

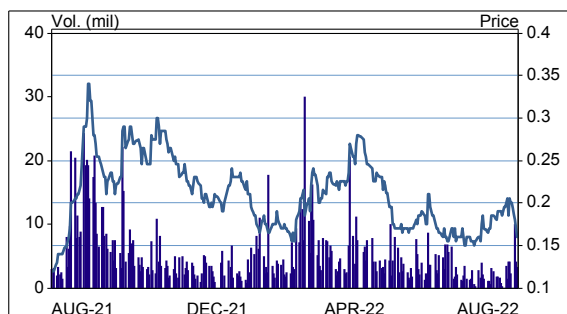
Peninsula Energy Limited (PEN.AX)
Rating: Buy

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Completion of DFS for Lance Projects Yields Key Economic and Operational Changes From 2018 FS; Reit. Buy; PT Lower

Stock Data		08/17/2022		
Price		A\$0.16		
Exchange		ASX		
Price Target		A\$0.40		
52-Week High		A\$0.35		
52-Week Low		A\$0.12		
Enterprise Value (M)		A\$152		
Market Cap (M)		A\$160		
Shares Outstanding (M)		997.3		
3 Month Avg Volume		2,997,082		
Balance Sheet Metrics				
Cash (M)		A\$7.60		
Total Debt (M)		A\$0.02		
Total Cash/Share		A\$0.01		
<i>Cash (M): as of 6/30/22</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.



Completion of Defensive Feasibility Study (DFS) for Lance. On August 15 2022, Peninsula announced the completion of a DFS for its Ross and Kendrick areas at the Lance Projects located in Wyoming. Most notably, the DFS excludes the Barber Resource Area within Lance, which was already considered in the (prior) 2018 Feasibility Study (FS). Based on the exclusion of Barber's significant resource totaling 31.9M pounds (lb) of uranium from the DFS, we highlight several changes in base assumptions when comparing the current DFS to the 2018 FS. In particular, we stress Lance's total production levels, unit costs, and overall economic outcomes of the site depending on financial parameters.

Highlighting production level changes between the DFS and 2018 FS. Importantly, the exclusion of Barber from PEN's DFS results in a two-stage expansion scenario at a planned production rate of 2.0Mlb per year. Comparably, the 2018 FS planned for a three-stage expansion scenario which included the development of a satellite plant and corresponding wellfields within the Barber Resource Area, thereby ultimately allowing for a higher production rate of 3.0Mlb per year. In turn, downward revisions to stage-one production in the DFS now equates to 820,000lbs per year (compared to the 2018 FS of 1.2Mlbs per year), followed by a ramp up to the Ross Plant facility's nameplate capacity of 2.0Mlb per year in stage-two.

Highlighting economic outcomes from the DFS. The DFS now estimates a 14-year mine life with a production rate of 1.3Mlb per year at an average sales price of \$62.38/lb. The project is ultimately expected to yield a pre-tax net present value of \$124.8M and an IRR of 43% (when applying an 8% discount rate). Additionally, changes to cost assumptions over the LOM were made, which include an increase to all-in sustaining cash costs over the LOM to \$39.08/lb (compared to the 2018 FS of \$31.77/lb).

We are reiterating our Buy rating on shares of Peninsula while lowering our PT to A\$0.40 from A\$0.50. Our reduced PT is a result of incorporating various aspects of the aforementioned DFS into our model. Our valuation remains based on a DCF of operations for the Lance Projects on which we utilize an unchanged 10% discount rate. We also maintain our dynamic uranium sales pricing estimate of \$60/lb in FY23 and \$65/lb thereafter. We maintain our expectation 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.

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Near-term catalysts. As the previously discussed DFS is now complete, we anticipate management to further de-risk the firm. As an example, the company is now assessing funding options and a final investment decision. Over the next six months, Peninsula expects to install transition facilities and ready production areas as new areas are expected to see development in the long-term. In conclusion, we view the DFS as a significant de-risking step toward bringing uranium production online and once again stress Lance's economic viability.

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

Peninsula Energy Limited		2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	
<i>All figures in USD unless otherwise noted</i>										
Uranium price per lb		\$50	\$55	\$60	\$65	\$65	\$65	\$65	\$65	
Lance Projects										
Production ('000s pounds of uranium)		-	-	575	820	820	2,000	2,000	2,000	
				<i>Note: Estimated production start-up for FY23</i>						
Sales ('000s pounds of uranium)		275	450	825	820	820	2,000	2,000	2,000	
Contracted sales price		\$48	\$55	\$60						
Revenue ('000s)		\$ 13,294	\$ 24,750	\$ 49,500	\$ 53,300	\$ 53,300	\$ 130,000	\$ 130,000	\$ 130,000	
Royalties (6% of net, state & county 5% of gross) ('000s)		\$ -	\$ -	\$ 3,960	\$ 4,264	\$ 4,264	\$ 10,400	\$ 10,400	\$ 10,400	
Net Sales ('000s)		\$ 13,294	\$ 24,750	\$ 45,540	\$ 49,036	\$ 49,036	\$ 119,600	\$ 119,600	\$ 119,600	
Cost for procurement		\$ (13,750)	\$ (17,550)	\$ (9,750)						
Cash margin on procured sales		\$ (456)	\$ 7,200	\$ 5,250						
Operating cost per lb		\$ -	\$ -	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	
Total Operating Costs ('000s)		\$ -	\$ -	\$ (11,500)	\$ (16,400)	\$ (16,400)	\$ (40,000)	\$ (40,000)	\$ (40,000)	
Operating Income ('000s)		\$ (456)	\$ 7,200	\$ 34,040	\$ -	\$ 32,636	\$ -	\$ 79,600	\$ -	
CapEx ('000s)		\$ (5,000)	\$ (8,400)	\$ (8,150)	\$ (43,150)	\$ (35,000)	\$ (5,000)	\$ (5,000)	\$ (5,000)	
Taxes ('000s)	30%	\$ -	\$ -	\$ -	\$ -	\$ (20,291)	\$ (25,380)	\$ (25,380)	\$ (25,380)	
		<i>Note: We assume tax loss carryforwards for FY21-FY24</i>								
Total Operating Cash Flow ('000s)		\$ (5,457)	\$ (1,200)	\$ 25,890	\$ (10,514)	\$ (22,655)	\$ 49,220	\$ 49,220	\$ 49,220	
Discount Rate	10%									
PV of Operating Cash Flows ('000's)		\$ (5,457)	\$ (1,200)	\$ 23,536	\$ (8,689)	\$ (17,021)	\$ 33,618	\$ 30,562	\$ 27,783	
NPV ('000s)		\$ 278,969								
Plus cash and cash equivalents ('000s)		\$ 7,582	as of 6/30/22							
Borrowings		\$ -	as of 6/30/22							
Total Current Value ('000s)		\$ 286,551								
Common Shares Outstanding ('000's)		997,296	as of 12/31/21							
Options ('000's)		27,425	as of 12/31/21							
Fully Diluted Shares ('000's)		1,024,721	as of 12/31/21							
Project NAV Per Share (AUD)		\$ 0.40			AUD/USD \$ 0.70	as of 8/16/22				
Project NAV Per Share (AUD) (Rounded to \$0.10/share)		\$ 0.40								
PEN.AX Stock Price (AUD)		\$ 0.17	as of 8/16/22							

Source: Company reports and H.C. Wainwright estimates.

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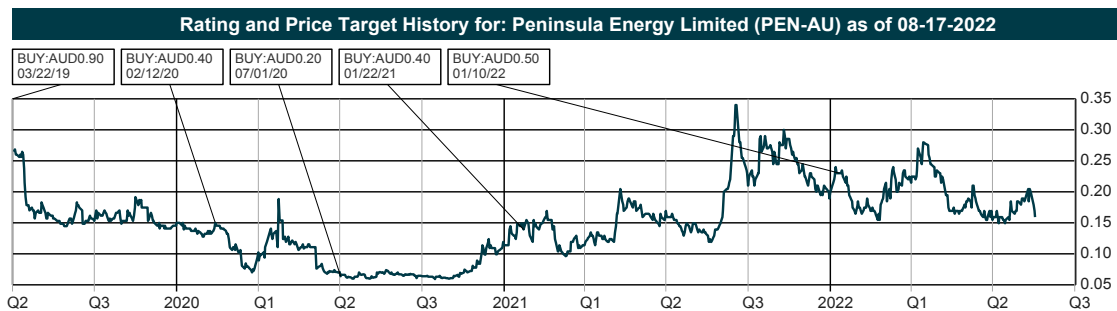
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Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
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Neutral	61	9.46%	11	18.03%
Sell	2	0.31%	0	0.00%
Under Review	16	2.48%	1	6.25%

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