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Target Price Revision
Metals and Mining

May 1, 2018

Peninsula Energy Limited (PEN-AU)
Rating: Buy

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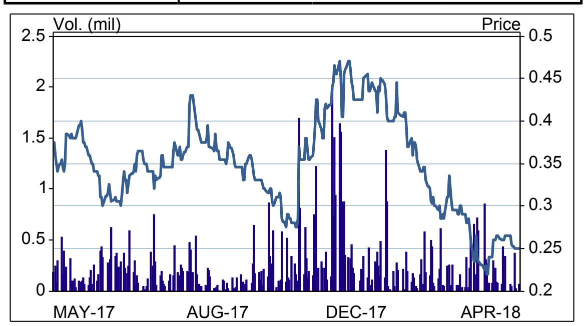
Announces Plan to Withdraw From Additional Development Activities at Karoo; Reiterate Buy; PT Lower

Stock Data	04/30/2018
Price	A$0.25
Exchange	ASX
Price Target	A$0.90
52-Week High	A$0.49
52-Week Low	A$0.22
Enterprise Value (M)	A$56
Market Cap (M)	A$58
Public Market Float (M)	198.1
Shares Outstanding (M)	233.7
3 Month Avg Volume	207,887
Balance Sheet Metrics	
Cash (M)	A$25.70
Total Debt (M)	A$24.00
Total Cash/Share	A$0.11

EPS Diluted			
Full Year - Jun	2017A	2018E	2019E
FY	(0.37)	(0.03)	0.00
Revenue ($M)			
Full Year - Jun	2017A	2018E	2019E
FY	18.3	12.1	45.0



Long-term contracts should support cash flow generation during transition to low pH (acid leach) operations. On April 30, 2018, Peninsula released its March 31, 2018, quarterly activities report. Production during the quarter increased sequentially by 12% from 2Q18, to 43,638 pounds of uranium. This exceeded the upper end of quarterly production guidance of 30,000 to 40,000 pounds of uranium and was the fourth straight quarter of production growth. Peninsula sold 125,000 pounds of uranium into long-term contracts for $5.4M in proceeds during 3Q18, and 257,934 pounds of uranium for 12.1M in proceeds through 3Q18. Sales during 2018 have averaged ~$47 per pound, which is substantially above current spot prices that currently hover barely above $20 per pound. Notably, the firm has also sourced ~31% of its long-term commitments in 2018 from lower-priced spot purchases. We expect the firm's high-priced forward sales contracts to provide the necessary cash flow to allow for a smooth transition to lower-cost low pH (acid leach) operations as no additional wellfield development CapEx beyond those needed to construct Header House 10 are planned. We highlight that the firm believes that amendments to current operating permits could be in hand by mid-2019 based on conversations with regulators thus far.

Peninsula withdraws from additional development activities at Karoo. The firm announced its plan to fully withdraw from any additional development activities at the Karoo Projects based on its plan to complete a divestment of its 74% interest in the projects in October 2017. The factors behind the decision include current uranium market conditions, the higher-costs associated with developing the hard rock projects, and the high-costs of holding South African mineral retention rights. We have now adjusted our model to exclude any value for the projects given that the firm does not plan on allocating any financial resources towards development activities, including mining and prospecting right applications. We note that our model previously included ~$27.8M of in-situ value for resources at the project based on the firm's 74% interest.

We are reiterating our Buy rating and reducing our per share price target to A$0.90 from A$1.25. Our lowered price target is primarily due to adjusting our model to no longer include in-situ value for resources at Karoo following the firm's announcement to withdraw from further development activities. We note that we may also adjust current assumptions in our model once additional information is obtained regarding Peninsula's transition to a lower pH solution and the impacts thereof. Our valuation remains predicated on a DCF of operations at the Lance Projects, utilizing a 10.0% discount rate. We use an average uranium sales price of $50 per pound in 2018 and thereafter, This figure is above current spot prices, but in-line with PEN’s long-term contractual commitments. We continue to view Peninsula as a defensive uranium name, primarily due to the existence of higher-priced, long-term contracts and a long mine life.

Risks. 1) Financing risk; 2) uranium price risk; 3) operating and technical risk; 4) political risk.

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(000s US$)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenue	11,610	43,200	60,000	60,000	115,000	115,000	115,000	115,000
Total operating costs	13,176	21,900	26,700	26,700	42,000	42,000	42,000	42,000
Corporate costs	3,500	7,000	7,000	7,000	8,000	8,000	8,000	8,000
Operating income	(9,495)	7,344	18,000	18,000	52,300	52,300	52,300	52,300
EBITDA	(8,995)	19,344	33,000	33,000	67,300	67,300	67,300	67,300
Taxes	-	-	-	-	11,190	11,190	11,190	11,190
EPS	**($0.04)**	**($0.02)**	**$0.01**	**$0.01**	**$0.11**	**$0.11**	**$0.11**	**$0.11**
Cash Flow	(17,268)	(5,501)	9,767	19,124	38,683	35,167	31,970	29,063
Total capital costs	10,000	26,000	20,000	83,000	5,000	5,000	5,000	5,000
NPV @ 10%	**$213,282**							
NAV / share (A$)	**$0.90**							

Source: HCW estimates, Company reports.

H.C. Wainwright & Co. 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.

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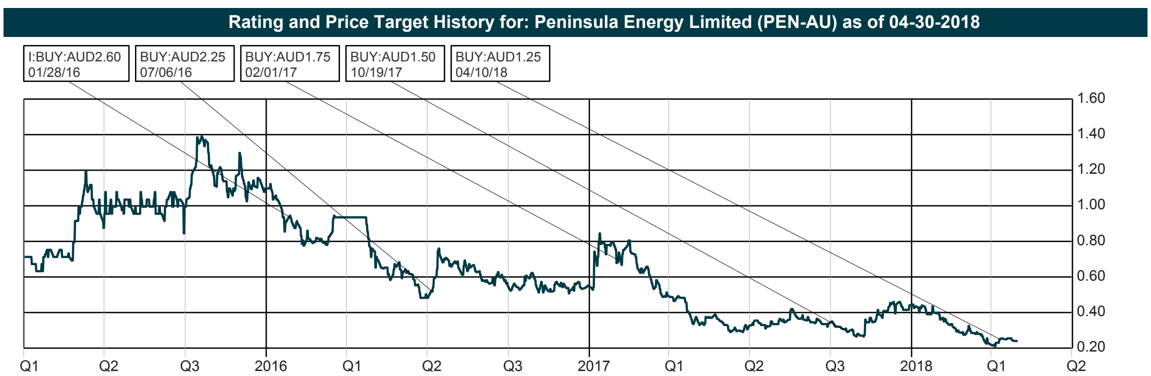

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Distribution of Ratings Table as of April 30, 2018				
			IB Service/Past 12 Months	
Ratings	Count	Percent	Count	Percent
Buy	255	92.73%	91	35.69%
Neutral	15	5.45%	4	26.67%
Sell	0	0.00%	0	0.00%
Under Review	5	1.82%	1	20.00%
Total	275	100%	96	34.91%

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