

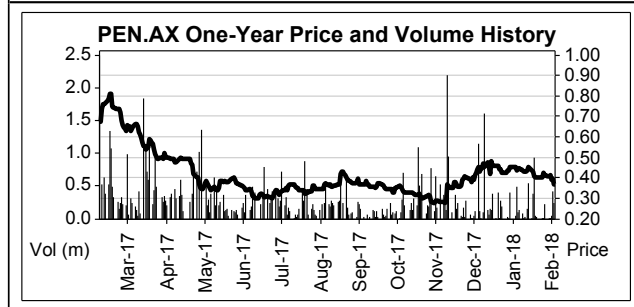
Resources

Peninsula Energy Limited | PEN.AX - AUD0.36 - ASX | Buy

Company Update

Estimates Changed

Stock Data				
52-Week Low - High	AUD0.27 - AUD0.83			
Shares Out. (mil)	232.37			
Mkt. Cap.(mil)	AUD83.7			
3-Mo. Avg. Vol.	536,351			
12-Mo.Price Target	AUD0.60			
Cash (mil)	\$7.3			
Tot. Debt (mil)	\$21.2			
PEN reports on a June 30 fiscal year.				
PEN reports under IFRS				
Prior to fiscal year end 2016, PEN reported in AUD. Thus, USD historical financials are not available on a semi annual basis.				
EPS \$				
Yr Jun	—2017—	—2018E—		—2019E—
		Curr	Prev	Curr
1Half	(0.26)A	(0.01)E	--	-
2Half	(0.13)A	(0.02)E	--	-
YEAR	(0.38)A	(0.04)E	0.01E	(0.01)E
P/E	NM	NM	36.0x	NM
Revenue (\$ millions)				
Yr Jun	—2017—	—2018E—		—2019E—
		Curr	Prev	Curr
1Half	5.5A	6.6E	--	-
2Half	12.8A	2.4E	--	-
YEAR	18.3A	9.0E	23.9E	15.6E



PEN: Announces Contract Sales and Quarterly Results

On January 31, 2018, PEN announced its quarterly results for fiscal Q2 2018. Additionally, the company announced the sale of certain purchase and sale agreements resulting in the receipt of a \$19 million payment. We view this as a positive for the company, but note it did not materially impact our valuation. Thus, we are reiterating our Buy rating and AUD\$0.60 price target.

Contract Sales improve balance sheet. On February 1, 2018, Peninsula Energy announced it had reached an agreement to sell certain sale and purchase agreements for consideration of \$19 million. As part of the agreement the company sold 935,000 pounds of uranium sale agreements over the period 2018-2021 and 900,000 pounds of uranium purchase agreements over the same period. We view this agreement as a positive for the company as it appears to be a low cost source of capital for the company.

Quarterly results show inventory build. On January 31, 2018, PEN announced its quarterly activities and cash flow reports. The company announced it made no sales during fiscal Q2 2018 compared to our estimate of 112,500 pounds. The discrepancy is due to the fact the company's contracts are not public and thus, we assume an even distribution of sales throughout the year. We note that sales tend to be lumpy and thus, this was not a significant surprise, in our view. As a result, we have updated our estimates to reflect 1H18 sales of \$6.6 million.

Reiterating rating and target. Although we view the contract sale as a positive as it reduces the company's near-term need to raise capital, it also had a minimal impact on our DCF. Thus, we are reiterating our AUD\$0.60 price target. Additionally, we are reiterating our Buy rating as we believe the company is making the necessary changes at its Lance facility in order to reduce costs and improve recoveries.

VALUATION

We base our valuation of PEN on a 11.5% DCF of free cash flow to equity. We use a 11.5% discount rate as we believe PEN is a higher-risk investment as compared to steady-state ISR producers due to its slow production ramp and lack of full U.S. listing. Our DCF returns a value of USD\$209.9 million and we subtract net debt of USD\$12.4 million as of June 30, 2017. Thus, we arrive at a total value of USD\$197.6 million or USD\$0.48 per fully diluted share (inclusive of convertible debt and future capital raises). We apply the current AUD to USD exchange rate of 1.26 to reach our AUD\$0.60 price target and we are reiterating our Buy rating.

Factors that could impede PEN from reaching our price target include, but are not limited to: underperformance of the uranium price, underperformance of operations, failure to achieve stated production goals, unexpected dilutive capital raises, failure to convert convertible debt, failure to meet debt service requirements, failure to finance expansions, and other unforeseeable events.

RISKS

- **Political risk.** Natural resource companies are subject to significant political risk. Although most mining jurisdictions have known laws, potential exists for these laws to change. PEN's flagship asset is located in Wyoming, which has established laws and regulations for ISR uranium production. Thus, Peninsula has similar political risks to other Wyoming based ISR producers. The company also has assets in South Africa, which we view as higher-risk from a political standpoint.
- **Commodity price risk.** All natural resource companies have some form of commodity price risk. This risk is not only related to final products, but can also be in regards to input costs and substitute goods. PEN's biggest commodity price risk is to the uranium price. However, this risk is somewhat reduced by the company's sales contract portfolio.
- **Operational and technical risk.** Natural resources companies have significant operational and technical risks. Despite completing NI 43-101 compliant (or similar) resource estimates, deposits can still vary significantly compared to expectations. Additionally, numerous unforeseeable issues can occur with operations and exploration activities. We note that as an Australian listed company, PEN's resource and economic studies have been conducted under JORC compliance. We believe that JORC standards are similar to NI 43-101, but note that due to a lack of familiarity, U.S. investors may assign a higher degree of risk to these studies.
- **Market risk.** Although most natural resource companies are more closely tied to individual commodity price performance, large business cycle forces or economic crises can impact a company's valuation significantly. PEN has similar market risk to other uranium producers.

Cautionary Note to US Investors: Estimates of Measured, Indicated and Inferred Resources

"Measured Mineral Resources" and "Indicated Mineral Resources." US investors are advised that although these terms are required by Canadian regulations, the US Securities and Exchange Commission (SEC) does not recognize them, and describes the equivalent as "Mineralized Material." US investors are cautioned not to assume that these terms are any form of guarantee.

"Inferred Mineral Resources." US Investors are advised that while this term is required by Canadian regulations, the SEC does not recognize it. "Inferred Mineral Resources" are not delineated with a great deal of certainty and should not be considered likely to be brought into production in whole or in part.

COMPANY DESCRIPTION

Peninsula Energy Limited is an Australia-based uranium exploration and development company. The company is focused on production at the Lance uranium projects in Wyoming, the United States (Lance Projects), as well as the Karoo uranium projects in the Republic of South Africa (Karoo Projects). The company's segments include Lance Uranium Projects, Wyoming USA; Karoo Uranium Projects, South Africa, and Corporate/Other. The Lance Projects are located on the north-east flank of the Powder River Basin in Wyoming. The Lance Projects have approximately 312 line kilometers of identified roll fronts and an exploration target of 158-217 million pounds U3O8 inclusive of Joint Ore Reserves Committee (JORC) 2012 code-compliant resource. The company holds interest in a total of 40 prospecting rights (PRs) covering around 7,774 square kilometers of the main uranium bearing sandstone channels in the Karoo basin. The Karoo Projects are categorized into the eastern and western sectors. *Source Thomson as of 10/12/2016*

Peninsula Key Estimates

	1h17A	1h17A	1h17A	1H18E	2H18E	2018E
Revenue	5.5	12.8	18.3	6.6	2.4	9.0
Operating Expenses	10.1	14.0	24.1	8.0	7.8	15.9
Operating Income	(4.7)	(1.2)	(5.8)	(1.4)	(5.5)	(6.9)
Other Expenses	41.3	28.0	69.3	0.8	0.8	1.6
Pretax Income	(46.0)	(29.2)	(75.1)	(2.2)	(6.3)	(8.5)
Taxes	-	-	-	-	-	-
Net Income	(46.0)	(29.2)	(75.1)	(2.2)	(6.3)	(8.5)
Basic EPS	(\$0.26)	(\$0.13)	(\$0.38)	(\$0.01)	(\$0.02)	(\$0.04)
FD EPS	(\$0.26)	(\$0.13)	(\$0.38)	(\$0.01)	(\$0.02)	(\$0.04)
CFPS	(\$0.03)	\$0.02	(\$0.01)	(\$0.71)	(\$4.44)	(\$0.02)
FCF to Equity	(6.8)	9.7	2.9	7.3	12.6	19.8

Peninsula reports under IFRS

Source: ROTH Capital Partners and Peninsula Statutory Account Reports

Joseph Reagor

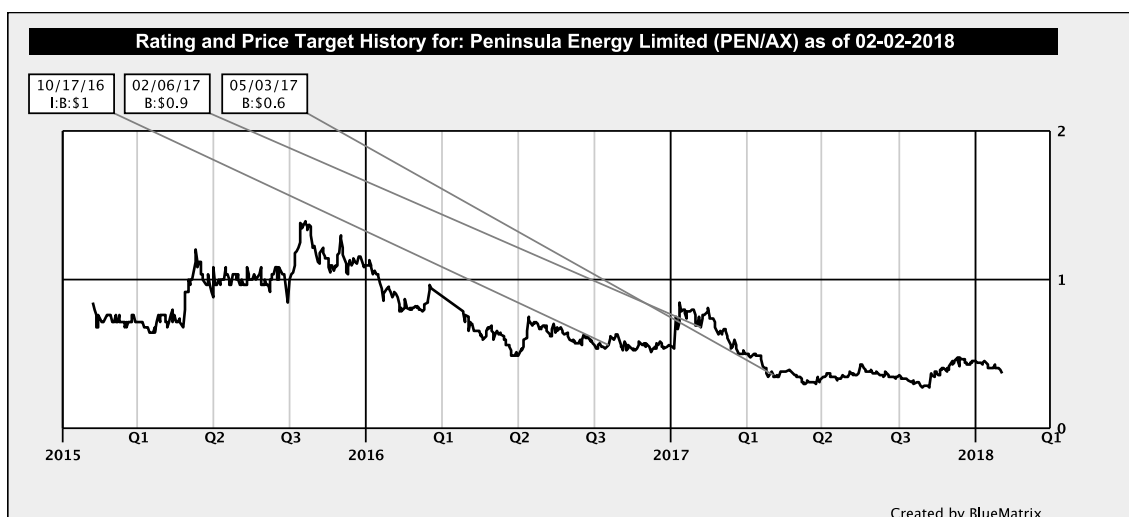
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Disclosures:

Shares of Peninsula Energy Limited may be subject to the Securities and Exchange Commission's Penny Stock Rules, which may set forth sales practice requirements for certain low-priced securities.



Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 02/05/18	
			Count	Percent
Buy [B]	231	69.16	119	51.52
Neutral [N]	47	14.07	20	42.55
Sell [S]	4	1.20	2	50.00
Under Review [UR]	51	15.27	29	56.86

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a stock and its implied price movement may not correspond to the stated 12-month price target.

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Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

Under Review [UR]: A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

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