Energy Fuels Announces 2017 Results

written by Raj Shah | March 10, 2018

March 9, 2018 (Source) – **Energy Fuels Inc. (NYSE American:UUUU; TSX:EFR) ("Energy Fuels" or the "Company")**, today reported its financial results for the year ended December 31, 2017. The Company's Annual Report on Form 10-K has been filed with the U.S. Securities and Exchange Commission ("SEC"), and may be viewed on the Electronic Document Gathering and Retrieval System ("EDGAR") at www.sec.gov/edgar.shtml, on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com, and on the Company's website at www.energyfuels.com. Unless noted otherwise, all dollar amounts are in US dollars.

Financial & Operational Highlights:

- $31.0 million of total revenue was realized by the Company.
- At December 31, 2017, the Company had $32.4 million of working capital, including cash and cash equivalents of $18.6 million and approximately 595,000 pounds of uranium concentrate inventory.
- Gross Profit of $8.3 million from mining and milling operations was realized by the Company.
- Gross profit margin from uranium recovery operations of approximately 27%.
- A net loss attributable to the Company of $27.8 million.
- 520,000 pounds of U_3O_8 sales were completed by the Company at an average realized price of $47.05 per pound. 320,000

pounds of sales were pursuant to long-term contracts at an average price of $62.72 per pound and 200,000 pounds of sales were from spot sales at a price of $21.99 per pound.

- 1,570,000 pounds of U_3O_8 were recovered by the Company of which 624,000 pounds were for the Company's own account and 946,000 pounds were for the account of a tolling customer.

Mark S. Chalmers, Energy Fuels' President and CEO stated: "2017 was another pivotal year for Energy Fuels. Amidst continued weakness in uranium markets, we became the largest uranium producer in the U.S., the culmination of a multi-year strategy for us."

"In order to remain strong in these challenging uranium markets, Energy Fuels continues to secure new sources of alternate feed materials and to pursue opportunities in the cleanup of abandoned uranium mines to feed the White Mesa Mill in 2018 and beyond. Vanadium also represents a very interesting opportunity for us. Vanadium prices are up over 400% since 2016, and our White Mesa Mill has produced over 45 million pounds during its history, which is over $500 million at today's vanadium prices. We are evaluating a number of very short-term opportunities to profit from recent vanadium market strength."

"In addition to the above, we filed a Section 232 Petition with the U.S. Department of Commerce, along with Ur Energy, seeking an import quota that reserves 25% of the U.S. nuclear market for U.S. uranium. The remedies, if granted, would be expected to strengthen the U.S. uranium mining industry, bolster national defense, and improve supply diversification for U.S. utilities and their customers."

"While our focus is always on uranium, and we believe we are the best positioned company in the U.S. to capitalize on a uranium

price recovery, Energy Fuels is fortunate among our peers in that we have a wide range of capabilities that allow us to capture diverse revenue-generating opportunities that are not reliant on uranium price increases."

Corporate Highlights:

On January 26, 2018, the Company announced the appointment of Mark S. Chalmers as President and Chief Executive Officer ("CEO") and a Director of the Company, effective February 1, 2018. On January 31, 2018, Stephen P. Antony retired as CEO and as a Director of the Company. This followed the July 31, 2017 appointment of Mr. Chalmers as President and Chief Operating Officer ("COO") of the Company. In addition, on February 14, 2018, the Company announced additional management streamlining, including (i) the appointment of David C. Frydenlund as Chief Financial Officer ("CFO"), General Counsel and Corporate Secretary of the Company, effective March 2, 2018, following Daniel G. Zang's departure from the role of CFO on March 1, 2018; (ii) the appointment of W. Paul Goranson as COO; and (iii) the appointment of Matthew J. Tarnowski as Chief Accounting Officer ("CAO") and Controller. The Company believes these management changes will allow the Company to realize cost savings by shrinking the size of its executive team, while also streamlining management and maintaining a high level of continuity by promoting individuals from within the organization.

On January 16, 2018, the Company and Ur-Energy (the "Petitioners") announced that they had jointly filed a Petition (the "Petition") for Relief with the U.S. Department of Commerce ("DOC") under Section 232 of the Trade Expansion Act of 1962 (as amended) from Imports of Uranium Products that Threaten National Security. The Petition describes how uranium and nuclear fuel from state-owned and state-subsidized enterprises

in Russia, Kazakhstan, Uzbekistan, and China potentially represent a threat to U.S. national security. The Petition seeks remedies which will set a quota to limit imports of uranium into the U.S., effectively reserving 25% of the U.S. nuclear market for U.S. uranium production. Additionally, the Petition suggests implementation of a requirement for U.S. federal utilities and agencies to buy U.S. uranium in accordance with the President's Buy American Policy. The remedies proposed by the Petitioners are expected to strengthen the U.S. uranium mining industry, bolster national defense, and improve supply diversification for U.S. utilities and their customers.

On May 17, 2017, the Board appointed Messrs. Benjamin Eshleman III and Robert W. Kirkwood to serve as Directors of the Company pursuant to the Board's power to increase the size of the Board by up to one-third in number between annual meetings of shareholders. Messrs. Glenn Catchpole and Ron Hochstein did not stand for re-election as Directors at the Company's Annual General Meeting of Shareholders, and therefore ceased to be Directors effective May 17, 2017. Effective June 12, 2017, Mr. Ames Brown resigned as a Director of the Company.

Project Highlights:

On August 23, 2017, the Company announced a new resource estimate for uranium and copper at the Canyon Mine. In total, the Canyon Mine is estimated to contain 139,000 tons of Measured and Indicated Mineral Resources with an average grade of 0.88% U_3O_8 containing 2,434,000 pounds of uranium, along with 18,000 tons of Inferred Mineral Resources with an average grade of 0.38% U_3O_8 containing 134,000 pounds of uranium, meaning that the total uranium resources increased by approximately 1 million pounds of U_3O_8 over the previous resource estimate. In the zone of the resource containing both uranium and copper, the estimate defines 11,939,000 pounds of copper contained in 101,000 tons of

Measured and Indicated Mineral Resources (non-additive to the above uranium resource tonnages) with an average grade of 5.93% Cu. The Canyon Mine is a fully-permitted and substantially-developed uranium/copper mine located in Northern Arizona.

On March 23, 2017, the Company received the final amendment to the Source Material License the "License Amendment") from the U.S. Nuclear Regulatory Commission ("NRC") for the expansion of the Nichols Ranch ISR Project ("Nichols Ranch"). Once all thirteen (13) wellfields are in production at Nichols Ranch (nine are currently in production), the License Amendment allows the Company to expand production into the twenty-two (22) adjacent Jane Dough wellfields. The NRC approval followed the final U.S. Environmental Protection Agency ("EPA") and Wyoming Department of Environmental Quality ("WDEQ") approvals of the aquifer exemption, which the Company announced on February 17, 2017.

On January 1, 2017, the U.S. Bureau of Land Management ("BLM") issued a Final Environmental Impact Statement ("EIS") and Record of Decision ("ROD") for the Company's Sheep Mountain Project, a large conventional uranium project located in central Wyoming. The Company now holds all of the major government approvals needed to commence mining at the Sheep Mountain Project, as the Company continues to evaluate options for processing the considerable quantities of uranium resources that may be mined at the project.

On February 23, 2018, the BLM and U.S. Forest Service ("USFS") issued their Decision Record, Final Decision Notice and Findings of No Significant Impact ("FONSI") for the La Sal Mines Complex Plan of Operations Amendment, approving the expansion of the Company's 100%-owned La Sal Complex of uranium/vanadium mines (the "La Sal Complex"). The La Sal Complex is a series of several past producing uranium/vanadium mines, currently on

standby status, along an 11-mile mineral trend located in northeast San Juan County, Utah, including the Energy Queen, Beaver/La Sal and Pandora/Snowball mines, and the Redd Block and Pine Ridge properties. At the same time, the BLM also issued the EA, Decision Record, and FONSI for the expansion of the Company's Daneros Mine. The BLM-approved Mine Plan of Operations Modification allows for expanded mining operations, the reclamation of historic mining disturbances, and the implementation of additional operational and emission controls.

On January 19, 2018, the Utah Department of Environmental Quality renewed the Company's White Mesa Mill license for another ten years, after which another application for renewal will need to be submitted. During the review period for each application for renewal, the Mill can continue to operate under its then existing license until such time as the renewed license is issued. The Mill's license was initially issued in 1980 and was also renewed in 1987 and 1997.

Asset Acquisition and Disposition Highlights:

On November 13, 2017, the Company announced it had entered into an agreement with Excalibur Industries to acquire and extinguish royalties on its Nichols Ranch Project, as well as acquire and hold royalties on nearby operating and permitted ISR uranium projects owned by Cameco Corporation, for approximately $3.5 million in shares of the Company that will be priced upon closing of the transaction, subject to certain adjustments. The Company expects the transaction to be completed by mid-2018.

On November 2, 2017, the Company announced that it had entered into an agreement to sell certain non-core uranium properties in Wyoming to Uranium Energy Corp. ("UEC") for $5.39 million, including $2.94 million in cash and $2.45 million in shares of UEC that will be priced upon the closing of the transaction. The

disposed properties are adjacent to UEC’s Reno Creek Project. The Company expects the transaction to be completed by mid-2018.

Selected Summary Financial Information:

$000, except per share data		Year ended December 31, 2017		Year ended December 31, 2016		Year ended December 31, 2015
Results of Operations:						
Total revenues	$	31,046	$	54,552	$	61,351
Gross profit		8,336		13,737		23,734
Net loss attributable to the company		(27,766)		(39,413)		(82,217)
Basic and diluted earnings (loss) per share		(0.39)		(0.70)		(2.46)
$000’s		As at December 31, 2017		As at December 31, 2016		
Financial Position:						
Working capital	$	33,296	$	24,023		
Property, plant and equipment		33,076		37,582		
Mineral properties		83,539		92,625		
Total assets		185,338		196,457		

	Total long-term liabilities		48,175		46,487		

Operations and Sales Outlook Overview:

The Company plans to extract and/or recover uranium from the following sources in 2018 (each of which is more fully described below):

- Nichols Ranch Project
- Alternate Feed Materials
- Pond Return at the White Mesa Mill

The Company is also seeking new sources of revenue, including new sources of alternate feed materials and new fee processing opportunities at the White Mesa Mill that can be processed under existing market conditions, largely unrelated to uranium sales prices, as well as evaluating the possibility of recovering vanadium from existing pond solutions at the White Mesa Mill. The Company will also continue its support of the Section 232 Trade Petition, and will evaluate additional acquisition and disposition opportunities that may arise.

Extraction and Recovery Activities Overview

The Company recovered approximately 1,570,000 pounds of U_3O_8 during the year ended December 31, 2017, of which 624,000 pounds were for the account of the Company and the remainder was for the account of third parties under various alternate feed toll processing and other arrangements. The Company expects to produce 460,000 to 520,000 pounds of U_3O_8 in the year ending December 31, 2018 for its own account.

ISR Activities

We extracted and recovered approximately 259,000 pounds of U_3O_8 from Nichols Ranch for the year ended December 31, 2017. The

Company expects to produce approximately 140,000 to 160,000 pounds of U_3O_8 in the year ending December 31, 2018 from Nichols Ranch. At December 31, 2017, the Nichols Ranch wellfields had nine header houses extracting uranium. Until such time that improvement in uranium market conditions is observed or suitable sales contracts can be entered into, the Company intends to defer development of further header houses at its Nichols Ranch Project and to keep the Alta Mesa Project on standby.

Conventional Extraction and Recovery Activities

The White Mesa Mill recovered approximately 1,312,000 pounds of U_3O_8 during the year ended December 31, 2017, primarily from alternate feed materials and from dissolved uranium in the Mill's tailings management system not recovered from previous processing activities ("Pond Return"). Of these 1,312,000 pounds of U_3O_8, 366,000 pounds were for the account of the Company and the remainder was for the account of third parties under various alternate feed toll processing and other arrangements. During the year ending December 31, 2018, the Company expects to recover approximately 320,000 to 360,000 pounds of U_3O_8 at the White Mesa Mill for its own account. All of this uranium is expected to be from alternate feed materials and Pond Return.

In addition, during 2018, the Company expects to recover additional uranium for the account of third parties under various alternate feed toll processing and other arrangements, returning all finished uranium product from those activities to the generators of the feed materials. The fees from those toll processing and other arrangements are expected to cover the Company's processing costs relating to those activities and to provide the Company with a reasonable margin.

The Company is also actively pursuing opportunities to process new and additional alternate feed sources, low grade ore from

third parties in connection with various uranium clean-up requirements and further recovery of Pond Return, as well as evaluating the possibility of recovering vanadium from existing pond solutions at the White Mesa Mill. Successful results from these activities would allow the Mill to extend the 2018 campaign into 2019 and beyond.

Conventional Evaluation, Permitting and Standby Activities

The Company has completed shaft sinking at the Canyon Project, along with underground drilling to further evaluate the deposit. On October 10, 2017, the Company filed an NI 43-101 report updating its resource estimate for the Canyon Project. The updated resource estimate significantly increased the pounds of uranium contained in the Canyon Project over previously reported estimates. It also upgraded a large portion of the resources from the Inferred resource category to the Measured and Indicated resource categories, and quantified significant copper resources. The Company believes it has identified reasonable options for processing these copper resources at its White Mesa Mill as a by-product with uranium. If successful, the recovered copper would provide a credit that would effectively lower the U_3O_8 production cost per pound at the mine.

During 2018, the Company plans to complete the construction of the main mine sump at the Canyon Project before mid-year 2018, after which time all field activities will have been completed. The Company plans to continue to carry out engineering, metallurgical testing, procurement and construction management activities in 2018, including additional bench and pilot plant scale metallurgical test work of the uranium/copper mineralization, as well as pursue any additional permitting actions that may be required to recover copper at the White Mesa Mill.

The Company is selectively advancing certain permits at its other major conventional uranium projects. The Company plans to continue the licensing and permitting of the Roca Honda Project, a large, high-grade conventional project in New Mexico, with the Record of Decision currently now scheduled to be completed in 2019. The Company will maintain required permits at the Company's conventional standby projects including the La Sal Project and the Daneros Project. The Company will also continue to evaluate the Bullfrog Property at its Henry Mountains Project. All of these projects serve as important pipeline assets for the Company's future conventional production capabilities, as market conditions warrant. A number of the Company's conventional mines also have substantial vanadium resources which the Company is currently evaluating, particularly with the recent increases in vanadium prices to over $13 per pound.

Cost Cutting Measures

During 2017, the Company engaged in significant cost-cutting measures. We reduced our total number of employees from 195 in 2016 to an estimated 108 for 2018, representing a reduction of approximately 45% since 2016. Further, since 2016, the Company has streamlined its executive management team, including recently announced management changes, by reducing the number of its senior executive officers from six to three, representing a reduction of 50%, and a significant reduction in general and administrative expenses. The Company has also significantly reduced its land holding costs, while maintaining its core properties and resource base. Finally, since the beginning of 2016, the Company has sold or entered into agreements to sell surplus equipment and other assets as well as non-core mineral properties, including the recent sale of our Reno Creek Property in 2018, for total proceeds to the Company of approximately $6,440,000. The Company will continue to pursue

additional cost cutting initiatives, including further reductions in the scope of certain development initiatives, the potential sale or abandonment of certain non-core properties and the sale of excess mining equipment and other assets.

Sales

During the year ended December 31, 2017, the Company completed sales under its existing contracts of 520,000 pounds of U_3O_8, including 320,000 pounds under three long-term contracts and 200,000 pounds under a spot contract. Of these deliveries, 120,000 pounds represent the final deliveries under one of these contracts.

The Company has four remaining contracts, which require deliveries of 650,000 pounds of U_3O_8 in 2018 at pricing expected to average approximately $48.00 per pound based on the fixed prices contained in three of the contracts and current forecasts of spot prices and price inflation in the other contract. In Q1-2018, the Company amended its remaining long-term contracts with one customer so that all remaining deliveries of 400,000 lbs. under the contracts will occur in April 2018 at a fixed price of $61.30 per pound; including moving 200,000 lbs. of deliveries originally scheduled for 2019 and 2020 up to April 2018. The Company also has a contract for the delivery of 50,000 lbs. in Q1-2018 at a fixed price of $24.75 per pound and a contract for the delivery of 200,000 lbs. in 2018 with pricing at a 0.5% discount to the spot price at the time of delivery. As a result of the amendments, the Company will have no further long-term contractual obligations following its 2018 deliveries. All uranium sales after 2018 will therefore be at spot prices and unhedged, unless the Company enters into new long-term contracts at satisfactory prices in the future.

Trade Petition

In January 2018, the Company participated in the filing of a Petition for Relief with the U.S. Department of Commerce under Section 232 of the Trade Expansion Act of 1962 (as amended) From Imports of Uranium Products that Threaten U.S. National Security. The Company intends to continue its support of this action during 2018. It should be noted, however, that there can be no certainty of the outcome of the petition, and therefore the outcome of this process is uncertain.

***John White, P.E., of Energy Fuels**, is a Qualified Person as defined by Canadian National Instrument 43-101 and has reviewed and approved the technical disclosure contained in this news release, including sampling, analytical, and test data underlying such disclosure.*

***About Energy Fuels:** Energy Fuels is a leading integrated US-based uranium mining company, supplying U_3O_8 to major nuclear utilities. Its corporate offices are in Denver, Colorado, and all of its assets and employees are in the western United States. Energy Fuels holds three of America's key uranium production centers, the White Mesa Mill inUtah, the Nichols Ranch Processing Facility in Wyoming, and the Alta Mesa Project in Texas. The White Mesa Mill is the only conventional uranium mill operating in the U.S. today and has a licensed capacity of over 8 million pounds of U_3O_8 per year. The Nichols Ranch Processing Facility is an ISR production center with a licensed capacity of 2 million pounds of U_3O_8 per year. Alta Mesa is an ISR production center currently on care and maintenance. Energy Fuels also has the largest NI 43-101 compliant uranium resource portfolio in the U.S. among producers, and uranium mining projects located in a number of Western U.S. states, including one producing ISR project, mines on standby, and mineral properties in various stages of permitting and development. The Company also produces vanadium as a by-product of its uranium*

production from certain of its mines on the Colorado Plateau, as market conditions warrant.The primary trading market for Energy Fuels' common shares is the NYSE American under the trading symbol "UUUU", and the Company's common shares are also listed on the Toronto Stock Exchange under the trading symbol "EFR". Energy Fuels' website is www.energyfuels.com.

ADDITIONAL NON-US GAAP FINANCIAL PERFORMANCE MEASURES

The Company has included the additional non-US GAAP measure "Gross Profit" in the financial statements and in this news release. Management notes that "Gross Profit" provides useful information to investors as an indication of the Company's principal business activities before consideration of how those activities are financed, sustaining capital expenditures, corporate and exploration and evaluation expenses, finance income and costs, and taxation.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This news release contains certain "Forward Looking Information" and "Forward Looking Statements" within the meaning of applicable Canadian and United States securities legislation, which may include, but is not limited to, statements with respect to: production and sales forecasts; the expected completion of transactions; whether all or a portion of any copper resource at the Canyon Project can be recovered at the White Mesa Mill or elsewhere; scalability, and the Company's ability and readiness to re-start or expand any of its existing projects to respond to any improvements in uranium market conditions; the expectation that the Company will earn a reasonable margin on any of its alternate feed material or other processing activities; any expectations regarding vanadium opportunities; the ability of the Company to secure any new sources of alternate feed materials or other processing

opportunities at the White Mesa Mill; any expectations regarding feeding the White Mesa Mill in 2018 and beyond; the ability of the Company to manage its activities and assets conservatively under current market conditions while maintaining its uranium resource base and recovery capabilities; any expectations regarding benefits from management streamlining; the ability of the Company to enter into suitable sales contracts in the future; expected timelines for the permitting and development of projects; mineral resource estimates; the Company's expectations as to longer term fundamentals in the market and price projections; the Company's expectations as to expenditures and cost reductions; expectations to become or maintain its position as a leading uranium company in the United States; andthe outcome of the Department of Commerce Section 232 investigation, including whether or not the Secretary of Commerce will make a recommendation to the President and the nature of the recommendation; whether or not the President will act on the recommendation and, if so, the nature of the action and remedy; and the expected benefits of the proposed remedies. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" "does not expect", "is expected", "is likely", "budget" "scheduled", "estimates", "forecasts", "intends", "anticipates", "does not anticipate", or "believes", or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur", "be achieved" or "have the potential to". All statements, other than statements of historical fact, herein are considered to be forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements express or implied by the forward-looking statements. Factors that could cause actual results to

differ materially from those anticipated in these forward-looking statements include risks associated with: production and sales forecasts; the expected completion of transactions; whether all or a portion of any copper resource at the Canyon Project can be recovered at the White Mesa Mill or elsewhere; scalability, and the Company's ability and readiness to re-start or expand any of its existing projects to respond to any improvements in uranium market conditions; the expectation that the Company will earn a reasonable margin on any of its alternate feed material or other processing activities; any expectations regarding vanadium opportunities; the ability of the Company to secure any new sources of alternate feed materials or other processing opportunities at the White Mesa Mill; any expectations regarding feeding the White Mesa Mill in 2018 and beyond; the ability of the Company to manage its activities and assets conservatively under current market conditions while maintaining its uranium resource base and recovery capabilities; any expectations regarding benefits from management streamlining; the ability of the Company to enter into suitable sales contracts in the future; expected timelines for the permitting and development of projects; mineral resource estimates; the Company's expectations as to longer term fundamentals in the market and price projections; the Company's expectations as to expenditures and cost reductions; expectations to become or maintain its position as a leading uranium company in the United States; and the outcome of the Department of Commerce Section 232 investigation, including whether or not the Secretary of Commerce will make a recommendation to the President and the nature of the recommendation; whether or not the President will act on the recommendation and, if so, the nature of the action and remedy; the expected benefits of the proposed remedies; and the other factors described under the caption "Risk Factors" in the Company's Annual Report on Form 10-K dated March 9, 2018, which

is available for review on EDGAR at www.sec.gov/edgar.shtml, on SEDAR at www.sedar.com, and on the Company's website atwww.energyfuels.com. Forward-looking statements contained herein are made as of the date of this news release, and the Company disclaims, other than as required by law, any obligation to update any forward-looking statements whether as a result of new information, results, future events, circumstances, or if management's estimates or opinions should change, or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements. The Company assumes no obligation to update the information in this communication, except as otherwise required by law.

CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES

This news release contains certain disclosure that has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of U.S. securities laws. Unless otherwise indicated, all reserve and resource estimates included in this news release have been prepared in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") classification system. Canadian standards, including NI 43-101, differ significantly from the requirements of U.S. securities laws, and reserve and resource information contained in this news release may not be comparable to similar information disclosed by companies reporting only under U.S. standards. In particular, the term "resource" does not equate to the term "reserve" under SEC Industry Guide 7. ***United States investors are cautioned not to assume that all or any of***

Measured or Indicated Mineral Resources will ever be converted into mineral reserves. Investors are cautioned not to assume that all or any part of an "Inferred Mineral Resource" exists or is economically or legally minable. Energy Fuels does not hold any Reserves as that term is defined by SEC Industry Guide 7. Please refer to the section entitled "Cautionary Note to United States Investors Concerning Disclosure of Mineral Resources" in the Company's Annual Report on Form 10-K dated March 9, 2017 for further details.