



Peninsula Energy

PEN-ASX

 Rating
Underperform(S)

 Price: Aug-1
A\$0.22

 Target
A\$0.20

 Total Rtn
-9%

Another Hurdle Cleared for Low pH ISL at Lance

Bottom Line: With the approval for the amendment to its Source Material License, Peninsula has taken another key step forward in de-risking the low pH project at Lance, which has the potential to deliver significantly higher production than our estimates. However, with some hurdles remaining (including demonstrating restoration of mining zone pH levels), together with challenging market conditions for commencement of commercial operations, we remain cautious on the stock.

Key Points

- **Peninsula Energy has completed the regulatory process for the use of low pH in-situ leach mining operations at its Lance Project**, bringing the company a step closer to full-scale commercial production. Amendments to the Permit to Mine (PTM) and Source Materials License (SML) had been the two overarching regulatory requirements, with the former approved on March 21 2019, and the latter on July 31 2019.
- **Completion of the its low pH field demo presents the next major hurdle.** Having successfully lowered mining zone pH to target levels and achieved leaching of uranium ore at grades exceeding the feasibility study, Peninsula is nearing completion of its restoration phase objectives. The next target is to meet standards set out in the PTM amendment.
- **The roll-out of low pH operations is split into four phases.** Phase 1 consists of a field demonstration of low pH ISL mining and restoration, with the aim of reducing mining zone pH levels to the target level (~2.0) and returning levels back to ~5.0. The restoration phase currently underway can run concurrently.
- Should Phase 1 be successful, Phase 2 is the commencement of commercial-scale low pH ISL operations in existing, previously operated areas of mine units 1 and 2. Phase 3 consists of a field scale groundwater restoration demonstration.
- Following approval of the Interim Restoration Report, Peninsula can progress to Phase 4: the use of low pH solution in all future ISL operations within the Ross Permit Area, subject to standard mine unit approval processes. Should Phase 4 go ahead, the company's recent PFS indicates potential production of up to 1.15Mlb U308 (using current Stage 1 capacity levels), versus our current assumption of ~0.3Mlbpa U308. **Peninsula does state, however, that an improvement in uranium market conditions will be required before initiating full-scale operations.**

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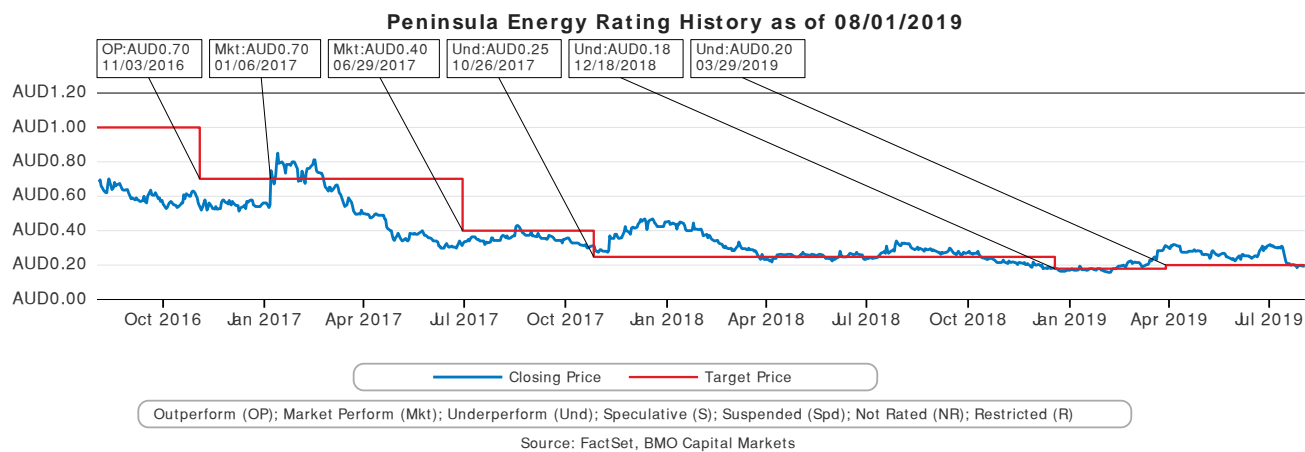
Company Description

Peninsula Energy Ltd. is a uranium development company listed on the ASX. Its primary asset is the Lance uranium project, located in Wyoming, USA.


 PEN-ASX
 Research


Glossary


 Company
 Models



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

Methodology: We ascribe Peninsula an NPV of A\$0.25/share. Our target price of A\$0.20 represents 0.8x our NPV.

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 (August 01, 2019)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
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Hold	Market Perform	48.1 %	11.3 %	34.1 %	47.1 %	38.0 %	37.5%
Sell	Underperform	3.6 %	15.8 %	3.5 %	3.2 %	1.6 %	4.8%

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

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(April 2013 - October 2016)

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