

Energy Fuels uranium inventory ready to feed US reserve program

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Well positioned to supply US uranium reserves

While uranium spot prices have improved in 2020 – now at [US\\$30.75](#) – they are still currently well below previous uranium contract prices. Vanadium prices are also still struggling at [US\\$7.10](#) for V205 and [US\\$30.30](#) for ferrovanadium (both China prices). This means uranium and vanadium companies with either long-term uranium contracts or strong balance sheets can bide their time until we get a price recovery for both uranium and vanadium. The U.S. government is shortly expected to appropriate the funds for the [US\\$150 million U.S. uranium reserve program](#). Once this happens, the expectation is that the U.S. government will be looking to buy uranium from U.S. producers above the current low market uranium spot prices. Because the creation of the uranium reserve has bipartisan support, it should continue regardless of the outcome of the 2020 U.S. election.

Energy Fuels Inc. (NYSE: UUUU | TSX: EFR) is currently one of those lucky few U.S. companies that can bide their time and maintain balance sheet strength awaiting better prices. Energy Fuels is one of only three U.S. uranium miners still in production, and is the largest U.S. uranium producer in the U.S., as well as being a vanadium producer.

Energy Fuels is the leading US uranium producer and owner of the White Mesa Mill in Utah, USA



[Source](#)

Energy Fuels' recent [Q2 2020 earnings results](#) showed that despite no uranium or vanadium sales in H1 2020, the Company still increased their working capital by 8% QoQ to \$38.04 million. At June 30, 2020, the Company had \$28.3 million in cash and marketable securities, plus \$24.7 million of concentrate inventory. The Company has also recently announced [streamlining their management](#) to reduce costs, as well as a renewed focus towards planned future rare earths production.

At the same time Energy Fuels has been actively pursuing their strategy of using their White Mesa Mill to produce rare earths. They have brought in [two leading rare earths](#) experts to assist with their development and implementation of commercial and technical REE strategies. Energy Fuels' President and CEO, Mark S. Chalmers, [explained that](#) "Energy Fuels continued to consolidate our position as the clear leader in U.S. uranium production in Q2-2020, and we made significant progress in diversifying into rare earth element production."

For the remainder of 2020 Energy Fuels is aiming for 125-175,000 pounds of uranium company wide production, which should build inventory to about [640-690,000](#) pounds of uncommitted uranium. Of course the inventory build is with a view to selling at profitable prices to either the US Gov. Reserve or other buyers such as US nuclear utilities. The vanadium inventory is expected to reach [~1.675 million](#) pounds of finished vanadium by end 2020.

In a recent statement, Energy Fuels feels it is striking the right balance between realism and optimism [in its current position](#) on uranium: "COVID-related production suspensions at major global uranium mines have created a widening gap between supply and demand and a strong potential for higher prices in

the future. This means a higher realizable value for our uranium inventory. There is also good progress being made on uranium in the U.S. government. Our allies in Congress and the Trump Administration are pushing hard to fund \$150 million per year to create the U.S. uranium reserve. While progress with the U.S. government can be slow and uneven at times, there is bipartisan support for the creation of the uranium reserve, and we are optimistic this program will be funded and implemented. In addition, the U.S. government and Russia are negotiating an extension of the Russian Suspension Agreement, which is expected to lower imports of Russian uranium into the U.S. over the long-term.”

Energy Fuels summary of investment themes



[Source](#)

Closing remarks

Usually it is by investing in times of uncertainty that the greatest gains are made. Energy Fuels’ long term uranium contracts are now finished, but given that the US continues to use uranium for nuclear energy (~20% of electricity production) and for their nuclear powered US military submarines and carriers, it seems logical that 2021 will be a much better year for the US uranium producers as the US begins to build a substantial uranium reserve. Also, if we enjoy some vanadium price recovery in 2021 that would be the icing on the cake.

Currently Energy Fuels has a market cap of US\$217m, but I think 2021 will likely be a much better year for the leading US uranium miners.