STRATA ENERGY INC
A WHOLLY-OWNED SUBSIDIARY OF PENINSULA ENERGY LIMITED
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October 31, 2012

Crook County Commission
PO Box 37
Sundance, Wyoming 82729

Re: Proposed Industrial Development Project
Strata Energy Inc – Lance In-Situ Uranium Recovery Project

Dear Commissioners:

The purpose of this letter is to propose and request your approval of an industrial development revenue bond project pursuant to the Industrial Development Projects Act (**IDPA**), Title 15, Chapter 1, Article 7, Wyo. Stat. (Act). The proposal contemplates that Crook County, Wyoming (**County**) and Strata Energy Inc., a Delaware corporation (**Strata**) with field operations centered in Crook County, Wyoming, enter into a Financing Agreement providing for (i) the Lance In-Situ Uranium Recovery Projects (**Lance Projects**), and (ii) the financing of such projects. Strata is seeking funding under the IDPA in the amount of $70 million, or 42% of the total funding necessary to construct the Central Processing Plant manufacturing facility (CPP) and first well fields.

Strata is a 100% owned US subsidiary of Australian incorporated Peninsula Energy Limited (**Peninsula**). Listed on the Australian Securities Exchange under the ticker symbol PEN, Peninsula is an emerging uranium producer with projects in the United States and South Africa.

Strata is an enterprising company focused on developing the Wyoming-based in-situ recovery (**ISR**) Lance Projects, utilizing local resources and actively engaging with nearby communities. Strata is led by a management team with specialized expertise in ISR mining operations, supported by a project team with extensive industry experience in the design, permitting, engineering, construction, operations and public outreach of ISR mines in Wyoming.

In-Situ Recovery:

ISR is a method of extracting uranium from underground deposits without having to excavate open-pit or underground mines to reach uranium-bearing ore and other materials. The method involves injecting a solution, called lixiviant, into the ground at specifically targeted depths and locations relative to the ore body. This solution consists of on-site ground water fortified with gaseous oxygen and introduced to the uranium ore body through a pattern of injection wells. The solution dissolves the uranium from the sandstone host.

The uranium-bearing solution is brought to surface through production wells then transferred to a central processing plant where it is loaded onto resin beads, further concentrated, and dried in to yellowcake (U308) for market. ISR has several advantages over conventional mining methods, including open-pit and underground mining. A primary advantage of ISR over conventional methods is the significantly lower environmental impact resulting from mining operations, including minimal surface disturbance and the restoration of affected water to pre-mining use standards at the conclusion of operations.

Project Background:

The Lance Projects are wholly located within Crook County, Wyoming, extending northward starting from 6 miles north of the town of Moorcroft over a ~23-mile length and ~5-mile width. The Lance Projects were originally explored under a joint venture between Nuclear Dynamics Inc, Bethlehem Steel Corporation and later Pacific Power and Hydro (NuBeth JV). Initial exploration discovered thirteen substantial zones of uranium mineralization, which were further confirmed by drilling between 1970 and 1979. In conjunction with this exploration program, the NuBeth JV drilled over 5,000 exploration and development holes, totaling in excess of 912,000 meters. The proprietary database of the NuBeth JV historic drilling and pilot plant data was acquired by Peninsula in 2007, defining a relatively unknown uranium district of which Strata is now the dominant mineral rights holder.

Within the Lance Projects area, there are several existing land uses including agricultural production of both crops and livestock, oil production, recreation, communication and power lines, and a network of roads.

Project Resources:

As certified by the March 2012 JORC Code* compliant resource statement issued by Peninsula on the Australian Securities Exchange, the Lance Projects currently comprise 51 million pounds of U_30_8, of which +29 mlbs U_30_8 is deemed recoverable. The Projects are divided into three distinct development phases, commencing with the Ross Production Unit (**RPU**) and followed at annual intervals by the Kendrick Production Unit (**KPU**) and the Barber Production Unit (**BPU**) according to the following schedule:

- RPU 2013/14
- KPU 2014/15 (including CPP Expansion)
- BPU 2015/16 (including satellite facilities)

Each production unit is projected to recover 750,000 pounds of U_30_8 per annum with steady state operations reaching 2,250,000 pounds U_30_8 per annum when all three production units are operating.

**Australasian Joint Ore Reserves Committee Code, www.jorc.org*

Project Life and Schedule:

Currently the Lance Projects have an estimated +22 year life of mine, which is anticipated to extend significantly as exploration and resource conversion continues.

Strata currently anticipates issuance of its Permit to Mine (issued by the Wyoming Dept. of Environmental Quality) in early November and the issuance of its 11e.(2) Source Material and Byproduct License (**SML**, issued by the US Nuclear Regulatory Commission) in the third quarter of 2013. All other necessary permits and licenses have been granted. Strata expects to commence construction in the current quarter and (as of this start date) to complete construction by the end of 2013 (subject to the issuance of the SML).

Project Cost:

The cost to bring the Lance Projects CPP and initial permitted well fields on-line is $148.1 million. The total projected aggregate cost over the life of the projects (+22 years), including capital expenditures, is $1.5 billion.

Projects Qualification Under the Industrial Development Projects Act:

The Lance Projects will meet the public purposes required by the Act as follows:

(A) Creating new or additional employment opportunities.

Strata projects that a workforce of 60+/- will be contracted during the initial 9 to 12-month construction phase. The majority of these will be employees of contractors working as masons, electricians, mechanical contractors, HVAC contractors, carpenters, plumbers, roofers, and general laborers.

Upon completion of construction, Strata anticipates the employment of 92 full-time operational employees. These jobs will include administrative, plant production, and well field operations staff. In addition to direct employees, it is estimated that approximately 2.2 indirect jobs will be created for each person employed on the Lance Projects (as per National Mining Association statistics).

According to the Wyoming Department of Workforce Services, as of March 2012 the mean annual wage for Crook County was $38,380 for workers across all industries, and $40,483 for workers in the construction and extraction industries. The average annual salary of workers on the Lance Projects is projected to be $65,000, or 60.5% above the mean wage for the industry and above the 90^{th} percentile for wages in Crook County.

The Lance Projects will create high-quality, high-paying jobs that will promote increased consumer spending within Crook County and multiply the economic benefit of the projects through indirect job growth.

Through the Lance Projects, Strata anticipates adding an annual payroll of $7.3 million into the Crook County economy, including both full-time Strata employees and well field contractors. Total payroll and contracted well field labor contributions to the local economy are expected to total $72.8 million over the first 10 years of production operations.

Figure 1 – Lance Projects 10 Year Salaries and Wages of Production Forecast

Salaries and Wages (Thousands)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	10 Year Project Totals
Admin	$785	$923	$923	$923	$923	$923	$923	$923	$918	$923	$9,087
Well-field Construction	$850	$2,125	$850	$850	$850	$2,142	$1,020	$1,020	$2,142	$638	$12,489
Central Processing Plant	$1,394	$1,858	$1,858	$1,858	$1,858	$1,858	$1,858	$1,858	$1,849	$1,858	$18,106
Satellite Plant	$0	$0	$413	$413	$413	$413	$413	$413	$411	$413	$3,303
Well-field Production	$508	$846	$2,051	$2,051	$2,051	$2,051	$2,051	$2,051	$2,051	$1,538	$17,250
Contracted Well-field Labor	$1,260	$1,260	$1,260	$1,260	$1,260	$1,260	$1,260	$1,260	$1,260	$1,260	$12,600
Total	$4,796	$7,012	$7,355	$7,355	$7,355	$8,648	$7,525	$7,525	$8,632	$6,630	$72,834

(B) Expanding the tax base and increasing sales, property or other tax revenues to the County.

County ad valorem taxes on <u>production</u> are projected to total an estimated $49.6 million over the first 10 years of project operations.

Capital expenditures in conjunction with the Lance Projects are expected to increase valuation on real property in Crook County by more than $422 million within the first 10 years and are expected to generate over $10.0 million in property taxes paid over that same time frame.

Severance taxes at the current long-term uranium contract rates would average approximately $2.9 million per annum for the first 10 years of production operations, totaling an estimated $28.8 million.

Strata also conservatively estimates increasing sales/use tax collected within Crook County by $26.5 million over the first 10 years of project operations. This figure is based on qualified equipment purchases at an estimated $441 million. The direct benefit to Crook County would be 33% of the $26.5 million, plus the County's allocation of state sales tax.

The County will also benefit from revenues associated with the additional usage of gas and electricity by Strata.

Figure 2 – Lance Projects 10 Year Tax Revenue Forecast

Item	10 Year Total (Millions)
Ad valorem Payments	$49.6
Property Taxes	$10.0
Severance Taxes	$28.8
Sales Taxes	$26.5
Total Contribution	**$114.9**

(C) Maintaining and promoting a stable, balanced and diversified economy among agriculture, natural resource development, business, commerce and trade.

The Lance Projects will further diversify the economy of Crook County and expand its manufacturing base. Based on statistics from the Wyoming Department of Workforce Services, the county economy is based primarily in government, followed by mining, construction and manufacturing. In the fourth quarter of 2011, government alone represented over 31% of the total workforce earnings within the county. The second highest sector was mining, representing only 16% of the total. Mining, construction and manufacturing are the three largest non-governmental employment sectors in the county; yet combined they barely surpass the government sector, accounting for 32% of total workforce earnings in 2011Q4. The Lance Projects will significantly expand employment in the mining, construction, and manufacturing sectors, thereby diversifying Crook County economy beyond the government sector.

According to the Department of Workforce Services, in 2011 the mining, construction, and manufacturing sectors within Crook County generated a total of $26.3 million in workforce earnings. Over the first 10 years of operations (beginning in 2013), Strata anticipates an average annual payroll of $6.0 million for Strata full-time employees, not including labor costs for initial construction of the CPP. In that same time period, Strata anticipates contracting a minimum of 18 positions at a projected $70,000 each per year for drilling services in support of well field development, totaling $1.3 million annually. The combined total of these figures projects an annual contribution of $7.3 million to local workforce earnings.

Compared to the $26.3 million in County workforce earnings for 2011, Strata's contribution represents a ~28% increase in annual local workforce earnings for the mining, construction, and manufacturing sectors combined. This represents a net growth of 9% in County annual workforce earnings across all industries.

Furthermore, Strata anticipates paying an average of $8.5 million annually in surface and mineral royalties over the first 10 years of production, totaling $85.0 million in private royalty fees. A large portion of this is paid to local land and mineral owners, further increasing their available funds to spend in the county.

(D) Promoting or developing use of agricultural, manufactured, commercial or natural resource products within or without the state.

To fund ongoing operational project costs, Strata anticipates the Lance Projects will generate average estimated annual gross revenues of $150.0 million with the anticipation of steady growth. The Projects are expected to gross $1.5 billion over the first 10 years of operations, contingent on market pricing.

The Projects will require building materials, raw materials, natural resources, labor and services for the initial construction of facilities.

Beyond the construction phase, the Projects will contribute significantly to developing the use of manufactured, commercial and natural resource products within the local and state economy. The Projects will develop a previously untapped natural resource in Crook County, and will manufacture uranium yellowcake (uranium oxide) for use in exclusively in nuclear energy production.

Budget calculations project an estimated $2.8 million for labor in initial construction, which does not include the additional labor costs of ongoing construction over the life of the Projects. The majority of this labor will come from within Crook County and the immediate vicinity, resulting in a direct and ongoing benefit to the local economy. For services or products that may not be available in the county, Strata will endeavor to obtain said services and goods from within the state of Wyoming.

We look forward to the opportunity to present additional information about the proposed Lance Projects and answer any questions that you or the public may have at the public hearing on Tuesday, November 6, 2012.

Thank you for your consideration.

Best regards,

STRATA ENERGY INC

Ralph Knode

Ralph Knode
Chief Executive Officer