

Peninsula Energy Ltd.

(PEN-ASX: A\$0.20), *intraday*

July 30, 2019

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BUY
 Target: A\$0.60

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Low pH U3O8 Production Permit Amendment Imminent

PEN-AU	New	Last
Rating	--	BUY
Target (A\$)	--	\$0.60
Projected Return	208% ▲	100%
Target/NAV multiple	--	0.90x
Corporate DCF (US\$)	0.45 ▼	0.46
Cash & Investments (US\$)	--	0.01
Debt (US\$)	(0.05) ▲	(0.06)
Un-mined Resources	--	0.06
Total NAV (US\$)	0.46 ▼	0.47
P/NAV	0.29x ▼	0.45x

Company Data	
Last Price (A\$)	\$0.20
52-week Range (A\$)	\$0.16 - \$0.34
Market Cap (\$MM)	\$34
Enterprise Value (\$MM)	\$45
Shares Outstanding - Basic (MM)	249.7
Shares Outstanding - FD (MM)	317.0
Avg Volume - 100d (000 shares/day)	658.1
Cash (US\$MM)	\$7.5
Debt (US\$MM)	\$18.0
Working Capital (US\$MM)	\$9.73

Forecast	2017A	2018A	2019E	LT
Spot (US\$/lb)	23	29	35	60
Term (US\$/lb)	32	34	40	60
Realized Prices (US\$/lb)	52	47	40	60
Revenue (US\$MM)	18.3	13.2	8.2	
EPS (US\$)	(\$0.38)	(\$0.005)	(\$0.04)	
P/E	n/a	n/a	n/a	
EBITDA (US\$MM)	(\$71.0)	\$1.9	(\$8.6)	
EV/EBITDA	n/a	23.8x	n/a	
Interest Coverage	n/a	n/a	n/a	
OP CF (US\$MM)	(\$2.4)	\$13.6	(\$7.8)	
CF/share (US\$)	(\$0.01)	\$0.06	(\$0.03)	
P/CF	n/a	\$2.3	n/a	
Capex (US\$MM)	(\$11.3)	(\$3.5)	\$0.0	
FCF (US\$MM)	(\$13.6)	\$10.1	(\$7.8)	
FCF Yield	n/a	29%	n/a	

All Figures in US\$ Unless Otherwise Noted

Source: FactSet, Company Reports, Eight Capital

PEN-ASX: Price/Volume Chart



Source: Factset

Company Description

Peninsula Energy is an ASX-listed U3O8 producer with assets in Wyoming (USA). It is primarily focused on ramping up its 100% owned Lance ISR project by switching to low pH leaching typical of international ISR production, rather than using alkali leaching as per its US peers.

We recommend Peninsula Energy with a BUY and maintain our price target of A\$0.60/sh, based on a 10% DCF model assuming low pH production is the answer to tackling the low U3O8 recoveries at Lance.

FQ4/19 operating and financial results were announced overnight, although current uranium operations take a back-seat to permitting and the completion of the low pH field demonstration. One of the two remaining permits is in hand, and management believes the remaining SML amendment approval is imminent. Field test work suggests that ISR production using acidic lixiviate will help achieve commercial scale production by CY20. In the meantime, Peninsula has one of the best contract books in the business and low cost purchases in the spot market allow cash flow to support project development.

Final permit amendment imminent. WDEQ has completed a review of Source Material License (SML) amendment request and the public comment period that concluded in mid-June had no comments. The Permit to Mine was received March 2019. The SML and Permit to Mine are the two key regulatory approvals required to enable commercial-scale low pH operations at Lance.

Successful low pH field demonstration. Management has high expectations that the move from alkali to acidic lixiviate in the well fields will successfully boost production. Testing has met technical objectives: wellfield pH has been lowered to target levels; flow rates are in line with Feasibility Study; and uranium grades are better than expected. Restoration testing now nears completion.

Alkaline production wanes to save resource. FQ4/19 production was down 45% QoQ to 8,491 lbs U3O8. FQ1/20 production should be negligible, as focus is on the field demo and no further development spending is scheduled for alkaline operations. Suspension of production from Mine Unit 1 (MU1) in May 2018 was to preserve pounds for future extraction, and to reduce expenditures during transition to acid production. Low pH tests began in MU2 where head grades are higher. MU3 drilling may occur in anticipation of permits.

Three stage production expansion plan. A total of 33.4 MM lbs U3O8 is scheduled for mining over 17 years. This includes initial commercial-scale low pH recovery by CY20, ramping to 1.15 MM lbs due by CY21; followed by expansion to 2.3 MM lbs and ultimately 3.0 MM lbs. The LOM all-in sales costs estimate is \$31.77/lb, including \$15.59/lb operating and wellfield costs. A recent toll milling agreement renewal might help drop costs further.

Strong contract book. Sales were 106,000 lbs U3O8 at US\$34.43/lb for \$3.65 MM in April. A total of 41,000 lbs were produced at a cash cost of US\$247/lb and 65,000 lbs of spot purchases averaged US\$22/lb. A total of 6.3 MM lbs are contracted through 2030 at an average price of between US\$51-53/lb. This includes 75,000 lbs of sales due in CH2/19 at ~US\$45/lb.

Trump Administration completing 90-day review. A Nuclear Fuel Working Group has been set up to make recommendations to the White House by 15-Oct-19 ([see note](#)). Management anticipates uranium price relief.

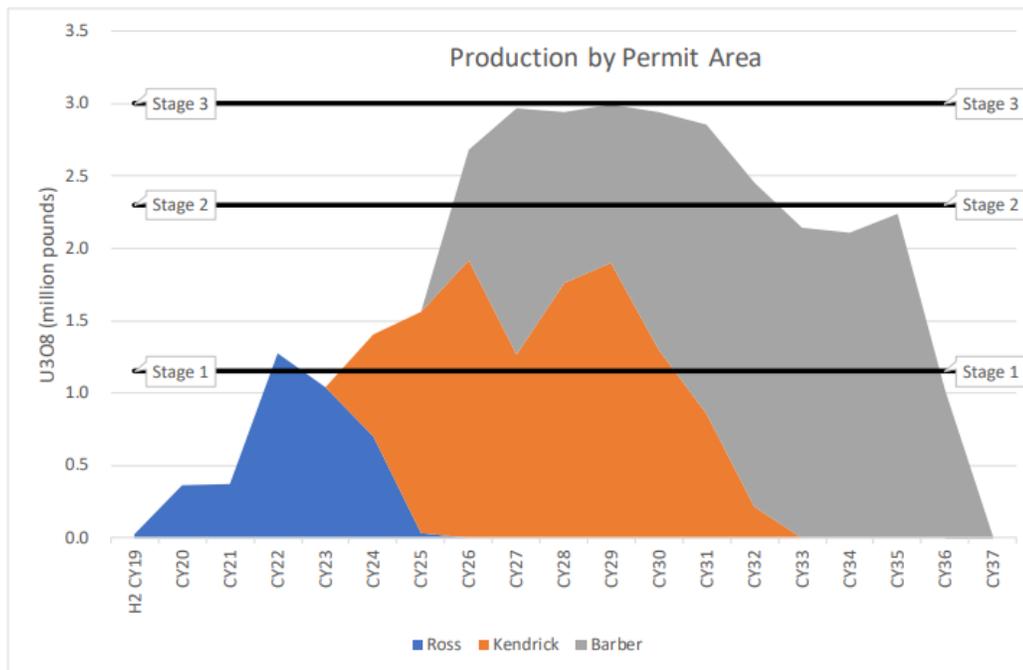
Divesting of Karoo Project. Closure applications and land sale negotiations continue, although prior sales efforts were unsuccessful. Carrying value of the project was written down to estimated value of freehold arm land. First land sales completed, and these are expected to fully fund rehab and project exit.

Table 1: Outline of the Lance's low pH FS three-stage expansion plan. A total of 33.4 MM lbs U3O8 is scheduled for mining over 17 years. The LOM all-in sales costs estimate is \$31.77/lb, including \$15.59/lb operating and wellfield costs. A recent toll milling agreement renewal might help drop costs further.

Stage	Year	Expansion CAPEX	Production Cost \$/lb.	AISC \$/lb.	Capacity mlbs/yr
Stage 1	2019	\$5.3m	\$14.67	\$40.58	1.15
Stage 2	2024	\$43.1m	\$8.93	\$31.52	2.3
Stage 3	2026	\$70.3m	\$9.16	\$30.36	3.0

Source: Company Reports

Figure 1: LOM production profile for the Lance ISR Mine based on the low pH FS.



Source: Company Reports

Peninsula Energy Ltd.					
Rating	BUY	A\$ Target	\$0.60	Shares O/S (MM)	249.7
		A\$ Close	\$0.20	Fully Diluted Shares (MM)	317.0
David A. Talbot, Director, Mining Research		12-month return	208%	Basic Mkt. Capitalization (\$MM)	A\$ 34.40
dtalbot@eightcapital.com				Enterprise Value (\$MM)	A\$ 44.89

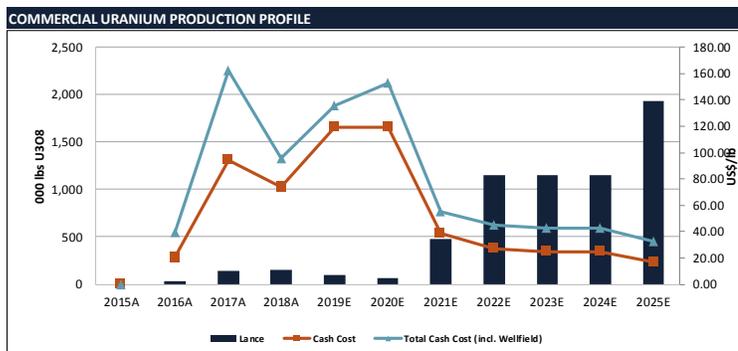
PRODUCTION ESTIMATES (000 lbs) - excl. purchased uranium					
Year-end June	2017A	2018A	2019E	2020E	2021E
Lance	145	155	93	70	482
TOTAL	0	155	93	70	482

TOTAL CASH COST ESTIMATES (excl. non-cash, incl. wellfield expenditures) (US\$/lb)					
Year-end June	2017A	2018A	2019E	2020E	2021E
Lance	162.2	95.5	135.5	152.4	55.3
Wt. Avg. Total Cash Costs	0.0	0.0	0.0	39.5	162.2

URANIUM RESERVES & RESOURCES					
	Ownership	Tonnes MM t	Grade % U3O8	Cont U3O8 (MM lbs) 100% Basis	PEN Share
Proven and Probable Reserves					
Ross	100%	--	--	--	--
Kendrick	100%	--	--	--	--
Barber	100%	--	--	--	--
Karoo	74%	--	--	--	--
Total Reserves		0.00	0.00%	0.00	0.00
Measured and Indicated Resources					
Ross	100%	8.65	0.05%	9.93	9.93
Kendrick	100%	4.39	0.05%	4.82	4.82
Barber	100%	2.64	0.04%	2.41	2.41
Karoo	74%	8.00	0.12%	21.90	16.21
Total Measured and Indicated Resources		23.68	0.07%	39.06	33.37
Inferred Resources					
Ross	100%	1.15	0.05%	1.25	1.25
Kendrick	100%	23.83	0.05%	24.80	24.80
Barber	100%	10.50	0.05%	10.46	10.46
Karoo	74%	15.30	0.10%	35.00	25.90
Total Inferred Resources		50.78	0.06%	71.51	62.41
TOTAL RESOURCES		74.45	0.07%	110.57	95.78

NET ASSET VALUE (US\$) - 10%				NAV (US\$ MM)	US\$/Share	% NAV
Assets:						
Lance (100%)			186	0.42		91%
Un-mined Resources			24.2	0.06		12%
Balance Sheet & Other Items:						
Cash & Investments			2.8	0.01		1%
Debt			(21.2)	(0.05)		-10%
Exploration, G&A, and Other			12.2	0.03		6%
Total			204	0.46		100%
Eight Capital DCF Target Multiple				0.90x		
Share Price Target			US\$	0.42		
Share Price Target			A\$	0.60		

Long Term Uranium Price Assumption (US\$/lb)					
NAV (US\$/share)	40	50	60	70	80
0% Discount	0.47	0.89	1.28	1.67	2.06
5% Discount	0.24	0.52	0.78	1.04	1.29
10% Discount	0.12	0.31	0.50	0.68	0.86
15% Discount	0.05	0.20	0.33	0.47	0.60



BALANCE SHEET (US\$ MM)				
Year-end June	2017A	2018A	2019E	2020E
Assets:				
Cash & ST Investments	9.62	11.96	2.80	13.70
Other Current Assets	6.54	9.12	9.12	9.12
Current Assets	16.16	21.08	11.92	22.81
Mineral Properties	29.84	24.31	24.20	39.39
Other non-current Assets	73.45	65.86	65.86	65.86
Total Assets	119.45	111.25	101.98	128.06
Liabilities:				
Current Liabilities	25.76	19.80	15.22	0.88
Long-term Debt	1.08	0.36	6.90	26.90
Other non-current Liabilities	13.13	10.40	9.46	9.46
Total Liabilities	39.97	30.56	31.58	37.24
Capital Stock	204.07	205.10	205.10	233.90
Retained Earnings	(124.6)	(124.4)	(134.7)	(143.1)
Total Shareholder Equity	79.48	80.69	70.40	90.82

INCOME STATEMENT (US\$ MM)				
Year-end June	2017A	2018A	2019E	2020E
Total Revenue:	18.3	13.2	8.2	9.3
% Uranium	100%	100%	100%	100%
% Other	0%	0%	0%	0%
Operating Costs	13.6	11.5	11.1	8.4
G&A	4.1	2.7	2.7	2.7
Exploration	0.0	0.0	0.0	0.0
Depreciation	0.0	0.2	0.1	0.1
Other	71.5	(3.0)	2.9	4.7
EBITDA	(71.0)	1.9	(8.6)	(6.5)
EBIT	(71.0)	1.7	(8.7)	(6.6)
Interest Expense	(3.7)	(2.9)	(1.6)	(1.8)
EBT	(74.7)	(1.2)	(10.3)	(8.4)
Taxes	0.0	0.0	0.0	0.0
Equity Earnings	0.0	0.0	0.0	0.0
Other	0	0	0	0
Net Income (Reported)	(74.7)	(1.2)	(10.3)	(8.4)
Net Income (Adjusted)	(74.7)	(1.2)	(10.3)	(8.4)
EPS (Reported) \$/sh	(0.38)	(0.005)	(0.04)	(0.02)
EPS (Adjusted) \$/sh	(0.38)	(0.005)	(0.04)	(0.02)
Average Shares (MM)	197.0	231.3	231.3	439.3

CASH FLOW STATEMENT (US\$ MM)				
Year-end June	2017A	2018A	2019E	2020E
Net Income (Reported)	(74.7)	(1.2)	(10.3)	(8.4)
Depreciation	(0.0)	(0.2)	(0.1)	(0.1)
Working Capital Changes	(5.0)	1.1	0.0	0.0
Other	77.4	13.8	2.6	0.2
Operating Cash Flow	(2.4)	13.552	(7.8)	(8.3)
Operating Cash Flow/sh (\$/sh)	(0.01)	0.06	(0.03)	(0.02)
Capital Expenditures	(11.3)	(3.5)	0.0	(15.3)
Acquisitions	0.0	0.0	0.0	0.0
Other	0.2	(3.0)	0.1	0.0
Investing Cash Flow	(11.1)	(6.5)	0.1	(15.3)
Common Share Dividends	0.0	0.0	0.0	0.0
Equity Financing	16.6	0.0	0.0	28.8
Debt Issue	2.8	(4.7)	0.0	20.0
Debt Repayment	0.0	0.0	(0.8)	(14.3)
Other	0.0	0.0	(0.6)	0.0
Financing Cash Flow	19.3	(4.7)	(1.5)	34.5
Net Change in Cash	5.9	2.3	(9.2)	10.9
Cash Balance	9.6	12.0	2.8	13.7
Free Cash Flow	(13.6)	10.1	(7.8)	(23.6)

VALUATION DATA				
Year-end June	2017A	2018A	2019E	2020E
P/E	--	--	--	--
P/CF	--	3.33x	--	--
EV/EBITDA	--	23.76x	--	--
FCF Yield	--	29.33%	--	--

INPUT PRICES				
	2017A	2018A	2019E	2020E
Eight Capital Spot Uranium (US\$/l)	23	29	35	40
Uranium Realized Price (US\$/lb)	52	47	40	45
Exchange (US\$/A\$)	0.75	0.75	0.72	0.72

Source: FactSet, Eight Capital, Company Reports

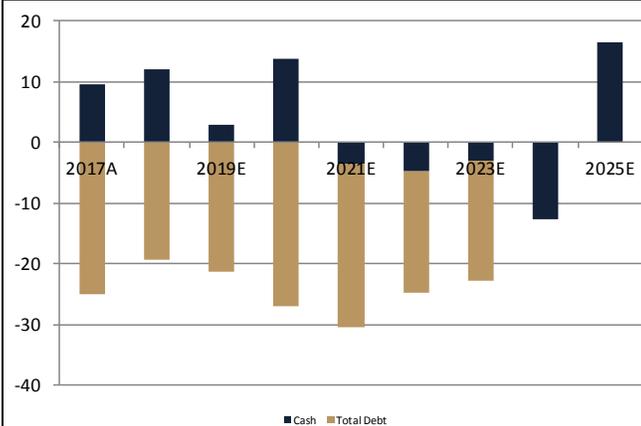
Peninsula Energy Ltd.

Net Asset Valuation at Eight Capital Price Deck (US\$)

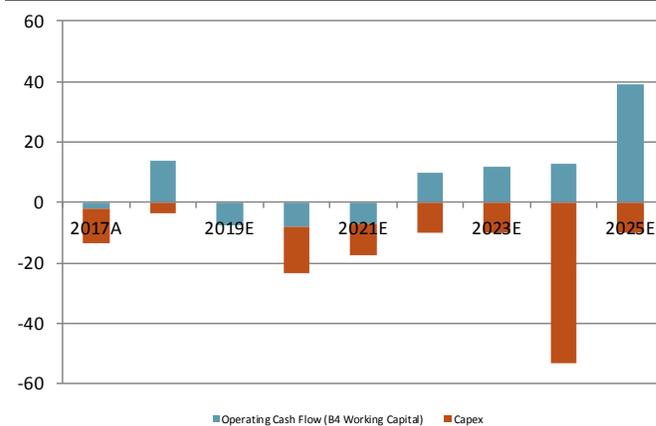
	Target Setting NAV			NAV at Various Discount Rates					
	Discount Rate	(\$MM)	(\$/Share)	0%		5%		15%	
				(\$MM)	(\$/Share)	(\$MM)	(\$/Share)	(\$MM)	(\$/Share)
Uranium Assets									
Lance (100%)	10%	186	0.42	584	1.33	328	0.75	105	0.24
Total Uranium Assets		186	0.42	584	1.33	328	0.75	105	0.24
Other Assets & Expenses									
Cash		3	0.01	3	0.01	3	0.01	3	0.01
Debt		(21)	(0.05)	(21)	(0.05)	(21)	(0.05)	(21)	(0.05)
Un-Mined Resources		24	0.06	24	0.06	24	0.06	24	0.06
Exploration, G&A, Other	10%	12	0.03	(31)	-0.07	(3)	(0.01)	20	0.05
Net Other Assets		18	0.04	(26)	-0.06	3	0.01	26	0.06
Net Asset Value		204	0.46	559	1.27	331	0.75	131	0.30
Share Price (A\$)			0.20		0.20		0.20		0.20
Converted Share Price (US\$)			0.13		0.13		0.13		0.13
P/NAV			0.29x		0.11x		0.18x		0.45x

Financial Forecasts at Eight Capital Price Deck (MM A\$)

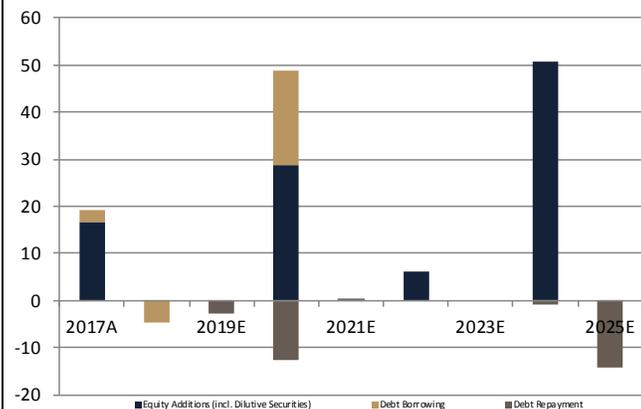
Cash and Debt



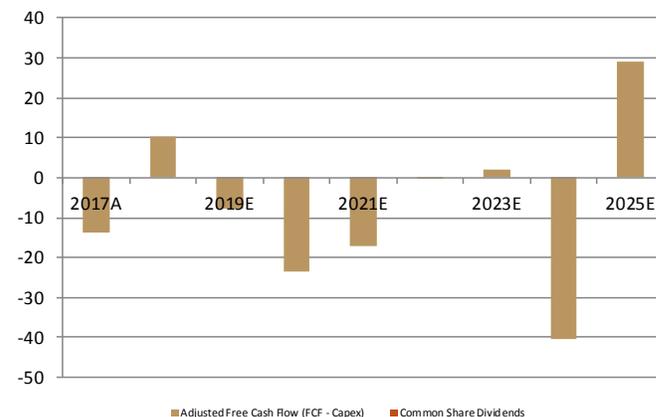
Operating Cash Flow and Capital Spending



Changes in Debt and Equity



Free Cash Flow and Common Share Dividends



Source: FactSet, Eight Capital, Company Reports

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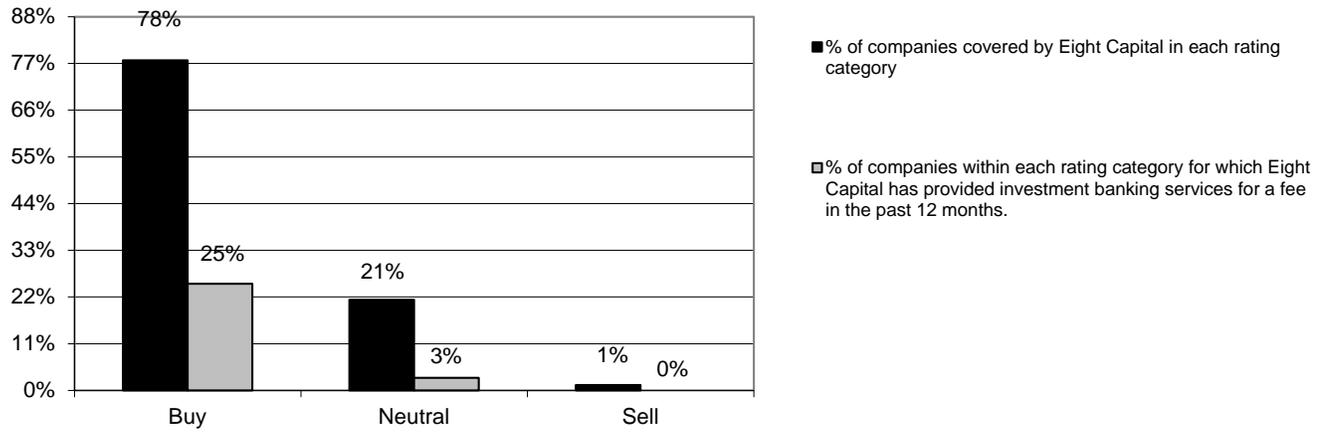
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As at June 30, 2019
Source: Eight Capital