Canaccord Genuity
Capital Markets

Australian Equity Research
31 August 2023

Lowering Target Price

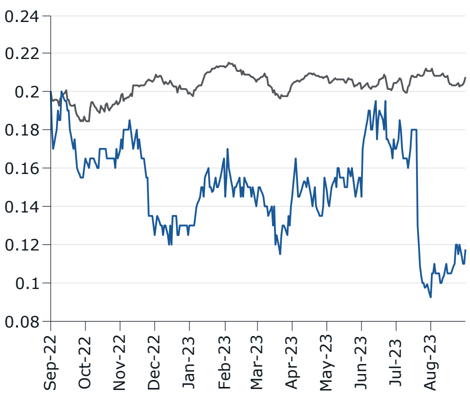
Peninsula Energy Limited
Specialty Minerals and Metals

Rating	Price Target
SPECULATIVE BUY *unchanged*	**A$0.20↓** *from A$0.28*
PEN-ASX	Price **A$0.09**

Market Data

52-Week Range (A$) :	0.09 - 0.20
Avg Daily Vol (000s) :	5
Avg Daily Vol (M) :	6.3
Market Cap (A$M) :	113.0
Shares Out. (M) :	1,241.6
Dividend /Shr (US$) :	0.00
Dividend Yield (%) :	0.0
Enterprise Value (A$M) :	105
NAV /Shr :	0.20

FYE Jun	2022E	2023E	2024E	2025E
Sales (US$M)	18.3	6.0	0.0	16.9↑
Previous	-	-	-	*0.0*
EBITDA (US$M)	(5.8)	(2.2)	(3.6)	6.0↑
Previous	-	-	-	*(3.4)*



PEN
S&P/ASX All Ordinaries (rebased)

Source: FactSet

Priced as of close of business 31 August 2023

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.

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Updated Lance development plan

Post Uranium Energy Corp's (UEC) decision to terminate its toll processing agreement with the company, PEN is repositioning itself as a fully independent, end-to-end producer of dry yellowcake. Today it released the results of a revised life-of-mine plan which was largely in line with our forecasts but did suffer from higher opex and lower annual production. This, in conjunction with funding risks, has resulted in us lowering our DCF-based price target to $0.20 (from A$0.28). We retain our SPEC BUY rating.

Key study outcomes as presented:

- First production in very late CY24 (~6 months earlier than prior CGe).
- Remaining capex spend to first production of US$53.4mn and ramp-up period capex of US$17.4mn.
- Life-of-mine production of 14.8Mlb U3O8.
- Steady state production rate of 1.8Mlb/annum (down from 2.0Mlb in DFS), the processing facility will have a 2.0Mlb capacity.
- Pre-tax net present value (NPV8) of US$116.2mn (down from $125mn in DFS).
- Average forecast sales price of US$67.1/lb (up from $62.4/lb in DFS).
- Direct operating cash costs of US$21.69/lb (up from US$16.34/lb in DFS primarily due to acid cost assumptions).
- All-in sustaining costs (AISC) of US$42.5/lb (up from US$39/lb in DFS).
- US$95mn in incremental funding required (Figure 2).

We remain more bullish about the ultimate potential of Lance

The current mine plan contemplates the extraction of only 14.8Mlb of U3O8 (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 19.2Mlb over a 13-year LOM. Additionally, we value Lance using a US$75/lb LT U3O8 price for uncontracted production. While these assumptions are more bullish than this study, they are in line with our constructive uranium view (higher prices = higher extraction). We value Lance at A$0.12/share (50% risked), which equates to US$4.9/lb of resource, and additionally include a pound-in-the-ground allowance of US$1.00 beyond our Lance DCF.

Domestic US production needs to lift, in our view

The most recent US domestic uranium production report by the DOE is a tough read for the world's largest uranium consumer. U3O8 production in JunQ'23 totalled a tiny 7,443lb, all from Wyoming. If the US wants to improve energy security it needs developments like Lance, and this will require the right pricing signals. The IRA has provided some incentives, as has the strategic reserve, but more is required, and we believe Lance will likely be a key beneficiary of any proposed measures.

Playing down financial risk of existing contracts

Based on previous announcements PEN has contractual commitments to deliver in 4Q CY23. The company has indicated that these sales contracts are for up to 5.25Mlbs U_3O_8 extending through 2033 with major utilities. During the call today it reiterated that customers are willing to extend flexibility.

Cash and inventory position

At 30 June 2023 PEN had a cash balance of US$21.5m and a strategic inventory balance of 210,000lbs U_3O_8 valued at US$12.6m (price $60/lb). It has no debt.

Trading at a low EV/Resource

The company has 53.7Mlbs U3O8 of JORC (2012) Resources. Post the move today the company is trading at an EV/lb of US$0.7/lb. Compare this with the US$2.6/lb that UEC paid for the undeveloped Rough Rider asset in late 2022.

Figure 1: Financial summary

FY Jun 30	2021	2022	2023E	2024E	2025E
PROFIT & LOSS (US$mn)					
Revenue	9.8	18.3	6.0	0.0	16.9
Operational Costs	0.0	0.0	0.0	0.0	-5.8
Royalty	0.0	0.0	0.0	0.0	-1.7
Other COGS	-8.5	-15.2	-4.5	0.0	0.0
Other Income	0.7	0.6	0.0	0.0	0.0
Business Devt & Expl	0.0	0.0	-2.0	-2.0	-2.0
Corporate & Other	-2.8	-9.5	-1.7	-1.6	-1.5
EBITDA	**-0.9**	**-5.8**	**-2.2**	**-3.6**	**6.0**
DD&A	0.0	0.0	0.0	0.0	1.9
EBIT	**-0.9**	**-5.8**	**-2.2**	**-3.6**	**7.9**
Net Financing	0.0	0.0	0.3	0.4	-3.9
NPBT	**-0.9**	**-5.8**	**-1.8**	**-3.2**	**4.0**
Tax	-0.6	1.3	0.5	1.0	-1.2
Reported NPAT	**-1.6**	**-4.5**	**-1.3**	**-2.2**	**2.8**
Non-Controlling Interest	0.0	0.0	0.0	0.0	0.0
Sig Items, Discon Ops & Mins	0.0	0.0	0.0	0.0	0.0
Normalised NPAT	**-1.6**	**-4.5**	**-1.3**	**-2.2**	**2.8**
Effective income tax rate	-70%	22%	30%	30%	30%
CASHFLOW (US$mn)					
Cash receipts	3.4	32.6	6.0	0.0	16.9
Payments to suppliers	-11.5	-20.8	-8.2	-3.6	-11.0
Interest received	0.1	0.0	0.3	0.4	-0.5
Interest paid	-0.1	0.0	0.3	0.4	-3.9
Other	-9.2	-9.8	0.0	1.3	-37.5
Operating Cashflow	**-17.3**	**2.0**	**-1.5**	**-1.5**	**-36.0**
Payments for PP&E	0.0	0.0	0.0	0.0	0.0
Payments for Development	-0.2	-1.0	-6.6	-27.4	-49.3
Payments for Exploration	0.0	0.0	0.0	0.0	0.0
Asset Sales / (Purchases)	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.2	0.2	0.2
Investing Cashflow	**-0.2**	**-1.0**	**-6.4**	**-27.2**	**-49.1**
Share Issuance / (Buyback)	11.8	0.0	20.8	0.0	0.0
Drawdown / (Repayment) of Debt	0.5	0.0	0.0	25.4	85.1
Dividends	0.0	0.0	0.0	0.0	0.0
Other	-0.5	-0.1	0.0	0.0	0.0
Financing Cashflow	**11.9**	**-0.1**	**20.8**	**25.4**	**85.1**
Surplus / Defecit	-5.6	0.9	12.9	-3.2	0.0
BALANCE SHEET (US$mn)					
Current Assets	25.5	29.6	21.9	17.3	24.8
Non-Current Assets	75.9	58.6	65.2	92.5	143.7
Total Assets	**101.3**	**88.2**	**87.0**	**109.8**	**168.6**
Current Liabilities	8.8	1.5	1.5	2.8	7.0
Non-Current Liabilities	14.9	13.2	13.2	37.4	118.2
Total Liabilities	**23.7**	**14.7**	**14.7**	**40.2**	**125.2**
Net Assets	**77.7**	**73.4**	**72.3**	**69.7**	**43.3**
Total Cash	6.7	7.6	20.5	17.3	17.3
Total Debt	0.0	0.0	0.0	25.4	110.5
Net Debt	**-6.7**	**-7.6**	**-20.5**	**8.1**	**93.2**

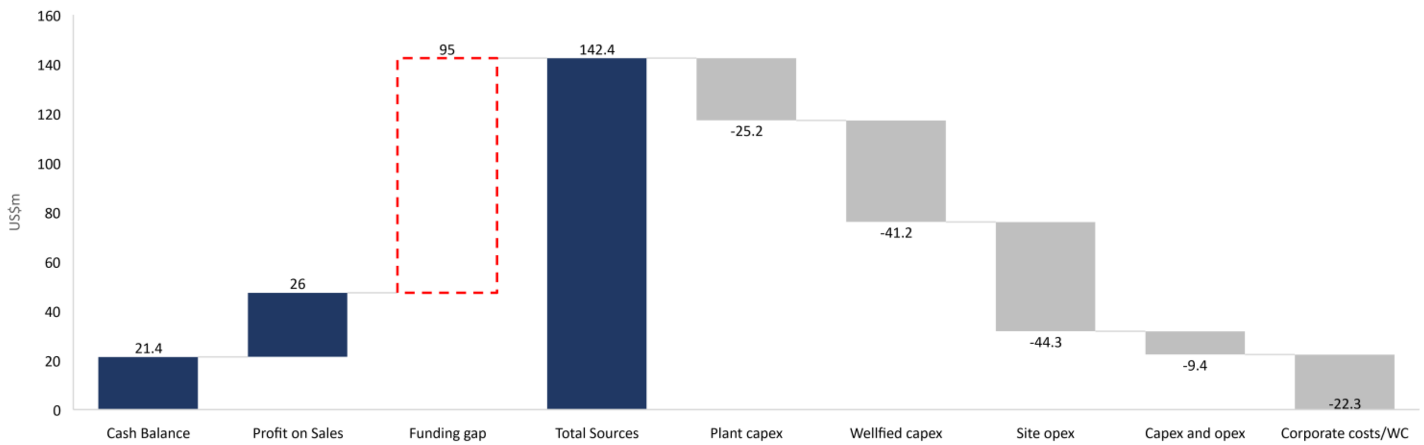
	2021	2022	2023E	2024E	2025E
KEY ASSUMPTIONS					
Spot U3O8 (US$/lb)	32.3	52.3	63.8	73.8	75.4
A$/US$	0.70	0.72	0.69	0.69	0.70
REALISED PRICES					
U3O8 (US$/lb)	0.0	0.0	0.0	0.0	75.8
PRODUCTION FORECASTS					
U3O8 (klbs)	0.0	0.0	0.0	0.0	223.2
Total (klbs)	0.0	**0.0**	**0.0**	**0.0**	**223.2**
RESOURCES					
Lance Measured (Mlbs)	3.9				
Lance Indicated (Mlbs)	11.9				
Lance Inferred (Mlbs)	38.1				
Total (Mlbs)	**53.9**				
PER SHARE DATA					
Average Shares (Diluted, M)	803	954	1150	1242	1242
EOP Shares (Diluted, mn)	996	997	1242	1242	1242
Normalised EPS (US¢/sh)	-0.2	-0.5	-0.1	-0.2	0.2
CF PS (US¢/sh)	-2.2	0.2	-0.1	-0.1	-2.9
FCF PS (US¢/sh)	-2.2	0.1	-0.7	-2.3	-6.9
RATIOS					
Dividend Yield	0%	0%	0%	0%	0%
PE	n/a	n/a	n/a	n/a	39.6
PCF (Debt Adj)	n/a	42.0	n/a	n/a	n/a
EV / EBITDA	n/a	n/a	n/a	n/a	34
Gearing (ND / ND + E)	n/a	n/a	n/a	10%	68%
Net Debt / EBITDA	n/a	n/a	n/a	n/a	n/a
Interest Cover	-25.1x	-1945x	0.0x	0.0x	2.0x
ROE (Reported Profit / Av Equity)	n/a	n/a	n/a	n/a	5%
ROIC	n/a	n/a	n/a	n/a	2%
ROACE	n/a	n/a	n/a	n/a	2%
FCF Yield	-24%	1%	-8%	-26%	-76%
DIVIDEND AND FRANKING					
Dividend (US¢/sh)	0	0	0	0	0
Payout ratio	0%	0%	0%	0%	0%
Franking Balance (US$mn)	0	0	0	0	0
VALUATION (A$)	**Risked**				
PRODUCTION ASSETS	0.01				
DEVELOPMENT ASSETS	0.12				
RESOURCES	0.03				
EXPLORATION	0.01				
EV adjustments	0.03				
TOTAL	**0.20**				
PREMIUM/(DISCOUNT)	0.0				
PRICE TARGET	**0.20**				

Source: Company Reports, Canaccord Genuity estimates

Targeting first production in late CY24

It has ben a rough month for PEN, but the company has worked quickly to put together an alternative mine plan after UEC unceremoniously terminated its tolling agreement. With an estimated incremental US$95mn in funding required to deliver the accelerated construction of a processing plant plus well field development there is no denying the risks, but this is a sector with serious tailwinds and an EV/resource of US$0.7/lb is attractive, in our view.

Figure 2: Sources and uses through to positive cash flow (August 2025)



Source: Company reports, Canaccord Genuity

With US$34mn in cash and physical inventory the company does have some time to work towards a funding solution. To this end the company is in the process of conducting exploratory discussions with government agencies regarding support for the project and will be talking to debt providers as it attempts to reduce the call on fresh equity.

Study summary

The updated study is very similar to Lance Stage 2 as presented in the DFS. It continues to only include Ross and Kendrick, with the JORC compliant resources in Barber excluded.

The company is targeting first production in December 2024 with annual production ramping up to 1.8Mlb by 2029 (see Figure 4 for CGe production profile). This is a reduction from the DFS which had a production plateau of 2.0Mlb and is due to a forecast tightness in the drilling market. Over the 10-year mine life Ross & Kendrick produce 14.8Mlbs U_3O_8. As noted previously we have used 19.2Mlb and a 13-year mine life for our valuation.

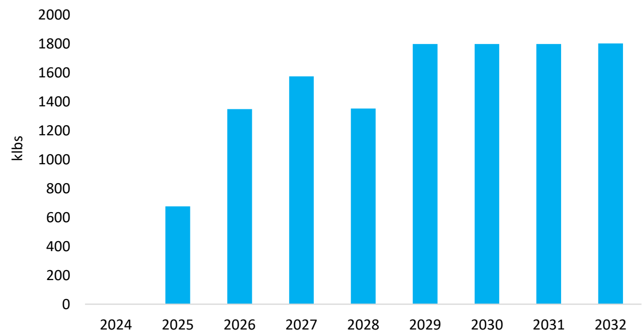
Capex to first production is estimated at US$53.4mn with subsequent ramp-up capex budgeted at US$17.4mn. C1 operating costs of US$21.69/lb reflects an increase of 32%, while we acknowledge the inflationary environment since the DFS was released, this was a disturbing increase.

Figure 3: Study summary

Study outcomes	US$
LoM CAPEX	285.8M
Remaining CAPEX to First Production	53.4M
Ramp-up stage CAPEX (first production to 5,000 GPM flow)	17.4M
LoM Wellfield Replacement & Sustaining CAPEX	215.0M
LoM Project Revenue from Sale of Lance Production (real)	988M
Weighted Average Sales Price used in the LoM	67.07/lb
Average Price Received for Uncontracted Production	72.62/lb
LoM Operating Cashflow (before tax)	258.2M
NPV8	116.2M
IRR	26.0%
All in Sustaining Costs (AISC)	42.46/lb
All in Costs (AIC)	50.27/lb

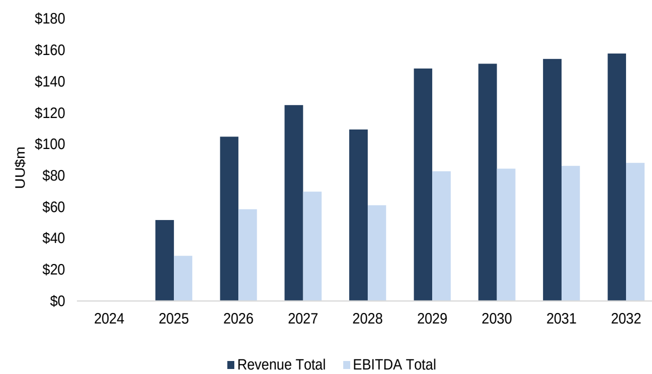
Source: Company reports, Canaccord Genuity

Figure 4: Production forecast



Source: Canaccord Genuity estimates

Figure 5: Revenue and EBITDA



Source: Canaccord Genuity estimates

Figure 6: Valuation build-up

Asset	Equity %	Net Capacity klb	NPV A$mn	Risking %	Risked NPV A$mn	Risked NPV A$ps
Existing contracts pre Lance start-up			10.3	100%	10.3	0.01
PRODUCTION ASSETS		**0.00**	**10.3**	**100%**	**10.3**	**0.01**
Lance	100%	Variable	308.2	50%	154.1	0.12
DEVELOPMENT ASSETS			**308.2**		**154.1**	**0.12**
Barber Resource	100%		136.3	30%	40.9	0.03
RESOURCES			**136.3**		**40.9**	**0.03**
Other exploration					10.0	0.01
EXPLORATION					**10.0**	**0.01**
Net Debt, Balance sheet adj. & corp. overhead					**37.2**	**0.03**
Premium / (Discount)						0.00
Price Target						**0.20**

Source: Canaccord Genuity estimates

Figure 7: Comparables

Company Info								Project data									Multiples	
Name	Ticker	Share Price	Target Price	Rating	Cash + Inventory (US$M)	Debt (US$M)	EV (US$M)	Project Name	Country	Capital Intensity	Initial Capex	AISC (US$/lb)	Resource (Mlb)	Grade (ppm)	Resource	Reserve	EV/Resource (US$/lb)	P/NAV
Lotus Resources Ltd	LOT-AU	0.22	0.36	Spec Buy	$10	$0	$184	Kayelekera	Malawi	39	78	38	46	500	51	23	$3.6	0.6
Paladin Energy Ltd	PDN-AU	0.84	1.15	Buy	$126	$0	$1,502	Langer Heinrich	Namibia	20	118	33	128	415	382	63	$3.9	0.7
Boss Energy Ltd	BOE-AU	3.46	3.22	Spec Buy	$126	$0	$665	Honeymoon	Australia	57	113	27	72	620	72	-	$9.3	1.1
Peninsula Energy Ltd	PEN-AU	0.09	0.28	Spec Buy	$34	$0	$41	Lance	USA	30	70	32	54	480	54	-	$0.8	0.3
Silex System Ltd	SLX-AU	3.21	5	Spec Buy	$89	$0	$404	Paducah	USA	170	850	25	N/A	N/A	N/A	-	N/A	na
Fission Uranium Corp.	FCU-CA	0.77	1.4	Spec Buy	$35	$0	$380	PLS Project	Canada	131	1182	15	130	12600	135	94	$2.8	0.6
NexGen Energy Ltd	NXE-CA	7.15	10.75	Spec Buy	$74	$58	$2,579	Rook I Project	Canada	60	1306	6	257	31000	337	240	$7.6	0.7
Denison Mines Corp	DML-CA	1.91	3	Spec Buy	$34	$0	$1,145	Wheeler River	Canada	42	322	7	135	29000	284	111	$4.0	0.6

Source: FactSet, Company reports, Canaccord Genuity estimates

Appendix: Important Disclosures

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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: August 31, 2023, 02:32 ET

Date and time of production: August 31, 2023, 02:32 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 08/31/23)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	607	66.78%	22.24%
Hold	120	13.20%	9.17%
Sell	17	1.87%	5.88%
Speculative Buy	153	16.83%	48.37%
	909*	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

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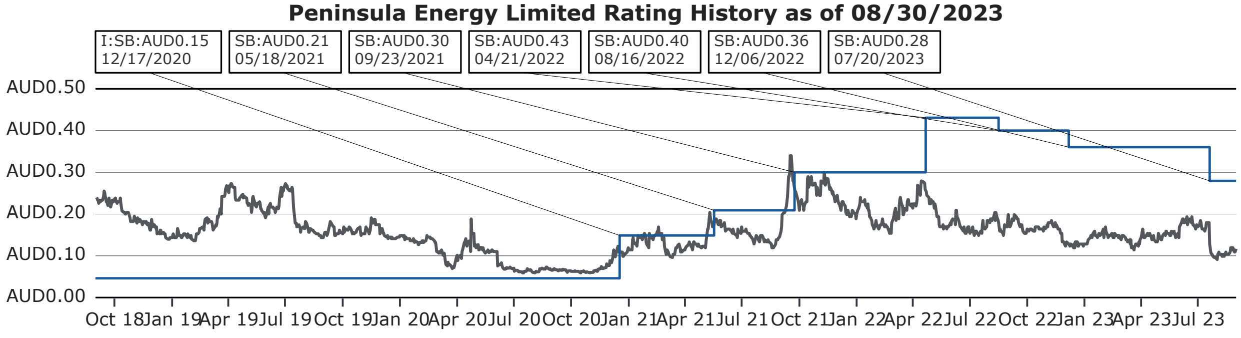
An analyst has visited the material operations of Peninsula Energy Limited. No payment was received for the related travel costs.

Peninsula Energy Limited Rating History as of 08/30/2023



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

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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.

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