



Peninsula Energy

PEN-ASX

Rating
Underperform (S)

Price: Apr-20
A\$0.27

Target
A\$0.25

Total Rtn
-6%

Convertible Extension Provides Balance Sheet Flexibility

Bottom Line: Peninsula has announced a 24-month extension to its convertible facility with a corresponding reduction to US\$17M from US\$20M. This provides some welcome balance sheet flexibility as Peninsula pursues its transition to low pH extraction at Lance. However, until this occurs, permitting risks are likely to continue to overhang the stock. Given the increase in annual interest, our earnings estimates are likely to be reduced slightly going forward.

Key Points

- Peninsula has been granted a 24-month extension of its convertible facility with RCF VI and Pala Investments to 22 April 2020 from 22 April 2018. The facility has been reduced to US\$17M from US\$20M following a cash repayment of US\$3M by Peninsula. The updated convertible bears an annual interest of 10% for the first 12-month period and 12% thereafter, up from 8% prior. Peninsula is to pay an extension fee of 2% of the principal amount, or US\$0.34M, in cash or shares.
- The conversion price has been revised to A\$0.40/share from A\$0.625/share. Peninsula also issued 22.5M options to the lenders exercisable at A\$0.50 on or before April 2022.
- Positively, following a sale of the portion of its uranium contract book for US\$19M in February 2018 (total cash was US\$22.3M at the end of March 2018), the convertible extension provides the company with additional near-term balance sheet flexibility as the company seeks to obtain permits required to switch to the low pH in situ leaching method from the current alkaline lixiviant method.

Metals & Mining - International

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Company Description

Peninsula Energy Ltd. is a uranium development company listed on the ASX. Its primary asset is the Lance uranium project, located in Wyoming, USA, which has recently entered production. The company also has the Karoo project in South Africa.

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PEN-ASX
Research



Industry
Research



Company
Models

Peninsula Energy Rating History as of 04/21/2018



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Methodology and Risks to Target Price/Valuation for Peninsula Energy (PEN-ASX)

Methodology: The target price is derived using a 0.7x NPV multiple.

Risks: Peninsula is exposed to global demand for its key commodity uranium and to foreign exchange rate movements and country risk within the U.S. and South Africa. The company is pursuing a permit change to allow low pH ISL mining, which would be the first of its kind for a uranium operation in the U.S. which if unsuccessful would limit potential upside.

Distribution of Ratings (April 22, 2018)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe
Buy	Outperform	48.5%	18.8%	53.1%	49.8%	56.2%	55.3%
Hold	Market Perform	48.5%	15.4%	43.8%	47.1%	41.7%	39.7%
Sell	Underperform	3.0%	17.6%	3.1%	3.1%	2.1%	5.0%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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Mkt = Market Perform - Forecast to perform roughly in line with the analyst's coverage universe on a total return basis;

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(S) = Speculative investment;

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(April 2013 - October 2016)

http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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