

**Peninsula Energy Limited (PEN-AU)**  
**Rating: Buy**

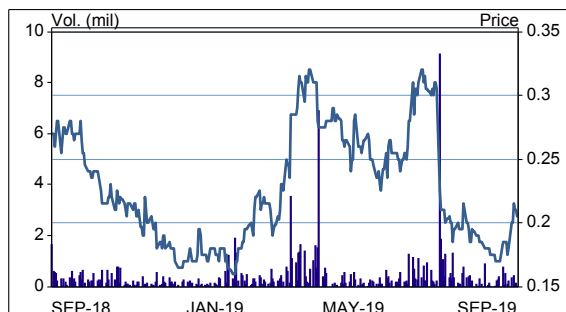
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## Ongoing Low pH Process Optimization Amid Potential for Future Enhancements; Awaiting Section 232 Decision; Reiterate Buy

Stock Data		09/13/2019		
Price		A\$0.20		
Exchange		ASX		
Price Target		A\$0.90		
52-Week High		A\$0.33		
52-Week Low		A\$0.15		
Enterprise Value (M)		A\$61		
Market Cap (M)		A\$51		
Shares Outstanding (M)		249.7		
3 Month Avg Volume		534,127		
Balance Sheet Metrics				
Cash (M)		A\$12.40		
Total Debt (M)		A\$22.30		
Total Cash/Share		A\$0.05		
EPS Diluted				
Full Year - Jun		2018A	2019E	2020E
FY		0.00	(0.04)	(0.04)
Revenue (\$M)				
Full Year - Jun		2018A	2019E	2020E
FY		13.2	32.2	32.2

*EPS quoted as cents per share.*



**Ongoing optimization of anticipated commercial scale low pH operations.** On September 2, 2019, Peninsula Energy announced an update for its Lance Projects in Wyoming mostly regarding the ongoing Low pH (better known as acid leach) field demonstration and transition. As part of the update, management announced that the firm has met all key mining and restoration phase objectives. In particular, the mining pH was lowered to about 2.0 standard units (S.U.) while the restoration phase had its pH raised above 5.0 S.U., which allows for groundwater restoration. Peninsula is also finalizing its Interim Operation Report with summarized field demonstration results for the Wyoming Department of Environmental Quality (WDEQ). This may ultimately lead to commercial scale low pH operations in Mine Units 1 and 2 upon the WDEQ's acceptance of specific and pre-defined criteria.

**Process modifications could provide further improvement.** The firm has proposed various modifications that could offer operational enhancements when compared to the September 2018 Low pH Feasibility Study. These possible improvements include the potential to optimize Peninsula's ion exchange system capture efficiency and resin loading levels, engineering and design improvements, and a redesign of acid storage and distribution at site. The firm has begun work with external specialists for technical support, as well as to review any supplementary regulatory requirements that may relate to implementing these improvements, that are undertaken in pursuit of these optimization initiatives.

**De-risked operations improve readiness for near-term developments.** Peninsula's positive Field Demonstration results that are undertaken, along with management's completion of major permitting and licensing amendments, we think have already greatly de-risked operations at the Lance Projects. Given the company's significant progress, optimization and further de-risking activities are expected to see finalization during 1H20. In short, we believe Peninsula is well-positioned to quickly respond to improvements in the sluggish U.S uranium market due to a potential positive Section 232 decision that is anticipated to be based on the recommendation of the recently created U.S. Nuclear Fuel Working Group.

**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 an unchanged 10% discount rate. We use an average uranium sales price of \$50/lb in FY19 and beyond, which is in-line with the firm's long-term contractual sales commitments. Given management's systematic de-risking of its Lance Projects, we continue to consider Peninsula an attractive way to participate in the domestic uranium space. We believe that Peninsula's current share price represents an attractive buying opportunity, especially given the looming Section 232 decision where the potential for positive impacts has been mostly written off by the marketplace.

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



	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
(000s US\$)								
Revenue	35,000	35,000	40,000	60,000	75,000	100,000	100,000	100,000
Total operating costs	18,700	18,700	20,300	25,500	30,000	37,500	37,500	37,500
Corporate costs	7,000	7,000	7,000	8,000	8,000	8,000	8,000	8,000
Operating income	3,000	3,000	6,000	18,200	27,500	43,000	43,000	43,000
EBITDA	15,000	18,000	21,000	33,200	42,500	58,000	58,000	58,000
Taxes	-	-	-	960	3,750	8,400	8,400	8,400
<b>EPS</b>	<b>(\$0.04)</b>	<b>(\$0.05)</b>	<b>(\$0.04)</b>	<b>\$0.01</b>	<b>\$0.04</b>	<b>\$0.08</b>	<b>\$0.08</b>	<b>\$0.08</b>
Cash Flow	(11,000)	(1,818)	13,223	21,187	25,613	32,909	29,917	27,197
Total capital costs	26,000	20,000	83,000	5,000	5,000	5,000	5,000	5,000
NPV @ 10%	<b>\$184,430</b>							
NAV / share (A\$)	<b>\$0.90</b>							

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

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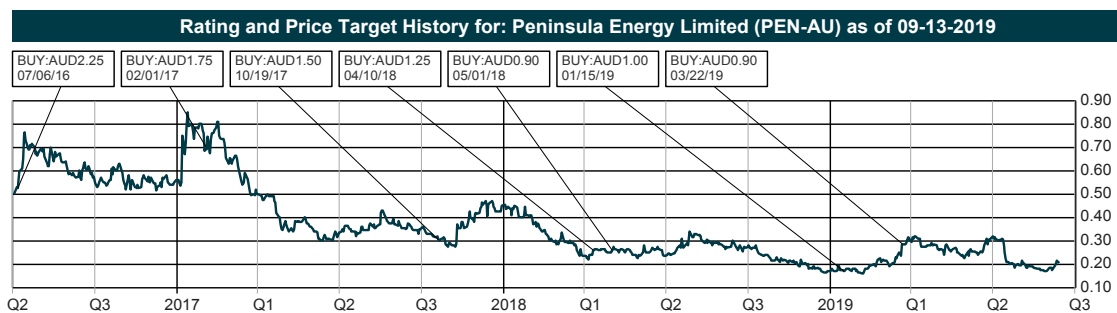
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**Market Outperform (Buy):** The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

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Distribution of Ratings Table as of September 13, 2019				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	356	91.99%	123	34.55%
Neutral	30	7.75%	3	10.00%
Sell	0	0.00%	0	0.00%
Under Review	1	0.26%	0	0.00%
<b>Total</b>	<b>387</b>	<b>100%</b>	<b>126</b>	<b>32.56%</b>

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