Peninsula Energy Limited (PEN-AU)
Rating: Buy

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Portfolio Monetization and Debt Restructuring Agreement Reached; Approval of Low pH Interim Operations; Reiterate Buy

Stock Data	11/05/2019
Price	A$0.18
Exchange	ASX
Price Target	A$0.90
52-Week High	A$0.33
52-Week Low	A$0.15
Enterprise Value (M)	A$57
Market Cap (M)	A$45
Shares Outstanding (M)	249.7
3 Month Avg Volume	216,204
Balance Sheet Metrics	
Cash (M)	A$13.00
Total Debt (M)	A$24.60
Total Cash/Share	A$0.05

EPS Diluted			
Full Year - Jun	2019A	2020E	2021E
FY	(0.18)	(0.05)	(0.02)
Revenue ($M)			
Full Year - Jun	2019A	2020E	2021E
FY	6.6	7.5	22.5

EPS quoted as cents per share.

Debt restructured. On November 5, 2019, Peninsula Energy announced an agreement with the firm's lenders to restructure its current $17M convertible note facilities. Management has committed to apply the proceeds from partially monetizing its existing uranium (U_3O_8) sales and purchase agreement to the loan balance. The monetization is anticipated to yield about $10 – 11M, depending on spot prices, and lower the principal debt amount to $6 – 7M. Peninsula hopes to complete the deal before the end of 2019. We note that all outstanding loans would become payable by October 31, 2020 if the partial monetization transaction does not occur by April 30, 2020.

Deal terms appear favorable for all parties. The revised loan would reduce the coupon to 10% per year from a current rate of 12% per year (payable quarterly) and extend the repayment date to April 2021 from April 2020. Peninsula must also pay a 2% arrangement fee, which is capitalized against the principal amount, and maintain a cash balance of A$1.0M. The firm has agreed to increase its working capital position by at least AU$3.0M (net) through an equity issue that needs to be consummated by January 15, 2020.

Updated portfolio of uranium contract sales. Upon completion of the partial monetization, Peninsula expects to have up to 5.2M pounds (lbs) of U_3O_8 left on its delivery contracts. This compares with a current balance of 6.2M lbs at a weighted average delivery price of $51 – 53/lb. We note that 3.3M lbs are already committed for delivery, while the additional 1.9M lbs are optional and up to the discretion of the customer to be delivered from FY21 to FY26.

Low pH Interim Operations Report approved. On November 4, 2019, Peninsula reported the Wyoming Department of Environmental Quality (WDEQ) has approved the company's low pH Interim Operations Report. This approval was a condition of the Permit to Mine and Source Materials License amendments for the Lance Projects that are required to authorize commercial-scale operations.

Next steps. Peninsula now has full regulatory approval for low pH (acid leach) in-situ recovery operations at Mine Units 1 and 2. This is expected to occur alongside the Phase 3 groundwater restoration field demonstration activities. The WDEQ also needs to review and approve an Interim Restoration Report before Peninsula's board can determine timing of commencing production at new mine units. Management plans on further de-risking the project through refinement of the system acidification process and redesign of the acid storage and distribution system.

For definitions and the distribution of analyst ratings, analyst certifications, and other disclosures, please refer to pages 4 - 5 of this report.

We reiterate our Buy rating and our PT of A$0.90 per share. Our valuation remains based on a DCF of operations at the Lance Projects, utilizing a 10% discount rate. We use an average U_3O_8 sales price of $50/lb for FY20 and beyond, which is in-line with the firm's long-term contractual sales commitments. We plan on adjusting our model based on the debt restructuring terms once the deal officially closes. We continue to consider Peninsula an attractive way to participate in the domestic U_3O_8 space that is further improved through less risk amid the debt refinancing.

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

	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
(000s US$)								
Revenue	7,500	22,500	60,000	75,000	100,000	100,000	100,000	100,000
Total operating costs	9,900	14,700	25,500	30,000	37,500	37,500	37,500	37,500
Corporate costs	7,000	7,000	8,000	8,000	8,000	8,000	8,000	8,000
Operating income	(13,500)	(4,500)	18,200	27,500	43,000	43,000	43,000	43,000
EBITDA	1,500	10,500	33,200	42,500	58,000	58,000	58,000	58,000
Taxes	-	-	960	3,750	8,400	8,400	8,400	8,400
EPS	**($0.05)**	**($0.02)**	**$0.07**	**$0.10**	**$0.14**	**$0.14**	**$0.14**	**$0.14**
Cash Flow	(18,500)	5,000	23,306	28,174	36,200	32,909	29,917	27,197
Total capital costs	20,000	83,000	5,000	5,000	5,000	5,000	5,000	5,000
NPV @ 10%	**$188,928**							
NAV / share (A$)	**$0.90**							

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

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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.

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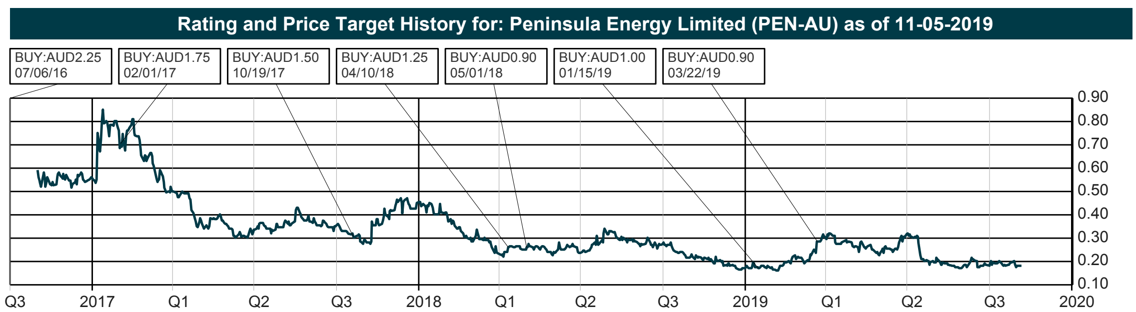

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Distribution of Ratings Table as of November 5, 2019				
			IB Service/Past 12 Months	
Ratings	Count	Percent	Count	Percent
Buy	380	92.46%	126	33.16%
Neutral	30	7.30%	3	10.00%
Sell	0	0.00%	0	0.00%
Under Review	1	0.24%	1	100.00%
Total	411	100%	130	31.63%

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