



February 14, 2023

Peninsula Energy Ltd. (PENMF, PEN-AU)

Setting up for an Eventful Year; Numerous Drivers Ahead

Event

Late last week the U.S. Energy Information Administration (EIA) published Q4/2022 statistics for domestic uranium production. Though the figures remain anemic (174,712 lbs of uranium produced during the quarter bringing the FY/2022 figure to 193,945 lbs), we do note that the latest Q4 figure represents the highest quarter for production since Q4/2018. Though actual ISR uranium production remains minimal, note that this past year, total production from Lance (Ross CPP) amounted to 4,595 lbs. In addition to a model re-refresh, we thought no better time to highlight that Peninsula's Lance project will play a large part in re-launching the domestic uranium industry with meaningful, low pH ISR production set to begin this quarter.

Details

- **Meaningful Production Starting in Q1/2023** – Concurrent to a November financing (~\$25M), Peninsula Energy was the first among domestic ISR uranium peers to announce a meaningful return to production. We forecast a significant ~700,000 lbs produced in FY/2024, 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), up to 4.85M lbs have been signed with utilities (highest among peers) with contracts extending until 2030 and ranging from \$45-\$80/lb. Moreover, last month Peninsula was awarded a 300,000 lb supply contract (highest among peers) as part of the Department of Energy's initiative to establish a domestic uranium reserve. The DOE's initial RFP was for 1.0M lbs, note that the reserve may grow to eventually encompass total inventory amounting to \$1.50B with annual buying spread over a 10-year period. 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 but also as a longer-term endorsement of the Lance Project. Longer-term cooperation has very likely been established.
- **Highest Single Project Upside Among ISR Peers** – Seeing as management already has a proven track record for ISR development and production, we feel that though Peninsula is largely under-owned and not well known to the North American/European investor, positive operational success will shine an increasingly bright light on the company. What we stress is that out of the entire Lance project, only the M&I resources from the Kendrick and Ross areas have been 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. Of the entire Lance property, 37.8M lbs in Inferred resource was excluded from the analysis and effectively given zero value. Therein lies much of the upside potential.

Conclusion

Using our base LT uranium price forecast of \$70/lb, we maintain our \$0.25 per share target while applying a 1.30x NAV_{8%} multiple. We see many more drivers (both operationally and on the corporate front as well) coming in the near term. The full details and note can be found [here](#):

Company Profile

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

Current Price (\$)	\$0.10
12-Mth Price Objective (\$)	\$0.25
Potential Upside	150%
Mkt Cap, Basic (\$M)	\$130.9M
Mkt Cap, FD (\$M)	\$133.6M
EV (\$M)	\$123.3M
Shares O/S Basic (M)	1,257.0
1-Mth Return	-6.4%
3-Mth Return	-14.7%
YTD Return	+11.5%

	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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