

Peninsula Energy Ltd

(PEN \$0.10) 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 Paladin Energy Ltd during the last year. Euroz Securities has received a fee for these services.

Analyst
Andrew Clayton

Date
March 2020

Price Target
\$0.35/sh ▼ \$0.60/sh

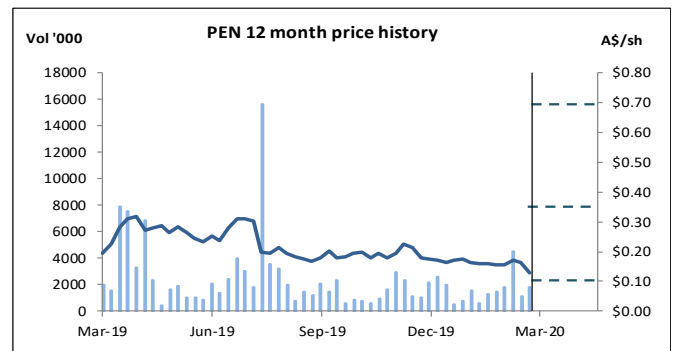
Investment Case

PEN has successfully raised \$9m. Restructuring of debt, cash from equity and monetisation of contracts leaves PEN in a strong position to capitalise on the uranium renaissance. Recent geopolitical tensions emanating from Iran's nuclear programme have shone the spotlight back on the politically sensitive nature of uranium. We believe this is a catalyst that will see the US reinvigorate its nuclear industry as fears grow around energy security. Incentivising the restart of US domestic production is a first step and see PEN perfectly positioned to capitalise. It is a frontrunner for restarting operations on the ASX and now has full regulatory authorisation for low pH ISR, the lowest cost form of uranium mining globally. We believe first production could be as early as CY20 which will see PEN re-rate quickly as the dream becomes a reality. Speculative Buy maintained.

Comments

- PEN has raised \$9.2m. Funds will be used for ongoing site costs and low pH de-risking and optimisation activities, uranium purchases to fill existing contracts and for general working capital.
- Partial monetisation of existing contracts is planned, expecting to net US\$10-11m which will be used to reducing debt as part of the restructure that is underway.
- The recent announcement by the US President for a FY'21 budget initiative for the purchase of US\$150m for the purchase of the US mined uranium in order to establish a federal uranium reserve. This could result in 2 -3 million lbs of US mined uranium would be required and PEN's Lance project is ideally positioned to deliver some of this requirement.
- PEN is the only ASX-listed uranium play with US domestic exposure and can restart within 3-6 months for US\$5m capex, making it a frontrunner for restart on the ASX.
- PEN has full regulatory authorisation for low pH ISR operations in Mine Unit 1 & 2, widely recognised as the cheapest method of uranium extraction;
- Further optimisation work to be completed H1 CY20 at which point FID to restart will be made;
- With restructured debt, cash from equity raise and the ability to monetise its lucrative long term contracts, PEN is well positioned to capitalise on the looming uranium rebound;
- Lower medium term U forecasts lower our Val & PT.

Share Price Performance



Market Statistics

Market Statistics		Year End 30 June	
Share Price	\$0.10 A\$/sh	Directors	
Fully Paid Ord	308	John Harrison	NE Chair
Total Options	28 m	Wayne Heili	MD/CEO
Total Dil. FPOrd	336 m	Harrison Barker	NE Dir
		Mark Wheatley	NE Dir
		David Coyne	CFO
Market Capital'n (dil)	\$34 m	Shareholders	
Enterprise Value	\$46 m	Paradice	9.7%
Cash	\$13 m	RCF	9.1%
Debt	\$(25) m		

Our Market Sensitivity

Valuation - \$0.37/sh
Price Target - \$0.35/sh

Bull Scenario - \$0.70/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 US producers. Transition to low pH ISL exceeds expectations from a cost perspective.

Base Scenario - \$0.35/sh

Uranium price recovery matches our forecasts and low pH ISL performs as expected in FLTs. PEN attracts premium pricing due to US domestic protection.

Bear Scenario - \$0.10/sh

Uranium market remains uneconomical as spot and term prices continue to flat line. PEN continues to sell spot material into contracts and continues to curtail unsuccessful ISL mining at Lance.

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%	
\$0.36										
15%	\$0.13	\$0.16	\$0.19	\$0.22	\$0.25	\$0.28	\$0.31	\$0.34	\$0.37	
10%	\$0.16	\$0.19	\$0.22	\$0.25	\$0.28	\$0.31	\$0.34	\$0.38	\$0.41	
5%	\$0.19	\$0.22	\$0.25	\$0.29	\$0.32	\$0.35	\$0.38	\$0.42	\$0.45	
0%	\$0.22	\$0.26	\$0.29	\$0.32	\$0.36	\$0.39	\$0.43	\$0.46	\$0.50	
-5%	\$0.26	\$0.30	\$0.33	\$0.37	\$0.40	\$0.44	\$0.48	\$0.51	\$0.55	
-10%	\$0.30	\$0.34	\$0.38	\$0.42	\$0.45	\$0.49	\$0.53	\$0.57	\$0.61	
-15%	\$0.35	\$0.39	\$0.43	\$0.47	\$0.51	\$0.55	\$0.59	\$0.63	\$0.67	

Euroz Forecast	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24
Uranium US/lb	\$25.75	\$26.29	\$45.00	\$50.00	\$50.00	\$50.00
AUDUSD	\$0.71	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68

[CLICK HERE FOR THE MOST RECENT RESEARCH NOTE](#)
[CLICK HERE FOR THE MOST RECENT QUICK COMMENT](#)
RESOURCES QUARTERLY MARCH 2020

Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Peninsula Energy Ltd

(PEN \$0.10) Speculative Buy

EUROZ

Asset Valuation	US\$m	A\$m	A\$/sh
Lance - DCF	86	127	0.38
Lance - Expl'n	5	7	0.02
Working Capital	1	2	0.00
Unpaid Capital	-	-	-
Cash	9	13	0.04
Debt	(17)	(25)	(0.07)
Total	85	124	0.37

F/Cast Production (US\$m)	FY19f	FY20f	FY21f	FY22f	FY23f
Mine Production klbs	85	226	439	1,118	1,118
Contract Req klbs	117	150	310	440	420
Spot Sales klbs	(131)	76	129	678	698
TOTAL Sales klbs	206	226	439	1,118	1,118

Costs	US\$/lb	US\$/lb	US\$/lb	US\$/lb	US\$/lb
Op Cash Costs	95.1	43.0	32.0	26.8	26.8
AISC	108.5	56.4	45.3	40.2	40.2

Assumptions	US\$/lb	US\$/lb	US\$/lb	US\$/lb	US\$/lb
PEN Contract	34	43	44	45	45
U3O8 Spot	26	26	45	50	60
FX USD/AUD	0.71	0.68	0.68	0.68	0.68

Ratio Analysis (US\$m)	FY19f	FY20f	FY21f	FY22f	FY23f
Cashflow	-8	-19	-25	18	22
Cashflow per Sh	-3	-6	-8	5	7
Cashflow Ratio (x)	NA	NA	NA	3	2

Earnings	-40	-28	-16	26	32
Earnings per Sh	-15	-9	-5	8	9
EPS Growth (%)	NA	NA	NA	NA	0
PE Ratio (x)	NA	NA	NA	2	2

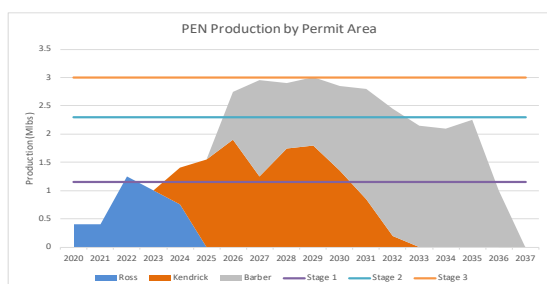
Enterprise Value	45	17	22	5	-3
EV : EBITDA	-6	-4	-2	0	0
EV : EBIT	-5	-2	-2	0	0

ND:ND+Eq (%)	15%	NA	NA	NA	NA
ND:Eq (%)	17%	NA	NA	NA	NA
NTA/sh (A\$/sh)	0.2	0.2	0.2	0.2	0
Interest Cover (x)	NA	NA	32	NA	NA
EBIT Margin (%)	NA	NA	NA	38%	0
RoE (%)	-59%	-28%	-17%	23%	0
RoA (%)	-40%	-24%	-15%	21%	0

Dividend (c/sh)	NA	NA	NA	NA	NA
Div Payout	NA	NA	NA	NA	NA
Div Yield	NA	NA	NA	NA	NA
Div Franking	NA	NA	NA	NA	NA

Reserves and Resources

Classification	Mt	Grade (ppm)	U3O8 Cont.
Measured	4	488	4
Indicated	11	495	12
Inferred	36	476	38
Total	51	481	54
By Production Area			
Ross		471	6
Kendrick		544	16
Barber		480	32
Total		499	54



Profit and Loss (US\$m)	FY19f	FY20f	FY21f	FY22f	FY23f
Revenue	7	12	28	79	89
Cost of Sales	(15)	(17)	(38)	(45)	(48)
Gross Profit/(Loss)	(8)	(5)	(10)	34	41
Other Income	-	-	-	-	-
Selling and Marketing	(0)	(0)	(0)	(0)	(0)
Admin	(1)	(3)	(3)	(3)	(3)
Depreciation	(1)	(2)	(3)	(4)	(6)
Impairment	(20)	-	-	-	-
FX Gain/(Loss)	(2)	-	-	-	-
Derivative (Loss)/Gain	-	-	-	-	-
Other Expense	(0)	-	-	-	-
Profit/(Loss) before Int/Tax (36)	(10)	(16)	26	32	
Finance Cost	(2)	(18)	-	-	-
PBT	(38)	(28)	(16)	26	32
Tax	(0)	-	-	-	-
Continued Ops NPAT	(38)	(28)	(16)	26	32
Discontinued Ops	(2)	-	-	-	-
NPAT	(40)	(28)	(16)	26	32

Cash Flow (US\$m)	FY19f	FY20f	FY21f	FY22f	FY23f
Receipts	8	12	28	79	89
Payments	(15)	(20)	(41)	(48)	(52)
Int Paid	(0)	(2)	-	-	-
Int Received	0	1	1	1	2
Taxes Paid	(0)	-	-	-	-
CF FROM OPS	(7)	(9)	(12)	31	39

Expl & Eval	(0)	(0)	(0)	(0)	(0)
Mineral Dev	(1)	(10)	(13)	(13)	(17)
Exploration Bonds	(0)	(0)	(0)	(0)	(0)
PPE	(0)	(9)	-	-	(14)
CF FROM INVESTING	(1)	(20)	(13)	(13)	(31)

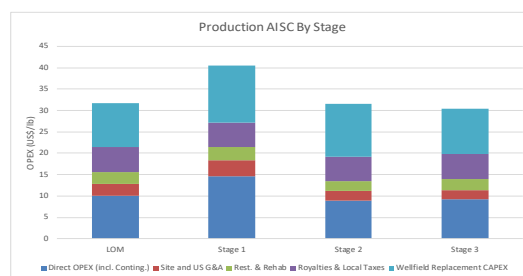
Cash from Equity	-	30	20	-	-
Cash from Borrowings	-	30	-	-	-
Repayment of Borrowings	(1)	(17)	-	-	-
Capitalised Borrowing Costs	(1)	-	-	-	-
CF FROM FINANCING	(1)	43	20	-	-

Cash Surplus/(Deficit)	(9)	15	(6)	17	8
Cash Open	12	5	20	14	32
FX	0	-	-	-	-
Cash Close	5	20	14	32	40

Balance Sheet (US\$m)	FY19f	FY20f	FY21f	FY22f	FY23f
Cash and Equivalents	5	20	14	32	40
Current Receivables	0	0	0	0	0
Other Current Assets	6	6	6	6	6
Non-Current Assets	88	88	88	88	88
TOTAL ASSETS	100	114	108	126	134

Current Payables	2	2	2	2	2
Borrowings	17	-	-	-	-
Other Liabilities	2	2	2	2	2
Non-Current Liabilities	10	10	10	10	10
TOTAL LIABILITIES	32	15	15	15	15

NET ASSETS	68	100	94	111	120
-------------------	-----------	------------	-----------	------------	------------



RESOURCES QUARTERLY MARCH 2020

Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.