stage 2 and 3 capital requirements with cash flow from production of Stage 1, leading to lower capital raises needed to reach desired production levels.

Stage 1 funding attained without a hitch. Peninsula completed a $69.4 million capital raise in February of 2015 in order to fund the construction of Stage 1, which promptly allowed the firm to successfully reach production. Stage 1 includes a Central Processing Plant with 3,750 gpm of lixiviant capacity in six ion exchange columns, wellfield development to provide 3,750 gpm of lixiviant to the plant, one deep disposal well and administrative/lab facilities. As mentioned, construction of Stage 1 is expected to provide production capacity to between 600-800,000 pounds per year, with the Ross Permit Area serving as the initial source of uranium production.

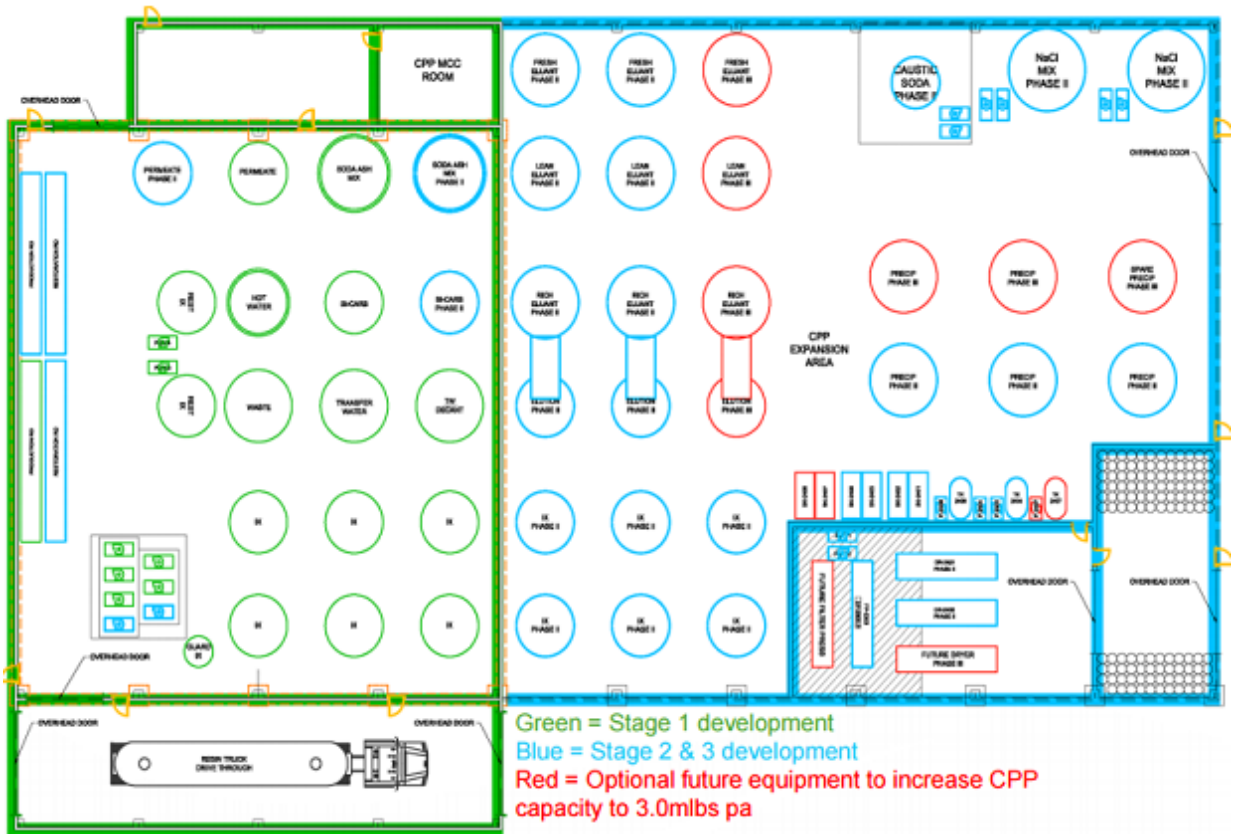
Exhibit 8: Lance Site Layout



Source: Peninsula Energy.

We expect an expansion to Stages 2 and 3 to remain market dependent. While production rates could be increased through an expansion, we do not expect construction of Stage 2 to occur until 2018. The $35 million capital investment is expected to bring total production capacity to 1.2 million pounds through the addition of six ion exchange columns including drying and packaging equipment. Following the construction of Stage 2, we expect the Kendrick production unit to be brought online augmenting any remaining resources provided from Ross at the time. Further, the Stage 3 expansion is expected to be the largest expansion with the construction of a satellite plant that would involve shipping loaded resin to the processing facility. Given this, capital required to reach 2.3 million pounds in capacity through the completion of Stage 3 is expected to be $78 million. Given the cost and scale of Stage 3 (see Exhibit 5), we expect this phase of the expansion to remain primarily market-dependent, but currently expect the expansion to occur in 2020.

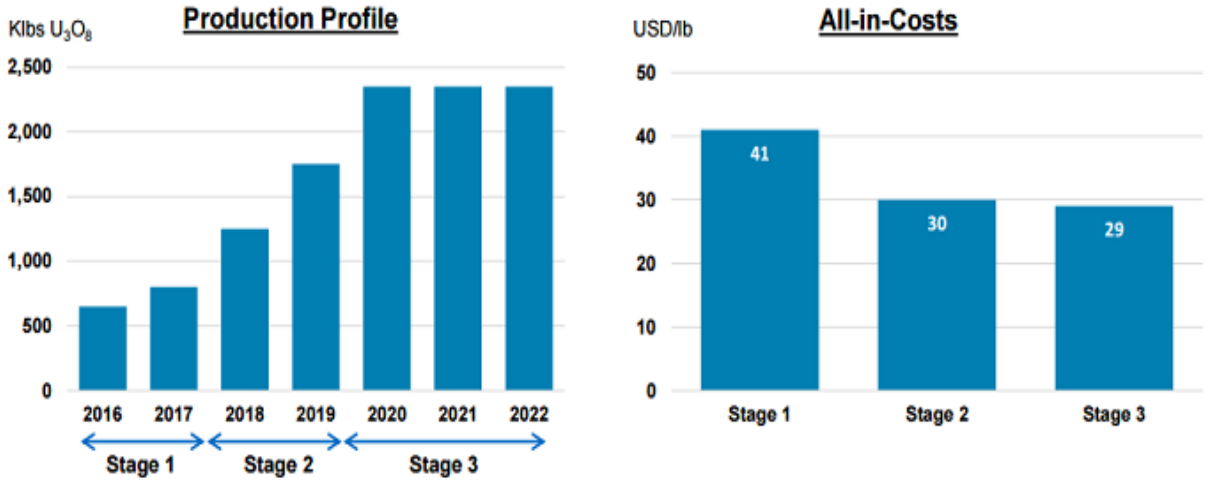
Exhibit 9: Central Processing Plant Expansion Plans



Source: Peninsula Energy.

Lance is expected to be a low cost operation. Initial all-in sustaining costs (AISC) at Lance are expected to be $41 per pound under the Stage 1 600-800,000 pound per annum run rate. Moreover, AISC are expected to decline to $30 and $29 with the completion of Stage 2 and 3, respectively. The large capital differential between Stage 1 and 2, vs. 2 and 3 is based on the large expansion required for Stage 3, particularly for the construction of the satellite plant. Given that Peninsula currently has higher priced long-term contracts averaging $59 per pound, the firm is expected to begin production generating an impressive gross margin of approximately 63%, assuming cash costs of $22 during Stage 1. Moreover, we feel the firm's staged production approach should allow for incremental production increases to occur in a higher uranium price environment—allowing the increased production rates from Stage 2 and 3 to be sold into higher-priced contracts.

Exhibit 10: Envisioned Lance Production Rates and Corresponding Costs

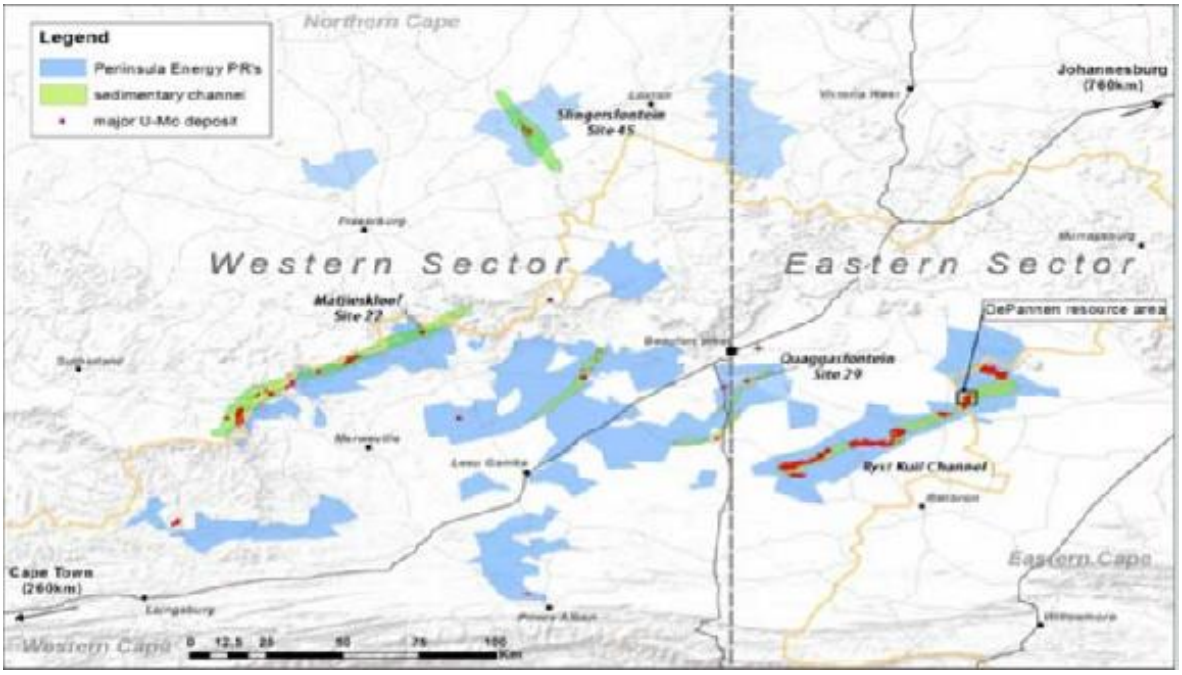


Source: Peninsula Energy.

Karoo Projects

The Karoo Projects could provide Peninsula with production from South Africa. The projects are located approximately 400-600 kilometers east-northeast of Cape Town spanning 32,176 hectares of freehold land, which we note covers both historic mineralization and the present resource base. The projects are 74% owned by Peninsula and 26% owned by BEE (Black Economic Empowerment) Partners, in line with South African land ownership laws. Moreover, given the projects' vicinity to major cities provides a suite of infrastructure including paved highways, railroads and even an airport. Therefore, we do not expect access to infrastructure or labor to hinder development of the Karoo Projects. While we believe Karoo should provide growth potential in the future, we expect Peninsula to remain focused on operations at Lance for the time being.

Exhibit 11: Karoo Projects Location



Source: Peninsula Energy.

South Africa gearing up for nuclear expansion. Currently, South Africa operates two nuclear reactors providing approximately 5% of the country's overall electricity. Given the small penetration of nuclear power in the country coupled with the government's commitment to nuclear energy, we believe South Africa could represent an emerging nuclear energy consumer for future production at Karoo. In 2014, South Africa agreed to a $10 billion nuclear contract with Russia's State Nuclear Energy firm Rosatom—the first step towards achieving South Africa's nuclear goals. In February 2015, the President of South Africa committed to a target of 9.6 GWe by 2030, with the first reactor coming online in 2023. In our view, South Africa's physical and psychological shift towards nuclear energy consumption should provide tailwinds for uranium mining in the country, creating an opportunity for the high grade Karoo Projects. Moreover, South Africa does allow for the export of uranium provided its end us is for nuclear energy rather than military use.

Previous exploration outlined a strong resource. A JORC compliant resource for Karoo was announced in March of 2014 containing 56.9 million pounds of uranium including 21.9 million pounds in the Indicated category and an additional 35.0 million in Inferred. Given the expansive land package at Karoo, Peninsula has outlined an exploratory resource growth target of 250-350 million pounds of uranium. The project is currently progressing towards the pre-feasibility level (PFS) level, which we believe should provide further insight into overall production parameters and operating costs at Karoo. We anticipate the release of a PFS in 2H16 and look forward to receiving greater visibility with respect to the ultimate potential of the projects.

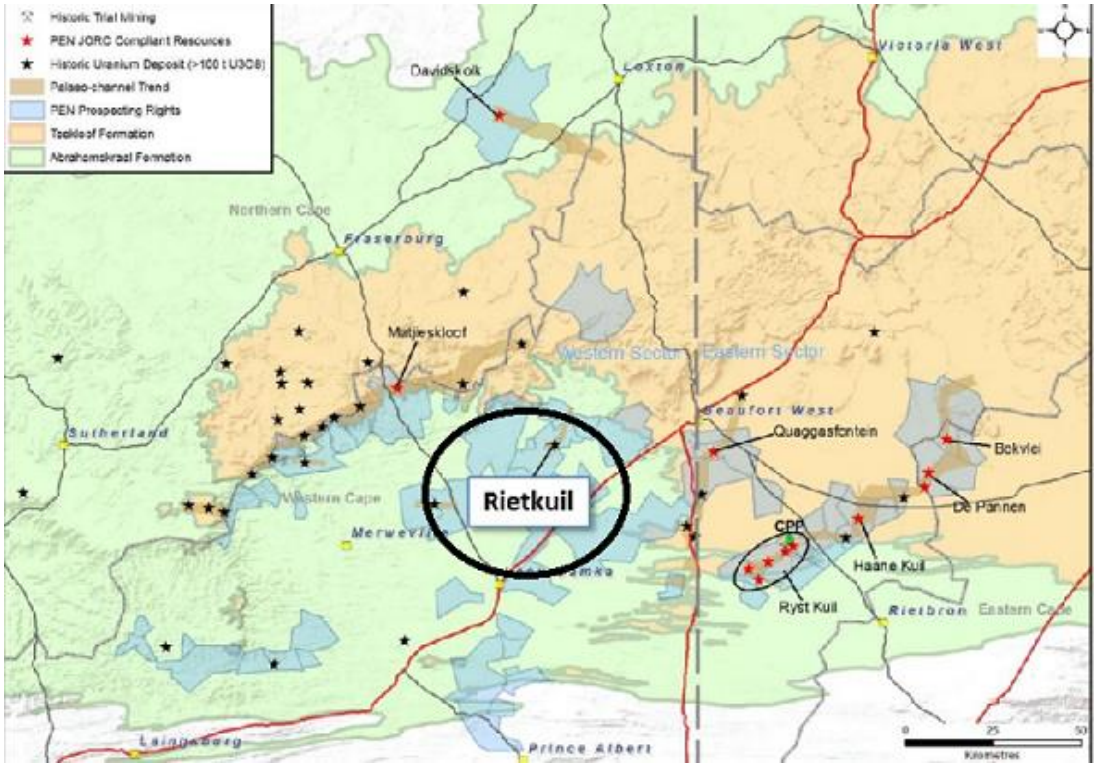
Exhibit 12: Karoo Resources

Category	Tonnes (M)	Uranium lbs (M)	Grade (ppm)
Indicated	8.0	21.9	1,242
Inferred	15.3	35.0	1,038
Total	**23.3**	**56.9**	**1,108**

Source: Peninsula Energy.

The Karoo Projects have the potential to be a high grade operation. As seen in Exhibit 12, average grades at Karoo are currently 1,108 ppm. Moreover, on December 23, 2015, the firm announced further high grade intercepts at the Karoo Projects, particularly at the Rietkuli deposit. The deposit was the first major deposit to be discovered at Karoo by Union Carbide Exploration Company (UCEX) in 1970 and is located just 40 kilometers west of the town of Beaufort West (see Exhibit 13). Re-logging of historical results at Rietkuli began in 2H14 with a goal of verifying location and depth of open boreholes. To date, 320 UCEX drill holes have been located and re-logged, providing Peninsula with greater understanding of the overall resource at Karoo.

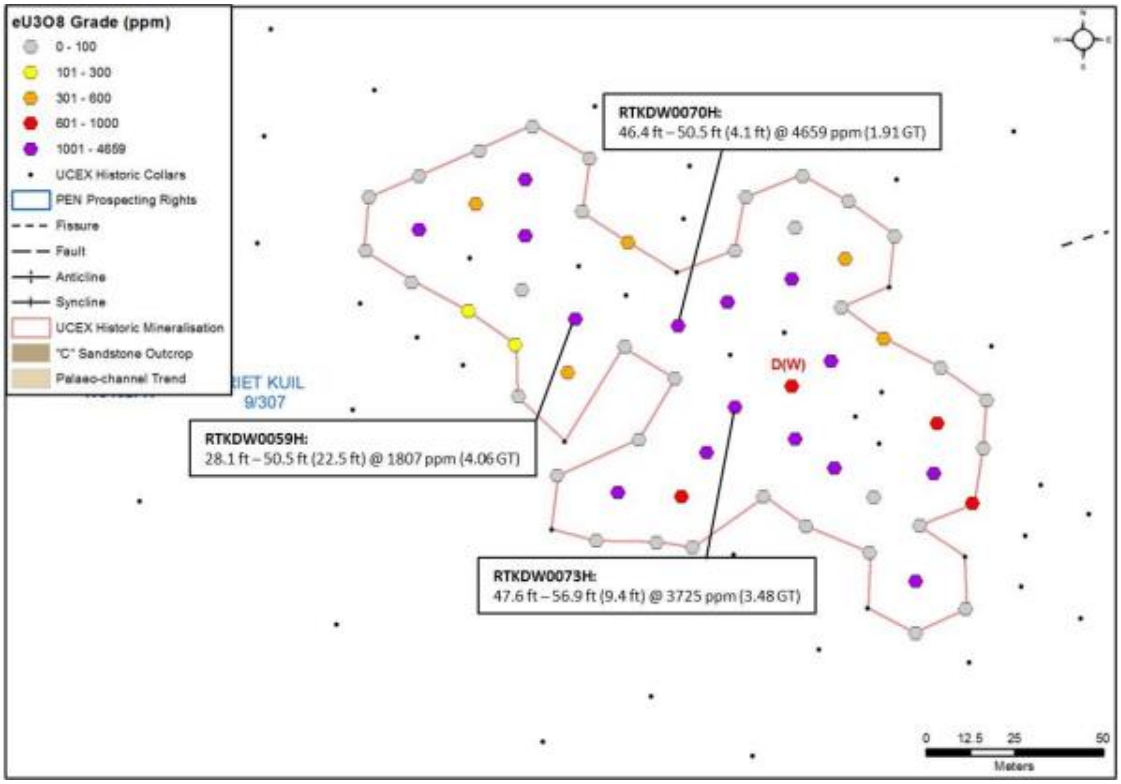
Exhibit 13: Rietkuli Area Location



Source: Peninsula Energy.

Strong results should add to current resource estimate. While the firm's current JORC compliant resource estimate of 56.9 million pounds remains impressive, we believe results from the re-logging campaign have the potential to further increase resources at the site. That being said, the exploration work focused on holes outside of the existing resource estimate. We highlight that the results included significant intercepts, including 9.4 feet grading 3,725 ppm (47.6 feet) and 3.1 feet grading 4,145 ppm (33.0 feet). In addition to the intercepts returning grades above average resource grades, the mineralization occurred at a shallow depth above 50 feet, further adding to the economic attractiveness of Karoo. In total, the re-logging campaign has returned 119 significant intersections from 320 holes since inception in mid-2014.

Exhibit 14: UCEX Mineralization Re-Logging



Source: Peninsula Energy.

Rodman & Renshaw Site Visit to Ross

Following a dinner with the management team of the company on January 19, 2016, we visited the Ross ISR project on January 20, 2016. The site is owned by Strata Energy, a wholly-owned subsidiary of Peninsula. Ross is located about 45 minutes outside of Sundance, Wyoming, currently employs approximately 35 staff in addition to a variety of drilling contractors. Sundance is host to multiple hotels, shopping centers and provides access to a skilled and unskilled work force for the project. The site, which is accessible through government-maintained paved roads, is less than two hours outside of Rapid City, SD—the city with the closest meaningful airport.

Exhibit 15: Peninsula's (Strata Energy) Ross ISR Project

Source: Rodman & Renshaw Peninsula Energy site visit January 19-20, 2016.

Our tour started with a quick presentation in the main office. Following this, we took a tour of the future maintenance shack, the building for which is already fully built. We proceeded to look at the infrastructure at site, including the well house and a few of the injection and recovery wells. We concluded our visit at the processing plant, which we feel contains ample space for planned expansions to the site.

Infrastructure at the site is excellent. We note that the Ross project has grid power at a cost of approximately eight cents per kWh, ample water, and fairly moderate landscaping without any large hills. We further highlight that the company has extensive surface rights and a large land package, which should allow for future exploration in the area.

Exhibit 16: Grid Power at the Site at the Ross ISR Project

Source: Rodman & Renshaw Peninsula Energy site visit January 19-20, 2016.

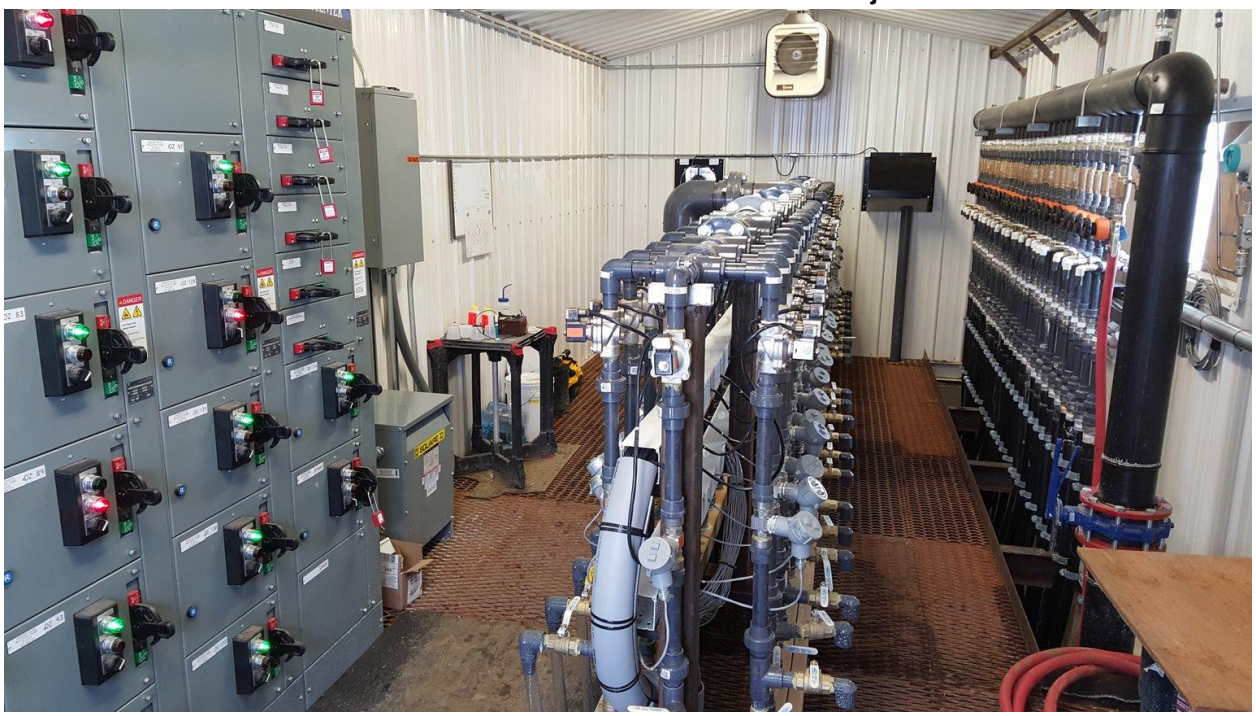
At present, the area is drilled by six rigs and their respective teams. Drilling at the site is undertaken with regular shallow depth rigs that cost the firm about $325 per hour. This rate includes the rig, fuel, consumables, and the crew. We note that Peninsula has had long-lasting relationships with their drillers, and while the crews have been unable to squeeze the firm with pricing during the boom times, at present the rates have not declined from the peak. This is also in part due to the specialized nature of the drilling rigs utilized at Ross.

Exhibit 17: Drilling Rigs at the Ross ISR Project

Source: Rodman & Renshaw Peninsula Energy site visit January 19-20, 2016.

The site currently operates a single well house, though a second well house is expected to start operating by the end of January. Following operation of the second well house, a total of of 100 injection wells, in addition to 50 extraction wells should be online. At present, the company employs four well field construction technicians, in addition to a well field superintendent. We note that Peninsula also employs its own backhoe operator in addition to its own casing crew. Since all the wells and other infrastructure at the site are fairly new, everything seemed to be in smooth operating order.

Exhibit 18: Well House at the Ross ISR Project



Source: Rodman & Renshaw Peninsula Energy site visit January 19-20, 2016.

Exhibit 19: Injection and Extraction Wells at the Ross ISR Project

Source: Rodman & Renshaw Peninsula Energy site visit January 19-20, 2016.

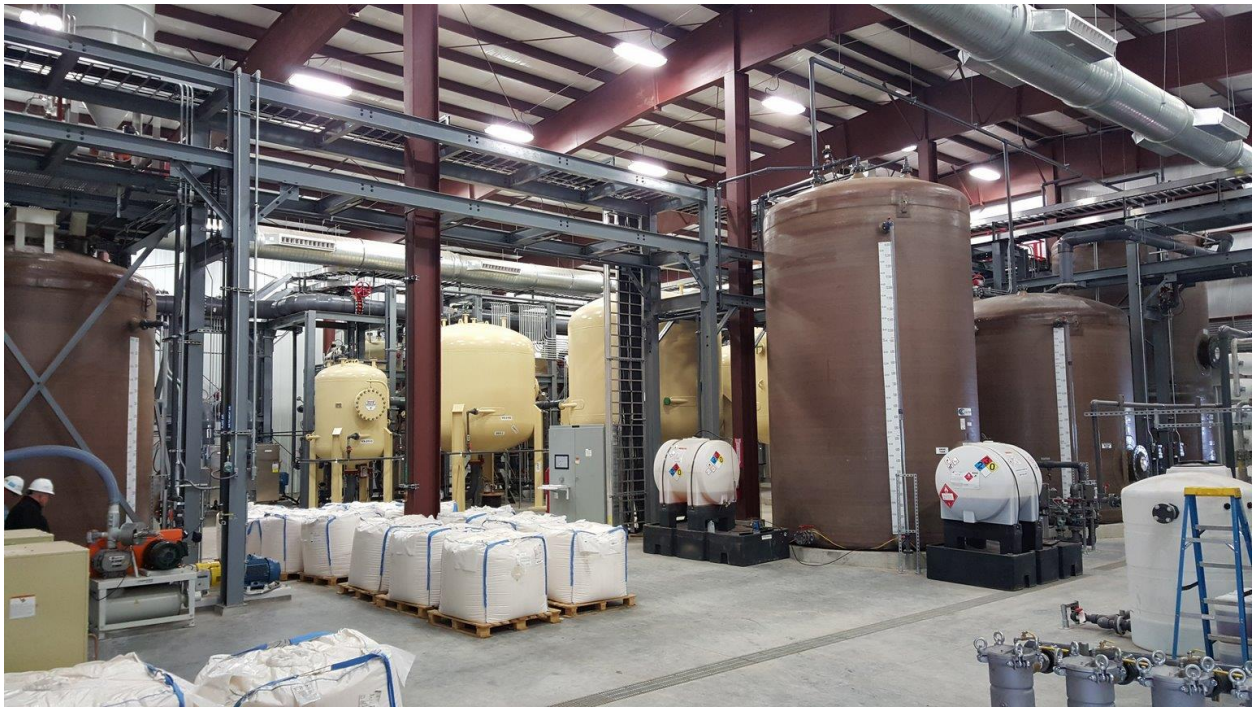
Peninsula currently operates a single deep disposal well. The well, which is drilled to a depth of 8,700 feet, currently operates at about 80-120 gallons per minute compared with its target of 20 gallons per minute. Although initial plans called for two or three deep disposal wells, the company is currently operating using only a single well—a nice bonus given the large cost of approximately $3 million to drill an additional well given their depth and requirements of specialized equipment.

Exhibit 20: Deep Water Disposal Well at the Ross ISR Project

Source: Rodman & Renshaw Peninsula Energy site visit January 19-20, 2016.

We concluded our trip with a visit to the on-site processing plant. The plant, which already has several elements for an eventual expansion built in, is located in close proximity to the well house and the administrative building. As with the well equipment, everything seemed to be in almost new condition, not a big surprise given the very recent start-up of the site.

Exhibit 21: Processing Plant at the Ross ISR Project



Source: Rodman & Renshaw Peninsula Energy site visit January 19-20, 2016.

The resin is shipped to Uranium One's Willow Creek (formerly known as Irigaray) processing facilities. We note that the resin beads have been loaded on the ion exchange columns above their initial designed rates, which is expected to lower transportation costs to the facility on a dollar per pound basis given that Peninsula requires fewer truck shipments for the nearly 100 mile journey.

Exhibit 22: Resin Ready For Shipment

Source: Rodman & Renshaw Peninsula Energy site visit January 19-20, 2016.

In conclusion, the site and processing plant seem to be ready for full-scale operations. While quite exciting to see the project during the current production run-up, we note that everything seems to mostly be in place for the future. In addition, we note the reasonably future-proof nature of the processing plant, which may eventually allow the firm to cut out Uranium One's facilities and produce a finished end product rather than shipping the resin.

Head grades at the site are increasing during the ramp-up. At present, two of the production wells are already producing at 45 ppm with further increases, while an additional 12 wells are operating between 10-45 ppm while increasing. This compares with prior estimates of 45 ppm for the first 12 months of production and a life of mine average of 38 ppm. We once again note that although only a single well house is currently operational, we were able to view the second building, which already looked ready for operation.

Valuation

We currently value Peninsula Energy at $400.1 million, or A$2.58 per share. Our valuation is based on a DCF of operations at the Lance Projects utilizing a 10% discount rate as well as an average uranium sales price of $59 per pound (per PEN's long-term contracts) through 2020 and $60 per pound thereafter. We believe our 10% discount rate is prudent given Lance's favorable location in Wyoming as well as the producing nature of the asset. Moreover, we utilize a staged approach with respect to expansion at Lance with Stage 2 coming online in 2018 and Stage 3 following in 2020 an believe our discount rate could be lowered following a successful ramp up in Stage 1 operations.

Exhibit 23: Peninsula Energy DCF Model

	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
(000s US$)										
Revenue	17,700	44,250	70,800	70,800	135,700	135,700	138,000	138,000	138,000	138,000
Total operating costs	9,600	21,500	24,200	24,200	39,500	39,500	39,500	39,500	39,500	39,500
Corporate costs	5,000	5,000	5,000	7,000	8,000	8,000	8,000	8,000	8,000	8,000
Operating income	(316)	12,210	32,936	30,936	73,844	73,844	75,960	75,960	75,960	75,960
EBITDA	4,684	17,210	44,936	42,936	88,844	88,844	90,960	90,960	90,960	90,960
Taxes	-	-	-	-	17,653	17,653	18,288	18,288	18,288	18,288
EPS	**($0.03)**	**$0.04**	**$0.12**	**$0.11**	**$0.23**	**$0.23**	**$0.24**	**$0.24**	**$0.24**	**$0.24**
Cash Flow	(316)	11,100	4,079	28,502	3,992	52,061	48,522	44,111	40,101	36,455
Total capital costs	5,000	5,000	40,000	5,000	83,000	5,000	5,000	5,000	5,000	5,000
NPV @ 10%	**$359,266**									
NAV / share (A$)	**$2.58**									

Rodman & Renshaw estimates.

Additional long-term contracts could alter our price assumptions. Notably, we currently estimate an average sales price for Lance production at $59 per pound through 2020—in line with Peninsula's existing long-term contracts. That being said, we believe the firm is currently evaluating additional long-term contractual opportunities. Should more contracts be signed, we believe the average sales price utilized in our model could fluctuate and expect to update our model accordingly. That being said, given management's intense focus on managing uranium price risk, we firmly expect additional contracts to be put in place in the future.

Our model does not utilize a DCF for Karoo. Given Karoo's somewhat early stage (pre-PFS stage), we utilize an in-situ valuation methodology for the project. As seen in Exhibit 5, peer companies are currently receiving approximately $1.32 per pound of resources on an EV/lb in the ground basis. That being said, we risk-adjust that value for Karoo by applying a 0.5x multiple to arrive at a valuation of $0.66 per pound of resources at the site. Given Karoo's current resource of 56.9 million pounds (74% owned by Peninsula), we arrive at a valuation of $27.8 million for the Karoo Projects. That being said, we believe a PFS should be released on Karoo during the second half of this year, yielding greater insight into the operating and cost parameters surrounding the economics of the project. Following the release, we feel we may gain greater insight into the economics of the project and may update our valuation methodology of the project at that time.

Risk Factors

Peninsula Energy faces commodity price risk. Nearly all commodity-related equities are exposed to price changes in the underlying commodity. Investors may seek this exposure for the upside potential, but must recognize that leverage cuts both ways. Lower commodity prices could undoubtedly make attractive projects less economically viable.

Investors may be unable to invest in stocks under $5.00 per share. Given Peninsula's current share price, some portfolio managers or other investors may be unable or unwilling to invest shares of the company. We believe this risk is relatively limited given the future dual-listing structure of the firm on major exchanges.

The company faces various types of political risk. Natural resource companies are subject to significant political risk. Despite compliance with national laws, provincial or local opposition (legal or otherwise) may impact operations. Changing federal laws and regulations may negatively impact project economics, regardless of prior agreements. Environmental groups and other nongovernmental organizations may actively pursue tactics (legal or otherwise) that could negatively impact mine operations.

Appendix A: Cautionary Note to U.S. Investors

Estimates of Measured, Indicated and Inferred Resources

- **"Measured Mineral Resources" and "Indicated Mineral Resources."** U.S. investors are advised that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission (SEC) does not recognize them, and describes the equivalent as "Mineralized Material." U.S. investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves.

- **"Inferred Mineral Resources."** U.S. Investors are advised that while those terms are recognized and required by Canadian regulations, the SEC does not recognize it. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. In accordance with Canadian rules, estimates of inferred mineral resources cannot form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that part or all of the inferred mineral resource exists, or that it is economically or legally mineable.

Appendix B: Terms

Mining Terms			
Ag	Silver	NI	National Instrument
Au	Gold	NN	Nearest Neighbor
TPA	tonnes per annum	NSR	Net smelter return
PPM	Parts per million	OK	Ordinary Kriging
COG	Cut-off grade	oz	Troy ounce
Cu	Copper	oz/t	Troy ounce per tonne
g	Grams	ppm	Parts per million
g/t	Grams per tonne	EZC	Enriched zirconium concentrate
ha	Hectares	REEE	Rare Earth Elements, lanthanum to letetium by atomic weight plus yttrium
kg	Kilograms	LREE	Light rare earth elements, lanthanum to samarium by atomic weight
km	Kilometers	HREE	Heavy rare earth elements, europium to letetium plus yttrium
kg/t	Kilogram per tonne	TREO	Rare earth elements, calculated as oxides, including lanthanum to lutetitum plus yttrium
lbs	Pounds	HREO	Heavy rare earth elements, as per HREE above, calculated as oxides
m	Meters	LREO	Light rare earth elements, as per LREE above, calculated as oxides
Ma	Millions of years	NMR	Net metallurgical return
masl	Meters above sea level	Zn	Zinc
Moz	Million troy ounces	$US/t	United States dollars per tonne
Mn	Manganese	$US/g	US dollars per gram
Mt	Million metric tonnes	$US/%	US dollars per percent

Appendix C: Management Team

John (Gus) Simpson, Managing Director, CEO

Mr. Simpson is both a Science and Arts graduate from Curtin University, Western Australia. He joined the Peninsula Energy Board in August 2007 and has over 25 years of experience in the management of listed mineral companies. He has had principal involvement in a number of successful mineral discoveries in Africa, Australia and North America. Previously held positions include senior executive roles with Gindalbie Mining NL, Australian Minerals Sands NL, Panorama Resources NL and Tanganyika Gold Limited. Mr. Simpson is currently Non-Executive Chairman of ASX-listed resource companies, Indus Energy NL and Namibian Copper NL.

Ralph Knode, CEO of Strata Energy

Mr. Knode has over 30 years' 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 (CCJ; not rated) 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, CFO

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.

	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
(000s US$)										
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NPV @ 10%	**$359,266**									
NAV / share (A$)	**$2.58**									

Rodman & Renshaw estimates.

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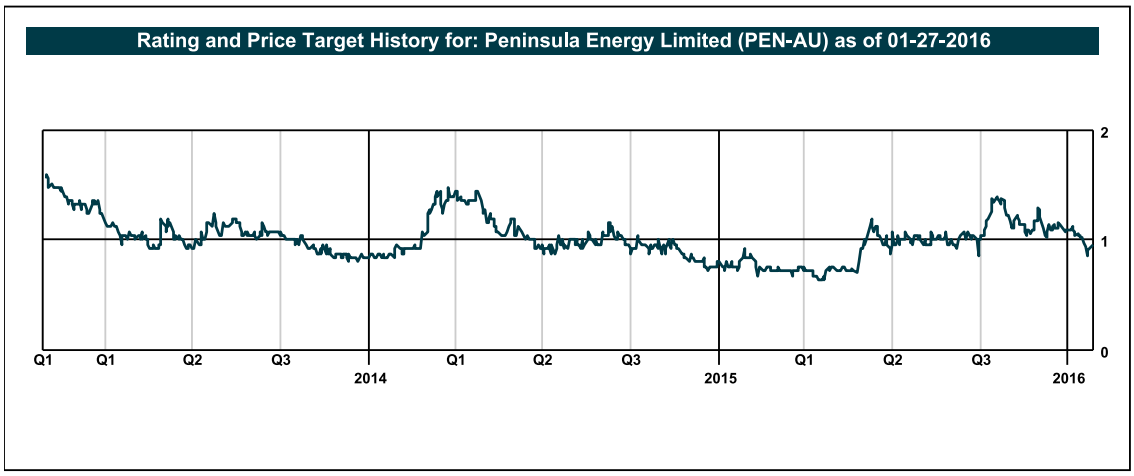
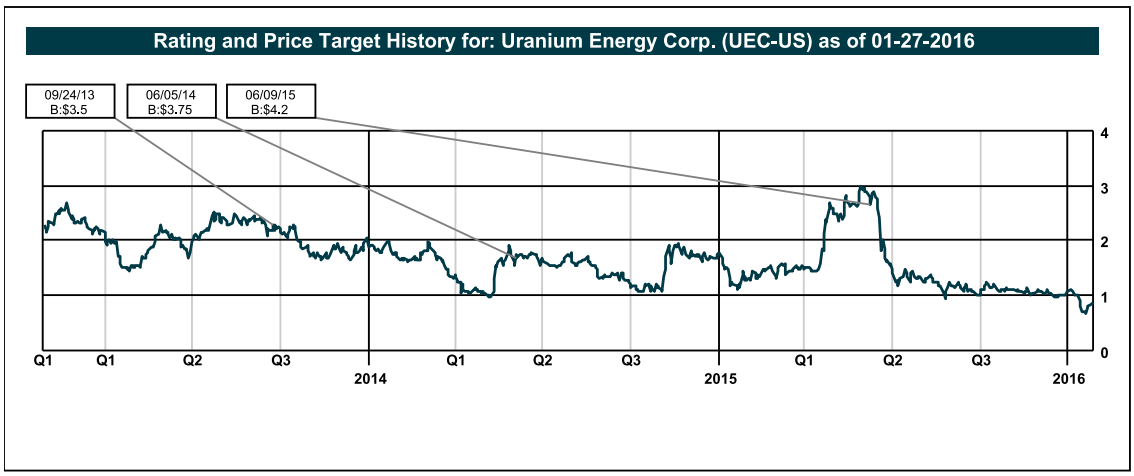
RETURN ASSESSMENT

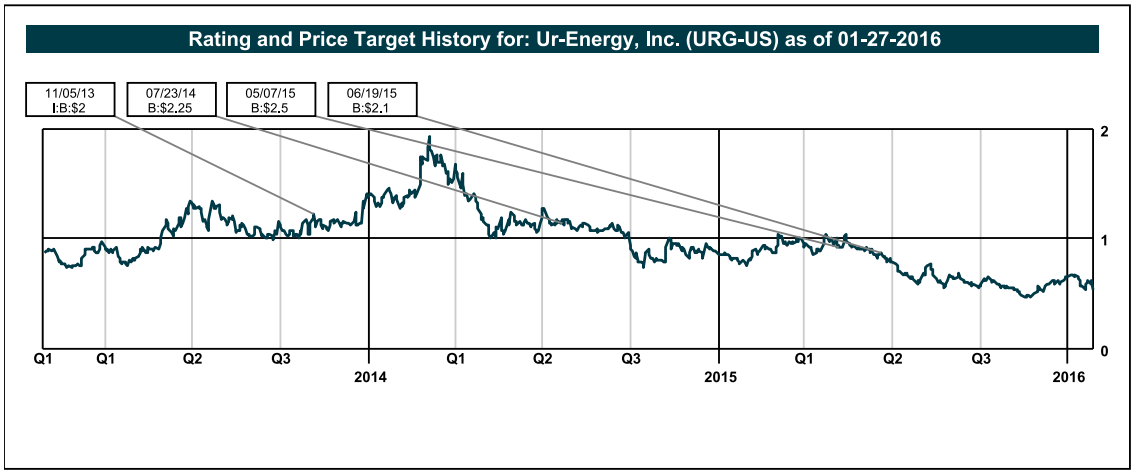
Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

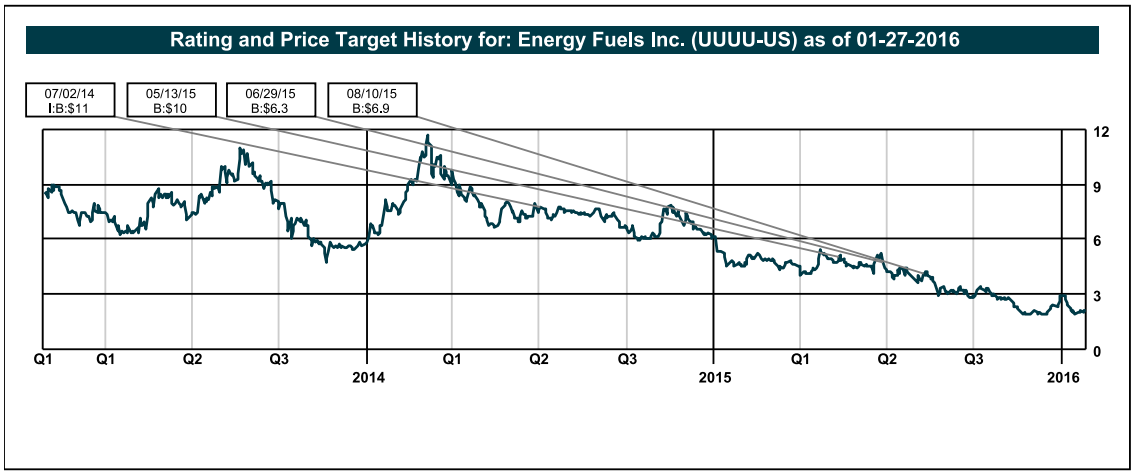
Market Perform (Neutral): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

Market Underperform (Sell): The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector.









Related Companies Mentioned in this Report as of 01/27/2016

Company	Ticker	H.C. Wainwright Rating	12 Month Price Target	Price	Market Cap
Uranium Energy Corp.	UEC	Buy	$4.20	$0.87	$86
Ur-Energy, Inc.	URG	Buy	$2.10	$0.54	$71
Energy Fuels Inc.	UUUU	Buy	$6.90	$2.13	$96

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Distribution of Ratings Table

			IB Service/Past 12 Months	
Ratings	Count	Percent	Count	Percent
Buy	148	97.37%	42	28.38%
Neutral	4	2.63%	0	0.00%
Sell	0	0.00%	0	0.00%
Under Review	0	0.00%	0	0.00%
Total	152	100%	42	27.63%

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