

LOW PH RESTORATION OBJECTIVE MET

Investment Highlights

- **Following the successful lowering of the pH to approximately 2.0 at Lance Projects, PEN has now met the objective of restoring the pH to back above 5.0 in the timeframe it had previously stated. An Interim Operation Report summarising the field demonstration results will now be submitted to the Wyoming Department of Environmental Quality (WDEQ).**
- **WDEQ sign-off a formality in our view.** With the Permit to Mine and Source Material Licence amendments approved, PEN is now able to commence commercial scale low pH operations once the WDEQ accepts the pre-defined criteria for the low pH operations have been achieved. We do not foresee any material issues that would prevent WDEQ accepting the demonstrated results. Timing of commencement of commercial operations will also be dependent on uranium market conditions, however it should be noted that PEN is able to meet the balance of its 2019 and 2020 sales obligations without continued production activities.
- **Optimisation opportunities identified.** As a result of the field demonstration phase, PEN has identified opportunities to optimise and enhance the low pH processes, including efficiency around resin loading levels, engineering the removal of fines from process streams and redesign of the proposed site acid storage and distribution. PEN is currently reviewing regulatory requirements associated with these opportunities. PEN expects the re-risking and optimisation activities will be completed during 1H 2020. Optimisation activities will be positive for PEN as they may result in lowering the (already low) production costs, and increasing the economics of the Project.
- **Buy rating maintained. Macro catalysts positive for uranium price.** The world's largest uranium producer, Kazatomprom, announced in late August that it will continue its current 20% production cut through to 2021, stating that the ongoing cut "reflects the fact that the uranium market is still recovering from a period of oversupply". We expect this action, together with the US Nuclear Fuel Working Group recommendations (expected by 10 October 2019), will have a positive impact on the uranium price over time, which is currently around US\$25.30/lb (spot).
- **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)	(10.8)	(13.9)	(10.6)	(6.8)
Recurrent NPAT (\$m)	(9.1)	(10.8)	(13.9)	(10.6)	(6.8)
Recurrent EPS (cents)	(3.9)	(4.4)	(5.7)	(4.3)	(2.8)
EPS Growth (%)	na	na	na	na	na
PER (x)	(4.4)	(3.9)	(3.0)	(3.9)	(6.1)
EBITDA (\$m)	(4.1)	(6.5)	(8.4)	0.8	11.6
EV/EBITDA (x)	(10.7)	(7.7)	(9.1)	124.8	9.9
Free Cashflow	10.4	(6.7)	(20.7)	(19.8)	(18.6)
FCFPS (cents)	4.5	(2.7)	(8.5)	(8.1)	(7.6)
PFCF (x)	3.8	(6.2)	(2.0)	(2.1)	(2.2)
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 September 2019

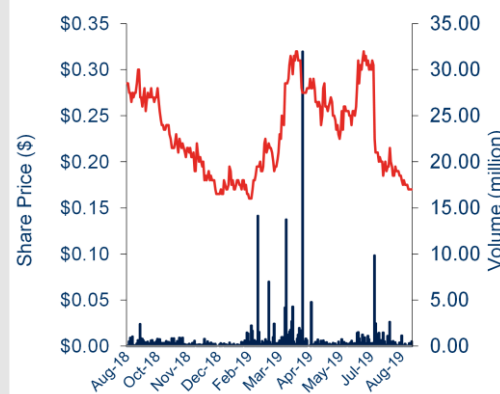
12mth Rating	BUY
Price	A\$ 0.17
Target Price	A\$ 0.26
12mth Total Return	% 55.0

RIC: PEN.AX	BBG: PEN AU
Shares o/s	m 249.7
Free Float	% 97.7
Market Cap.	A\$m 42.4
Net Debt (Cash)	A\$m 8.7
Net Debt/Equity	% 10.8
3mth Av. D. T'over	A\$m 0.158
52wk High/Low	A\$ 0.32/0.16
2yr adj. beta	0.90

Valuation:	
Methodology	DCF
Value per share	A\$ 0.26

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12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	(12.8)	(33.3)	(40.4)
Rel. S&P/ASX 300	(8.3)	(36.3)	(42.8)

PENINSULA ENERGY LIMITED (PEN.AX)**Price \$0.18**

Valuation	A\$m	\$/share
Lance Projects, risked at 60%	156	0.31
Karoo Projects, South Africa	0	0.00
Net Cash (Debt)	(9)	(0.02)
Corporate Costs	(13)	(0.03)
Total Valuation	134	0.26

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 ₃ O ₈ (Mlb)	U ₃ O ₉ (Mkg)
Lance Projects Resource Estimate, as at 31 December 2017.				
Measured	3.8	488	3.9	1.9
Indicated	10.9	495	11.9	5.4
Inferred	36.3	476	38.1	17.3
Total	51	479	53.9	24.5

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)
EBITDA	(4.1)	(6.5)	(8.4)	0.8
DD&A	(2.2)	(1.4)	(0.2)	(1.0)
EBIT	(6.3)	(7.9)	(8.6)	(0.2)
Net interest income (expense)	(2.8)	(2.6)	(5.3)	(10.4)
Tax expense	0.0	-0.3	0.0	0.0
NPAT (underlying)	(9.1)	(10.8)	(13.9)	(10.6)
Diluted EPS (cps)	(3.9)	(4.4)	(5.7)	(4.3)
DPS (cps)	0.0	0.0	0.0	0.0

Ratios	2018A	2019F	2020F	2021F
P/E (x)	-4.4	-3.9	-3.0	-3.9
Enterprise Value	43.8	50.4	76.2	96.5
EV/EBITDA (x)	-10.7	-7.7	-9.1	124.8
EV/Free Cash Flow	4.2	(7.5)	(3.7)	(4.9)
PFCF (x)	3.8	(6.2)	(2.0)	(2.1)
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)	%
Paradice 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
Top 5 Shareholders	75.0	30.6

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)	(2.6)	(5.3)	(10.4)
Tax Paid	2.2	1.4	0.2	1.0
Other Operating Cash Flows	0.0	0.0	0.0	0.0
Operating Cash Flow	(9.1)	(10.5)	(13.9)	(10.6)
Capital expenditure	(3.0)	(0.8)	(6.9)	(10.2)
Exploration expenditure	0.0	0.0	0.0	0.0
Free Cash Flow	(12.1)	(11.3)	(20.9)	(20.8)
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
Net Change in Cash	(16.7)	(6.9)	14.1	19.2
Cash at Period End	12.0	8.5	22.4	42.2
Net Cash (Debt)	(4.1)	(8.7)	(34.6)	(54.8)

Balance Sheet (A\$m)	2018A	2019F	2020F	2021F
Cash	12.0	8.5	22.4	42.2
Total Assets	111.4	102.0	123.0	152.4
Creditors	3.2	2.4	2.4	2.4
Current Borrowings	15.7	0.3	0.0	0.0
Non-current Borrowings	0.4	17.0	57.0	97.0
Provisions	10.6	10.8	10.8	10.8
Total Liabilities	30.6	34.3	69.2	109.2
Shareholders Funds	81.5	69.0	55.1	44.5

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%
02 Aug 19	Research Note	0.26	0.20	B	0.0%
	Current Share Price		0.17		-15.0%

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