

Peninsula Energy Ltd

(PEN \$0.09) Speculative Buy

Euroz Securities declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to Peninsula Energy Ltd during the last year. Euroz Securities has received a fee for these services.

Analyst
Steven Clark

Date
June 2020

Price Target
\$0.20/sh ▼ \$0.35/sh

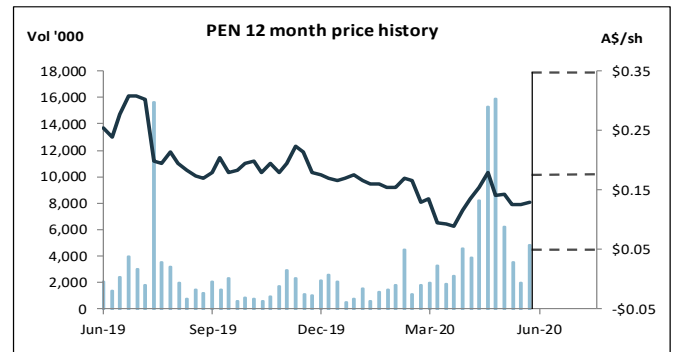
Investment Case

The successful completion of an entitlement offer for proceeds of \$40.3m, albeit at a significant discount, will revitalise PEN's balance sheet via the repayment in full of its term debt and accrued coupons. Full regulatory authorisation for low pH ISR for the entire Ross Permit area at the Lance Project has been obtained, and a short timeline to restart production with low capital intensity positions PEN as a front-runner on the ASX to respond to improved uranium market conditions. Recommendations from the NFWG Report released in April 2020 outline deliberate action to revive and strengthen the domestic U.S. uranium mining industry, and we tout PEN to become a beneficiary of the implementation of these recommendations in due course. Speculative Buy rating maintained.

Comments

- PEN has raised gross proceeds of A\$40.3m from the issue of 567m fully paid ordinary shares under a 9 for 5 entitlement offer;
- Proceeds from the entitlement offer will facilitate the repayment in full of term debt and accrued coupons (A\$27.3m), G&A and capital raising costs (A\$8.7m) and preparation for the low pH ISR transition (A\$4.3m);
- Subsequent to a change in analyst, key underlying model assumptions have been revised, including the timing of expansion phases, contract pricing, mine life and dilution from the June entitlement offer;
- The downward revision of our Price Target from \$0.35/sh to \$0.20/sh has been materially driven by the significant dilution incurred under the June entitlement offer, however, we maintain our Speculative Buy recommendation with reference to our positive outlook for uranium and following considerations;
- PEN looks set to become an immediate beneficiary of the implementation of recommendations from the NFWG Report released by the U.S. Department of Energy (DOE) in April 2020 and is the only ASX-listed uranium play with exposure to a US-sourced buying programme to establish a strategic uranium reserve;
- The Lance Project holds the largest defined uranium resource of any currently producing US-based ISR project and is the only project authorised to use the low pH extraction method, widely recognised as the cheapest method of uranium extraction globally;
- The Wyoming Department of Environmental Quality has given final approval required to utilise the low pH recovery method within the entire Ross Permit Area at the Lance Project;
- The Lance Project is able to be restarted within 6 months in the event of a sustained improvement in the market for US-mined uranium;
- Extensive COVID-19 supply disruptions have seen significant uranium spot price gains from a March quarter range of US\$24-25/lb to US\$34/lb in May and look to exert further upward pressure on uranium pricing via contribution to a widening structural supply deficit;
- We retain a significant risk factor in order to reflect uncertainty with respect to the delivery and timing of low pH ISR operations, along with the financing of expansion to peak production at 3Mlbpa.

Share Price Performance



Market Statistics

Year End 30 June

Share Price	\$0.09 A\$/sh	Directors	
Fully Paid Ordinary	882 m	John Harrison	NE Chair
Total Options	27 m	Wayne Heili	MD/CEO
Total Diluted FPOrd	910 m	Harrison Barker	NE Dir
		Mark Wheatley	NE Dir
		David Coyne	CFO
Market Capitalisation (dil)	\$82 m	Shareholders	
Enterprise Value	\$68 m	RCF	9.7%
Cash	\$14 m	Paradise	9.3%
Debt	\$- m		

Our Market Sensitivity

Valuation - \$0.20/sh

Price Target - \$0.20/sh

Bull Scenario - \$0.35/sh

Uranium spot price rises beyond our medium-term forecasts of US\$60/lb and PEN locks in LT contracts at significantly higher prices due to premiums received by U.S. producers. Transition to low pH ISR exceeds expectations from a cost perspective.

Base Scenario - \$0.20/sh

Uranium price recovery aligns with our forecasts and the transition to low pH ISR performs in line with expectations. PEN attracts premium pricing due to U.S. domestic protection.

Bear Scenario - \$0.05/sh

Uranium market remains uneconomical as spot and term prices continue to idle. PEN continues to sell spot material into contracts.

Company Summary

Peninsula Energy Ltd (PEN) is a US based uranium producer whose flagship asset is the Lance Projects in Wyoming. Lance is permitted to produce up to 3Mlb of U3O8 per annum from its in-situ recovery (ISR) operations. PEN is converting operations from alkaline ISR to low pH ISR with a Feasibility Study pointing to a three-stage ramp achieving 3Mlbpa at AISC of US\$30.36/lb. A resource of 54Mlb allows a 17 year mine life with resource expansion a possibility from the underexplored tenements.

Val/ Sh	Uranium Price									
	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%	
\$0.20										
15%	\$0.11	\$0.12	\$0.14	\$0.16	\$0.17	\$0.19	\$0.21	\$0.22	\$0.24	
10%	\$0.11	\$0.13	\$0.15	\$0.16	\$0.18	\$0.20	\$0.22	\$0.23	\$0.25	
5%	\$0.12	\$0.14	\$0.15	\$0.17	\$0.19	\$0.21	\$0.23	\$0.24	\$0.26	
0%	\$0.12	\$0.14	\$0.16	\$0.18	\$0.20	\$0.22	\$0.24	\$0.26	\$0.28	
-5%	\$0.13	\$0.15	\$0.17	\$0.19	\$0.21	\$0.23	\$0.25	\$0.27	\$0.29	
-10%	\$0.14	\$0.16	\$0.18	\$0.20	\$0.22	\$0.24	\$0.26	\$0.28	\$0.31	
-15%	\$0.15	\$0.17	\$0.19	\$0.21	\$0.23	\$0.26	\$0.28	\$0.30	\$0.32	

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 RESOURCES QUARTERLY JUNE 2020

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EUROZ

Asset Valuation	US\$m	A\$m A\$/sh
Lance - DCF (Risk Adjusted)	160	0.18
Lance - Exploration	7	0.01
Unpaid Capital	-	-
Cash	14	0.02
Debt	-	-
Total	182	0.20

F/Cast Production	(US\$m)	FY20	FY21	FY22	FY23
Sales					
Contract Requirements	klbs	191	450	450	420
Spot Sales	klbs	0	(50)	(50)	680
Total	klbs	191	400	400	1,100

Costs					
Cash Costs	US\$/lb	n/a	27.2	27.2	19.2
AISC	US\$/lb	n/a	40.6	40.6	31.5

Assumptions					
PEN Contract	US\$/lb	40	45	51	51
U3O8 Spot	US\$/lb	25	45	50	60
AUD/USD	A\$1=US\$	0.65	0.66	0.67	0.68

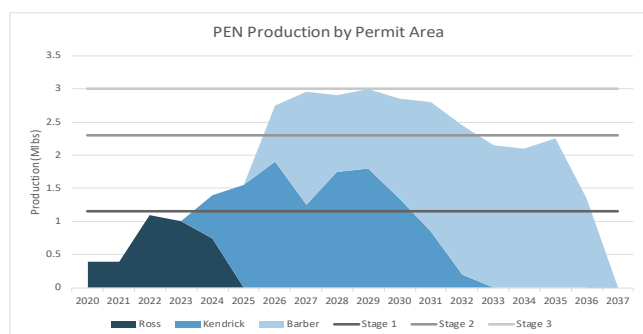
Ratio Analysis (US\$m)	FY20	FY21	FY22	FY23
Cashflow	(9.1)	(1.0)	1.4	31.1
Cashflow per Sh	(1.0)	(0.1)	0.2	3.4
Cashflow Ratio (x)	0.0	0.0	0.0	0.0
Earnings	(10.6)	1.7	3.6	38.5
Earnings per Sh	(1.2)	0.2	0.4	4.2
EPS Growth (%)	0.0	0.0	0.0	0.0
PE Ratio (x)	n/a	49.4	22.7	2.1

Enterprise Value	43.6	31.0	33.8	23.8
EV:EBITDA	(9.9)	7.5	5.2	0.6
EV:EBIT	(9.9)	8.5	6.0	0.7

ND:ND+Eq (%)	n/a	n/a	n/a	n/a
ND:Eq (%)	n/a	n/a	n/a	n/a
NTA/sh (A\$/sh)	0.1	0.1	0.1	0.1
Interest Cover (x)	n/a	4.4	n/a	n/a
EBIT Margin (%)	n/a	20%	27%	55%
RoE (%)	-18%	2%	5%	48%
RoA (%)	-14%	2%	4%	41%

Reserves and Resources

	Mt	Grade (ppm)	U3O8 Cont.
Classification			
Measured	3.4	487	3.7
Indicated	11.1	495	12.1
Inferred	36.2	474	37.8
Total	50.7	479	53.6
By Production Area			
Ross		471	6
Kendrick		544	16
Barber		480	32
Total		479	54



Profit and Loss (US\$m)	FY20	FY21	FY22	FY23
Revenue	7	18	20	62
Cost of Sales	(12)	(11)	(11)	(21)
Gross Profit/(Loss)	(4)	7	10	41
G&A	(3)	(3)	(3)	(3)
Depreciation	(0)	(0)	(1)	(4)
Other	(1)	-	-	-
Interest Expense	(3)	(2)	(2)	(2)
PBT	(11)	2	4	32
Income Tax Expense	-	-	-	6
Net Profit After Tax	(11)	2	4	39

Cash Flow (US\$m)	FY20	FY21	FY22	FY23
Receipts from customers	8	18	20	62
Payments to suppliers and employees	(16)	(14)	(14)	(24)
Interest Paid	(2)	-	-	-
Interest Received	0	0	0	0
Income Tax Paid	(0)	-	-	6
Operating Cash Flows	(9)	4	7	45

Mineral Development	(0)	(5)	(5)	(14)
Exploration performance bonds	(0)	(0)	(0)	(0)
Purchase of PPE	(0)	(5)	(23)	(20)
Proceeds from sale of PPE	0	-	-	-
Investing Cash Flows	(0)	(11)	(29)	(34)

Proceeds from issue of shares	32	20	20	-
Equity raising costs	(2)	-	-	-
Repayment of borrowings	(17)	-	-	-
Capitalised borrowing costs	(0)	-	-	-
Financing Cash Flows	13	20	20	-

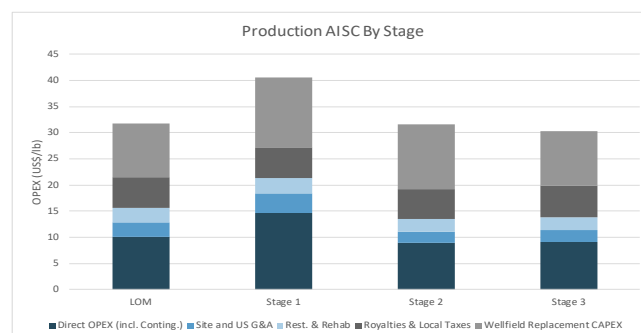
Cash Surplus/(Deficit)	4	13	(2)	11
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Cash Balance	10	23	21	32
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Balance Sheet (US\$m)	FY20	FY21	FY22	FY23
Cash and Cash Equivalents	10	23	21	32
Current Receivables	1	1	1	1
Inventory	1	-	-	-
Other Current Assets	2	2	2	2
Non-Current Assets	60	60	60	60
Total Assets	74	86	84	95

Current Payables	2	2	2	2
Borrowings	-	-	-	-
Other Current Liabilities	1	1	1	1
Non-Current Liabilities	11	11	11	11
Total Liabilities	14	14	14	14
Net Assets	60	72	70	81

Euroz Forecast	FY'20	FY'21	FY'22	FY'23	FY'24	FY'24
Uranium US/lb	\$25.00	\$45.00	\$50.00	\$50.00	\$50.00	\$50.00
AUDUSD	\$0.65	\$0.66	\$0.67	\$0.67	\$0.67	\$0.68



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