

**Peninsula Energy Limited (PEN-AU)**  
**Rating: Buy**

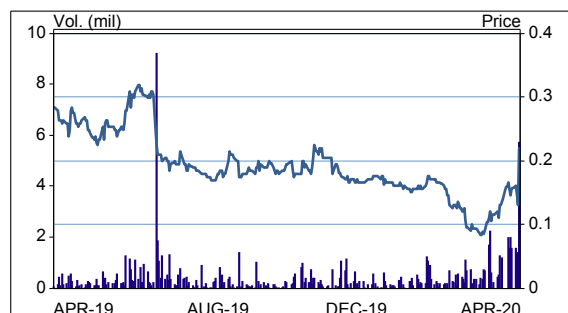
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**Peninsula Likely to Benefit From NFWG Recommendations; Final Approval for Low pH Recovery Method at Lance; Reiterate Buy**

Stock Data		04/23/2020	
Price		A\$0.22	
Exchange		ASX	
Price Target		A\$0.40	
52-Week High		A\$0.33	
52-Week Low		A\$0.08	
Enterprise Value (M)		A\$87	
Market Cap (M)		A\$69	
Shares Outstanding (M)		315.0	
3 Month Avg Volume		675,352	
Short Interest (M)		NA	
Balance Sheet Metrics			
Cash (M)		A\$8.58	
Total Debt (M)		A\$26.52	
Total Cash/Share		A\$0.03	
EPS Diluted			
Full Year - Jun	2019A	2020E	2021E
FY	(0.18)	(0.04)	(0.04)
Revenue (\$M)			
Full Year - Jun	2019A	2020E	2021E
FY	6.6	0.0	0.0

EPS quoted as cents per share.



**Publication of the Nuclear Fuel Working Group (NFWG) report.** On April 23, 2020, the U.S. Secretary of Energy released the long-awaited NFWG report regarding the Section 232 investigation on the effect of uranium imports which may ultimately threaten national security. We highlight that the NFWG was first created in July 2019, while the report concluded that “it is in the nation’s national security interest to preserve the assets and investments of the entire U.S. nuclear enterprise and to revitalize the sector to regain U.S. global nuclear leadership.” The report outlines a variety of potential actions that could further improve the positive attributes of nuclear power, revive uranium mining, milling, and conversion capabilities, strengthen domestic technology prowess, and increase exports. We anticipate that the President will strongly consider pursuing each recommendation given the implication of national security. We invite readers to click [here](#) for the full 32-page NFWG report.

**Near-term initiative to strengthen the domestic nuclear industry.** Overall, the report promotes creating a \$1.5B Uranium Reserve, and in turn, minimizing reliance on foreign entities such as Russia for uranium imports. Notably, the Uranium Reserve was already included in the President’s FY21 Proposed Budget that has outlined annual purchases of \$150M in domestically produced uranium, either from U.S. miners or conversion services, over a ten-year period. In short, this initiative aims to revitalize the domestic uranium market that has been neglected, underappreciated, and mostly in standby mode over the last few years.

**Other recommendations for longer-term benefits.** The report outlines other recommendations to support the front-end of the nuclear fuel cycle, such as increasing R&D spending that is likely to improve reactor technology, expanding the Uranium Reserve, and reducing undue permitting and regulatory burdens that may ultimately level the domestic playing field. More specifically, it proposes ending the Department of Energy’s (DOE) bartering of uranium, as well as reevaluating the DOE’s Excess Uranium Inventory Management Policy. Additionally, the report suggests enabling the Nuclear Regulatory Commission to deny imports of nuclear fuel produced in Russia or China as a matter of national security. We note that any recommendations other than the budget proposal are required to go through budgetary, regulatory, and policy development processes prior to execution.

**Final approval of low pH recovery method at Lance.** On April 17, 2020, Peninsula announced that the Wyoming Department of Environmental Quality had provided its final approval for the utilization of low pH (acid leach) recoveries at Lance. This approval is expected to allow for the development of new mining units utilizing low pH *in-situ* recovery (ISR) methods throughout the Ross Permit Area within Lance. This permission, in turn, is likely to significantly lower operating costs for the area. We view the continued de-risking of Lance through the aforementioned approval as a significant step towards justifying ISR production at the property.

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**We reiterate our Buy recommendation on shares of Peninsula Energy and maintain our price target of A\$0.40 per share.** Our valuation remains based on a DCF of operations at the Lance Projects, utilizing a 10% discount rate. We use an average uranium sales price of \$50/lb for FY23 and beyond, which is in line with the firm's long-term contractual sales commitments. We consider Peninsula an attractive way to participate in the domestic uranium space, especially given the proposed creation of a Uranium Reserve by the NFWG. In conclusion, we highlight the operation's robust resource of 53.9M pounds of uranium, and expect Peninsula to participate and support in the proposed Uranium Reserve purchases.

**Risks.** (1) Financing risk; (2) uranium price risk; (3) operating and technical risk; (4) political risk.

	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
(000s US\$)								
Revenue	-	-	-	25,000	50,000	75,000	100,000	100,000
Total operating costs	3,500	3,500	3,500	13,500	22,500	30,000	37,500	37,500
Corporate costs	7,000	7,000	8,000	8,000	8,000	8,000	8,000	8,000
Operating income	(14,000)	(14,000)	(15,000)	(2,000)	12,000	27,500	43,000	43,000
EBITDA	1,000	1,000	-	13,000	27,000	42,500	58,000	58,000
Taxes	-	-	-	-	-	3,750	8,400	8,400
<b>EPS</b>	<b>(\$0.05)</b>	<b>(\$0.05)</b>	<b>(\$0.05)</b>	<b>(\$0.01)</b>	<b>\$0.04</b>	<b>\$0.08</b>	<b>\$0.12</b>	<b>\$0.12</b>
Cash Flow	(19,000)	(3,636)	(4,132)	6,011	15,026	23,285	29,917	27,197
Total capital costs	20,000	83,000	5,000	5,000	5,000	5,000	5,000	5,000
NPV @ 10%	<b>\$99,392</b>							
NAV / share (A\$)	<b>\$0.40</b>							

Source: H.C.W. estimates and company reports.

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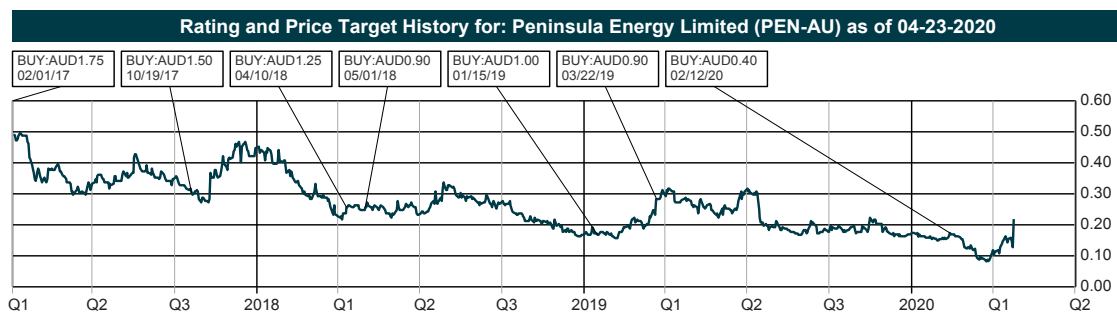
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			Count	Percent
Buy	380	90.69%	128	33.68%
Neutral	36	8.59%	6	16.67%
Sell	0	0.00%	0	0.00%
Under Review	3	0.72%	3	100.00%

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