

MINING PHASE ACID DEMONSTRATION COMPLETED

Investment Highlights

- PEN has provided an update on the progress of the low pH field demonstration currently underway at the Lance Projects in Wyoming. Uranium head grades have increased to average between 35 and 40 mg/L, with a peak composite grade of approximately 50 mg/L recorded. The reduced pH levels were achieved in less than three pore volumes, and acid injection and consumption metrics, all consistent with the low pH Feasibility Study parameters. All key objectives of the mining phase of the low pH field demonstration have been achieved, and the demonstration will now move to the restoration phase where the main technical objective is to return the pH in the mining zone to above 5.0.**
- How does the head grade compare?** PEN has stated that the head grades achieved were significantly above the post alkaline ISR head grade of <10 mg/L observed during the three-week baseline data gathering period, and that the head grades in the low pH demonstration was ahead of the feasibility parameters. However, laboratory testing showed that the Lance Projects can achieve a head grade of around 70 mg/L, and it is upon this rate that the feasibility study was based. We believe the lower than feasibility study grade achieved in the demonstration may be associated with only three pore volumes being flowed, as we estimate the grade should increase to 70 mg/L once around six volumes are flowed.
- Why is head grade important?** At the current alkaline operations head grade of 15 mg/L, 3,000 gallons per minute (gpm) is flowing through the plant which results in a production rate of approximately 200 klb/y, significantly lower than the nameplate capacity of 1 Mlb/y. The plant capacity is largely driven by the amount of fluid that can be pumped, so increasing the head grade will increase the output with no change to flow rates, other things being equal.
- Maintain Hold.** Following the successful completion of the restoration phase, and subject to the receipt of the remaining licence amendment and regulatory approvals, commercial low pH operations could commence at the Lance Projects as soon as 2H 2019.
- Valuation: \$0.31/share.** Our PEN valuation is based on a DCF analysis of the three stage development of the Lance Projects, risk weighted at 60% to reflect uncertainty around grade, recoveries, production rates, costs and timing of the development.

Year End Jun 30	2018A	2019F	2020F	2021F	2022F
Reported NPAT (\$m)	(9.1)	(15.0)	(17.3)	(11.9)	(9.7)
Recurrent NPAT (\$m)	(9.1)	(15.0)	(17.3)	(11.9)	(9.7)
Recurrent EPS (cents)	(3.9)	(6.1)	(7.0)	(4.9)	(3.9)
EPS Growth (%)	na	na	na	na	na
PER (x)	(8.0)	(5.1)	(4.4)	(6.4)	(7.9)
EBITDA (\$m)	(4.1)	(10.2)	(10.9)	(0.7)	7.9
EV/EBITDA (x)	(18.6)	(9.0)	(10.6)	(203.0)	20.4
Free Cashflow	10.4	(10.9)	(23.6)	(21.1)	(22.2)
FCFPS (cents)	4.5	(4.4)	(9.6)	(8.6)	(9.1)
PFCF (x)	6.9	(7.0)	(3.2)	(3.6)	(3.4)
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0

1 April 2019

12mth Rating		HOLD
Price	A\$	0.31
Target Price	A\$	0.31
12mth Total Return	%	-1.4

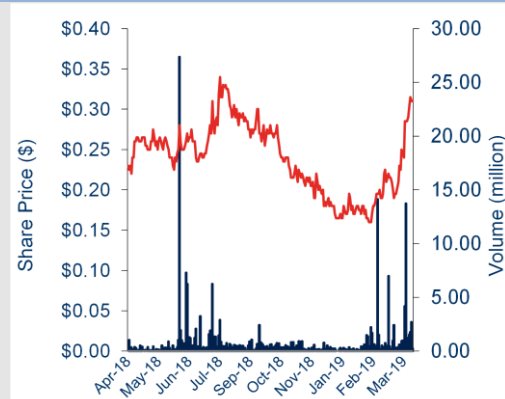
RIC: PEN.AX		BBG: PEN AU	
Shares o/s	m		245.0
Free Float	%		97.7
Market Cap.	A\$m		75.9
Net Debt (Cash)	A\$m		4.1
Net Debt/Equity	%		5.1
3mth Av. D. T'over	A\$m		0.256
52wk High/Low	A\$		0.34/0.16
2yr adj. beta			1.02

Valuation:

Methodology		na
Value per share	A\$	0.31

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12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	44.2	87.9	34.8
Rel. S&P/ASX 300	44.8	78.4	27.5

PENINSULA ENERGY LIMITED (PEN.AX)		Price		\$0.31		Year End 30 June			
Valuation		A\$m	\$/share	Commodity Assumptions		2018A	2019F	2020F	2021F
Lance Projects, risked at 60%		150	0.36	US\$/A\$		0.77	0.72	0.73	0.73
Karoo Projects, South Africa		0	0.00	Uranium Price (US\$/lb)		21.8	28.4	37.5	40.0
Net Cash (Debt)		(8)	(0.02)	Production Summary		2018A	2019F	2020F	2021F
Corporate Costs		(13)	(0.03)	Annual production (lb)		81,639	91,272	338,000	500,000
Total Valuation		129	0.31	Production Rate (U308/day)		425	249	930	1,370

Reserves & Resources					Profit & Loss (A\$m)				
	Tonnes (M)	Grade (ppm)	U ₃ O ₈ (Mlb)	U ₃ O ₉ (Mkg)	2018A	2019F	2020F	2021F	2021F
Lance Projects Resource Estimate, as at 31 December 2017.					Total revenue	13.2	7.8	8.1	14.6
Measured	3.8	488	3.9	1.9	Operating costs	(14.9)	(14.7)	(15.6)	(11.8)
Indicated	10.9	495	11.9	5.4	Exploration expensed	0.0	0.0	0.0	0.0
Inferred	36.3	476	38.1	17.3	Corporate & admin	(2.7)	(2.2)	(2.3)	(2.3)
Total	51	479	53.9	24.5	Other expenses	0.3	(1.1)	(1.1)	(1.2)
					EBITDA	(4.1)	(10.2)	(10.9)	(0.7)
					DD&A	(2.2)	(1.4)	(0.6)	(1.0)
					EBIT	(6.3)	(11.6)	(11.5)	(1.7)
					Net interest income (expense)	(2.8)	(3.2)	(5.7)	(10.2)
					Tax expense	0.0	-0.3	0.0	0.0
					NPAT (underlying)	(9.1)	(15.0)	(17.3)	(11.9)
					Diluted EPS (cps)	(3.9)	(6.1)	(7.0)	(4.9)
					DPS (cps)	0.0	0.0	0.0	0.0

Ratios	2018A	2019F	2020F	2021F	Cash Flow (A\$m)				
P/E (x)	-8.0	-5.1	-4.4	-6.4	EBIT (Cash Flow)	(6.3)	(11.6)	(11.5)	(1.7)
Enterprise Value	76.5	92.2	115.9	137.4	Depreciation - Cash Flow	(2.2)	(1.4)	(0.6)	(1.0)
EV/EBITDA (x)	-18.6	-9.0	-10.6	-203.0	Net Interest Paid	(2.8)	(3.2)	(5.7)	(10.2)
EV/Free Cash Flow	7.3	(8.5)	(4.9)	(6.5)	Tax Paid	2.2	1.4	0.6	1.0
PFCF (x)	6.9	(7.0)	(3.2)	(3.6)	Other Operating Cash Flows	0.0	0.0	0.0	0.0
DPS (cents)	0	0	0	0	Operating Cash Flow	(9.1)	(14.7)	(17.3)	(11.9)
Div. Yield (%)	na	na	na	na	Capital expenditure	(3.0)	(0.8)	(6.9)	(10.2)
Franking (%)	na	na	na	na	Exploration expenditure	0.0	0.0	0.0	0.0
					Free Cash Flow	(12.1)	(15.5)	(24.2)	(22.1)
					Dividends	0.0	0.0	0.0	0.0
					Equity Raised	0.0	0.0	0.0	0.0
					Debt drawn (repaid)	(4.6)	14.4	25.0	40.0
					Net Change in Cash	(16.7)	(1.1)	0.8	17.9
					Cash at Period End	12.0	14.6	15.6	34.1
					Net Cash (Debt)	(4.1)	(16.2)	(40.0)	(61.5)

Directors & Management			Balance Sheet (A\$m)				
Name	Position		2018A	2019F	2020F	2021F	
John Harrison	Non-Executive Chairman		Cash	12.0	14.6	15.6	34.1
Wayne Heili	Managing Director / CEO		Total Assets	111.4	108.1	115.8	143.9
Harrison (Hink) Barker	Non-Executive Director		Creditors	3.2	2.4	2.4	2.4
Mark Wheatley	Non-Executive Director		Current Borrowings	15.7	0.3	0.0	0.0
David Coyne	Finance Director / CFO		Non-current Borrowings	0.4	30.6	55.6	95.6
			Provisions	10.6	10.8	10.8	10.8
			Total Liabilities	30.6	44.6	69.6	109.5
			Shareholders Funds	81.5	64.8	47.6	35.7

Top Shareholders (as at 31 February 2019)			
	Shares (m)	%	
Resource Capital Funds	57.0	23.3	
Pala Investments Limited	12.2	5.0	
Collins St Asset Management & Associates	5.7	2.3	
Orano	5.7	2.3	
Gulkesh Tinku Singh Kooner (private investor)	5.1	2.1	
Top 5 Shareholders	85.6	35.0	

Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
17 Aug 15	Research Note	0.06	0.03	SB	
26 Aug 15	Hot off the Press	0.06	0.03	SB	0.0%
17 Sep 15	Resources Review	0.06	0.03	SB	20.0%
09 Oct 15	Hot off the Press	0.06	1.19	SB	N/A
20 Oct 15	Research Note	2.35	1.38	SB	16.0%
26 Nov 15	Commodity Analysis	2.35	1.03	SB	-25.7%
22 Jan 16	Hot off the Press	2.35	0.88	SB	-14.1%
11 Mar 16	Hot off the Press	1.90	0.80	SB	-9.1%
26 Apr 16	Hot off the Press	1.90	0.84	SB	5.0%
09 Jun 16	Hot off the Press	1.90	0.64		-24.4%
29 Jul 16	Research Note	1.20	0.68	SB	7.1%
08 Dec 16	Ceased Coverage	1.20	0.52	SB	-24.3%
13 Mar 19	Research Note	0.28	0.20	SB	-61.2%
21 Mar 19	Research Note	0.31	0.29	H	45.0%
	Current Share Price		0.31		6.9%

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