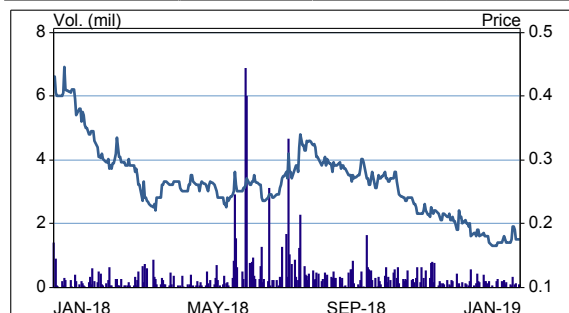


Peninsula Energy Limited (PEN-AU)
Rating: Buy

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Lance Project 2Q19 Production; Operational Update; Reiterate Buy; PT Higher

Stock Data		01/15/2019		
Price		A\$0.17		
Exchange		ASX		
Price Target		A\$1.00		
52-Week High		A\$0.45		
52-Week Low		A\$0.17		
Enterprise Value (M)		A\$47		
Market Cap (M)		A\$43		
Shares Outstanding (M)		237.2		
3 Month Avg Volume		222,298		
Short Interest (M)		NA		
Balance Sheet Metrics				
Cash (M)		A\$13.60		
Total Debt (M)		A\$17.70		
Total Cash/Share		A\$0.06		
EPS Diluted				
Full Year - Jun	2017A	2018E	2019E	
FY	(0.37)	(0.04)	(0.02)	
Revenue (\$M)				
Full Year - Jun	2017A	2018E	2019E	
FY	18.3	12.1	43.2	



On January 14, 2019, Peninsula Energy reported 2Q19 production of 20,364 pounds of U₃O₈ from the Lance Project. This result was slightly below management's guidance of 22,500 to 27,500 pounds of uranium. This was predominantly due to a nine-day plant shut down for repairs and lower head grades in the remaining alkaline leach areas given reduced chemical additions, which was done in order to lower costs. We note that Peninsula sold 100,000 pounds of uranium during the quarter for \$4.5 million split 85/15 between the Lance Project and market sources. Production guidance for 2019 remains unchanged at 90,000 to 110,000 pounds of uranium, with production for 3Q19 (ending March) and 4Q19 (ending June) forecasted to be about 15,000 and 20,000 pounds, respectively. We note this production is in-line with our target of 90,000 pounds. Management mentioned that production continues to meet sales contract portfolio requirements as the company continues to shift towards acid leaching operations (which the firm refers to as low pH operations). The company is expected to provide an update on the transition during this quarter. We note that management also expects to release its Quarterly Activities Statement for 2Q19 during the last week of January 2019, which is expected to include updated production performance and cash flows.

Acid Leaching Feasibility Study and field demonstration. In preparation for a large scale drying campaign starting in January 2019, the company has completed a shortened campaign during the quarter and drummed almost 14,500 pounds of dried U₃O₈. We highlight that during December 2018, Peninsula signed a new five-year uranium toll milling agreement. The contract was signed with Uranium One Americas, the existing toll milling service provider, that is projected to lower rates below those used in the recently completed Low pH Feasibility Study. We note that management expects the lower production rates to be offset by the dried uranium toll milling reconciliation adjustment recorded during 1Q19. After receiving regulatory approval in November 2018 to conduct the field demonstration, Peninsula quickly completed the required modifications to the wellfield and processing plant facilities. The low pH field demonstration operations started during early December 2018 and lasted for three weeks before the firm started introducing low pH solutions to gather baseline data points.

We reiterate our Buy rating and raise our per share PT from A\$0.90 to A\$1.00. We note our higher PT was solely due to updated financial and production data. Our valuation remains predicated on a DCF of operations at the Lance Projects, utilizing a 10% discount rate. We use an average uranium sales price of \$50/lb in 2018 and beyond, which is in-line with the firm's long-term contractual sales commitments. We highlight the potential for improved costs and strong economics at the Lance Projects following the announced updated Feasibility Study in September. However, we plan to remain on the sidelines in regards to updating the long-term assumptions in our model until further progress is made in the transition to acid leach operations.

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



	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
(000s US\$)								
Revenue	12,126	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	(9,020)	7,344	18,000	18,000	52,300	52,300	52,300	52,300
EBITDA	(8,520)	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	(16,836)	(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%	\$213,714							
NAV / share (A\$)	\$1.00							

Source: H.C.W. estimates and company reports.

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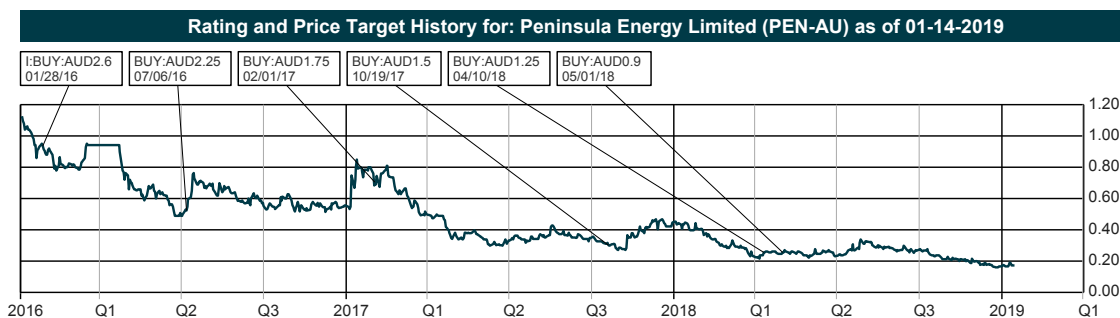
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			Count	Percent
Buy	288	90.00%	112	38.89%
Neutral	20	6.25%	4	20.00%
Sell	1	0.31%	0	0.00%
Under Review	11	3.44%	4	36.36%
Total	320	100%	120	37.50%

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