# Energy Fuels Announces 2018 Results

written by Raj Shah | March 12, 2019

March 12, 2019 (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, 2018. 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:**

- $31.7 million of total revenue was realized by the Company during the year.
- At December 31, 2018, the Company had $52.0 million of working capital, including cash and cash equivalents and marketable securities of $41.7 million and approximately 430,000 pounds of uranium concentrate inventory.
- A gross profit of $12.4 million was realized by the Company, representing a 39% gross profit margin on mining and milling activities.
- A net loss attributable to the Company of $25.4 million during the year.
- 650,000 pounds of $U_3O_8$ sales were completed by the Company

at an average realized price of $47.37 per pound. 400,000 pounds of sales were completed pursuant to long-term contracts at an average price of $61.30 per pound and 250,000 pounds of $U_3O_8$ were sold into contracts based on spot market prices at a weighted average price of $25.07 per pound.

- 917,000 pounds of $U_3O_8$ were recovered by the Company, of which 493,000 pounds were for the Company's own account and 424,000 pounds were for the account of third parties.
- In response to elevated vanadium prices, the Company commenced vanadium production from the pond solutions at its 100% owned White Mesa Mill in late December 2018, and the first batches of finished vanadium product were produced in January 2019. The Company is currently producing a high-purity (99.6%) vanadium product that may be attractive to specialty aerospace, chemical and vanadium battery industries.
- In response to a petition submitted by Energy Fuels and Ur-Energy in January 2018, the U.S. Department of Commerce initiated an investigation under Section 232 of the Trade Expansion Act of 1962 (as amended) in July 2018 into the effects of uranium imports on U.S. national security. Remedies sought in the petition include a quota to limit imports of uranium into the U.S., effectively reserving 25% of the U.S. market for U.S. uranium production, and a requirement for U.S. federal utilities and agencies to buy U.S. uranium.

**Mark S. Chalmers, Energy Fuels' President and CEO stated:** "2018 was a seminal year for Energy Fuels, as we believe we were able to successfully distinguish ourselves from other uranium mining companies in the U.S. and around the world.

"We are proud to be one of the companies that petitioned the U.S. government to initiate a Section 232 investigation into the

effects of uranium imports on U.S. national security. In 2019, the U.S. may become 99% dependent on uranium imports controlled by the governments of geopolitical rivals like Russia, China, and Kazakhstan. At the same time, free market uranium production in our Canadian and Australian allies is plunging. From both national security and energy security standpoints, we believe this is a precarious and unacceptable situation for our nation. We have proposed a quota remedy that, if adopted, would create a competitive free market for U.S. uranium, free from influence by our rivals. If successful, this process has the potential to not only improve U.S. energy and national security, but also to significantly improve the position of all U.S. uranium mining companies, including Energy Fuels. Due to Energy Fuels' industry-leading uranium production capabilities, processing capacity, and permitted and developed projects in production and on standby, we believe we are very well positioned to respond to increased domestic demand. We will continue to support this investigation, and we look forward to seeing the findings of the Department of Commerce later in 2019.

"Though we remain focused on building and maintaining our leading uranium position in the U.S., one of our major current initiatives relates to vanadium. The spot price of vanadium started 2018 at approximately $10 per pound of $V_2O_5$, hit a high of nearly $29 per pound in November 2018, and currently sits a little over $17 per pound. These strong prices allowed us to resume $V_2O_5$ production at our White Mesa Mill in late 2018, making us one of the only vanadium producers in the world to successfully respond to this exciting market upturn. Following a period of ramp-up and optimization, we were proud to announce in February 2019 that we were producing commercial levels of high-purity vanadium product from the pond solutions at our White Mesa Mill. We believe up to four million pounds of recoverable vanadium resides in the pond solutions at the mill,

and we expect to continue to produce and sell vanadium for a planned 16 – 20 month period, or for so long as prices remain strong. This project has the potential to generate significant free cash flow for the Company in 2019 and likely into 2020, which we expect to reinvest into our uranium production capabilities.

“Energy Fuels is also pursuing other cash flow generating opportunities in the alternate feed, toll processing, and land cleanup businesses while maintaining a strong balance sheet and paying down debt. We created a number of catalysts for Energy Fuels and our shareholders in 2018, and we expect to continue to make big things happen in 2019.”

**Highlights:**

On January 16, 2018, the Company and Ur-Energy 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 remedies sought in the Petition include 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, and a requirement for U.S. federal utilities and agencies to buy U.S. uranium in accordance with the President’s Buy American Policy.

Effective February 1, 2018, the Board of Directors of the Company (the **“Board”**) appointed Mark S. Chalmers as President and Chief Executive Officer (**“CEO”**), and a Director of the Company, following Stephen P. Antony’s retirement from his

positions as CEO and a Director of the Company on January 31, 2018. In addition, effective as of March 2, 2018, David C. Frydenlund was appointed Chief Financial Officer ("**CFO**"), General Counsel and Corporate Secretary, replacing Daniel G. Zang as CFO, who left the Company on March 1, 2018. Effective February 14, 2018, W. Paul Goranson was appointed Chief Operating Officer (**"COO"**) of the Company and Matthew J. Tarnowski was appointed Chief Accounting Officer ("**CAO**") and Controller of the Company.

Effective March 12, 2018, Barbara A. Filas was appointed to serve as a Director of the Company, filling a vacancy on the Board.

On May 1, 2018, the Company closed the sale of its non-core Reno Creek Property in Wyoming to Uranium Energy Corp. (**"UEC"**) for $5.39 million, including $2.94 million in cash and $2.45 million in common shares of UEC.

On June 25, 2018, the Company announced that it had been added as a member of the broad-market Russell 3000® Index as part of the 2018 Russell indexes reconstitution.

On July 18, 2018, the U.S. Department of Commerce announced the initiation of its investigation into uranium imports pursuant to Section 232 of the Trade Expansion Act, in response to the Company's jointly filed Petition.

On August 14, 2018, the Company announced the acquisition and extinguishment of royalties on the Nichols Ranch Project, as well as the acquisition of a significant royalty on a number of properties owned by Cameco Corporation in northern Wyoming.

On September 12, 2018, the Company announced it had repaid and retired the entire outstanding principal balance on its Wyoming Industrial Development Revenue Bond, totaling $8.3 million,

thereby eliminating future interest and principal payments.

On September 27, 2018, the Company announced it was commencing vanadium production from the pond solutions at its 100% owned White Mesa Mill. The Company estimates the pond solutions contain approximately four (4) million pounds of recoverable $V_2O_5$, and the Company expects to produce approximately 200,000 to 225,000 pounds of $V_2O_5$ per month for a planned period of 16 to 20 months, subject to market conditions, costs, and recoveries. Vanadium recovery commenced in late-December 2018, and the first batches of finished vanadium product (**"black flake"**) were produced in January 2019. In February 2019, the Company announced that it was producing high-purity black flake at a commercial rate. The Company currently expects to complete its ramp-up to full production levels of 200,000 to 225,000 pounds per month by Q2-2019.

## Selected Summary Financial Information:

| $000, except per share data | Year ended December 31, 2018 | Year ended December 31, 2017 | Year ended December 31, 2016 |
|---|---|---|---|
| **Results of Operations:** | | | |
| Total revenues | $ 31,721 | $ 31,046 | $ 54,552 |
| Gross profit | 12,390 | 8,336 | 13,737 |
| Net loss attributable to the company | (25,245) | (27,766) | (39,413) |
| Basic and diluted earnings (loss) per share | (0.30) | (0.39) | (0.70) |
| $000's | As at December 31, 2018 | As at December 31, 2017 | |
| **Financial Position:** | | | |
| Working capital | $ 52,000 | $ 33,296 | |
| Property, plant and equipment | 29,843 | 33,076 | |
| Mineral properties | 83,539 | 83,539 | |
| Total assets | 196,766 | 185,338 | |
| Total long-term liabilities | 43,059 | 48,175 | |

## Operations and Sales Overview and Outlook:

The Company plans to extract and/or recover uranium from its

Nichols Ranch Project in 2019. In addition, the Company expects to extract and/or recover vanadium, and potentially uranium, from pond solutions at the White Mesa Mill.

As a result of significantly improved vanadium market conditions, the Company has begun a campaign to recover up to four million pounds of vanadium from existing pond solutions at the White Mesa Mill, which result from past mineral processing campaigns.

As a result of current uranium market conditions, both ISR and conventional uranium recovery are being maintained at reduced levels until such time as market conditions improve sufficiently, either as a result of potential relief under the ongoing Section 232 investigation or through improved global uranium market fundamentals.

Extraction and Recovery Activities Overview

During the year ended December 31, 2018, the Company recovered approximately 917,000 pounds of $U_3O_8$, of which 438,000 pounds were for the account of the Company and the remainder were for the accounts of third parties under various alternate feed toll processing and other arrangements. The Company expects to recover approximately 50,000 to 125,000 pounds of $U_3O_8$ in the year ending December 31, 2019 for its own account, and zero pounds of $U_3O_8$ for the account of others. The Company also expects to recover vanadium in 2019 as described below.

ISR Activities

We extracted and recovered approximately 140,000 pounds of $U_3O_8$ from the Nichols Ranch Project for the year ended December 31, 2018. The Company expects to produce approximately 50,000 pounds of $U_3O_8$ in the year ending December 31, 2019 from Nichols

Ranch. At December 31, 2018, 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. The Company expects to continue to keep the Alta Mesa ISR Project on standby until such time that improvements in uranium market conditions are observed or suitable sales contracts can be completed.

Conventional Extraction and Recovery Activities

The White Mesa Mill recovered approximately 777,000 pounds of $U_3O_8$ during the year ended December 31, 2018, 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 777,000 pounds of $U_3O_8$, 353,000 pounds were for the account of the Company and 424,000 pounds were for the accounts of third parties under various alternate feed toll processing and other arrangements.

During the year ending December 31, 2019, the Company expects to focus on vanadium recovery at the Mill. The Company believes up to four million pounds of $V_2O_5$ is recoverable from the pond solutions, which result from past mineral processing operations. On February 12, 2019, the Company announced that it was producing vanadium at commercial production rates. The Company currently expects to complete its ramp-up to full production rates of 200,000 to 225,000 pounds of $V_2O_5$ per month by Q2-2019, and to continue recovering vanadium over a planned 16 to 20-month period, subject to continued successful ramp-up, suitable sales prices, and market conditions.

In addition, the Company is evaluating whether uranium can be extracted along with its vanadium recovery from the pond

solutions, and if the Company determines such recovery is possible, it expects that up to approximately 100,000 pounds of $U_3O_8$ could potentially be recovered at the White Mesa Mill for its own account from those activities in 2019 and/or 2020.

Conventional Evaluation, Permitting and Standby Activities

During 2019, the Company expects to continue the current test-mining program targeting vanadium at the fully-permitted La Sal Complex. The goal of the program is to evaluate different mining approaches that selectively target high-grade vanadium zones, thereby potentially increasing productivity and mined grades for vanadium and decreasing mining costs per pound of $V_2O_5$ and $U_3O_8$. So far, the Company has refurbished the La Sal mine within the La Sal Complex and has extracted approximately 5,200 tons of mineralized material. The Company has also begun refurbishing the Pandora mine within the La Sal Complex, and expects to extract mineralized material from this mine as part of the test-mining project. The Company expects to continue the test-mining program through the end of Q1-2019, and depending on market conditions and continued positive results, the Company may decide to expand and extend the project into Q2-2019 and beyond. In addition, the Company expects to complete a surface and underground drilling program at the La Sal Complex in 2019 in order to potentially expand the uranium and/or vanadium resources.

During 2019, the Company plans to continue to carry out engineering, metallurgical testing, procurement and construction management activities at its Canyon Mine Project, including additional bench and pilot plant scale metallurgical test work of the uranium/copper mineralization.

The Company is selectively advancing certain permits at its other major conventional uranium projects. The Company plans to

accelerate the licensing and permitting of the Roca Honda Project, a large, high-grade conventional project in New Mexico, with the Record of Decision expected to be completed in 2020. The Company will also maintain required permits at the Company's conventional projects, including the Sheep Mountain Project and the Daneros Project. The Company will also continue to evaluate the Bullfrog Property at its Henry Mountains Project.

Sales

During the year ended December 31, 2018, the Company completed sales under its existing contracts of 650,000 pounds of $U_3O_8$, including 400,000 pounds under two long-term contracts, 200,000 pounds under a spot contract, and 50,000 pounds under a spot sale. The Company currently has no remaining contracts and is therefore fully unhedged to future uranium price increases.

The Company has begun vanadium shipments, with initial quantities being allocated for conversion to ferrovanadium that will be sold into spot metallurgical markets. The Company expects to sell finished vanadium product as it is produced into the metallurgical industry, as well as other markets that demand a higher purity product, including the aerospace, chemical, and potentially the vanadium battery industry. The Company expects to sell to a diverse group of customers in order to maximize revenues and profits. The Company is currently producing a high-purity vanadium product of approximately 99.6% $V_2O_5$. The Company believes there may be opportunities to sell certain quantities of this high-purity material at a premium to reported spot prices.

The Company also continues to pursue new sources of revenue, including additional alternate feed materials and other sources of feed for the White Mesa Mill.

Trade Petition

The Company intends to continue its support of this action during 2019. 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.

***Daniel Kapostasy, P.G., 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.*

***About Energy Fuels**: Energy Fuels is a leading US-based uranium mining company, supplying $U_3O_8$ to major nuclear utilities. The Company also produces vanadium from certain of its projects, as market conditions warrant. Its corporate offices are in Denver, Colorado, and all of its assets and employees are in the United States. Energy Fuels holds three of America's key uranium production centers, the White Mesa Mill in Utah, the Nichols Ranch ISR Project in Wyoming, and the Alta Mesa ISR Project in Texas. The White Mesa Mill is the only conventional uranium mill operating in the U.S. today, has a licensed capacity of over 8 million pounds of $U_3O_8$ per year, and has the ability to produce vanadium when market conditions warrant. The Nichols Ranch ISR Project is in operation and has a licensed capacity of 2 million pounds of $U_3O_8$ per year. The Alta Mesa ISR Project is currently on care and maintenance. In addition to the above production facilities, Energy Fuels also has one of the largest NI 43-101 compliant uranium resource portfolios in the U.S., and several uranium and uranium/vanadium mining projects on standby and in various stages of permitting and development. 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; production capability, 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; any expectations regarding vanadium opportunities, the Company's program for the recovery of vanadium from pond solutions, vanadium purity, or the Company's ability to sell any of its vanadium product at a premium to spot prices or otherwise; the ability of the Company to secure any new sources of alternate feed materials or other processing opportunities at the White Mesa Mill; 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; 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; 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; production capability, 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; any expectations regarding vanadium opportunities, the Company's program for the recovery of vanadium from pond solutions, vanadium purity, or the Company's ability to sell any of its vanadium product at a premium to spot prices or otherwise; the ability of the Company to secure any new sources of alternate feed materials or other processing opportunities at the White Mesa Mill; 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; 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; and the other factors described under the caption "Risk Factors" in the Company's Annual Report on Form 10-K dated March 11, 2019, 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 at www.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.*