

## LICENCE AMENDMENT APPROVAL RECEIVED. NOW FOR THE NEXT LOW PH STEPS

### Investment Highlights

- **The Wyoming Department of Environmental Quality (WDEQ) has formally approved the Source Material Licence (SML) amendment for the Lance Projects low pH in-situ recovery (ISR).** Given the WDEQ had reviewed the low pH amendment request, and it had been through a public comment period, it was a question of 'when' and not 'if' PEN received the SML licence amendment. The next step will be demonstration that PEN can restore the mining zone back to a pH of 5 or above.
- **Phase 1 of 4 concludes this quarter.** The approved amendments allow the implementation of low pH operations within the Ross Permit Area at the Lance Projects in four phases. Phase 1 commenced in December 2018 and involves the low pH field demonstration where PEN is currently undertaking the restoration stage to bring the pH level in the mining zone back to a pH level of 5 or above (currently >4.0). The restoration stage of Phase 1 is expected to be completed in the September quarter. Once this is successfully completed, PEN will be able to commence commercial scale operations using the low pH ISR process.
- **Phase 2.** Phase 2 is the commencement of commercial-scale low pH operations throughout the entirety of existing previously operated areas of Mine Units 1 and 2. Phase 2 can commence upon acceptance by the WDEQ that the Phase 1 Interim Operation Report has demonstrated that acceptance criteria have been achieved.
- **Buy rating maintained.** PEN now has the necessary licence amendments to transition to low pH operations at Lance in earnest, once the restoration stage of Phase 1 is complete. The low pH field demonstration undertaken earlier this year showed the low pH increased uranium head grades from the current <10 mg/L to 35 to 45 mg/L. Once Lance gets up to its Stage 1 output (1.15 Mlb/y), the AISC is expected to reduce to around US\$40/lb.
- **Valuation: \$0.26/share.** Our PEN valuation is based on a DCF analysis of the three stage development of the Lance Projects, risk weighted at 60%.

| Year End Jun 30       | 2018A  | 2019F  | 2020F  | 2021F  | 2022F  |
|-----------------------|--------|--------|--------|--------|--------|
| Reported NPAT (\$m)   | (9.1)  | (11.3) | (14.3) | (10.4) | (6.6)  |
| Recurrent NPAT (\$m)  | (9.1)  | (11.3) | (14.3) | (10.4) | (6.6)  |
| Recurrent EPS (cents) | (3.9)  | (4.6)  | (5.8)  | (4.2)  | (2.7)  |
| EPS Growth (%)        | na     | na     | na     | na     | na     |
| PER (x)               | (5.0)  | (4.2)  | (3.3)  | (4.6)  | (7.2)  |
| EBITDA (\$m)          | (4.1)  | (6.5)  | (8.4)  | 0.8    | 11.6   |
| EV/EBITDA (x)         | (12.1) | (10.8) | (9.7)  | 131.4  | 10.4   |
| Free Cashflow         | 10.4   | (7.2)  | (21.1) | (19.6) | (18.4) |
| FCFPS (cents)         | 4.5    | (3.0)  | (8.6)  | (8.0)  | (7.5)  |
| PFCF (x)              | 4.4    | (6.6)  | (2.3)  | (2.4)  | (2.6)  |
| DPS (cents)           | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Yield (%)             | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |
| Franking (%)          | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |

2 August 2019

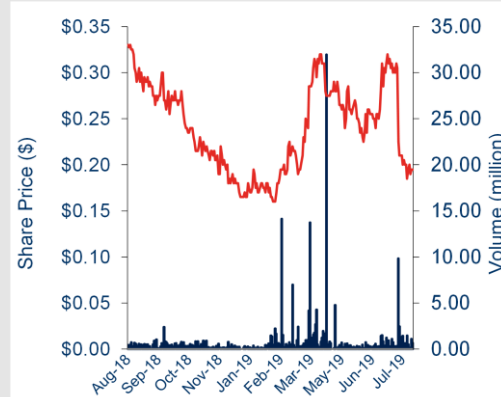
| 12mth Rating       | BUY      |
|--------------------|----------|
| Price              | A\$ 0.20 |
| Target Price       | A\$ 0.26 |
| 12mth Total Return | % 34.6   |

|                    |                    |
|--------------------|--------------------|
| RIC: <b>PEN.AX</b> | BBG: <b>PEN AU</b> |
| Shares o/s         | m 249.7            |
| Free Float         | % 97.7             |
| Market Cap.        | A\$m 48.7          |
| Net Debt (Cash)    | A\$m 4.1           |
| Net Debt/Equity    | % 5.1              |
| 3mth Av. D. T'over | A\$m 0.154         |
| 52wk High/Low      | A\$ 0.33/0.16      |
| 2yr adj. beta      | 0.92               |

|                   |          |
|-------------------|----------|
| <b>Valuation:</b> |          |
| Methodology       | DCF      |
| Value per share   | A\$ 0.26 |

|                 |                    |
|-----------------|--------------------|
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### 12 Month Share Price Performance



| Performance %    | 1mth   | 3mth   | 12mth  |
|------------------|--------|--------|--------|
| Absolute         | (37.1) | (26.4) | (40.9) |
| Rel. S&P/ASX 300 | (39.5) | (33.9) | (49.5) |

**PENINSULA ENERGY LIMITED (PEN.AX)****Price \$0.20**

| Valuation                     | A\$m       | \$/share    |
|-------------------------------|------------|-------------|
| Lance Projects, risked at 60% | 156        | 0.31        |
| Karoo Projects, South Africa  | 0          | 0.00        |
| Net Cash (Debt)               | (10)       | (0.02)      |
| Corporate Costs               | (13)       | (0.03)      |
| <b>Total Valuation</b>        | <b>133</b> | <b>0.26</b> |

**Year End 30 June**

| Commodity Assumptions      | 2018A  | 2019F  | 2020F   | 2021F   |
|----------------------------|--------|--------|---------|---------|
| US\$/A\$                   | 0.77   | 0.72   | 0.73    | 0.73    |
| Uranium Price (US\$/lb)    | 21.8   | 26.9   | 40.0    | 45.0    |
| Production Summary         | 2018A  | 2019F  | 2020F   | 2021F   |
| Annual production (lb)     | 81,639 | 85,176 | 109,000 | 500,000 |
| Production Rate (U308/day) | 425    | 233    | 300     | 1,370   |

| Reserves & Resources   | Tonnes (M) | Grade (ppm) | U <sub>3</sub> O <sub>8</sub> (Mlb) | U <sub>3</sub> O <sub>9</sub> (Mkg) |
|--|------------|-------------|-------------------------------------|-------------------------------------|
| <b>Lance Projects Resource Estimate, as at 31 December 2017.</b> |            |             |                                     |                                     |
| <b>Measured</b>  | 3.8        | 488         | 3.9                                 | 1.9                                 |
| <b>Indicated</b>   | 10.9       | 495         | 11.9                                | 5.4                                 |
| <b>Inferred</b>  | 36.3       | 476         | 38.1                                | 17.3                                |
| <b>Total</b>   | <b>51</b>  | <b>479</b>  | <b>53.9</b>                         | <b>24.5</b>                         |

| Profit & Loss (A\$m)          | 2018A        | 2019F         | 2020F         | 2021F         |
|-------------------------------|--------------|---------------|---------------|---------------|
| Total revenue                 | 13.2         | 7.8           | 7.2           | 16.1          |
| Operating costs               | (14.9)       | (11.0)        | (12.2)        | (11.8)        |
| Exploration expensed          | 0.0          | 0.0           | 0.0           | 0.0           |
| Corporate & admin             | (2.7)        | (2.2)         | (2.3)         | (2.3)         |
| Other expenses                | 0.3          | (1.1)         | (1.1)         | (1.2)         |
| <b>EBITDA</b>                 | <b>(4.1)</b> | <b>(6.5)</b>  | <b>(8.4)</b>  | <b>0.8</b>    |
| DD&A                          | (2.2)        | (1.4)         | (0.2)         | (1.0)         |
| <b>EBIT</b>                   | <b>(6.3)</b> | <b>(7.9)</b>  | <b>(8.6)</b>  | <b>(0.2)</b>  |
| Net interest income (expense) | (2.8)        | (3.2)         | (5.7)         | (10.2)        |
| Tax expense                   | 0.0          | -0.3          | 0.0           | 0.0           |
| <b>NPAT (underlying)</b>      | <b>(9.1)</b> | <b>(11.3)</b> | <b>(14.3)</b> | <b>(10.4)</b> |
| Diluted EPS (cps)             | <b>(3.9)</b> | <b>(4.6)</b>  | <b>(5.8)</b>  | <b>(4.2)</b>  |
| DPS (cps)                     | <b>0.0</b>   | <b>0.0</b>    | <b>0.0</b>    | <b>0.0</b>    |

| Ratios            | 2018A | 2019F | 2020F | 2021F |
|-------------------|-------|-------|-------|-------|
| P/E (x)           | -5.0  | -4.2  | -3.3  | -4.6  |
| Enterprise Value  | 49.7  | 70.3  | 81.6  | 101.6 |
| EV/EBITDA (x)     | -12.1 | -10.8 | -9.7  | 131.4 |
| EV/Free Cash Flow | 4.8   | (9.7) | (3.9) | (5.2) |
| PFCF (x)          | 4.4   | (6.6) | (2.3) | (2.4) |
| DPS (cents)       | 0     | 0     | 0     | 0     |
| Div. Yield (%)    | na    | na    | na    | na    |
| Franking (%)      | na    | na    | na    | na    |

**Directors & Management**

| Name                   | Position                |
|------------------------|-------------------------|
| John Harrison          | Non-Executive Chairman  |
| Wayne Heili            | Managing Director / CEO |
| Harrison (Hink) Barker | Non-Executive Director  |
| Mark Wheatley          | Non-Executive Director  |
| David Coyne            | Finance Director / CFO  |

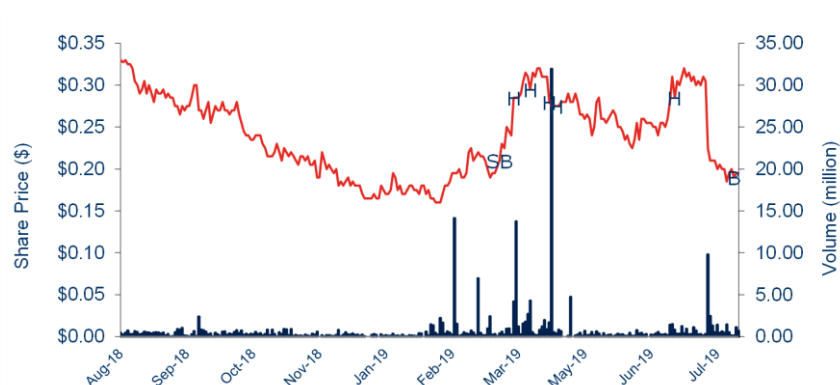
**Top Shareholders (as at 30 June 2019)**

|                                | Shares (m)  | %           |
|--------------------------------|-------------|-------------|
| Paradise Invesmtnet Management | 24.0        | 9.8         |
| Resource Capital Funds         | 22.6        | 9.2         |
| Pala Investments Limited       | 12.2        | 5.0         |
| BlackRock Inc                  | 11.6        | 4.7         |
| Mirae Asset Global Investments | 4.6         | 1.9         |
| <b>Top 5 Shareholders</b>      | <b>75.0</b> | <b>30.6</b> |

| Cash Flow (A\$m)           | 2018A         | 2019F         | 2020F         | 2021F         |
|----------------------------|---------------|---------------|---------------|---------------|
| EBIT (Cash Flow)           | (6.3)         | (7.9)         | (8.6)         | (0.2)         |
| Depreciation - Cash Flow   | (2.2)         | (1.4)         | (0.2)         | (1.0)         |
| Net Interest Paid          | (2.8)         | (3.2)         | (5.7)         | (10.2)        |
| Tax Paid                   | 2.2           | 1.4           | 0.2           | 1.0           |
| Other Operating Cash Flows | 0.0           | 0.0           | 0.0           | 0.0           |
| <b>Operating Cash Flow</b> | <b>(9.1)</b>  | <b>(11.1)</b> | <b>(14.3)</b> | <b>(10.4)</b> |
| Capital expenditure        | (3.0)         | (0.8)         | (6.9)         | (10.2)        |
| Exploration expenditure    | 0.0           | 0.0           | 0.0           | 0.0           |
| <b>Free Cash Flow</b>      | <b>(12.1)</b> | <b>(11.9)</b> | <b>(21.2)</b> | <b>(20.6)</b> |
| Dividends                  | 0.0           | 0.0           | 0.0           | 0.0           |
| Equity Raised              | 0.0           | 0.0           | 0.0           | 0.0           |
| Debt drawn (repaid)        | (4.6)         | 4.4           | 35.0          | 40.0          |
| <b>Net Change in Cash</b>  | <b>(16.7)</b> | <b>(7.5)</b>  | <b>13.8</b>   | <b>19.4</b>   |
| Cash at Period End         | 12.0          | 8.3           | 21.8          | 41.8          |
| <b>Net Cash (Debt)</b>     | <b>(4.1)</b>  | <b>(22.6)</b> | <b>(33.8)</b> | <b>(53.8)</b> |

| Balance Sheet (A\$m)      | 2018A        | 2019F        | 2020F        | 2021F        |
|---------------------------|--------------|--------------|--------------|--------------|
| Cash                      | 12.0         | 8.3          | 21.8         | 41.8         |
| <b>Total Assets</b>       | <b>111.4</b> | <b>101.8</b> | <b>122.4</b> | <b>152.0</b> |
| Creditors                 | 3.2          | 2.4          | 2.4          | 2.4          |
| Current Borrowings        | 15.7         | 0.3          | 0.0          | 0.0          |
| Non-current Borrowings    | 0.4          | 30.6         | 55.6         | 95.6         |
| Provisions                | 10.6         | 10.8         | 10.8         | 10.8         |
| <b>Total Liabilities</b>  | <b>30.6</b>  | <b>34.6</b>  | <b>69.6</b>  | <b>109.5</b> |
| <b>Shareholders Funds</b> | <b>81.5</b>  | <b>68.5</b>  | <b>54.2</b>  | <b>43.8</b>  |

## Recommendation History



| Date                | Type          | Target Price | Share Price | Recommendation | Return |
|---------------------|---------------|--------------|-------------|----------------|--------|
| 13 Mar 19           | Research Note | 0.28         | 0.20        | SB             |        |
| 21 Mar 19           | Research Note | 0.31         | 0.29        | H              |        |
| 01 Apr 19           | Research Note | 0.31         | 0.31        | H              | 6.9%   |
| 11 Apr 19           | Research Note | 0.31         | 0.31        | H              | N/A    |
| 16 Apr 19           | Research Note | 0.30         | 0.27        | H              | -12.9% |
| 25 Jun 19           | Research Note | 0.32         | 0.32        | H              | 18.5%  |
| 14 Jul 19           | Research Note | 0.32         | 0.31        | S              | -3.1%  |
| 30 Jul 19           | Research Note | 0.26         | 0.20        | B              | -35.5% |
| Current Share Price |               |              | 0.20        |                | -2.5%  |

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