

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

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**Debt Reduction and Potential Monetization of Sale and Purchase Agreement; Ongoing Optimization at Lance; Reiterate Buy**

Stock Data		04/01/2020		
Price		A\$0.11		
Exchange		ASX		
Price Target		A\$0.40		
52-Week High		A\$0.33		
52-Week Low		A\$0.08		
Enterprise Value (M)		A\$48		
Market Cap (M)		A\$31		
Shares Outstanding (M)		295.5		
3 Month Avg Volume		377,244		
Balance Sheet Metrics				
Cash (M)		A\$8.20		
Total Debt (M)		A\$25.30		
Total Cash/Share		A\$0.03		
EPS Diluted				
Full Year - Jun		2019A	2020E	2021E
FY		(0.18)	(0.04)	(0.04)
Revenue (\$M)				
Full Year - Jun		2019A	2020E	2021E
FY		6.6	0.0	0.0

EPS quoted as cents per share.



**Debt reduction through loan prepayment.** On March 18, 2020, Peninsula Energy committed to a debt for equity swap with Resource Capital Fund VI L.P. (RCF) (private). This swap includes the subscription of 6.7M fully paid ordinary shares of Peninsula Energy (at an implied price of A\$0.165 per share) to RCF as prepayment of part of its existing \$17.0M term debt facility and thereby reduced Peninsula's debt by \$750,000. We note that the issuance price represents a 65% premium to the closing price of Peninsula shares on the ASX as of March 17, 2020.

**Partial monetization of uranium concentrate sale and purchase agreement.** The company continues to advance a partial monetization of its existing sale and purchase agreement. We expect further reductions to the debt through this monetization as Peninsula anticipates receiving roughly \$11.0M based on current uranium spot prices. We highlight that management remains confident the transaction should be signed in the near future although the process thus far has been taking longer than previously expected. We note that the maturity date of the contract is expected to revert from the current date of April 22, 2021, to October 31, 2020, if these changes are not consummated by April 30, 2020.

**Advancement of optimization at the Lance Projects.** On March 10, 2020, Peninsula Energy provided an operational update regarding developments at its low pH (acid leaching) Lance Projects in Wyoming. The firm plans to fulfill its sales obligations with market purchases of uranium throughout FY20 while management advances a variety of low pH de-risking and optimization initiatives. At the forefront of this optimization program is a planned low pH field demonstration in an area that was previously not subjected to mining operations.

**Field demonstration objectives.** The field demonstration aims to determine the optimal rate of mining zone acidification for future commercial operations, setting a trial to use settlement ponds as a means of separating fines, an additional trial testing the effectiveness of ion exchange resins, and ultimately validate key facets used in the September 2018 Low pH Feasibility Study. Some of these parameters include in-situ extraction and sulphuric acid consumption rates, as well as aggregate mining zone resource recovery.

**We reiterate our Buy rating on shares of Peninsula Energy and our PT of A\$0.40 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 FY23 and beyond that is in-line with the firm's long-term contractual sales commitments. We continue to consider Peninsula an attractive way to participate in the domestic  $U_3O_8$  space, especially after the Government announced its 10-year, \$1.5B budget to purchase domestically produced uranium. Additionally, the company is continuing efforts to further cut costs which could ultimately yield annual savings of about \$550,000.

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

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	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
(000s US\$)								
Revenue	-	-	-	25,000	50,000	75,000	100,000	100,000
Total operating costs	3,500	3,500	3,500	13,500	22,500	30,000	37,500	37,500
Corporate costs	7,000	7,000	8,000	8,000	8,000	8,000	8,000	8,000
Operating income	(14,000)	(14,000)	(15,000)	(2,000)	12,000	27,500	43,000	43,000
EBITDA	1,000	1,000	-	13,000	27,000	42,500	58,000	58,000
Taxes	-	-	-	-	-	3,750	8,400	8,400
<b>EPS</b>	<b>(\$0.05)</b>	<b>(\$0.05)</b>	<b>(\$0.05)</b>	<b>(\$0.01)</b>	<b>\$0.04</b>	<b>\$0.08</b>	<b>\$0.12</b>	<b>\$0.12</b>
Cash Flow	(19,000)	(3,636)	(4,132)	6,011	15,026	23,285	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%	<b>\$99,392</b>							
NAV / share (A\$)	<b>\$0.40</b>							

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

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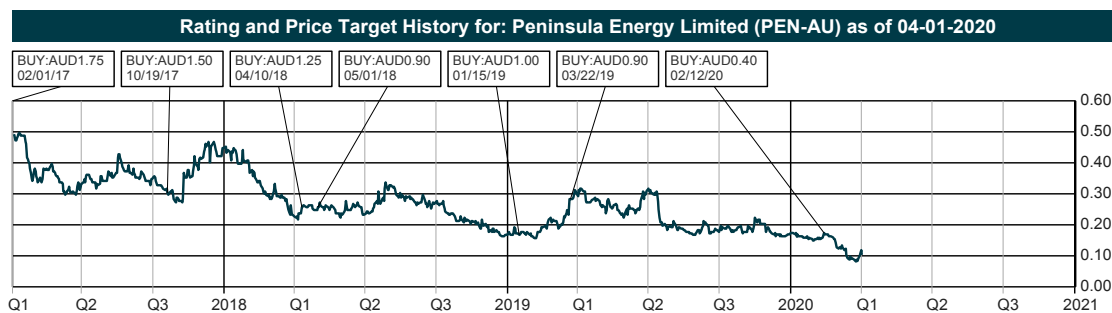
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**Market Outperform (Buy):** The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

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Distribution of Ratings Table as of April 1, 2020				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	374	90.56%	133	35.56%
Neutral	36	8.72%	7	19.44%
Sell	0	0.00%	0	0.00%
Under Review	3	0.73%	3	100.00%

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