

MEDIA ARTICLES BODE WELL FOR PENINSULA

Investment Highlights

- **The media has reported the US Department of Commerce has recommended the US Administration take steps to protect domestic production of uranium after determining the country's reliance on imports was a national security risk. It is understood that the recommendations include a quota of 5% of uranium to be purchased from US producers, with the quota to escalate by 5% per year for an unspecified period. There has been no formal word from the US President yet, however he is required to make a decision by 13 July.**
- **Domestic quotas will be positive for PEN.** The recommendation of an escalating quota is consistent with our prior view that any imposed quotas will need to be phased in as US producers are currently unable to meet the 25% domestic quota the Section 232 petitioners originally requested. Being one of only three US based uranium producers, the Section 232 investigation outcomes are shaping up to be positive for PEN.
- **Source Material Licence (SML) amendment outcome soon.** The amendment to the Source Material Licence has been reviewed by the State, and the 60-day public comment period has concluded where it is understood no formal public requests were submitted. Given the absence of public objection, we expect the SML amendment will be issued to PEN in the coming weeks.
- **Maintain Hold.** PEN is the only ASX listed uranium company with direct exposure to the US Section 232 outcome, and a decision that includes domestic obligations will likely add to the PEN share price momentum. We see potential for US domestic quotas to bifurcate the uranium market resulting in higher US uranium pricing, although we believe this will take some time to eventuate. Following an official announcement on the Section 232 investigation recommendations, the uranium market will be able to move forward with more certainty, as the utilities have been sitting on the sidelines, running down inventories for the last 18 months while awaiting a decision before they resume purchases. Our preference in the uranium sector is for companies such as PEN with quality projects that have infrastructure in place which can ramp up production in a relatively short period of time.
- **Valuation: \$0.32/share (prior \$0.30/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)	(14.8)	(18.3)	(10.4)	(6.6)
Recurrent NPAT (\$m)	(9.1)	(14.8)	(18.3)	(10.4)	(6.6)
Recurrent EPS (cents)	(3.9)	(6.0)	(7.5)	(4.3)	(2.7)
EPS Growth (%)	na	na	na	na	na
PER (x)	(8.1)	(5.2)	(4.2)	(7.4)	(11.6)
EBITDA (\$m)	(4.1)	(10.0)	(11.9)	0.8	11.6
EV/EBITDA (x)	(18.9)	(10.4)	(9.9)	178.6	13.5
Free Cashflow	10.4	(10.7)	(24.6)	(19.7)	(18.4)
FCFPS (cents)	4.5	(4.4)	(10.1)	(8.0)	(7.5)
PFCF (x)	7.0	(7.2)	(3.1)	(3.9)	(4.2)
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

24 June 2019

12mth Rating	HOLD	
Price	A\$	0.32
Target Price	A\$	0.32
12mth Total Return	%	1.6

RIC: PEN.AX		BBG: PEN AU
Shares o/s	m	247.2
Free Float	%	97.7
Market Cap.	A\$m	77.9
Net Debt (Cash)	A\$m	4.1
Net Debt/Equity	%	5.1
3mth Av. D. T'over	A\$m	0.306
52wk High/Low	A\$	0.34/0.16
2yr adj. beta		0.92

Valuation:

Methodology	DCF
Value per share	A\$ 0.32

Analyst: Cam Hardie
Phone: (+61) 3 9242 4153
Email: chardie@psl.com.au

12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	34.0	8.6	21.2
Rel. S&P/ASX 300	31.0	0.2	14.1

PENINSULA ENERGY LIMITED (PEN.AX)**Price \$0.31**

Valuation	A\$m	\$/share
Lance Projects, risked at 60%	154	0.38
Karoo Projects, South Africa	0	0.00
Net Cash (Debt)	(10)	(0.02)
Corporate Costs	(13)	(0.03)
Total Valuation	131	0.32

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	86,185	338,000	500,000
Production Rate (U308/day)	425	235	930	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	7.5	16.1
Operating costs	(14.9)	(14.4)	(16.1)	(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)	(10.0)	(11.9)	0.8
DD&A	(2.2)	(1.4)	(0.6)	(1.0)
EBIT	(6.3)	(11.3)	(12.5)	(0.2)
Net interest income (expense)	(2.8)	(3.2)	(5.8)	(10.2)
Tax expense	0.0	-0.3	0.0	0.0
NPAT (underlying)	(9.1)	(14.8)	(18.3)	(10.4)
Diluted EPS (cps)	(3.9)	(6.0)	(7.5)	(4.3)
DPS (cps)	0.0	0.0	0.0	0.0

Ratios	2018A	2019F	2020F	2021F
P/E (x)	-8.1	-5.2	-4.2	-7.4
Enterprise Value	77.7	103.2	117.9	138.0
EV/EBITDA (x)	-18.9	-10.4	-9.9	178.6
EV/Free Cash Flow	7.4	(9.7)	(4.8)	(7.0)
PFCF (x)	7.0	(7.2)	(3.1)	(3.9)
DPS (cents)	0	0	0	0
Div. Yield (%)	na	na	na	na
Franking (%)	na	na	na	na

Cash Flow (A\$m)	2018A	2019F	2020F	2021F
EBIT (Cash Flow)	(6.3)	(11.3)	(12.5)	(0.2)
Depreciation - Cash Flow	(2.2)	(1.4)	(0.6)	(1.0)
Net Interest Paid	(2.8)	(3.2)	(5.8)	(10.2)
Tax Paid	2.2	1.4	0.6	1.0
Other Operating Cash Flows	0.0	0.0	0.0	0.0
Operating Cash Flow	(9.1)	(14.5)	(18.3)	(10.4)
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)	(15.3)	(25.2)	(20.6)
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)	(10.9)	9.8	19.4
Cash at Period End	12.0	4.9	14.8	34.8
Net Cash (Debt)	(4.1)	(26.0)	(40.8)	(60.9)

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 31 May 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

Balance Sheet (A\$m)	2018A	2019F	2020F	2021F
Cash	12.0	4.9	14.8	34.8
Total Assets	111.4	98.3	115.0	144.6
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
Total Liabilities	30.6	34.6	69.6	109.5
Shareholders Funds	81.5	65.0	46.8	36.3

Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
09 Oct 15	Hot off the Press	0.06	1.19	SB	
20 Oct 15	Research Note	2.35	1.38	SB	
26 Nov 15	Commodity Analysis	2.35	1.03	SB	-25.7%
22 Jan 16	Hot off the Press	2.35	0.88	SB	N/A
11 Mar 16	Hot off the Press	1.90	0.80	SB	-9.1%
26 Apr 16	Hot off the Press	1.90	0.84	SB	5.0%
09 Jun 16	Hot off the Press	1.90	0.64		-24.4%
29 Jul 16	Research Note	1.20	0.68	SB	7.1%
08 Dec 16	Ceased Coverage	1.20	0.52	SB	-24.3%
13 Mar 19	Research Note	0.28	0.20	SB	-61.2%
21 Mar 19	Research Note	0.31	0.29	H	45.0%
01 Apr 19	Research Note	0.31	0.31	H	6.9%
11 Apr 19	Research Note	0.31	0.31	H	0.0%
16 Apr 19	Research Note	0.30	0.27	H	-12.9%
	Current Share Price		0.32		16.7%

Stock recommendations: Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.

Patersons Securities Limited Disclosure of Interest

Patersons Securities and its respective officers and associates may have an interest in the securities or derivatives of any entities referred to in this material

Patersons Securities does, and seeks to do, business with companies that are the subjects of its research reports.

Patersons Securities Corporate Relationship Disclosure

ARU	Patersons Securities have acted for Arafura Resources (ARU) within the past two years and have received fees for these services.
AKM	Patersons Securities have acted for Aspire Nmining Limited (AKM) within the past two years and have received fees for these services.
AXL	Patersons Securities have acted for Axsesstoday Limited (AXL) within the past two years and have received fees for these services.
BOE	Patersons Securities have acted for Boss Resources Limited (BOE) within the past two years and have received fees for these services.
BRB	Patersons Securities have acted for Breaker Resources NL (BRB) within the past two years and have received fees for these services.
BSX	Patersons Securities have acted for Blackstone Minerals Limited (BSX) within the past two years and have received fees for these services.
BUX	Patersons Securities have acted for Buxton Resources Limited (BUX) within the past two years and have received fees for these services.
CSS	Patersons Securities have acted for Clean Seas Seafood Limited (CSS) within the past two years and have received fees for these services.
GLL	Patersons Securities have acted for Galilee Energy Limited (GLL) within the past two years and have received fees for these services.
IBG	Patersons Securities have acted for Ironbark Zinc Limited (IBG) within the past two years and have received fees for these services.
NUS	Patersons Securities have acted for Nusantara Resources (NUS) within the past two years and have received fees for these services.
PEX	Patersons Securities have acted for Peel Mining Limited (PEX) within the past two years and have received fees for these services.
RCL	Patersons Securities have acted for ReadCloud Limited (RCL) within the past two years and have received fees for these services.
STN	Patersons Securities have acted for Saturn Metals Limited (STN) within the past two years and have received fees for these services.
SYA	Patersons Securities have acted for Sayona Mining Limited (SYA) within the past two years and have received fees for these services.
VMY	Patersons Securities have acted for Vimy Resources Limited (VMY) within the past two years and have received fees for these services.
WKT	Patersons Securities have acted for Walkabout Resources Ltd (WKT) within the past two years and have received fees for these services.
XTE	Patersons Securities have acted for Xtek Limited (XTE) within the past two years and have received fees for these services.

IMPORTANT WARNING AND DISCLAIMER

Important Notice: ©Patersons Securities Limited 2019. The contents contained in this document are owned by Patersons Securities Limited ('Patersons') and are protected by the Copyright Act 1968 and the copyright laws of other countries. The material contained in this report may not be copied, reproduced, republished, posted, transmitted or distributed in any way without prior written permission from Patersons. Modification of the materials or use of the materials for any other purpose is a violation of the copyrights and other proprietary rights of Patersons.

Disclaimer: Patersons believes that the information or advice (including any financial product advice) contained in this report has been obtained from sources that are accurate at the time of issue, but it has not independently checked or verified that information and as such does not warrant its accuracy or reliability. Except to the extent that liability cannot be excluded, Patersons accepts no liability or responsibility for any direct or indirect loss or damage caused by any error in or omission from this report. You should make and rely on your own independent inquiries. If not specifically disclosed otherwise, investors should assume that Patersons is seeking or will seek corporate finance business from the companies disclosed in this report.

Warning: This report is intended to provide general securities advice, and does not purport to make any recommendation that any securities transaction is appropriate to your particular investment objectives, financial situation or particular needs. Prior to making any investment decision, you should assess, or seek advice from your Adviser, on whether any relevant part of this report is appropriate to your individual financial circumstances and investment objectives.

Disclosure: Patersons, its directors and/or employees may earn brokerage, fees, commissions and other benefits as a result of a transaction arising from any advice mentioned in this report. Patersons as principal, its directors and/or employees and their associates may hold securities in the companies the subject of this report, as at the date of publication. These interests did not influence Patersons in giving the advice contained in this report. Details of any interests, which is relevant to any personal advice to you, may be obtained from your Adviser. Patersons as principal, its directors and/or employees and their associates may trade in these securities in a manner which may be contrary to recommendations given by an authorised representative of Patersons to clients. They may sell shares the subject of a general 'Buy' recommendation, or buy shares the subject of a general 'Sell' recommendation.

Stock recommendations: Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (>10% negative total return). In addition, we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or market volatility.

This Document is not to be passed on to any third party without our prior written consent.

Patersons Securities Limited ABN 69 008 896 311 AFSL 239 052.

Participant of ASX Group; Participant of NSX; Participant of Chi-X Australia; Stockbrokers and Financial Advisers Association Principal Member.

Research

Cathy Moises, Head of Research

T: (+61 3) 9242 4030

E: cmoises@psl.com.au

James Farr, Associate Analyst

T: (+61 8) 9263 1215

E: jfarr@psl.com.au

Jacob Ballard, Research Assistant

T: (+61 3) 9242 4031

E: jballard@psl.com.au

Strategy & Economics

Greg Galton, Director Private Wealth

T: (+61 8) 9263 1612

E: ggalton@psl.com.au

Daniel Veasey, Associate Analyst

T: (+61 8) 9225 2818

E: dveasey@psl.com.au

Commodities

Cathy Moises, Head of Research

T: (+61 3) 9242 4030

E: cmoises@psl.com.au

Xavier Braud, Resources Analyst

T: (+61 8) 9225 2813

E: xbraud@psl.com.au

Cam Hardie, Resources Analyst

T: (+61 3) 9263 1215

E: chardie@psl.com.au

Phil Carter, Research Analyst

T: (+61 8) 9225 2819

E: pcarter@psl.com.au

James Farr, Associate Analyst

T: (+61 8) 9263 1215

E: jfarr@psl.com.au

Industrials

Martyn Jacobs, Industrial Analyst

T: (+61 3) 9242 4153

E: mjacobs@psl.com.au

Allan Franklin, Industrial Analyst

T: (+61 3) 9242 4155

E: afranklin@psl.com.au

Phil Carter, Research Analyst

T: (+61 8) 9225 2819

E: pcarter@psl.com.au

Institutional

Dan Bahen, Director, Head of Institutional Dealing

T: (+61 8) 9263 1274

E: dbahen@psl.com.au

Tom Bahen, Director, Institutional Sales

T: (+61 8) 9263 1180

E: tbahen@psl.com.au

Michael Brindal, Director, Institutional Equities

T: (+61 8) 9263 1186

E: mbrindal@psl.com.au

Phil Schofield, Executive Director, Institutional

T: (+61 2) 8238 6223

E: pschofield@psl.com.au

Sandy Wylie, Director, Institutional Dealing

T: (+61 8) 9263 1232

E: swylie@psl.com.au

Paul Doherty, Director, Institutional Dealing

T: (+61 3) 8803 0108

E: pdoherty@psl.com.au

Chris Kelly, Institutional Sales Adviser

T: (+61 3) 9242 4078

E: ckelly@psl.com.au

Jeremy Nugara, Institutional Sales Trader / Operator

T: (+61 3) 8803 0166

E: jnugara@psl.com.au

Artie Damaa, Institutional Sales and Trading

T: (+61 2) 8238 6215

E: adamaa@psl.com.au