ShawandPartners
Financial Services

Peninsula Energy (PEN)

Rating: Buy | Risk: High | Price Target: $0.40

Lance Projects on track for a Final Investment Decision this half

Key Information

Current Price ($ps)	0.17
12m Target Price ($ps)	0.40
52 Week Range ($ps)	0.12 - 0.34
Target Price Upside (%)	142.4%
TSR (%)	142.4%
Reporting Currency	AUD
Market Cap ($m)	165
Sector	Energy
Avg Daily Volume (m)	1.6
ASX 200 Weight (%)	0.01%

Fundamentals

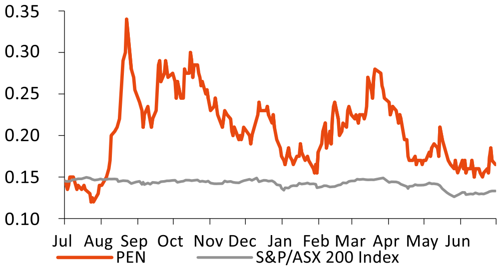
YE 30 Jun (AUD)	FY21A	FY22E	FY23E	FY24E
Sales ($m)	10	24	43	47
NPAT ($m)	(1)	1	6	10
EPS (cps)	(0.2)	0.1	0.5	0.9
EPS Growth (%)	81.9%	142.6%	415.9%	62.6%
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)	0%	0%	0%	0%

Ratios

YE 30 Jun	FY21A	FY22E	FY23E	FY24E
P/E (x)	(68.7)	nm	30.3	18.7
EV/EBITDA (x)	(174.1)	159.0	17.0	11.9
Div Yield (%)	0.0%	0.0%	0.0%	0.0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%

Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	3.3%	2.2%	(23.6%)	18.2%
Absolute (%)	6.5%	(2.9%)	(32.7%)	10.0%
Benchmark (%)	3.2%	(5.1%)	(9.1%)	(8.2%)



Price performance indexed to 100 *Source: FactSet*

Major Shareholders

Paradice Investment Management	8.8%

Event

Peninsula Energy has released its June quarterly activities report. The company continues to be on track for completion of its Feasibility Study Update (FSU) for its flagship Lance Projects in Wyoming, USA, this quarter. The update will incorporate the learnings from the company's technical de-risking activities over the past several years (i.e. MU1A Field Demonstration Trial) and build upon the 2018 Feasibility Study.

We assume the FSU will be ready for issue 3Q22, a Final Investment Decision taken shortly thereafter, commissioning and ramp-up 1HCY23 and steady state by end CY23 /early CY24. Our forecasts include ~1Mlbs production in CY24 and a gradual ramp-up to ~2.5Mlb/yr by CY28.

Highlights

- In our view PEN's flagship Lance Projects in Wyoming, USA, requires low upfront capital and can rapidly restart post a Final Investment Decision. PEN is the only ASX company with direct exposure to US Government initiatives which are pro-domestic mine development.
- PEN has an existing contract book and product inventory, with a binding purchase agreement netting a cash margin of US$7.8m in CY2021 (450klbs) and US$8-9m in CY22 (450klbs). The company has long-term sales contracts extending to 2030, up to 5.5Mlbs at US$51-53/lb U_3O_8 with major utilities across Europe and the US.
- The company released a Feasibility Study (FS) in 2018 which details a Lance Projects NPV_8 (pre-tax) of US$157m and 30% IRR at an average U_3O_8 price of US$49/lb. Our post-tax NPV_{10} of US$220m is higher than the DFS due to a higher long-term uranium price assumption (US$65/lb vs DFS US$49/lb). Key components of the FS include:
    - A life of mine (LOM) of 17 years producing an average of ~2.3mlb/yr.
    - Upfront capital expenditure of US$6m (+US$113m for later stage developments).
    - An estimated all-in sustaining cost (AISC) of US$32/lb U_3O_8 over LOM.
- The company's MU1A field demonstration trial is complete and a Feasibility Study Update has commenced.
    - PEN commenced the trial in the Sep20q, and has been assessing the best pathway for an in-situ recovery operations restart. The company is looking to switch operations from high to low pH in order to increase product yields.
    - The results of the field demonstration (uranium average grades ~60-70ppm and peak grades ~150ppm) suggest that the targeted low-pH chemistry and field patterns are effective in dissolving and recovering uranium.
    - The company has commenced a Feasibility Study Update (FSU) to incorporate the learnings from its technical de-risking activities (i.e. MU1A Field Demonstration Trial) and build upon the 2018 Feasibility Study. We assume the FSU will be ready for issue 3Q22, a Final Investment Decision shortly thereafter, commissioning and ramp-up 1HCY23 and steady state by end CY23 /early CY24 (i.e. ~1Mlbs production in CY24 and continued ramp-up in the ensuing years).
- Strong balance sheet – the company is term debt free with an unrestricted net cash balance of US$8m (end Jun22q, + 300klbs uranium inventory with a market value ~US$16m). In our view PEN is fully funded to meet all ongoing study activities into CY23.

Recommendation

We maintain our Buy recommendation and there is no change to our A$0.40ps price target (1.3x fully diluted base case valuation). We continue to like PEN for its operations being in the US, having an existing contract book, and its leverage to a uranium sector upcycle.

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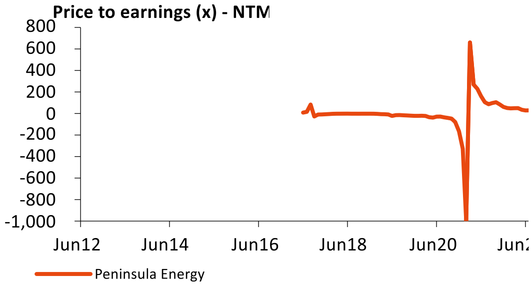
Financial Services

Peninsula Energy
Energy
Energy
FactSet: PEN-AU / Bloomberg: PEN AU

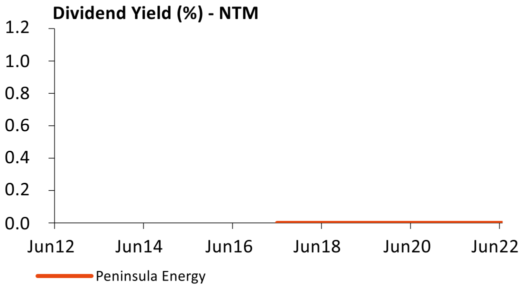
Key Items	Data
Recommendation	BUY
Risk	HIGH
Price ($ps)	0.17
Target Price ($ps)	0.40
52 Week Range ($ps)	0.12 - 0.34
Shares on Issue (m)	997
Market Cap ($m)	165
Enterprise Value ($m)	153
TSR (%)	142.4%

Valuation NPV	Data
Valuation ($m)	375
Valuation per share (cps) (AUD)	0.38

Peninsula Energy is an ASX listed company that owns the Lance Uranium Project in Wyoming, USA which are in transition from an alkaline to a low pH in-situ recovery operation. The Lance Projects requires low upfront capital and can rapidly restart post a Final Investment Decision. PEN is the only ASX company with direct exposure to US Government initiatives which are pro-domestic mine development.



Source: FactSet



Source: FactSet

Financial Year End: 30 June

Investment Summary (AUD)	FY20A	FY21A	FY22E	FY23E	FY24E
EPS (Reported) (cps)	**(1.4)**	**(0.2)**	**0.1**	**0.5**	**0.9**
EPS (Underlying) (cps)	**(1.4)**	**(0.2)**	**0.1**	**0.5**	**0.9**
EPS (Underlying) Growth (%)	91.9%	81.9%	142.6%	415.9%	62.6%
PE (Underlying) (x)	**(5.3)**	**(68.7)**	**nm**	**30.3**	**18.7**
EV / EBIT (x)	**(78.6)**	**(174.1)**	**159.0**	**25.4**	**15.5**
EV / EBITDA (x)	**(79.7)**	**(174.1)**	**159.0**	**17.0**	**11.9**
DPS (cps) (AUD)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	0%	0%	0%	0%	0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Free Cash Flow Yield (%)	(20.0%)	(10.9%)	1.7%	(1.2%)	4.3%

Profit and Loss (AUD) (m)	FY20A	FY21A	FY22E	FY23E	FY24E
Sales	6	10	24	43	47
Sales Growth (%)	*(7.8%)*	*60.8%*	*149.7%*	*74.1%*	*11.7%*
Other Operating Income	1	1	0	0	0
EBITDA	**(2)**	**(1)**	**1**	**9**	**13**
EBITDA Margin (%)	*(31.6%)*	*(9.0%)*	*3.9%*	*21.2%*	*27.1%*
Depreciation & Amortisation	0	0	0	(3)	(3)
EBIT	**(1.9)**	**(0.9)**	**1.0**	**6.0**	**9.9**
EBIT Margin (%)	*(32.1%)*	*(9.0%)*	*3.9%*	*14.2%*	*20.8%*
Net Interest	(4)	0	0	(0)	(0)
Pretax Profit	(6)	(1)	1	6	10
Minorities	0	0	0	0	0
NPAT Underlying	**(6)**	**(1)**	**1**	**6**	**10**
Significant Items	1	1	0	0	0
NPAT Reported	**(7)**	**(2)**	**1**	**6**	**10**

Cashflow (AUD) (m)	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT	(2)	(1)	1	6	10
Tax Paid	(0)	0	(0)	0	0
Net Interest	(2)	(0)	0	(0)	(0)
Change in Working Capital	0	(9)	2	(1)	(1)
Depreciation & Amortisation	0	0	0	3	3
Other	(4)	(7)	0	0	0
Operating Cashflow	**(8)**	**(17)**	**3**	**8**	**12**
Capex	(0)	(0)	0	(10)	(4)
Acquisitions and Investments	0	0	0	0	0
Disposal of Fixed Assets/Investments	0	0	0	0	0
Other	(0)	0	(2)	(2)	(2)
Investing Cashflow	**(0)**	**(0)**	**(2)**	**(12)**	**(6)**
Free Cashflow	**(8)**	**(17)**	**3**	**(2)**	**8**
Equity Raised / Bought Back	31	11	15	0	0
Dividends Paid	0	0	0	0	0
Change in Debt	(16)	1	10	0	0
Other	(0)	0	0	0	0
Financing Cashflow	**15**	**12**	**25**	**0**	**0**
Exchange Rate Effect	0	0	0	0	0
Net Change in Cash	**7**	**(5)**	**26**	**(4)**	**6**

Balance Sheet (AUD) (m)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash	12	7	33	29	34
Accounts Receivable	1	11	2	3	4
Inventory	0	0	2	3	3
Other Current Assets	3	7	7	7	7
PPE	19	19	19	24	25
Total Assets	**82**	**92**	**112**	**120**	**129**
Accounts Payable	1	7	2	3	4
Short Term Debt	1	1	0	0	0
Long Term Debt	0	0	11	11	11
Total Liabilities	**15**	**24**	**28**	**29**	**29**
Total Shareholder Equity	**67**	**78**	**94**	**100**	**109**

Ratios	FY20A	FY21A	FY22E	FY23E	FY24E
ROE (%)	(14.1%)	(3.2%)	1.3%	6.1%	9.2%
Gearing (%)	(20.0%)	(8.4%)	(30.2%)	(21.5%)	(27.2%)
Net Debt / EBITDA (x)	5.9	6.9	(22.9)	(2.0)	(1.8)
Price to Book (x)	0.9	2.2	1.9	1.8	1.7

Peninsula Energy financial summary

Profit & Loss (US$m)	FY20	FY21	FY22f	FY23f	FY24f
Revenue	6.1	9.8	23.9	42.2	47.5
Expenses	-8.0	-10.7	-23.4	-33.5	-34.6
Underlying EBITDA	**-1.9**	**-0.9**	**0.4**	**8.8**	**12.9**
Depreciation & Amort	0.0	0.0	0.0	-3.0	-3.0
Underlying EBIT	**-1.9**	**-0.9**	**0.4**	**5.8**	**9.9**
Net Interest	-4.2	0.0	0.1	-0.1	-0.2
Profit Before Tax	**-6.2**	**-0.9**	**0.5**	**5.7**	**9.7**
Tax	-1.5	-0.5	0.0	0.0	0.0
NPAT (Underlying)	**-7.7**	**-1.4**	**0.5**	**5.7**	**9.7**
Exceptional items	0.0	0.0	0.0	0.0	0.0
NPAT (reported)	**-7.7**	**-1.4**	**0.5**	**5.7**	**9.7**
Minorities	0.0	0.0	0.0	0.0	0.0
Attributable NPAT	**-7.7**	**-1.4**	**0.5**	**5.7**	**9.7**

Balance Sheet (US$m)	FY20	FY21	FY22f	FY23f	FY24f
Cash	11.9	6.7	32.2	27.7	33.4
Net Receivables	0.6	10.8	2.0	3.5	3.9
Other	3.8	8.0	9.1	10.4	10.7
Current Assets	**16.3**	**25.5**	**43.2**	**41.6**	**48.0**
Property, Plant & Equipment	18.8	18.7	18.7	24.5	25.4
Other	47.1	57.1	59.1	62.1	64.5
Non Current Assets	**66.0**	**75.9**	**77.9**	**86.6**	**89.9**
Total Assets	**82.3**	**101.3**	**121.1**	**128.1**	**137.9**
Trade Creditors	1.2	7.4	2.1	3.5	3.6
Borrowings	0.6	0.6	0.0	0.0	0.0
Other	0.8	0.8	0.8	0.8	0.8
Current Liabilities	**2.5**	**8.8**	**2.9**	**4.3**	**4.4**
Borrowings	0.0	0.0	10.6	10.6	10.6
Other	12.9	14.8	14.4	14.4	14.4
Non Current Liabilities	**12.9**	**14.9**	**25.0**	**25.0**	**25.0**
Net Assets	**66.9**	**77.7**	**93.2**	**98.9**	**108.5**
Shareholder Capital	240.6	252.5	267.5	267.5	267.5
Retained earnings	-180.3	-181.7	-181.2	-175.5	-165.8
Minorities/others	6.5	6.9	6.9	6.9	6.9
Total Equity	**66.9**	**77.7**	**93.2**	**98.9**	**108.5**

Cash Flow (US$m)	FY20	FY21	FY22f	FY23f	FY24f
Receipts	7.5	3.4	23.9	42.2	47.5
Payments	-13.9	-11.5	-23.4	-33.5	-34.6
Other Operating Cash Flow	-1.6	-9.2	2.1	-1.5	-0.9
Operating Cash Flow	**-8.0**	**-17.3**	**2.5**	**7.3**	**12.0**
Capex	-0.1	-0.2	0.0	-9.7	-4.3
Other Investing Cash Flow	0.1	0.0	-2.0	-2.0	-2.0
Investing Cash Flow	**-0.1**	**-0.2**	**-2.0**	**-11.7**	**-6.3**
Net Equity raised	31.3	11.4	15.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Net Borrowings	-16.4	0.5	10.0	0.0	0.0
Financing Cash flow	**14.7**	**11.9**	**25.0**	**0.0**	**0.0**
Total Cash Change	6.7	-5.6	25.5	-4.5	5.7

Company Information	
Financial Year End Date	30-Jun
Share Price (A$ps)	0.17
Market Capitalisation (A$m)	169
Valuation (A$m)	0.30
Target price (1.5x diluted valuation) (A$m)	0.40
Recommendation	Buy

Per Share Data (c)	FY20	FY21	FY22f	FY23f	FY24f
Shares (m)	882	996	1,096	1,096	1,096
Normalised EPS	-1.4	-0.2	0.1	0.5	0.9
Dividends	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Book Value	0.08	0.08	0.09	0.09	0.10
P/E (x)	-3.5	-51.5	237.6	23.5	14.0
EV/EBITDA (x)	-29.7	-64.9	142.4	6.5	4.4

Valuation (fully diluted)	US$m	A$m	A$ps
Lance	220	293	0.22
Net debt	6	8	0.01
Exploration upside	11	15	0.01
Cash from FY22/FY25 raising	55	73	0.05
Corporate costs	-11	-15	-0.01
Total Valuation	**281**	**374**	**0.30**
Target price (1.3x diluted valuation)			**0.40**

Assumptions	FY20	FY21	FY22f	FY23f	FY24f
Prices					
A$/US$	0.67	0.75	0.72	0.72	0.73
U_3O_8 (US$/lb)	28	31	46	67	84

Operating Metrics	FY20	FY21	FY22f	FY23f	FY24f
Ore processed (ktpa)	0	0	0	400	400
Average grade (ppm)	0	0	0	470	470
U_3O_8 sold (Mlb)	0.2	0.5	0.5	0.6	0.6
C1 cost (US$/lb)	0	0	0	35	36
Average price (US$/lb)	n/a	n/a	n/a	n/a	n/a
Average cost (US$/lb)	n/a	n/a	n/a	n/a	n/a
Average margin (US$/lb)	n/a	n/a	n/a	n/a	n/a

Financial metrics (%)	FY20	FY21	FY22f	FY23f	FY24f
EBITDA margin	-31.6%	-9.0%	1.7%	20.8%	27.1%
EBIT margin	-32.1%	-9.0%	1.7%	13.7%	20.8%
ROIC	-2.5%	-0.9%	0.4%	5.0%	8.1%
Return on Assets	-9.3%	-1.5%	0.5%	4.6%	7.3%
Return on Equity	-13.1%	-1.9%	0.6%	5.9%	9.3%

Balance sheet metrics	FY20	FY21	FY22f	FY23f	FY24f
Net Debt (m)	-11	-6	-22	-17	-23
ND / ND+E	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company reports, Shaw and Partners analysis

Key risks

As a small mining company broadly exposed to a single commodity and a single asset we consider an investment in Peninsula Energy to be high risk. The key risks include;

- The U_3O_8 market is relatively opaque and difficult to forecast. The actual uranium price may differ substantially from our forecasts.
- Operations for PEN have not yet started and there is a risk that they may be unable to bring Lance Projects to production in line with expectations. Costs may be higher and operations may not be as expected.
- Resource risks - PEN's Feasibility Study includes an assumed resource conversion of 90% for Measured and Indicated Resources, and an assumed resource conversion of 60% for Inferred Resources. The company notes there is a low level of geological confidence associated with Inferred Mineral resources (~70% of the resource base).
- PEN will need to recapitalise to fund the commencement of operations. There is a risk that capital markets are not willing to fund the project.
- Forecasting future operating costs has considerable uncertainty. Our forecasts may prove to be too optimistic. If each company's costs are higher than we expect then our cash flow forecasts will be too high.
- Smaller companies carry more significant 'key personnel' risk than larger organisations. If senior management depart it could delay projects or exacerbate operational risks.
- Safe and reliable production from operations once projects are operational. The inability to maintain safe and reliable operations may result in a sustained, unplanned interruption to production and impact the company's licence to operate and financial performance. Production facilities are subject to operating hazards associated with major accident events, cyber-attack, inclement weather and disruption to supply chain, that may result in a loss of uranium (radioactive material) containment, harm to personnel, environmental damage, diminished production, additional costs, and impacts to reputation or brand.

Core drivers and catalyst

- In our view PEN's flagship Lance Projects in Wyoming, USA, requires low upfront capital and can rapidly restart post a Final Investment Decision. PEN is the only ASX company with direct exposure to US Government initiatives which are pro-domestic mine development. We have a A$0.40ps price target which is based on a 1.3x multiple of our base case valuation.

- PEN has an existing contract book and product inventory, with a binding purchase agreement netting a cash margin of US$7.8m in CY2021 (450klbs) and US$8-9m in CY22 (450klbs). The company has long-term sales contracts extending to 2030, up to 5.5Mlbs at US$51-53/lb U_3O_8 with major utilities across Europe and the US.

- The company released a Feasibility Study in 2018 which details a Lance Projects NPV_8 (pre-tax) of US$157m and 30% IRR at an average U_3O_8 price of US$49/lb. Other components include a life of mine (LOM) of 17 years producing an average of ~2.3mlb/yr, upfront capital expenditure of US$6m (+US$113m for later stage developments), and an estimated all-in sustaining cost (AISC) of US$32/lb U_3O_8 over LOM. Our post-tax NPV_{10} of US$220m is higher than the DFS due to a higher long-term uranium price assumption (US$65/lb vs DFS US$49/lb).

- The company's MU1A field demonstration trial is complete and a Feasibility Study Update has commenced.

    - PEN commenced the trial in the Sep20q, and has been assessing the best pathway for an in-situ recovery operations restart. The company is looking to switch operations from high to low pH in order to increase product yields.

    - The results of the field demonstration (uranium average grades ~60-70ppm and peak grades ~150ppm) suggest that the targeted low-pH chemistry and field patterns are effective in dissolving and recovering uranium.

    - The company has commenced a Feasibility Study Update (FSU) to incorporate the learnings from its technical de-risking activities (i.e. MU1A Field Demonstration Trial) and build upon the 2018 Feasibility Study. We assume the FSU will be ready for issue 3Q22, a Final Investment Decision shortly thereafter, commissioning and ramp-up 1HCY23 and steady state by end CY23 /early CY24 (i.e. ~1Mlbs production in CY24 and continued ramp-up in the ensuing years).

- Strong balance sheet – the company is term debt free with an unrestricted net cash balance of US$8m (end Jun22q, + 300klbs uranium inventory with a market value ~US$16m). In our view PEN is fully funded to meet all ongoing study activities into CY23.

- In our view there are two key advantages to PEN's project being located in Wyoming, USA:

    - The Powder River Basin in Wyoming is in an established uranium and mining jurisdiction (uranium mining for ~70 years and coal mining for ~150 years).

    - The company has direct exposure to the US Government uranium purchase programme and the US Nuclear Fuel Working Group.

Rating Classification

Buy	Expected to outperform the overall market
Hold	Expected to perform in line with the overall market
Sell	Expected to underperform the overall market
Not Rated	Shaw has issued a factual note on the company but does not have a recommendation

Risk Rating

High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
Low	Lower risk than the overall market

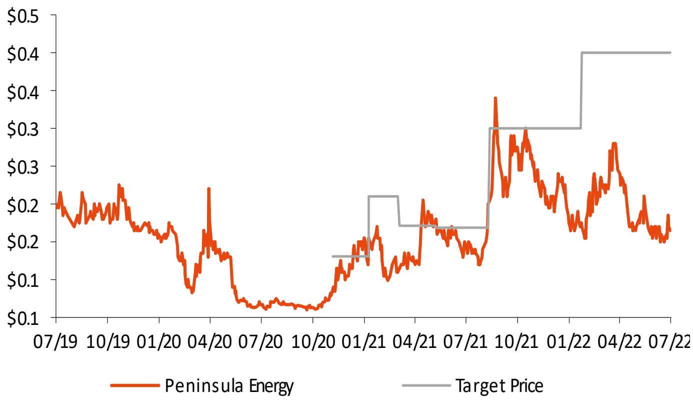
RISK STATEMENT: Where a company is designated as 'High' risk, this means that the analyst has determined that the risk profile for this company is significantly higher than for the market as a whole, and so may not suit all investors. Clients should make an assessment as to whether this stock and its potential price volatility is compatible with their financial objectives. Clients should discuss this stock with their Shaw adviser before making any investment decision.

Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	110	90%
Hold	11	9%
Sell	1	1%

History of Investment Rating and Target Price - Peninsula Energy

Date	Closing Price ($)	Target Price ($)	Rating
17-Feb-22	0.17	0.40	Buy
5-Sep-21	0.20	0.30	Buy
2-Jun-21	0.18	0.17	Buy
29-Mar-21	0.12	0.17	Buy
2-Feb-21	0.16	0.21	Buy
30-Nov-20	0.08	0.13	Buy



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