

Peninsula Energy Ltd.

(PEN-ASX: A\$0.22) *intraday*

August 2, 2019

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BUY

Target: A\$0.60

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Source Material License Approved for Low pH Production

PEN-AU	New	Last
Rating	--	BUY
Target (A\$)	--	\$0.60
Projected Return	179% ▼	208%
Target/NAV multiple	--	0.90x
Corporate DCF (US\$)	--	0.45
Cash & Investments (US\$)	--	0.01
Debt (US\$)	--	(0.05)
Un-mined Resources	--	0.06
Total NAV (US\$)	0.46 ▼	0.47
P/NAV	0.31x ▲	0.29x

Company Data		
Last Price (AS)		\$0.22
52-week Range (AS)	\$0.16 -	\$0.34
Market Cap (\$MM)		\$33
Enterprise Value (\$MM)		\$44
Shares Outstanding - Basic (MM)		249.7
Shares Outstanding - FD (MM)		317.0
Avg Volume - 100d (000 shares/day)		653.9
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	23.0x	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	\$2.5	n/a	
Capex (US\$MM)	(\$11.3)	(\$3.5)	\$0.0	
FCF (US\$MM)	(\$13.6)	\$10.1	(\$7.8)	
FCF Yield	n/a	31%	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. Peninsula's Source Material License (SML) Amendment, the last big piece of the regulatory puzzle, has been approved. Receipt of the SML will allow PEN to move forward with Phase I of its low pH ISR mining within the Ross Permit Area of the Lance project in Wyoming. Management continues to focus on the completion of its field demonstration which has moved into the final restoration stages. Both the previously acquired Permit to Mine (PTM) and SML have conditions that must be met prior to start up, as is standard operating procedure for licensing in the US. The approval outlines further expectations, with all conditions known and essentially agreed to prior to the completion of the permitting process. Conditions in the SML include the typical preparation of Standard Operating Procedures and worker health and safety program documents.

Receipt of the SML and PTM is the culmination of nearly two years of permitting and testwork. The key to this exercise is to improve uranium recoveries within the well fields to support profitable uranium production on a commercial scale. Operating costs at Lance are highly dependent on production rates. With expectations that using low pH lixiviate (sulphuric acid) in the wellfield rather than the typical bicarbonate solutions of its peers, management believes it can achieve production rates outlined in its low pH Feasibility Study.

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.

Wrapping up field demonstrations. WDEQ approved the low pH amendment for the PTM on 20-Mar-19, on the condition that PEN could demonstrate that it could mine and restore in the field. A four phase plan was implemented:

Mining and Initial Restoration Stage of Low pH Field Demonstration - done

Commencement of Commercial Scale Operations (MU1 and MU2) - done

Field Scale Groundwater Restoration in Low pH Field Demo Area - completing

Commercial Scale Operations (New Mine Units in Ross Permit Area) - pending

Phase I ramp up due after restoration. The restoration demo is progressing well and management believes that it may be ready to begin commercial low pH production at Mine Units 1 and 2 during the quarter. When it may actually move ahead with Phase I expansion of commercial production is dependent on its need for produced uranium. PEN currently has flexibility to satisfy near term delivery obligations with either production or purchases. Cash operating costs are expected to be sub US\$16/lb, but all-in costs will likely be closer to US\$40/lb.

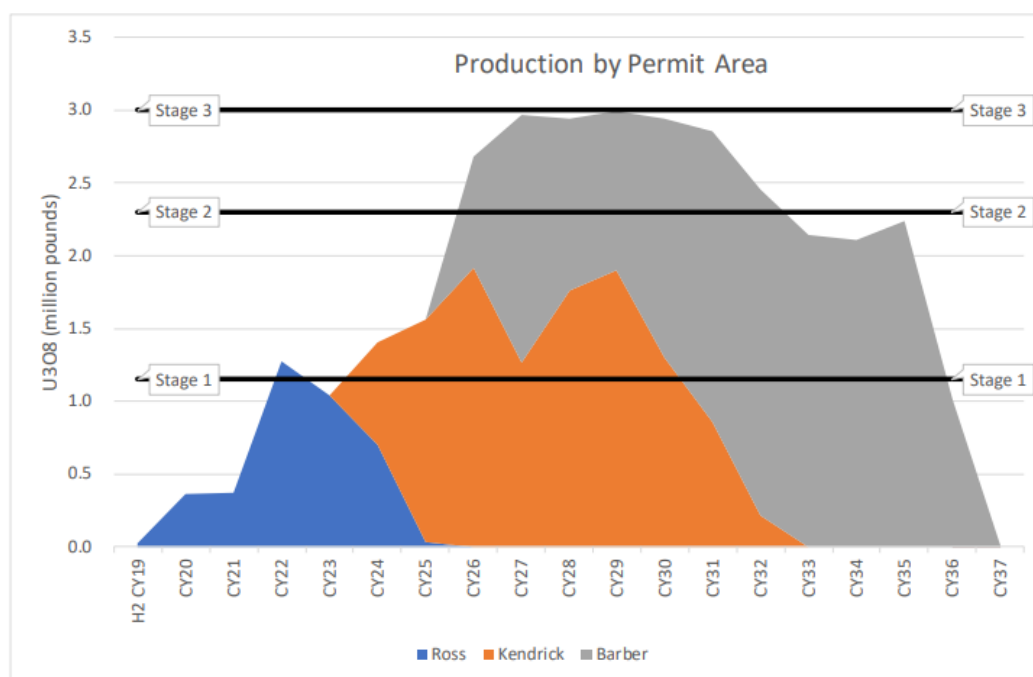
Phase II investment required further contracts. Despite having one of the better contract books in the industry at 6.3 MM lbs sold forward at between US\$51-53/lb U3O8, management would prefer to have around 1 MM lbs sold forward per year before it invests in Phase II at a cost of US\$43.1 MM. This would allow production to expand from 1.15 MM lbs pa to 2.3 MM lbs pa by bringing the back end of ISR processing in house, eliminating the need for toll ISR processing. PEN is currently targeting Phase II expansion by 2024.

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.

Three Stage Expansion Plan					
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	\$0.22	Fully Diluted Shares (MM)	317.0
David A. Talbot, Director, Mining Research		12-month return	179%	Basic Mkt. Capitalization (\$MM)	A\$ 33.04
dtalbot@villacapital.com				Enterprise Value (\$MM)	A\$ 43.53

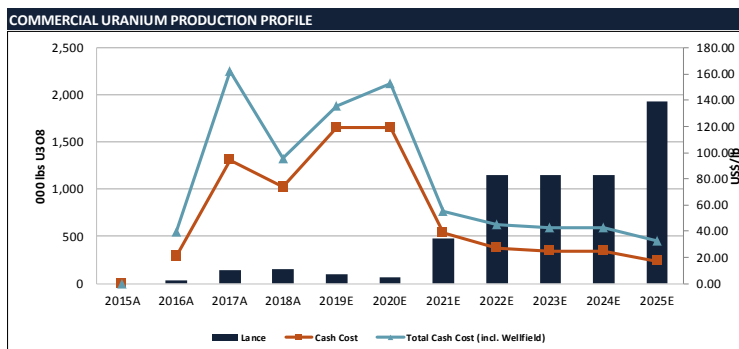
PRODUCTION ESTIMATES (000 lbs) - excl. purchased uranium					
Year-end June	2017A	2018A	2019E	2020E	2021E
Lance	145	155	93	70	482
TOTAL	0	155	93	70	482

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	--	3.67x	--	--
EV/EBITDA	--	23.04x	--	--
FCF Yield	--	30.53%	--	--

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

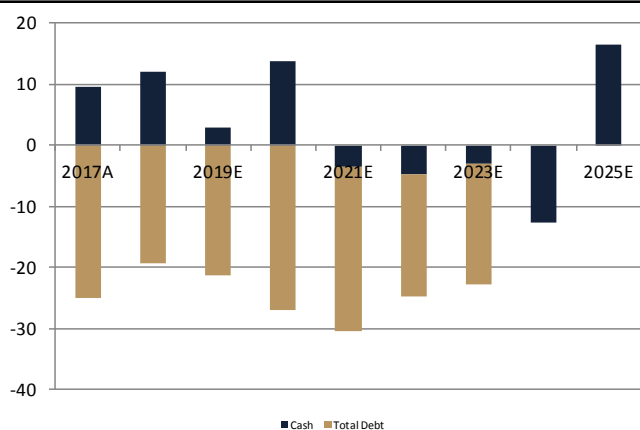
Peninsula Energy Ltd.

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

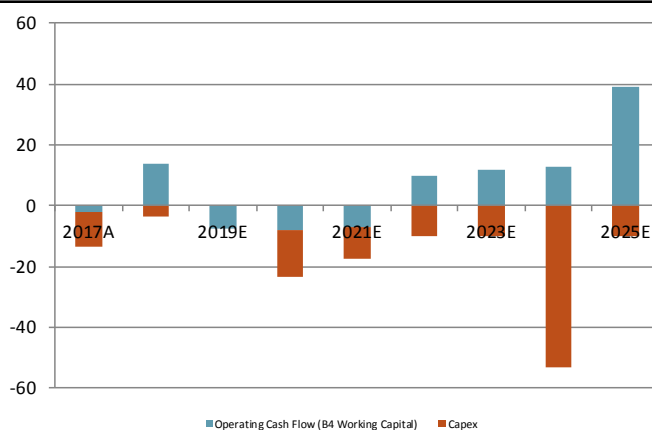
	Target Setting NAV			NAV at Various Discount Rates					
	Discount Rate	(\$MM)	(\$/Share)	0%		5%		15%	
				(\$MM)	(\$/Share)	(\$MM)	(\$/Share)	(\$MM)	(\$/Share)
Uranium Assets									
Lance (100%)	10%	186	0.42	584	1.33	328	0.75	105	0.24
Total Uranium Assets		186	0.42	584	1.33	328	0.75	105	0.24
Other 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\$)			0.22		0.22		0.22		0.22
Converted Share Price (US\$)			0.15		0.15		0.15		0.15
P/NAV			0.31x		0.11x		0.19x		0.49x

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

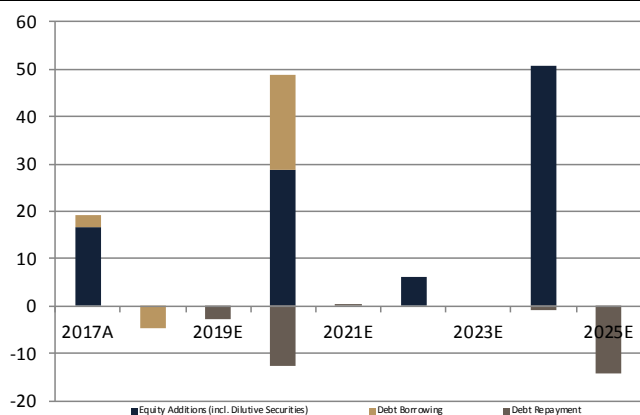
Cash and Debt



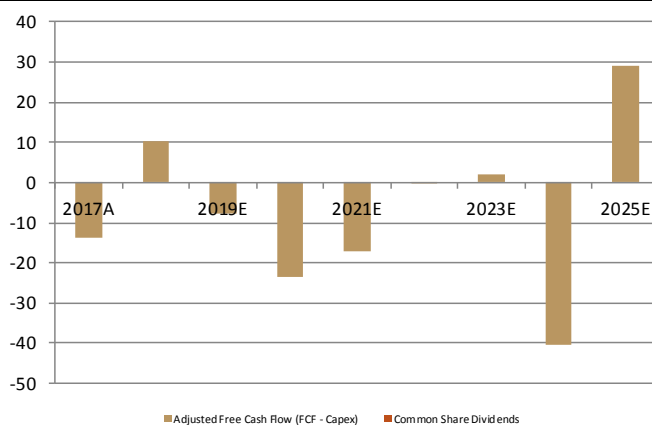
Operating Cash Flow and Capital Spending



Changes in Debt and Equity



Free Cash Flow and Common Share Dividends



Source: FactSet, Eight Capital, Company Reports

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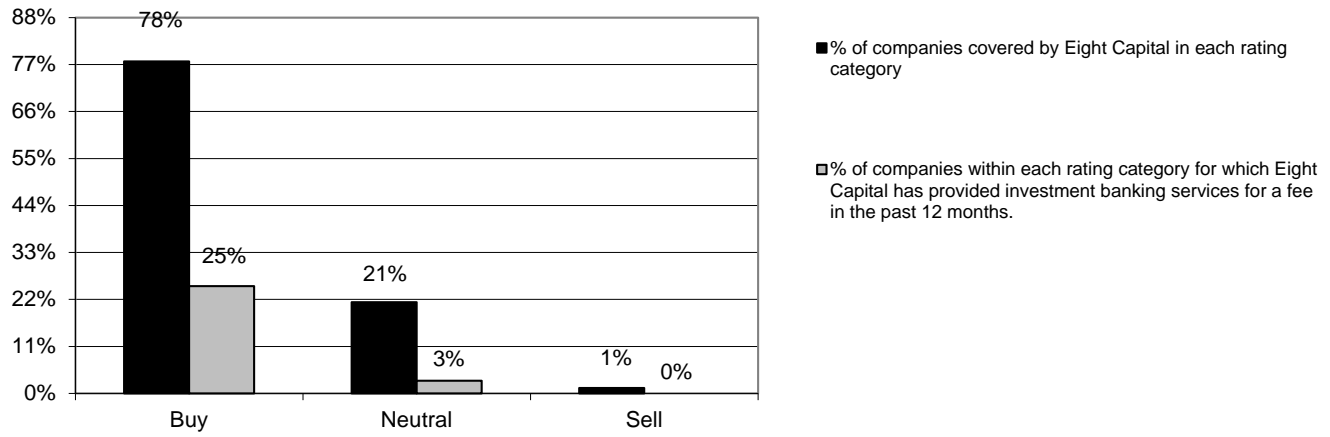
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