

Peninsula Energy Ltd

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Peninsula Energy has buy recommendation reiterated, price target of \$1.50

Peninsula Energy Ltd (ASX:PEN) has had its buy recommendation reiterated by New York based investment bank H.C. Wainwright & Co.

The bank continues to forecast upside with a price target of \$1.50 on the shares which are trading at \$0.39.

Its forecast is supported by Peninsula's long-term uranium contracts and its plan to transition operations at the Lance Projects in Wyoming to a lower pH solution.

READ: Peninsula Energy lifts cash position with US\$19 million uranium sales deal

H.C. Wainwright & Co was established in 1868 and focuses on capital markets and equity research in multiple growth sectors.

Its buy recommendation indicates that Peninsula Energy is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

The following is an extract from the report:

Quarterly results for period ending 31 December 2017

Production during the December 2017 quarter reached 38,828 pounds of uranium.

This was a 12% sequential increase over the September quarter and the third straight quarter that featured production growth.

The production improvement can be mostly attributed to a full quarter of production from header house 8 coupled with initial production from header house 9.

We note that Peninsula has also realised benefits from the production improvement initiatives, which have allowed for more stable production from other header houses.

That said, quarterly production is expected to remain between 30,000 and 40,000 pounds this year.

Some long-term uranium sale and purchase agreements monetised

This was achieved through an agreement to sell a portion of its interests in existing long-term uranium concentrate sale and purchase agreements for \$19 million.

Price: A\$0.265

Market Cap: A\$61.38M

1 Year Share Price Graph



Share Information

Code: PEN

Listing: ASX

52 week High Low
0.485p 0.22p

Sector: Mining

Website: www.pel.net.au

Company Synopsis:

Peninsula Energy Ltd (ASX:PEN) is listed on the Australian Securities Exchange.

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The funds are expected to be allocated to working capital, low pH permit amendments, additional technical testing and completion of a low pH feasibility study.

We note that the obligations totalled 935,000 pounds of uranium scheduled to be delivered between 2018 and 2021.

The company also sold its interest in an agreement to purchase 900,000 pounds of uranium to fulfill the delivery commitments mentioned above in the same transaction.

That said, Peninsula still expects to be under contract to deliver up to 6.6 million pounds of uranium between 2018 and 2030, following completion of the sale.

We view the company's decision to monetise a small portion of its future long-term contracts as a non-dilutive way to help finance the transition to low pH mining at the Lance Projects.

We also expect Peninsula's long-term portfolio of sales contracts to continue to provide some shelter from sub-\$25 uranium spot prices.

Permit amendment process continues to progress

The company began preparing its permit and licence amendment submissions during the quarter. Peninsula believes that the amendments could be received within the next 18 to 24 months.

The company also had a white paper prepared to analyse ISR utilising low pH systems.

We note that this white paper also discussed current global practices, important regulatory considerations, and future use of a low pH process at the Lance Projects.

In our view, this document should continue to promote essential dialogue between the company, regulators, and other major stakeholders as the permit amendment process continues to advance.

Reiterating Buy rating

We are reiterating our Buy rating and our A\$1.50 per share price target.

We plan to adjust current assumptions in our model once additional information is obtained regarding Peninsula's transition to a lower pH solution.

Our valuation remains predicated on a DCF of operations at the Lance Projects utilising a 10% discount rate and average uranium sales price of \$55 per pound in 2018 and thereafter, 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; and 4) political risk.

READ: Peninsula Energy lifts uranium production for third straight quarter

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