

Peninsula Energy (PEN)

Rating: Buy | Risk: High | Price Target: \$4.60

14 January 2025

Kendrick mine permit approved, Lance production commenced, new CEO

Key Information

Current Price (\$ps)	1.38
12m Target Price (\$ps)	4.60
52 Week Range (\$ps)	0.97 - 2.82
Target Price Upside (%)	233.1%
TSR (%)	233.1%
Reporting Currency	USD
Market Cap (\$m)	220
Sector	Energy
Avg Daily Volume (m)	0.5
ASX 200 Weight (%)	0.01%

Fundamentals

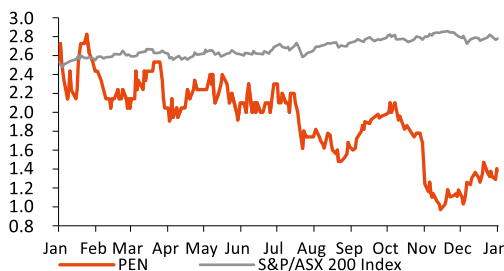
YE 30 Jun (USD)	FY24A	FY25E	FY26E	FY27E
Sales (\$m)	12	12	85	127
NPAT (\$m)	(12)	(20)	25	60
EPS (cps)	(0.6)	(1.2)	15.9	37.5
EPS Growth (%)	(79.2%)	nm	nm	135.6%
DPS (cps) (AUD)	0.0	0.0	0.0	0.0
Franking (%)	0%	0%	0%	0%

Ratios

YE 30 Jun	FY24A	FY25E	FY26E	FY27E
P/E (x)	nm	(72.4)	5.4	2.3
EV/EBITDA (x)	(7.4)	(4.6)	2.5	1.2
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 (%)	17.7%	12.0%	(29.9%)	(55.3%)
Absolute (%)	16.9%	11.3%	(31.0%)	(45.5%)
Benchmark (%)	(0.8%)	(0.7%)	(1.1%)	9.8%



Price performance indexed to 100

Source: FactSet

Major Shareholders

Paradise Investment Management	8.8%
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Event

Peninsula Energy has announced that it has received the final approval to expand the mine permit area to include the Kendrick Project area. It has also announced that early-stage operations have generated ~1,100lbs of uranium. The company is fully funded through first production with a cash balance of US\$45m at 31-Dec-24.

Highlights

- Lance is an In-Situ Recovery (ISR) uranium project whereby uranium is leached from the orebody in an acid solution before being recovered in an ion-exchange resin. Key features of the project include:
 - First production in Dec-24 and ramping up to 1.8Mlb steady state by 2029.
 - Capex to first production of US\$83.5, with a further US\$17.4m required to reach cash flow breakeven.
 - C1 operating costs of US\$21.69/lb and AISC of US\$42.46/lb.
- Initial production is from Mine Unit 1 with flow being routed to the rebuilt Phase 1 satellite plant ion exchange system for uranium capture. Peninsula is reporting that the flow rates and grades are matching the planned levels.
- The captured uranium will be stored on the ion exchange resin until the Phase 2 plant area is fully commissioned in 1Q CY2025.
- Construction is continuing in the Phase 2 plant area, with Peninsula focused on completing the resin elution and precipitation circuits by mid-January, allowing first elutions and yellowcake precipitation at that time.
- The completed construction of the yellowcake filtration and drying circuits are currently scheduled for February, which would lead to production of the first dry yellowcake product by early March.
- The Peninsula share price has recently been impacted by delays in development of Mine-Unit-3 (MU-3) and lower flowrates from MU-3 than expected. As a result, production guidance for CY25 was reduced from 700-900klb to 600klb. CY26 reduced from 1.4-1.6Mlb to 1.1-1.3Mlb but CY27 increased from 1.4-1.6Mlb to 1.5-1.7Mlb. Long term production rates are unaffected.
- Peninsula had a cash balance of approximately US\$45m on 31 December 2024 (down from US\$68m at 31-Oct), which is enough to see the company through to first production. In our modelling we have removed the US\$22m expected to be received from the options and now incorporate a US\$25m working capital debt facility in 2025 which is enough to see Peninsula through to cash flow positive whilst maintaining a minimum ~US\$20m cash balance.
- Peninsula also recently announced management and board changes. George Bouk will be replacing Wayne Heili as CEO and Managing Director. Chairman John Harrison will also be stepping down later in 2025 once the management and board renewal process is complete. Other directors Harrison Barker and Mark Wheatley will also step down in 2025. Wayne Heili will remain in a technical adviser role.
- Peninsula will be hosting a conference call at 12noon AEDT on Thu Jan 16th to discuss recent progress and the outlook for 2025. Investors can register for the conference call at this link: <https://s1.c-conf.com/diamondpass/10044261-sewvmp.html>.

Recommendation

We retain our BUY recommendation and \$4.60 price target.

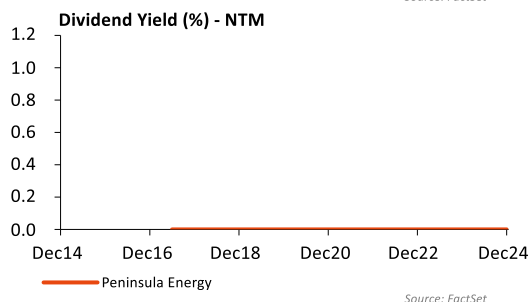
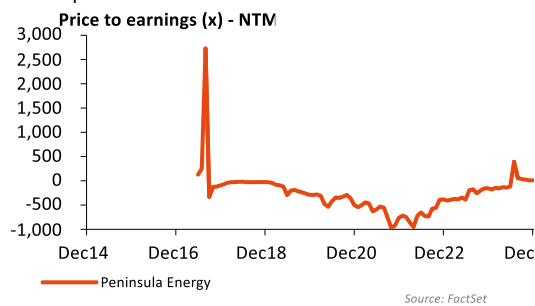
Peninsula Energy
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Energy

FactSet: PEN-AU / Bloomberg: PEN AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	1.38
Target Price (\$ps)	4.60
52 Week Range (\$ps)	0.97 - 2.82
Shares on Issue (m)	160
Market Cap (\$m)	220
Enterprise Value (\$m)	152
TSR (%)	233.1%

Company Description

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 Project is restarting operations with targeted first production in late 2024 and positive free cash flow in mid 2025. PEN is the only ASX company with direct exposure to US Government initiatives which are pro-domestic mine development.



Financial Year End: 30 June

Investment Summary (USD)	FY23A	FY24A	FY25E	FY26E	FY27E
EPS (Reported) (cps)	(0.3)	(0.6)	(1.2)	15.9	37.5
EPS (Underlying) (cps)	(0.3)	(0.6)	(1.2)	15.9	37.5
EPS (Underlying) Growth (%)	23.3%	(79.2%)	nm	nm	135.6%
PE (Underlying) (x)	nm	nm	(72.4)	5.4	2.3
EV / EBIT (x)	(29.3)	(7.4)	(4.2)	3.5	1.5
EV / EBITDA (x)	(29.3)	(7.4)	(4.6)	2.5	1.2
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 (%)	(0.3%)	(0.9%)	(6.5%)	10.7%	33.7%
Profit and Loss (USD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	40	12	12	85	127
Sales Growth (%)	120.8%	(70.6%)	1.1%	610.9%	49.3%
Other Operating Income	0	1	1	1	1
EBITDA	(4)	(12)	(20)	36	73
EBITDA Margin (%)	(11.0%)	nm	nm	42.3%	57.5%
Depreciation & Amortisation	0	0	(2)	(10)	(13)
EBIT	(4.4)	(12.4)	(21.7)	26.0	60.1
EBIT Margin (%)	(11.0%)	nm	nm	30.5%	47.2%
Net Interest	0	0	2	(1)	(0)
Pretax Profit	(4)	(12)	(20)	25	60
Minorities	0	0	0	0	0
NPAT Underlying	(4)	(12)	(20)	25	60
Significant Items	0	0	0	0	0
NPAT Reported	(4)	(12)	(20)	25	60
Cashflow (USD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
EBIT	(4)	(12)	(22)	26	60
Tax Paid	0	0	0	0	0
Net Interest	0	1	2	(1)	(0)
Change in Working Capital	0	0	(10)	(8)	(10)
Depreciation & Amortisation	0	0	2	10	13
Other	9	16	0	0	0
Operating Cashflow	5	5	(28)	27	63
Capex	(12)	(33)	(66)	(13)	(17)
Acquisitions and Investments	0	0	0	0	0
Disposal of Fixed Assets/Investments	0	0	0	0	0
Other	(0)	0	0	0	0
Investing Cashflow	(12)	(33)	(66)	(13)	(17)
Free Cashflow	(7)	(28)	(93)	15	46
Equity Raised / Bought Back	21	106	0	0	0
Dividends Paid	0	0	0	0	0
Change in Debt	0	0	25	0	0
Other	0	0	0	0	0
Financing Cashflow	21	106	25	0	0
Exchange Rate Effect	0	0	0	0	0
Net Change in Cash	14	78	(68)	15	46
Balance Sheet (USD) (m)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	21	100	31	46	92
Accounts Receivable	1	2	1	7	10
Inventory	12	2	10	14	21
Other Current Assets	0	0	0	0	0
PPE	24	35	92	93	95
Total Assets	62	146	141	167	226
Accounts Payable	4	5	1	3	4
Short Term Debt	0	0	0	0	10
Long Term Debt	0	0	25	25	15
Total Liabilities	16	18	39	41	42
Total Shareholder Equity	91	185	165	191	251
Ratios	FY23A	FY24A	FY25E	FY26E	FY27E
ROE (%)	(4.2%)	(8.9%)	(11.2%)	14.2%	27.0%
Gearing (%)	(30.3%)	(115.6%)	(4.0%)	(12.3%)	(36.3%)
Net Debt / EBITDA (x)	4.8	8.0	0.3	(0.6)	(0.9)
Price to Book (x)	30.4	24.1	0.8	0.7	0.5

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 U3O8 market is relatively opaque and difficult to forecast. The actual uranium price may differ substantially from our forecasts.
- Operations for PEN are in the early stages of commissioning 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 perform as expected.
- Resource risks - PEN's 2022 Ross and Kendrick DFS assumes an overall resource recovery of 66% and a resource conversion of 61% to convert the Ross and Kendrick Area Inferred resources to Indicated or greater quality.
- 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.

Core drivers and catalyst

- PEN's flagship Lance Projects in Wyoming, USA, requires low upfront capital and can rapidly restart. PEN is the only ASX company with direct exposure to US Government initiatives which are pro-domestic mine development.
- PEN's flagship Lance Projects in Wyoming, USA, requires low upfront capital and can rapidly restart. PEN is the only ASX company with direct exposure to US Government initiatives which are pro-domestic mine development. We have a A\$0.27ps 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\$9m in CY22 (450klbs). The company has long-term sales contracts extending to 2033, up to 5.25Mlbs at US\$56-58/lb U3O8 with major utilities across Europe and the US.
- The company is switching operations from high to low pH in order to increase product yields. The results of an 18-month field demonstration indicated that the targeted low-pH chemistry and field patterns are effective in dissolving and recovering uranium.
- The company released a Definitive Feasibility Study in Aug22 which details a Lance Projects NPV8 (pre-tax) of US\$125m and 43% IRR at an average U3O8 price of US\$62/lb. Other components include. In August 2023 the company released a revised plan to move directly to the previous stage 2 operation. Key parameters include: a life of mine (LOM) of 10 years with a plateau production of 1.8Mlbs/yr, upfront capital expenditure of ~US\$70m, and an estimated All-in-Sustaining-Cost (AISC) of US\$42/lb U3O8 over LOM.
- 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), and the company has direct exposure to the US Government uranium purchase program 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

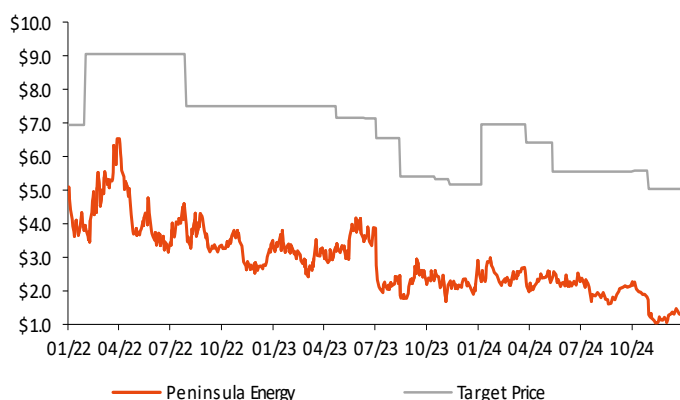
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Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	73	91%
Hold	7	9%
Sell	0	0%

History of Investment Rating and Target Price - Peninsula Energy

Date	Closing Price (\$)	Target Price (\$)	Rating
15-Jan-25	1.38	4.60	Buy
14-Jan-25	1.41	4.81	Buy
15-Nov-24	1.24	4.83	Buy
16-Oct-24	2.00	5.19	Buy
28-May-24	2.20	5.16	Buy
11-Apr-24	2.14	6.10	Buy
22-Jan-24	2.14	6.54	Buy
27-Nov-23	2.05	4.85	Buy
1-Nov-23	2.53	5.19	Buy
31-Aug-23	1.77	5.17	Buy
19-Jul-23	2.53	6.00	Buy
27-Jun-23	3.21	6.61	Buy
9-May-23	2.92	6.56	Buy
15-Aug-22	3.51	6.60	Buy
17-Feb-22	3.31	7.79	Buy



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