

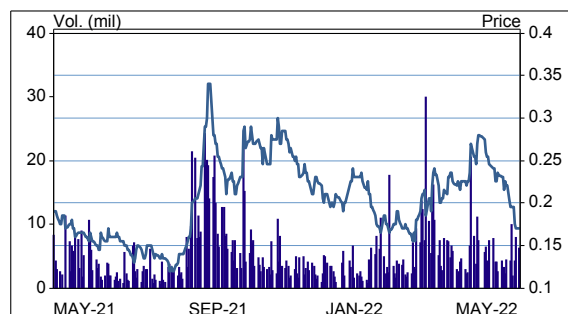
**Peninsula Energy Limited (PEN.AX)**  
**Rating: Buy**

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**Visit to Peninsula's Lance Project in Wyoming as Site Remains Poised for Ramp-Up in Production; Reiterate Buy**

Stock Data		05/17/2022		
Price		A\$0.17		
Exchange		ASX		
Price Target		A\$0.50		
52-Week High		A\$0.35		
52-Week Low		A\$0.12		
Enterprise Value (M)		A\$160		
Market Cap (M)		A\$170		
Shares Outstanding (M)		997.3		
3 Month Avg Volume		6,475,954		
Balance Sheet Metrics				
Cash (M)		A\$10.00		
Total Debt (M)		A\$0.02		
Total Cash/Share		A\$0.01		
<i>Cash (M): as of 12/31/21.</i>				
EPS (\$) Diluted				
Full Year - Jun	2021A	2022E	2023E	
FY	(0.01)	0.00	0.02	
Revenue (\$M)				
Full Year - Jun	2021A	2022E	2023E	
FY	9.8	24.8	45.5	

*EPS quoted as cents per share.*



**On May 9, we revisited Peninsula Energy's Lance project in northern Wyoming.** In short, this most recent trip reiterated the top-tier nature of the asset amid its significant land package and showed some marked improvements when compared with our last visit to the site in January 2016. Unsurprisingly, the operation maintains significant infrastructure, which we were able to view firsthand, as well as licensing for expanded capacity. Looking ahead, we believe the company remains poised to ramp-up production should market conditions warrant increased domestic uranium production, the likelihood of which seems to be high.

**Lance offers meaningful opportunities for exploration and resource expansion.** As discussed later in this report, Peninsula's land holdings at Lance allow for strong exploration. We stress that drilling expenses (related to the rig) over the last two years have only increased by about 10% notwithstanding recent inflationary trends. In turn, we believe resource delineation at site remains increasingly inviting based on the relatively low increase in costs.

**Highlighting Peninsula's impressive safety record.** As with our last visit, safety at the site remains a paramount responsibility for all stakeholders. Strata Energy, the local subsidiary operating the site, has had 1,827 days (~ 5 years) without a lost-time injury (LTI) as of our visit. This figure was proudly displayed not only on a sign in the entryway but also in the main office at the plant. In general, we noticed a variety of safety precautions, inline with safety measures one would generally find at other North American mining operations. Going forward, we view Peninsula's safety track record as extraordinarily impressive and believe that management successfully displays a continued focus on its personnel and the surrounding community.

**We are reiterating our Buy rating on shares of Peninsula and our PT of A\$0.50.** Our valuation remains based on a DCF of operations for the Lance Projects to which we utilize an unchanged 10% discount rate. We also maintain our dynamic uranium sales pricing estimate of \$55/lb in FY22, \$60/lb in FY23, and \$65/lb thereafter. We ultimately believe that Peninsula Energy remains an attractive way to participate in the domestic uranium space, in part because U.S.-based uranium holds a variety of advantages over production that is to be received from more geopolitically challenged areas.

**Near-term catalysts.** At present, management expects to provide updated economic evaluations for Lance in the near-term, as well as work towards a final investment decision for the restart of its site. We stress that the company is looking into amendments to existing permits and licenses, while remaining proactive regarding activities related to a variety of sales contracts. We reiterate Lance's attractive value proposition, which we believe has become increasingly recognizable given the rising importance of domestic uranium resources at site.

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

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**On May 9, 2022, we visited Peninsula's Lance project in northern Wyoming.** The day started with a commercial flight from Denver to Gillette, Wyoming, the nearest airport with commercial airline service, before a quick one-hour drive to site. Upon arrival, we received a safety induction and an overview presentation of the site and the various changes the company has made since our last visit. Following the presentation, we had a chance to head into the field, and once again see the operations up close and personal.

**Exhibit 1: Peninsula's (Strata Energy) Ross In-Situ Recovery (ISR) Project**



*Source: H.C. Wainwright & Co. site visit to Peninsula Energy on May 9, 2022.*

**Our last visit to Lance was in January 2016.** At the time, Peninsula had just started operations at its site using a single wellhouse. We stress that the overall area of the site has grown quite meaningfully since our last visit. In contrast, the plant looks mostly the same as it did in 2016 - while the weather in May was (unsurprisingly) quite a bit warmer than during our last visit in the winter.

**Safety at site remains paramount.** As with our last visit, safety at the site remains a paramount responsibility for all stakeholders. Strata Energy, the local subsidiary operating the site, has had 1,827 days without a LTI as of our visit, and the company recently reached five years without a LTI. This figure was proudly displayed not only on a sign in the entryway but also in the main office at the plant. In general, we noticed a variety of safety precautions, inline with safety measures one would generally find at a North American mining operation.



**Exhibit 2: Sign Advertising the Extensive Number of Days Without a Lost Time Incident**



Source: H.C. Wainwright & Co. site visit to Peninsula Energy on May 9, 2022.

**Exhibit 3: Stairwells to Protect Crossing of Pipes**



Source: H.C. Wainwright & Co. site visit to Peninsula Energy on May 9, 2022.

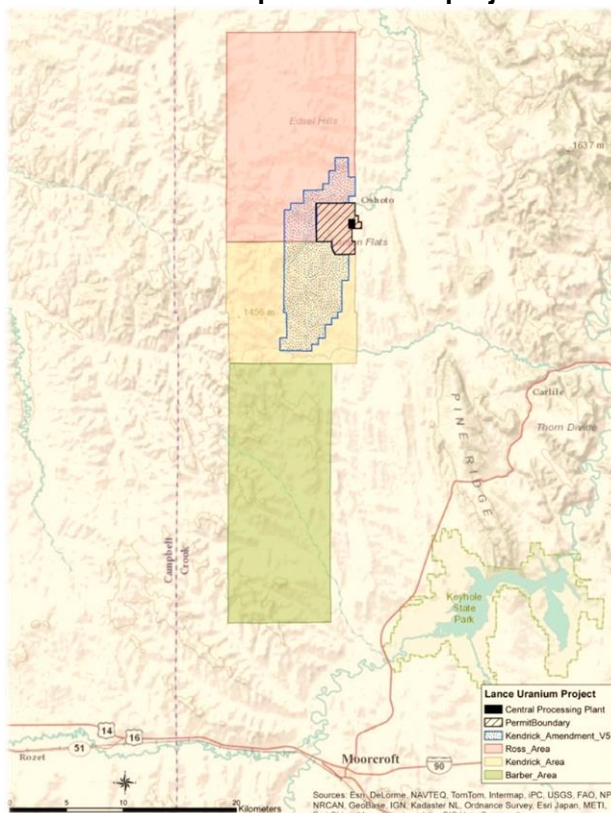
**The site currently employs 34 staff members.** While Peninsula has been hit by varying degrees of wage inflation, we stress that overall salary requirements in Wyoming remain somewhat muted. At present, the firm is paying starting salaries of about \$20/hour, in addition to a fuel stipend, given its location and current high costs of gasoline.

**Inflation has thus far yielded surprisingly low impacts on drilling expenditures.** Drilling expenses (related to the rig) over the last two years have increased by about 10%. In contrast, the cost of diesel related to drilling has unsurprisingly increased by a larger amount.

**Infrastructure at the site remains excellent.** We note that the Ross project still maintains grid power at a cost of approximately 8 cents per kWh, which is about the same cost as during our last visit. The site unsurprisingly has access to ample water and is based throughout fairly moderate landscaping without any large hills. We further highlight that the company has extensive surface rights and a large land package, which should allow for future exploration in the area.

**Not only does Lance contain excess capacity, but the site also has meaningful areas for exploration.** Importantly, Lance spans an area of about 20 x 5 miles, while the firm thus far has only explored a small part of this. In total, the project has seen 4,738 historical drilling holes thus far, with an additional 2,250 holes under Peninsula's ownership. Looking ahead, we stress that management anticipates a meaningful amount of holes to be drilled this year.

**Exhibit 4: Map of the Lance project**



Source: Company reports.

**Lance still has excess licensed capacity.** The site currently has a licensed capacity of 3.00M pounds (lbs) per year, which vastly exceeds the current capacity of the plant of 1.15Mlbs per year. In our view, this excess capacity makes Lance quite interesting based on a recent push to ensure domestic uranium supply, given increases in geopolitical risk factors related to uranium imports.

**Our initial stop during our tour was Header House 9.** At present, the Ross area at Lance remains in focus. Long-term, management expects its Kendrick area to become the next focus, as we stress that permitting for the area is already fully underway. Management currently spends about \$100,000 on permitting for Kendrick during the year, with expectations for the area to get fully permitted by the end of 2023.



**Exhibit 5: Header House 9**



*Source: H.C. Wainwright & Co. site visit to Peninsula Energy on May 9, 2022.*

**Exhibit 6: Active Operations at Header House 9**



*Source: H.C. Wainwright & Co. site visit to Peninsula Energy on May 9, 2022.*

**Peninsula currently operates Mine Unit (MU) 1 and MU2.** In short, MU1 currently has four header houses, while MU2 has 6 header houses. Going forward, the firm has a meaningful amount of expansion potential as total landholdings include about 13,400 acres of federal lands, approximately 11,500 acres of state lands, and an overall landholding of about 38,400 acres.

**Peninsula currently operates about 300 production wells at site.** In addition, the firm has 400 injection wells and about 120 monitoring wells in operation. The small sample of wells we had a chance to see were in good condition and universally had spilling protection installed, which automatically cuts off the well upon a spill.

**Exhibit 7: Production Well OZ-431 (Part of Header House 9)**



*Source: H.C. Wainwright & Co. site visit to Peninsula Energy on May 9, 2022.*

**Exhibit 8: Numerous Injection and Production Wells From Header House 9**



*Source: H.C. Wainwright & Co. site visit to Peninsula Energy on May 9, 2022.*



**Our final stop of the tour was the process plant.** Importantly, Peninsula still sends resins to a processing plant owned by Uranium Energy Corp. (UEC; Buy). Current estimates call for about \$20M to bring the firm's full ISR process flow in-house, while transportation expenditures for the 110-mile trip are about \$2,000 per trip for the truck. Importantly, the firm currently averages a single truck of resins per day.

#### Exhibit 9: Truck Carrying Resin



Source: H.C. Wainwright & Co. site visit to Peninsula Energy on May 9, 2022.

**The plant still has meaningful room for expansion.** Management appears to be ready to ramp-up capacity at site at a fairly quick pace if market conditions warrant such a move. We stress that not only is the site operating below its maximum capacity, but also reiterate that the operation is already permitted for a capacity level vastly exceeding current production levels, as discussed above.

#### Exhibit 10: Field Demonstration Components



Source: H.C. Wainwright & Co. site visit to Peninsula Energy on May 9, 2022.

**Exhibit 11: Tanks at Lance**

Source: H.C. Wainwright & Co. site visit to Peninsula Energy on May 9, 2022.

**Peninsula continues to maintain its on-site lab.** The lab, which currently employs one person, adds a variety of efficiencies to processing at Lance. In short, Peninsula currently spends only a minimal amount on its lab, but in return receives its assay results on short notice. In contrast, for the samples sent out externally, the wait time is about four weeks. We note that the firm still sends out some of its assays (such as environmental control samples) to various commercial labs in Wyoming.

**Exhibit 12: Lab at Site**

Source: H.C. Wainwright & Co. site visit to Peninsula Energy on May 9, 2022.



**In conclusion, the operation continues to show itself quite well.** While there are only a limited amount of visible changes since our last visit, management has successfully refined the site since then. As was true during our last visit, the team at site seemed to work together quite cohesively and with safety as the paramount goal for all stakeholders.

**There are only limited residents or other external influences in the area.** Peninsula is lucky to not have to deal with any neighbors in close proximity of its site. In addition, we saw zero signs of community adversity against the site (such as signs in driveways or posters on the side of the road), which we have seen at various other mines in the past. In our view, the firm continues to be a good steward towards its surrounding community. This is made apparent through its attention to detail, an example of which is the covering of its wells with brown-colored covers to avoid being visible from the Devils Tower National Monument, which is operated by the U.S. National Park Service and located only about 15 miles away as the crow flies.

**We are reiterating our Buy rating on shares of Peninsula and our PT of A\$0.50 per share.** Our valuation remains based on a DCF of operations for the Lance Projects to which we utilize an unchanged 10% discount rate. We also maintain our dynamic uranium sales pricing estimate of \$55/lb in FY22, \$60/lb in FY23, and \$65/lb thereafter. We ultimately believe that Peninsula Energy remains an attractive way to participate in the domestic uranium space, in part because U.S.-based uranium holds a variety of advantages over production that is to be received from more geopolitically challenged areas.

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

Peninsula Energy Limited		2022E	2023E	2024E	2025E	2026E	2027E	2028E
<i>All figures in USD unless otherwise noted</i>								
Uranium price per lb		\$55	\$60	\$65	\$65	\$65	\$65	\$65
<b>Lance Projects</b>								
Production ('000s pounds of uranium)		-	575	850	1,500	1,800	2,000	2,000
		<i>Note: Estimated production start-up for FY23</i>						
Sales ('000s pounds of uranium)		450	825	850	1,500	1,800	2,000	2,000
Contracted sales price		\$55	\$60					
<b>Revenue ('000s)</b>		<b>\$ 24,750</b>	<b>\$ 49,500</b>	<b>\$ 55,250</b>	<b>\$ 97,500</b>	<b>\$ 117,000</b>	<b>\$ 130,000</b>	<b>\$ 130,000</b>
Royalties (6% of net, state & county 5% of gross) ('000s)		\$ -	\$ 3,960	\$ 4,420	\$ 7,800	\$ 9,360	\$ 10,400	\$ 10,400
<b>Net Sales ('000s)</b>		<b>\$ 24,750</b>	<b>\$ 45,540</b>	<b>\$ 50,830</b>	<b>\$ 89,700</b>	<b>\$ 107,640</b>	<b>\$ 119,600</b>	<b>\$ 119,600</b>
Cost for procurement		\$ (17,550)	\$ (9,750)					
<b>Cash margin on procured sales</b>		<b>\$ 7,200</b>	<b>\$ 5,250</b>					
Operating cost per lb		\$ -	\$27.00	\$22.50	\$20.00	\$18.75	\$18.75	\$18.75
<b>Total Operating Costs ('000s)</b>		<b>\$ -</b>	<b>\$ (15,525)</b>	<b>\$ (19,125)</b>	<b>\$ (30,000)</b>	<b>\$ (33,750)</b>	<b>\$ (37,500)</b>	<b>\$ (37,500)</b>
<b>Operating Income ('000s)</b>		<b>\$ 7,200</b>	<b>\$ 61,065</b>	<b>\$ 69,955</b>	<b>\$ 119,700</b>	<b>\$ 141,390</b>	<b>\$ 157,100</b>	<b>\$ 157,100</b>
CapEx ('000s)		\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)
Taxes ('000s)	30%	\$ -	\$ -	\$ -	\$ (37,410)	\$ (43,917)	\$ (48,630)	\$ (48,630)
		<i>Note: We assume tax loss carryforwards for FY21-FY24</i>						
<b>Total Operating Cash Flow ('000s)</b>		<b>\$ 2,200</b>	<b>\$ 56,065</b>	<b>\$ 64,955</b>	<b>\$ 77,290</b>	<b>\$ 92,473</b>	<b>\$ 103,470</b>	<b>\$ 103,470</b>
Discount Rate	10%							
<b>PV of Operating Cash Flows ('000's)</b>		<b>\$ 2,200</b>	<b>\$ 50,968</b>	<b>\$ 53,682</b>	<b>\$ 58,069</b>	<b>\$ 63,160</b>	<b>\$ 64,247</b>	<b>\$ 58,406</b>
<b>NPV ('000s)</b>		<b>\$ 350,732</b>						
Plus cash and cash equivalents ('000s)		\$ 7,019	<i>as of 3/31/22</i>					
Borrowings		\$ -	<i>as of 3/31/22</i>					
<b>Total Current Value ('000s)</b>		<b>\$ 357,751</b>						
Common Shares Outstanding (000's)		997,296 <i>as of 12/31/21</i>						
Options (000's)		27,425 <i>as of 12/31/21</i>						
Fully Diluted Shares (000's)		1,024,721 <i>as of 12/31/21</i>						
Project NAV Per Share (AUD)		\$ 0.50	AUD/USD \$ 0.70 <i>as of 5/17/22</i>					
<b>Project NAV Per Share (AUD) (Rounded to \$0.10/share)</b>		<b>\$ 0.50</b>						
PEN.AX Stock Price (AUD)		\$ 0.17	<i>as of 5/17/22</i>					
<i>Source: Company reports and H.C. Wainwright estimates.</i>								



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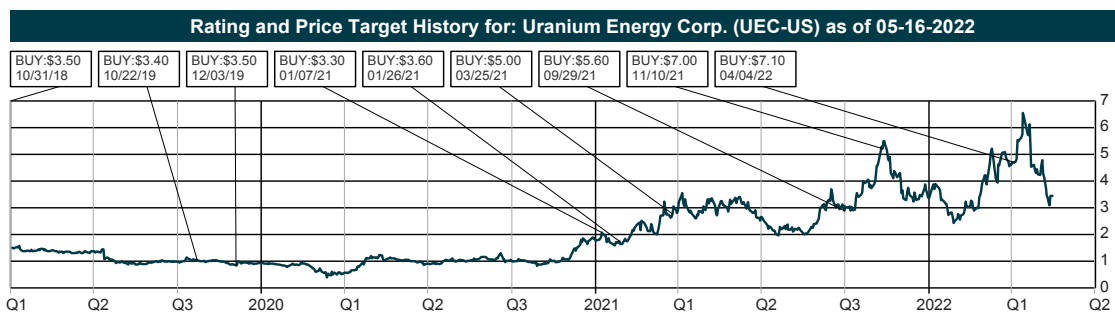
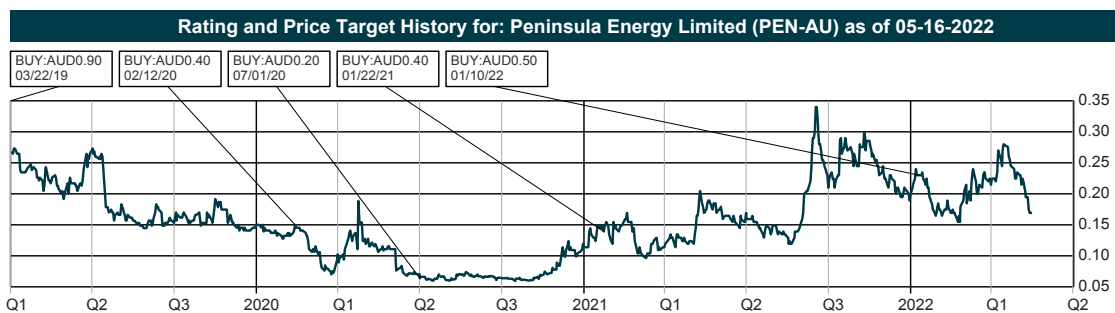
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**Related Companies Mentioned in this Report as of May/17/2022**

Company	Ticker	H.C. Wainwright Rating	12 Month Price Target	Price	Market Cap
Uranium Energy Corp.	UEC	Buy	\$7.10	\$3.73	\$1056

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Distribution of Ratings Table as of May 16, 2022				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	566	87.62%	160	28.27%
Neutral	58	8.98%	15	25.86%
Sell	2	0.31%	0	0.00%
Under Review	20	3.10%	3	15.00%

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