

# Peninsula Energy Limited

## Specialty Minerals and Metals

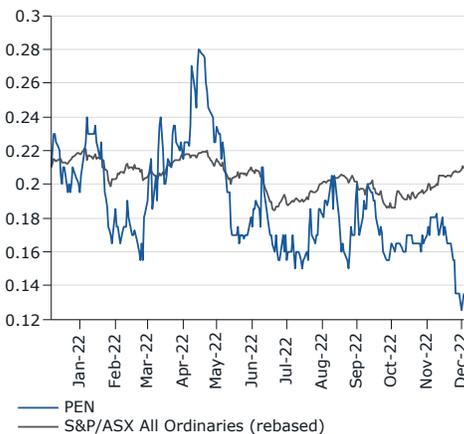
**James Bullen** | Analyst | Canaccord Genuity (Australia) Ltd. | jbullen@cgf.com | +61.2.9263.2728

<b>Rating</b> <b>SPECULATIVE BUY</b> <i>unchanged</i>	<b>Price Target</b> <b>A\$0.36</b> ↓ <i>from A\$0.40</i>
<b>PEN-ASX</b>	<b>Price</b> <b>A\$0.13</b>

**Market Data**

52-Week Range (A\$) :	0.13 - 0.28
Avg Daily Vol (000s) :	3
Avg Daily Vol (M) :	6.3
Market Cap (A\$M) :	129.6
Shares Out. (M) :	997.3
Dividend /Shr (US\$) :	0.00
Dividend Yield (%) :	0.0
Enterprise Value (A\$M) :	122
NAV /Shr :	0.36

FYE Jun	2021A	2022A	2023E	2024E
Sales (US\$M)	9.8	18.3	6.0	25.0↑
Previous	-	-	-	6.0
EBITDA (US\$M)	(0.9)	(5.8)	(2.2)↑	11.5↑
Previous	-	-	(4.2)	0.4



Priced as of close of business 5 December 2022

Peninsula Energy Limited is a uranium focused development company which is seeking to restart the Lance Uranium Projects in the Powder River Basin in Wyoming, US.

Canaccord Genuity received a fee for its role as Lead Manager to Peninsula's \$32m equity raising at \$0.131 on 25 November 2022.

## Lance achieves positive FID

In a watershed moment for the company, PEN has delivered a positive final investment decision (FID) for the Lance Uranium Project (Lance) in Wyoming, US. This approval comes after a number of desktop studies and significant field demonstrations, which culminated in the recently delivered Definitive Feasibility Study. The FID was supported by a \$32mn underwritten capital raising that funds the company until 2024.

We lower our DCF-based price target to \$0.36 (\$0.40) to allow for the raising, partially offset by rolling our valuation forward by six months.

### Primed to supply US strategic reserve

The US is currently the largest consumer of uranium, but its indigenous production of U<sub>3</sub>O<sub>8</sub> fell to negligible levels in 2022. In an era of heightened geopolitical and energy security risk this is clearly an undesirable situation. Earlier this year the US government funded the first \$75mn for the establishment of a strategic uranium reserve to be sourced from domestic production. All up the US Department of Energy expects to purchase up to 1Mlb of U<sub>3</sub>O<sub>8</sub> inventory from up to four US producers, with individual awards ranging from 0.1Mlb to 0.5Mlb. The awards for this first round are expected before year-end and given the limited number of supply options, PEN, in our view, is extraordinarily well-placed.

### Lance's economics are robust

Given the results of the DFS and the company's current contract position, the positive FID makes sense, in our opinion. Key DFS conclusions were:

- Life-of-mine production of 14.4Mlb U<sub>3</sub>O<sub>8</sub>.
- Gross revenue of US\$895 million (2022 real).
- Steady state production rate of 2.0Mlb/annum from year 4 (down from 2.3Mlb/annum in Stage 2 for the 2018 feasibility study).
- Pre-tax Net Present Value (NPV8) of US\$125mn.
- Internal Rate of Return (IRR) of 43%.
- Average forecast sales price of US\$62.38/lb.
- Uncontracted production of 10.9Mlb (76% of LOM) sold at a forecast US\$65.49/lb.
- All-in sustaining costs (AISC) of US\$39.08/lb (up from US\$32/lb in 2018 feasibility study primarily due to the exclusion of Barber).
- Direct operating cash costs of US\$16.34/lb (excluding restoration/reclamation).
- US\$60mn investment required to achieve positive operating cash flow.

### We remain more bullish about the ultimate potential of Lance

The current mine plan contemplates the extraction of only 14.4Mlb of U<sub>3</sub>O<sub>8</sub> (65.8% recovery) vs an unchanged Greater Lance resource of 53.7Mlb. We believe there is significant scope for material mine life and production extensions through resource to reserve conversion. Our valuation of Lance is predicated on extraction of 16.3Mlb over a 13-year LOM. Additionally, we value Lance using a US\$75/lb LT U<sub>3</sub>O<sub>8</sub> price.

While these assumptions are more bullish than the DFS, they are in line with our constructive uranium view (higher prices = higher extraction). We value Lance at A \$0.22/share (80% risked), which equates to US\$11.00/lb of resource and additionally include a pound-in-the-ground allowance of US\$3.00 beyond our Lance DCF.

### Market conditions continue to improve

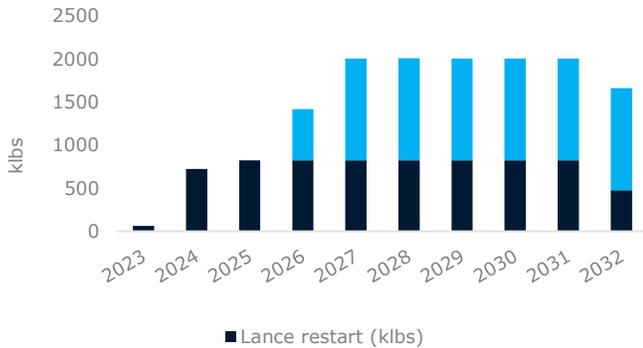
The approval of nuclear's inclusion in the Sustainable Taxonomy draft, the potential life extension of German reactors, Japan's push to restart four incremental reactors, the US Inflation Reduction Act all reinforce the increasing role nuclear is likely to play in the future global energy mix. We view this as a clear positive for our bullish uranium thesis.

**Figure 1: Financial summary**

FY Jun 30	2021	2022	2023E	2024E	2025E		2021	2022	2023E	2024E	2025E	
<b>PROFIT &amp; LOSS (US\$mn)</b>						<b>KEY ASSUMPTIONS</b>						
Revenue	9.8	18.3	6.0	25.0	56.2	Spot U3O8 (US\$/lb)	32.3	52.3	63.8	73.8	75.4	
Operational Costs	0.0	0.0	0.0	-7.3	-16.6	A\$/US\$	0.70	0.73	0.73	0.73	0.73	
Royalty	0.0	0.0	0.0	-2.5	-5.7	<b>REALISED PRICES</b>						
Other COGS	-8.5	-15.2	-4.5	0.0	0.0	U3O8 (US\$/lb)	0.0	0.0	0.0	67.7	68.6	
Other Income	0.7	0.6	0.0	0.0	0.0	<b>PRODUCTION FORECASTS</b>						
Business Devt & Expl	0.0	0.0	-2.0	-2.0	-2.0	U3O8 (klbs)	0.0	0.0	0.0	368.7	820.0	
Corporate & Other	-2.8	-9.5	-1.7	-1.6	-1.5	<b>Total (klbs)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>368.7</b>	<b>820.0</b>	
<b>EBITDA</b>	<b>-0.9</b>	<b>-5.8</b>	<b>-2.2</b>	<b>11.5</b>	<b>30.5</b>	<b>RESOURCES</b>						
DD&A	0.0	0.0	0.0	0.0	1.9	Lance Measured (Mlbs)	3.9					
<b>EBIT</b>	<b>-0.9</b>	<b>-5.8</b>	<b>-2.2</b>	<b>11.5</b>	<b>32.4</b>	Lance Indicated (Mlbs)	11.9					
Net Financing	0.0	0.0	0.3	-0.3	-5.7	Lance Inferred (Mlbs)	38.1					
<b>NPBT</b>	<b>-0.9</b>	<b>-5.8</b>	<b>-1.8</b>	<b>11.3</b>	<b>26.7</b>	<b>Total (Mlbs)</b>	<b>53.9</b>					
Tax	-0.6	1.3	0.5	-3.4	-8.0	<b>PER SHARE DATA</b>						
<b>Reported NPAT</b>	<b>-1.6</b>	<b>-4.5</b>	<b>-1.3</b>	<b>7.9</b>	<b>18.7</b>	Average Shares (Diluted, M)	803	954	1150	1242	1242	
Non-Controlling Interest	0.0	0.0	0.0	0.0	0.0	EOP Shares (Diluted, mn)	996	997	1242	1242	1242	
Sig Items, Discon Ops & Mins	0.0	0.0	0.0	0.0	0.0	Normalised EPS (US¢/sh)	-0.2	-0.5	-0.1	0.6	1.5	
<b>Normalised NPAT</b>	<b>-1.6</b>	<b>-4.5</b>	<b>-1.3</b>	<b>7.9</b>	<b>18.7</b>	CF PS (US¢/sh)	-2.2	0.2	-0.1	0.3	1.7	
Effective income tax rate	-70%	22%	30%	30%	30%	FCF PS (US¢/sh)	-2.2	0.1	-1.8	-3.8	-2.4	
<b>CASHFLOW (US\$mn)</b>						<b>RATIOS</b>						
Cash receipts	3.4	32.6	6.0	25.0	56.2	Dividend Yield	0%	0%	0%	0%	0%	
Payments to suppliers	-11.5	-20.8	-8.2	-13.4	-25.8	PE	n/a	n/a	n/a	20.5	8.6	
Interest received	0.1	0.0	0.3	0.1	-1.0	PCF (Debt Adj)	n/a	60.6	n/a	45.8	6.6	
Interest paid	-0.1	0.0	0.3	-0.3	-5.7	EV / EBITDA	n/a	n/a	n/a	17	8	
Other	-9.2	-9.8	0.0	-8.0	-3.2	Gearing (ND / ND + E)	n/a	n/a	n/a	32%	38%	
<b>Operating Cashflow</b>	<b>-17.3</b>	<b>2.0</b>	<b>-1.5</b>	<b>3.3</b>	<b>20.5</b>	Net Debt / EBITDA	n/a	n/a	n/a	n/a	n/a	
Payments for PP&E	0.0	0.0	0.0	0.0	0.0	Interest Cover	-25.1x	-1945x	0.0x	40.8x	5.7x	
Payments for Development	-0.2	-1.0	-19.1	-50.3	-50.4	ROE (Reported Profit / Av Equity)	n/a	n/a	n/a	10%	19%	
Payments for Exploration	0.0	0.0	0.0	0.0	0.0	ROIC	n/a	n/a	n/a	6%	11%	
Asset Sales / (Purchases)	0.0	0.0	0.0	0.0	0.0	ROACE	n/a	n/a	n/a	7%	11%	
Other	0.0	0.0	0.2	0.2	0.2	FCF Yield	-17%	1%	-14%	-29%	-18%	
<b>Investing Cashflow</b>	<b>-0.2</b>	<b>-1.0</b>	<b>-18.9</b>	<b>-50.1</b>	<b>-50.1</b>	<b>DIVIDEND AND FRANKING</b>						
Share Issuance / (Buyback)	11.8	0.0	20.8	0.0	0.0	Dividend (US¢/sh)	0	0	0	0	0	
Drawdown / (Repayment) of Debt	0.5	0.0	0.0	46.8	29.6	Payout ratio	0%	0%	0%	0%	0%	
Dividends	0.0	0.0	0.0	0.0	0.0	Franking Balance (US\$mn)	0	0	0	0	0	
Other	-0.5	-0.1	0.0	0.0	0.0	<b>VALUATION (A\$)</b>						
<b>Financing Cashflow</b>	<b>11.9</b>	<b>-0.1</b>	<b>20.8</b>	<b>46.8</b>	<b>29.6</b>	PRODUCTION ASSETS	0.01					
Surplus / Defecit	-5.6	0.9	0.4	0.0	0.0	DEVELOPMENT ASSETS	0.21					
<b>BALANCE SHEET (US\$mn)</b>						RESOURCES	0.07					
Current Assets	25.5	29.6	9.3	17.3	20.5	EXPLORATION	0.01					
Non-Current Assets	75.9	58.6	77.7	128.0	180.3	EV adjustments	0.06					
<b>Total Assets</b>	<b>101.3</b>	<b>88.2</b>	<b>87.0</b>	<b>145.3</b>	<b>200.8</b>	<b>TOTAL</b>	<b>0.36</b>					
Current Liabilities	8.8	1.5	1.5	3.9	5.3	PREMIUM/(DISCOUNT)	0.0					
Non-Current Liabilities	14.9	13.2	13.2	57.6	85.8	<b>PRICE TARGET</b>	<b>0.36</b>					
<b>Total Liabilities</b>	<b>23.7</b>	<b>14.7</b>	<b>14.7</b>	<b>61.5</b>	<b>91.1</b>							
<b>Net Assets</b>	<b>77.7</b>	<b>73.4</b>	<b>72.3</b>	<b>83.8</b>	<b>109.6</b>							
Total Cash	6.7	7.6	8.0	8.0	8.0							
Total Debt	0.0	0.0	0.0	46.8	76.4							
<b>Net Debt</b>	<b>-6.7</b>	<b>-7.6</b>	<b>-8.0</b>	<b>38.8</b>	<b>68.4</b>							

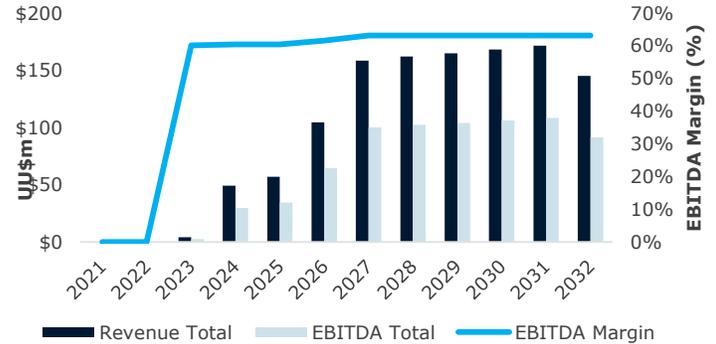
Source: Company reports, Canaccord Genuity estimates

**Figure 2: Production forecast**



Source: Canaccord Genuity estimates

**Figure 3: Revenue and EBITDA**



Source: Company reports, Canaccord Genuity estimates

**Figure 4: Valuation build-up**

Asset	Equity %	Net Capacity klb	NPV A\$m	Risking %	Riskd NPV A\$m	Riskd NPV A\$ps
Existing contracts pre Lance start-up			10.3	100%	10.3	0.01
<b>PRODUCTION ASSETS</b>		<b>0.00</b>	<b>10.3</b>	<b>100%</b>	<b>10.3</b>	<b>0.01</b>
Lance Stage 1	100%	Variable	180.1	80%	144.0	0.12
Lance Stage 2	100%	Variable	147.8	80%	118.2	0.10
<b>DEVELOPMENT ASSETS</b>			<b>327.9</b>		<b>262.3</b>	<b>0.21</b>
Barber Resource	100%		136.3	65%	88.6	0.07
<b>RESOURCES</b>			<b>136.3</b>		<b>88.6</b>	<b>0.07</b>
Other exploration					10.0	0.01
<b>EXPLORATION</b>					<b>10.0</b>	<b>0.01</b>
<b>Net Debt, Balance sheet adj. &amp; corp. overhead</b>					<b>76.1</b>	<b>0.06</b>
Premium / (Discount)						0.00
<b>Price Target</b>						<b>0.36</b>

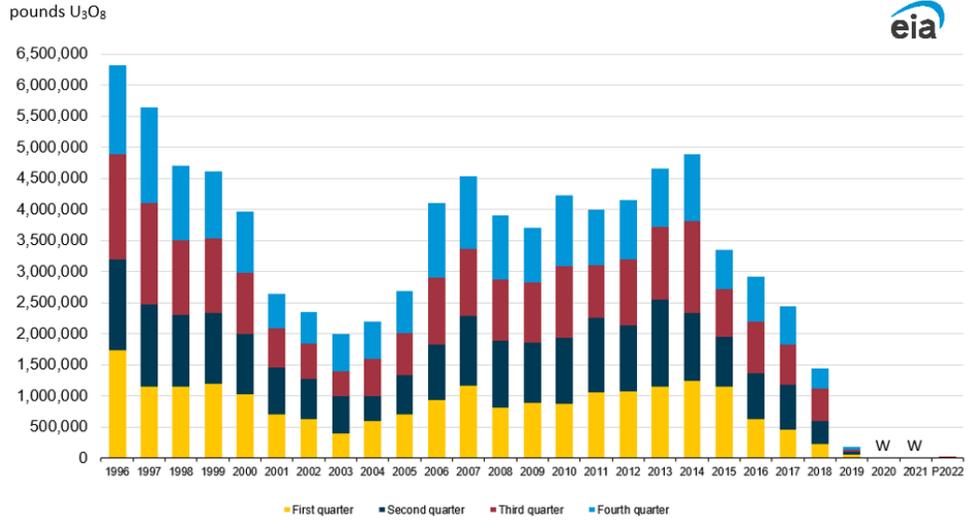
Source: Canaccord Genuity estimates

**Figure 5: Valuation sensitivity to U308 price and forex**

		Average U308 Prices						
		\$/ps	US\$65/lb	US\$70/lb	US\$75/lb	US\$80/lb	US\$85/lb	US\$90/lb
AUD/USD	0.63	0.33	0.36	0.39	0.43	0.46	0.49	
	0.68	0.32	0.35	0.38	0.41	0.44	0.47	
	0.73	0.30	0.33	0.36	0.39	0.42	0.44	
	0.78	0.29	0.32	0.35	0.37	0.40	0.43	
	0.83	0.29	0.31	0.33	0.36	0.38	0.41	
	0.88	0.28	0.30	0.32	0.35	0.37	0.39	

Source: Canaccord Genuity estimates

**Figure 4: US domestic U<sub>3</sub>O<sub>8</sub> production has fallen to essentially zero while consumption is running at ~50Mlb/y**



Source: EIA

**Figure 6: Comparables**

	Lotus Resources Limited	Paladin Energy Ltd	Boss Energy Ltd	Peninsula Energy Limited	Bannerman Energy Ltd	Deep Yellow Limited	Energy Resources Australia Ltd
<b>Market Data</b>							
Analyst	James Bullen	James Bullen	James Bullen	James Bullen			
Ticker	LOT-AU	PDN-AU	BOE-AU	PEN-AU	BMN-AU	DYL-AU	ERA-AU
Reporting Currency	AUD	AUD	AUD	AUD	AUD	AUD	AUD
Share price	\$0.22	\$0.79	\$2.40	\$0.13	\$1.81	\$0.73	\$0.24
CG Rating	Spec Buy	Buy	Spec Buy	Spec Buy	N/A	N/A	N/A
CG Target Price	\$0.38	\$1.15	\$3.22	\$0.36	N/A	N/A	N/A
Return %	77%	46%	34%	177%	N/A	N/A	N/A
Basic O/S (M)	1327	2980	353	999	150	732	3691
M/Cap	\$285	\$2,354	\$846	\$162	\$272	\$530	\$886
Cash	\$5	\$255	\$231	\$8	\$52	\$72	\$83
Debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Enterprise Value	\$280	\$2,099	\$615	\$154	\$220	\$458	\$803
Liquidity (M, 30d Avg Daily Value Traded)	\$0	\$8	\$3	\$0	\$1	\$2	\$0
<b>Project Data</b>							
Project Name (Main project only)	Kayelekera	Langer Heinrich	Honeymoon	Lance	Etonga	Tumas	Jabiluka
Country	Malawi	Namibia	Australia	USA	Namibia	Namibia	Australia
Type of operation (OP / UG / ISR)	OP	OP	ISR	ISR	OP	OP	OP
Historically achieved forecasted production target?	Yes	Yes	No	No	New	New	New
Number of year project historically operated	5	10	3	4	NA	NA	NA
Total historical production	11	43	1	0	NA	NA	NA
Study Level	DFS	FEED Study	FEED Study	DFS			
Forecasted annual production (Mlb pa)	2	6	2	2	4	3	NA
Initial Capital Cost (US\$)	78	81	63	119	274	320	NA
AISC (US\$/lb)	38	33	27	32	40	30	NA
Resource (Mlb)	46	92	72	51	207	114	NA
Grade (ppm)	500	445	620	479	220	263	NA
Global Resource (Mlb)	46.3	362.9	71.6	53.0	207.0	276.0	301.0
Global Reserves (Mlb)	N/A	36.4	N/A	N/A	N/A	68.4	3.8
EV/Resource (\$/lb)	\$3.9	\$3.7	\$5.5	\$1.9	\$0.7	\$1.1	\$1.7

Source: FactSet, Company reports, Canaccord Genuity estimates for covered names

## Appendix: Important Disclosures

### Analyst Certification

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research, and (iii) to the best of the authoring analyst's knowledge, she/he is not in receipt of material non-public information about the issuer.

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### Sector Coverage

Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

### Investment Recommendation

Date and time of first dissemination: December 05, 2022, 14:30 ET

Date and time of production: December 05, 2022, 01:22 ET

### Target Price / Valuation Methodology:

Peninsula Energy Limited - PEN

Our target price is derived from a DCF-based sum-of-the-parts valuation, comprising our NPV8% of the staged Lance project, a nominal value for exploration, and net cash.

### Risks to achieving Target Price / Valuation:

Peninsula Energy Limited - PEN

**Financing risks:** Our analysis suggests that PEN will require additional capital to fund the development costs for the Lance project for which we have risked our valuation. PEN is reliant on equity/debt/external capital to fund capital commitments, and there is no guarantee that accessing these markets will be achieved without dilution to shareholders.

Furthermore, accurate estimates of capital costs for the project remain subject to completion of pre-feasibility and feasibility studies, which may see capital requirements exceed our model assumptions. There is no guarantee that studies will result in a positive investment decision for the project.

**Operational risks:** Once in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (noting flowsheet changes to address previous challenges), geological and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets and negatively impact valuation.

Further, the yellow cake product specifications may differ from initial test work interpretations which can also materially impact product acceptance by customers and therefore earnings from forecast production.

**Implementation risks:** We note the compressed development schedule will require concurrent plant commissioning of Stage 1 followed soon after by the installation of Stage 2 equipment and then Stage 3. This sequence presents a natural risk that delays in Stage 1 could impact Stage 2 and therefore Stage 3 which present downside risk to our cash flow projections.

**Market risks:** PEN's sales revenue is dependent on being able to secure term contracts for its proposed level of production and priced with the required mechanisms that will enable proactive capital and budgetary management. We note the protracted nature of negotiating uranium product offtake with the potential that timelines could be prolonged to ensure than an acceptable order book is agreed on.

**Commodity price and currency fluctuation:** The company as a near-term uranium producer is exposed to commodity price and currency fluctuations, often driven by macro-economic forces including inflationary pressure, interest rates and supply and demand of commodities. These factors are external and could reduce the profitability, costing and prospective outlook for the business.

**Geological and resource risk:** The actual characteristics of a mineral deposit may differ significantly from initial interpretations and expectations. PEN's plan incorporates Mineral Resources whose actual economics are yet to be determined. Grades and tonnages for Exploration Targets are conceptual in nature.

**Distribution of Ratings:**

**Global Stock Ratings (as of 12/05/22)**

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	636	66.39%	27.83%
Hold	145	15.14%	17.93%
Sell	14	1.46%	0.00%
Speculative Buy	155	16.18%	40.00%
	958*	100.0%	

\*Total includes stocks that are Under Review

**Canaccord Genuity Ratings System**

**BUY:** The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

**HOLD:** The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

**SELL:** The stock is expected to generate negative risk-adjusted returns during the next 12 months.

**NOT RATED:** Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

**Risk Qualifier**

**SPECULATIVE:** Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

**12-Month Recommendation History (as of date same as the Global Stock Ratings table)**

A list of all the recommendations on any issuer under coverage that was disseminated during the preceding 12-month period may be obtained at the following website (provided as a hyperlink if this report is being read electronically) <http://disclosures-mar.canaccordgenuity.com/EN/Pages/default.aspx>

**Required Company-Specific Disclosures (as of date of this publication)**

Peninsula Energy Limited currently is, or in the past 12 months was, a client of Canaccord Genuity or its affiliated companies. During this period, Canaccord Genuity or its affiliated companies provided investment banking services to Peninsula Energy Limited.

In the past 12 months, Canaccord Genuity or its affiliated companies have received compensation for Investment Banking services from Peninsula Energy Limited .

In the past 12 months, Canaccord Genuity or any of its affiliated companies have been lead manager, co-lead manager or co-manager of a public offering of securities of Peninsula Energy Limited or any publicly disclosed offer of securities of Peninsula Energy Limited or in any related derivatives.

Canaccord Genuity or one or more of its affiliated companies intend to seek or expect to receive compensation for Investment Banking services from Peninsula Energy Limited in the next three months.

Canaccord Genuity received a fee for its role as Lead Manager to Peninsula's \$32m equity raising at \$0.131 on 25 November 2022.

**Peninsula Energy Limited Rating History as of 12/02/2022**



Buy (B); Speculative Buy (SB); Sell (S); Hold (H); Suspended (SU); Under Review (UR); Restricted (RE); Not Rated (NR)

## Required Company-Specific Disclosures (as of date of this publication)

### Past performance

In line with Article 44(4)(b), MiFID II Delegated Regulation, we disclose price performance for the preceding five years or the whole period for which the financial instrument has been offered or investment service provided where less than five years. Please note price history refers to actual past performance, and that past performance is not a reliable indicator of future price and/or performance.

### Online Disclosures

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