



15 March 2016

Companies Announcement Office
Via Electronic Lodgement

URANIUM SALE CONTRACTS UNDERPIN LANCE PROJECTS

Highlights

- 7,900,000 pounds of U₃O₈ under long term contracts
- US\$440,000,000 in revenue in contract portfolio
- Weighted Average Price of US\$56 per lb U₃O₈
- 75% of Stage 1 production under contract
- 54% of Stage 2 production under contract
- Non-dilutive Streaming Finance under final review

Peninsula Energy Limited (**Peninsula or Company**) announced on March 12, 2016 that it had added its fifth long term uranium concentrate sale and purchase contract to its supply agreements. The Company is pleased to provide this update on the benefit that the totality of these contracts contribute to building a global, sustainable, low-cost uranium concentrate producer.

Term Contracts Deliver Solid Results

The fifth long term contract signed by Peninsula is for delivery of 4.0 million pounds of U₃O₈ over a 10-year period commencing at the end of 2020. This agreement also contemplates increasing the quantity to 50% of annual Lance production from 2026 onwards. Terms relating to the increased quantities are to be negotiated in 2022 when prevailing market conditions are forecast to be more favourable for producers.

Peninsula has 7.9 million pounds of U₃O₈ under contract for delivery to major utilities located in the United States and Europe. Projected revenue under these existing long term contracts now exceeds US\$440,000,000.

These contracts provide a substantial earnings stream to the Company whilst allowing it to retain significant quantities of planned U₃O₈ production for future contracting during periods of anticipated improvement in uranium prices.

The weighted average delivery price for these five contracts over the next 10 years is US\$56/lb U₃O₈. This compares very well to the US\$45/lb U₃O₈ weighted average delivered price achieved over the past decade by the four largest publicly traded uranium mining companies¹.

Commenting on the portfolio of existing contracts Managing Director and CEO Mr. Gus Simpson stated *“Over the past five years Peninsula has been focussed on demonstrating to United States and European utilities its capacity to become a reliable long term supplier of uranium. The establishment of good relations with end-users has provided a significant long term revenue stream that underpins the Company’s development in the short term and provides a solid basis for its long term growth”*.

During the period 2016 - 2021 approximately 75% of Stage 1 production is committed to long term contracts and under the existing sale agreements 54% of annual Stage 2 production is committed during the next 10 years. This supports the expansion at the Lance Projects, yet still leaves sufficient planned production available for additional contracts to be entered into when pricing is predicted to be stronger.

Non-Dilutive Capital Expenditure Funding

In addition to conventional debt and equity funding Peninsula is pleased to announce that it is investigating Income Streaming as a means to financing the Company’s future expansion plans.

With the successful initiation of production at Lance the Company has received several proposals and executed one non-binding term sheet for an Income Streaming facility to fund its expansion plans at Lance.

Income Streaming is a non-dilutive mechanism that sees a proportion of future sales revenue, over a finite time period, being exchanged for a one-off upfront cash payment that is to be used for additional capital expenditure.

Typically this would involve less than 5% of the produced material over the specific time period and would be structured to afford a commercial return to the provider but also to minimise the cashflow impact to the Company.

The Uranium Market

The uranium market is characterised by deliveries made under term or spot contracts. During the period 2006 - 2012 sale arrangements under term contracts have been the predominant sale and purchase arrangement between producers and utilities as they seek security of supply and long term price predictability.

During the 3 year period between 2013 and 2015, the annual volume of uranium contracted by utilities has been significantly less than the previous 7 years and substantially less than annual uranium consumption.

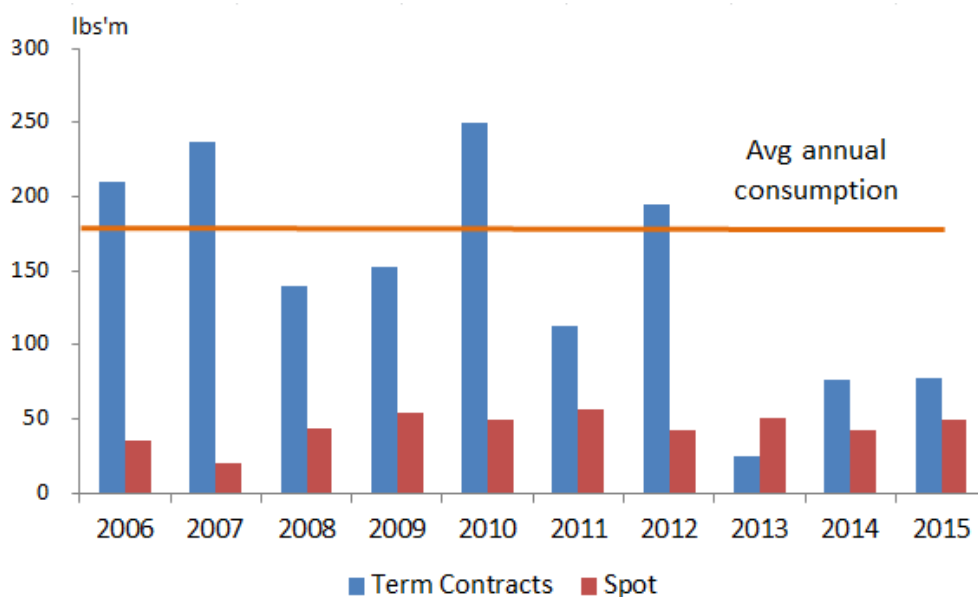


Figure 1 – Annual Contracted Volume (Source: UxC)

A number of factors have caused the reduced level of contracting over the past 3 years. Volumes contracted above the annual levels of consumption prior to 2012 combined with the flow-on impact of the Fukushima incident, (e.g. Japanese utility withdrawal from the market), and enricher underfeeding partly replacing demand for natural uranium has seen utilities run-off a major portion of their existing contracted volumes.

A return to more normal contracting levels is expected over 2016 through 2018 as existing term contracts expire, demand for uranium continues to increase and insufficient new production enters the market.

Peninsula is well positioned to benefit from this rising market. Over the past 5 years, the Company has invested significant time in building relationships with North American and Western European utilities, increasing their awareness of Peninsula, our assets and growth plans. Development of Stage 2 and ultimately Stage 3 at the Lance Projects will provide Peninsula with the capacity to secure new long term contracts in an improved market.

Sustained Growth in Nuclear Power Generation

There are currently 440 operable nuclear power reactors globally, capable of generating 384 GWe of carbon free electricity per annum. A further 65 reactors are currently under construction and an additional 510 reactors are planned or proposed in the future. Operating reactors will consume approximately 170 million pounds of U₃O₈ in 2016 with a forecast growth rate of approximately 4% p.a.

Currently the majority of uranium is consumed in the developed economies with the majority of growth in nuclear power occurring in the emerging economies. This growth is led by China, India and Russia, and supported by countries such as the United Arab Emirates, South Africa and Saudi Arabia. All of these countries are seeking increased quantities of reliable carbon-free baseload power generation. In the case of Middle East nations, a move to nuclear power generation will enable oil and gas used domestically for power generation to be re-directed to export markets. It is estimated that Saudi Arabia burns US\$45 billion of oil annually to generate electricity domestically.

China – Currently has 30 operating reactors generating 27 GWe of electricity, with a further 24 reactors under construction that will provide an additional 27 GWe of electricity. By 2020, China is aiming for 58 GWe of electricity to be generated from nuclear with a further 30 GWe of additional capacity under construction. From a longer term perspective, China is targeting 120 to 150 GWe of electricity from nuclear power by 2030, which requires China to commence construction on 5-6 additional reactors each year between now and 2025.

Over the past 10 years, China has taken a number of significant steps to increase its use of nuclear power. China has recently developed its own proprietary reactor technology (Hualon 1) and now leads the world with the lowest capital cost for constructing new reactors. China also plans to be a major player in the export and implementation of this technology globally.

India – Currently has 21 operating reactors generating 5.3 GWe of electricity, with a further 6 reactors under construction providing an additional 4.3 GWe of electricity. India's most recently announced plans are seeking to increase its nuclear power capacity to 13.5 GWe within 10 years.

Russia – Currently has 35 operating reactors generating 26 GWe of electricity, with a further 8 reactors under construction providing an additional 7 GWe of electricity. With its own proprietary reactor technology and full nuclear fuel cycle capability, Russia continues to be very active in the export market and has signed agreements to finance and build new reactors in countries such as Turkey, Egypt and India.

United Arab Emirates – In partnership with South Korea, the United Arab Emirates is currently constructing 4 nuclear power reactors that will provide 5.6 GWe of electricity when commissioned over the next 2-4 years.

South Africa – Has announced plans for up to 8 new reactors to generate 9.6 GWe of electricity and the procurement process for the supply of the reactors to commence in the first half of 2016. In advance of the procurement process, South Africa signed framework nuclear power agreements with countries such as Russia, China and France.

Saudi Arabia – Has announced plans to construct up to 16 nuclear power reactors over the next 20 years to generate up to 17 GWe per annum. A 2010 royal decree identified nuclear power as essential to help meet growing demand for both electricity generation and water desalination, while reducing reliance on depleting hydrocarbon resources. In January 2016, China and Saudi Arabia signed a memorandum of understanding on the construction of a high-temperature gas-cooled nuclear power reactor.

Against this backdrop of increasing demand for nuclear power, investment in major new uranium mines to fuel future reactors has been significantly reduced over the past 3 to 4 years due to the lack of price incentive brought about by the Fukushima accident. Given the lead time for regulatory approvals for new uranium mines, a supply deficit looms large over the next 5 years (refer Figure 2 below).

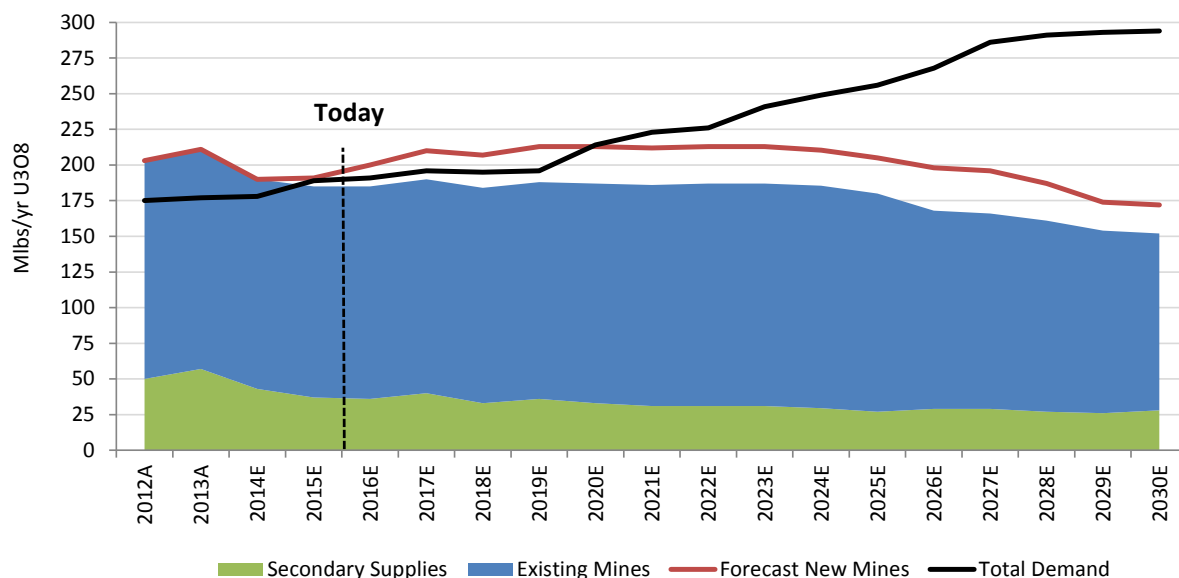


Figure 2 – Forecast Uranium Supply & Demand (Source: UxC, WNA, IAEA, NIW, Raymond James Ltd.)

Conclusion

Improvement in uranium prices is expected to be driven by the increased use of nuclear power as a means of cost effective carbon free baseload power generation.

Peninsula now has a substantial portfolio of long term contracts at prices that provide a significant margin over all-in sustaining costs of production. These long term contracts provide an excellent revenue base that underpin the development at the Lance Projects.

Whilst production capacity of Stage 1 is committed to contracts, Peninsula has sufficient uncontracted Stage 2 and Stage 3 production capacity to capitalise on an expected improvement in uranium demand and pricing over the next 3 to 4 years.

Yours sincerely

John (Gus) Simpson
Managing Director/CEO

1) Information sourced from public reports issued by Cameco Corporation, Energy Resources Australia, Paladin Energy and Uranium One.

About PEN:

Peninsula is a uranium producer in the Powder River Basin, Wyoming, USA, which commenced production of U₃O₈ in December 2015 from its Lance Projects, located approximately 75 km NE of Gillette, Wyoming. Peninsula is licenced to produce 3 million pounds of U₃O₈ per annum from the Lance Projects.

For further information, please contact our office on +61 (0)89380 9920 during normal business hours.