



December 16, 2022

Peninsula Energy Ltd. (PENMF, PEN-AU)

Selected by the DOE to Provide for the US Strategic Reserve

Event

As announced after the market close on December 15, Peninsula Energy's wholly owned subsidiary, Strata Energy Inc. was awarded a meaningful supply contract from the Department of Energy (DOE) to provide domestically produced uranium concentrates for the \$75.0M Uranium Reserve which was established by Congress in 2020.

Details

- **Meaningful lbs Contracted Above Market Pricing** – The DOE supply contract for Peninsula calls for 300,000 lbs of US origin uranium concentrate for the Strategic Uranium Reserve. Reflecting the scarcity of domestically produced uranium (recall that a mere 3,245 lbs of uranium were produced domestically in Q3/2022), the agreed upon contract price is above the currently reported spot and term benchmarks (both slightly below \$50/lb).
- **Contract Award = Corporate Validation** – Those bidding for the DOE's RFP had until August 1, 2022 to submit their proposals. Given the level of due diligence conducted by the DOE, we see the contract award as not just validation for Peninsula's current fundamentals and business strategy (324,000 lbs U3O8 in current inventory) but also as a longer-term endorsement of the Lance Project. Recall that the full DOE RFP was for up to 1.0M lbs of US sourced uranium. With relationships now established, possible longer-term cooperation has very likely been established.
- **Much More to Come in the Near Term** – Following a November financing (~\$20M) and concurrent restart decision, ISR uranium production will commence in Q1/2023 as the operations at Lance begin to ramp up. We forecast a meaningful ~700,000 lbs produced in FY/2024. This will be followed by a stage 2 ramp which we see boosting annual production to near 2.0M lbs beginning in FY/2027. In terms of presently held contracts (ex-DOE), 3.65M lbs have been signed with utilities (highest among peers) extending until 2030.
- **Highest Project Upside Among ISR Peers** – What we stress is that out of the entire Lance project, only the M&I resources from the Kendrick and Ross areas were included for the August 2022 DFS economic analysis. Additionally, of the 21.8M lbs of M&I resource encompassing Ross and Kendrick, a relatively conservative recovery rate of 65.8% was used, thus further lowering the actual LOM production figure to 14.3M lbs. We note that of the entire Lance property, 37.8M lbs in Inferred resource was excluded from the analysis and effectively given zero value. This massive resource is larger than any other currently booked resource at any of the other US based ISR peer. We believe that this vast Inferred resource will be the source of future feedstock for the Ross Processing Plant which we note is currently licensed for up to 3.0M lbs per year.

Conclusion

Using our base LT uranium price forecast of \$70/lb, we maintain our 1.20x NAV_{8%} target of \$0.25 per share. We see the announced contract win as further validation of the Lance project. We also see the establishment of a potentially much longer-term relationship with the DOE. We see many more drivers (operationally and on the corporate front) coming in the short term. The full note and details can be found [here](#):

Company Profile

Sector	Mining
Sub-Sector	Uranium
Ticker	PENMF
Ticker	PEN.AU

Current Price (\$)	\$0.09
12-Mth Price Objective (\$)	\$0.25
Potential Upside	195%
Mkt Cap, Basic (\$M)	\$100.9M
Mkt Cap, FD (\$M)	\$102.0M
EV (\$M)	\$93.4M
Shares O/S Basic (M)	1,251.0
1-Mth Return	-22.7%
3-Mth Return	-37.9%
YTD Return	-46.8%

	2024e	2025e	2026e
U3O8 Production lbs	700,000	820,000	1,120,000

LOM Production lbs	14,300,000
LOM avg. Cash cost\$/lb	\$19.70
LOM avg. AISC\$/lb	\$42.71

Measured & Indicated	PPM U3O8	Attrib. lbs
Lance	493	21.8M

Inferred Resources	PPM U3O8	Attrib. lbs
Lance	474	37.8M

Company Description

Peninsula Energy Ltd. is an ASX listed uranium developer, singularly focused on advancing the Lance Project located in Wyoming. With 21.8M lbs U3O8 in the M&I category along with 37.8M lbs U3O8 in the Inferred category, further project upside is expected in terms of LOM and economics. As the company focuses more on diversifying its shareholder base, we would expect the current valuation discount to peers to narrow considerably

2-Year Stock Chart



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