Energy Fuels Announces Q2-2018 Results, Including $55 Million of Working Capital

written by Raj Shah | August 4, 2018

August 3, 2018 (Source) – **Energy Fuels Inc. (NYSE American: UUUU; TSX: EFR) ("Energy Fuels" or the "Company")**, today reported its financial results for the quarter ended June 30, 2018. The Company's quarterly report on Form 10-Q 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 U.S. dollars.

Financial Highlights:

- At June 30, 2018, the Company had $55.25 million of working capital, including cash and cash equivalents of $43.2 million and approximately 225,000 pounds of uranium concentrate inventory.
- $26.9 million of total revenue was realized by the Company during the quarter, due primarily to the advancement of future deliveries under long-term contracts into the quarter.
- Primarily as a result of these high revenues, the Company reported net income of $7.1 million for the quarter.
- 500,000 pounds of U_3O_8 deliveries were completed by the Company for the three months ended June 30, 2018 at an average realized price of $53.55 per pound. On April 1,

2018, the Company delivered 400,000 lbs. of U_3O_8 into long-term sales contracts at the price of $61.30 per pound, resulting in the receipt of over $24.5 million on May 1, 2018. In addition, on June 15, 2018 the Company delivered 100,000 lbs. of U_3O_8 into a spot contract at $22.57 per pound.

- Uranium production for our own account totaled 128,000 pounds of U_3O_8 during the quarter, plus another 91,000 pounds of U_3O_8 for the accounts of others.
- The Company began fulfilling toll processing alternate feed contracts which are expected to result in approximately $7.1 million of revenue for 2018, including $3.8 million of cash and $3.3 million of uranium for the Company's account, of which $196,000 has been earned or recovered to date.

Mark S. Chalmers, Energy Fuels' President and CEO stated:

"The past quarter was extremely productive for Energy Fuels. We completed a large quantity of uranium deliveries, and as a result we are reporting a profit for the quarter. And, due to a number of factors discussed below, we have significantly improved our working capital position to over $55 million.

"I am particularly excited about the progress of our Section 232 application and current vanadium opportunities. On July 18, 2018, the U.S. Department of Commerce ("DOC") initiated its investigation under Section 232 of the Trade Expansion Act of 1962 in response to the Petition we and Ur-Energy filed in January 2018. The Petition seeks a remedy which would 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. The remedy, if granted, would be expected to bolster national defense, further global non-proliferation objectives, improve supply diversification for U.S. utilities and their

customers, and strengthen the U.S. uranium mining industry.

“As the only company currently capable of producing vanadium in North America, we are also very excited about our current vanadium opportunities. As previously reported, with spot prices nearing $20 per pound of V_2O_5, we have decided to resume vanadium production in 2018 by recovering solubilized vanadium from the White Mesa Mill’s tailings and evaporation ponds. We expect to initially recover approximately 500,000 lbs. of V_2O_5 in late-2018 or early-2019, and given favorable costs, recoveries, and then-prevailing market conditions, we expect to continue vanadium recovery in 2019, recovering up to approximately 4 million lbs. of V_2O_5 over the life of the project. For longer term alternatives, we are evaluating other vanadium production opportunities, including the processing of previously mined uranium/vanadium stockpiles in the vicinity of the Mill, processing other vanadium-bearing streams, and, with improved uranium prices, the re-initiation of conventional uranium/vanadium mine production from certain of our mines that contain large, high-grade vanadium resources.

“These opportunities are exciting because they provide us with unsurpassed optionality to increase uranium production as prices rise, as well as allow us to take advantage of the recent significant increases in vanadium prices.

“Finally, we were able to significantly strengthen our balance sheet by joining the broad-market Russell 3000 Index® during the Quarter. During the Russell rebalance period, we were able to raise significant cash, while our stock outperformed our peers. Inclusion in the Russell is expected to increase the Company’s liquidity, visibility and exposure to key institutional investors. In addition, Energy Fuels has been able to maintain a very strong working capital position, and we intend to use some

of these proceeds to repay all of our existing long-term Wyoming debt the third quarter of this year."

Key Developments:

On May 8, 2018, the Company announced that it intends to resume vanadium recovery operations at the Company's White Mesa Mill in 2018. The Company expects to recover significant quantities of currently dissolved vanadium from the tailings and evaporation ponds at the White Mesa Mill.

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. Annual reconstitution of the Russell indexes captures the 3,000 largest U.S. stocks as of May 11, ranking them by total market capitalization. Membership in the Russell 3000® Index, which remains in place for one year, means automatic inclusion in the large-cap Russell 1000® Index or small-cap Russell 2000® Index, as well as the appropriate growth and value style indexes.

On July 18, 2018, the Company announced that the Department of Commerce ("DOC") initiated an investigation into the effects of uranium imports on U.S. national security. The Company and Ur-Energy requested the investigation in their Petition for Relief under Section 232 of the Trade Expansion Act of 1962. The Company and Ur-Energy have proposed remedies that would reserve 25% of the U.S. nuclear market for U.S. uranium producers.

Selected Summary Financial Information:

$000, except per share data	Three months ended June 30, 2018	Three months ended June 30, 2017
Results of Operations:		

	Total revenues	$	26,973	$	17,883
	Net income (loss) attributable to the company	7,149		(4,470)	
	Basic earnings (loss) per share	0.09		(0.06)	
	Diluted earnings (loss) per share	0.08		(0.06)	
	$000’s	As at June 30, 2018		As at December 31, 2017	
	Financial Position:				
	Working capital	$	55,249	$	33,296
	Property, plant and equipment	31,416		33,076	
	Mineral properties	83,539		83,539	
	Total assets	202,776		185,338	
	Total long-term liabilities	44,477		45,701	

Operations and Sales Outlook:

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 (uranium-bearing materials other than conventional ores); and
- The recovery of dissolved uranium from the Mill’s tailings management system that was not fully recovered during the Mill’s prior thirty-plus years of operations (“Pond Return”).

Our planned operations are expected to produce finished uranium in excess of our existing requirements under our final remaining

sales contract.

In addition, the Company has a long history of conventional vanadium recovery at the Mill when vanadium prices support those activities. The Company is currently expecting to resume vanadium recovery from pond solutions at the Mill later in 2018. The Company is also evaluating opportunities for copper recovery from our Canyon Project.

Extraction and Recovery Activities – Overview

The Company expects to produce a total of 460,000 to 520,000 pounds of U_3O_8 in the year ending December 31, 2018, of which 171,000 pounds of U_3O_8 were produced in the first six months of 2018.

Extraction and Recovery – ISR Uranium Segment

We expect production at Nichols Ranch to total 140,000 to 160,000 pounds in the year ending December 31, 2018, of which we recovered 82,000 pounds during the first six months of 2018.

At June 30, 2018, the Nichols Ranch wellfields had nine header houses extracting uranium. Until such time as improvement in uranium market conditions is observed or suitable sales contracts can be entered into, the Company intends to defer further development of wellfields at its Nichols Ranch Project and to keep Alta Mesa on standby.

Extraction and Recovery – Milling Operations

We expect to recover 320,000 to 360,000 pounds of uranium at the Mill during the year ending December 31, 2018 for our own account, of which we have recovered 89,000 lbs. to date in 2018. Of this material, approximately 145,000 pounds are expected to be from alternate feed materials and the remainder from Pond Return. In addition to the 145,000 pounds expected to be

recovered from alternate feed materials, valued at $3.3 million, the Company expects to receive an additional $3.8 million in cash from processing fees, for a total expected value from alternate feed materials of $7.1 million during 2018, of which $196,000 has been earned or recovered to date in 2018. The Company is continuing to pursue other alternate feed material opportunities, some of which may result in additional value to the Company in 2018.

The Company currently expects that planned processing activities will keep the Mill in operation through the end of 2018, and will generate positive cash flow as a result. 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 uranium from Pond Return. The Company also plans to recover vanadium from existing pond solutions in a manner similar to the way the Company has recovered uranium from those same solutions, and perhaps recover vanadium from other sources.

Vanadium Recovery

Vanadium is a metallic element that is used primarily as an additive to strengthen and harden steel and other high-strength alloys. In addition, the commercialization of grid energy storage systems, including vanadium redox flow batteries, is catalyzing growth in vanadium markets.

In addition to its planned vanadium recovery from pond solutions at the Mill later in 2018 and in 2019, the Company is also reviewing the economics of processing certain previously mined uranium/vanadium ore stockpiles in the vicinity of the Mill and re-initiation of conventional mining at certain of its uranium/vanadium mines, as well as the recovery of vanadium

alone, or in combination with uranium, from other potential vanadium-bearing streams, as market conditions may warrant.

The goal of the Company's vanadium review is to better quantify near- and mid-term vanadium revenue streams, in light of recent increases in vanadium prices, while minimizing the risks of market fluctuations.

Canyon Project

At the Canyon Project, the Company plans to continue to carry out engineering, 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 to pursue any additional permitting actions that may be required to recover copper at the Mill. The timing of our plans to extract and process mineralized materials from this project will be based on the results of this additional evaluation work, along with market conditions, available financing, and sales requirements.

Other Operational Activities

During the first quarter of 2018, the Company received amendments to its Plans of Operations to expand operations at its La Sal Uranium/Vanadium Project and its Daneros Uranium Project, both of which are currently on standby. The Company continues to selectively advance 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 expected to be completed in 2019. The Company will also continue to evaluate the Bullfrog Property at its Henry Mountains Project. Expenditures for certain of these projects have been adjusted to

coincide with expected dates of price recoveries based on our forecasts. All of these projects serve as important pipeline assets for the Company's future conventional production capabilities, as market conditions warrant.

The Company will also continue to pursue additional cost cutting initiatives, including further reductions in the scope of certain development initiatives, reductions in corporate overheads, the potential sale or abandonment of certain non-core properties and the sale of excess mining equipment and other assets.

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 "Petition"). 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 a remedy 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.

On July 18, 2018, the U.S. Department of Commerce ("DOC") initiated its investigation. Pursuant to Section 232 of the Trade Expansion Act of 1962 (as amended), starting on July 18, 2018, the Secretary of the DOC has 270 days to prepare a report to the President of the United States. Following receipt of the Secretary's report, the President then has 90 days to act on the Secretary's recommendations, and if necessary take action to "adjust the imports of an article and its derivatives" and/or pursue other lawful non-trade related actions to address the

threat.

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.

Sales of U_3O_8 and other revenue update and outlook

In the three months ended June 30, 2018, the Company completed deliveries of 500,000 pounds of U_3O_8 at a weighted average price of $53.55 per pound. On April 1, 2018, the Company completed the delivery of 400,000 pounds of U_3O_8under two long-term contracts with a fixed price of $61.30 per pound, and on June 15, 2018, the Company completed the delivery of 100,000 pounds of U_3O_8 under a spot contract at $22.57 per pound, where the price is based on the average spot price per pound of uranium for the five weeks prior to the date of delivery. In the final six months of the year, the Company expects to complete one delivery of 100,000 pounds of U_3O_8 in Q4 under a contract, where the price is based on the average spot price per pound of uranium for the five weeks prior to the date of delivery. All of the deliveries completed were Company-produced pounds.

In Memoriam: Stephen P. Antony (1950 – 2018)

It is with deep sadness that the Company announces the passing of our former President and Chief Executive Officer, Stephen P. Antony. Mr. Antony was a key driving force behind the growth of Energy Fuels and was instrumental in creating what is today the largest uranium and vanadium producer in the United States. His vision was to consolidate the best uranium mines and production facilities in the United States. Under Mr. Antony’s leadership, Energy Fuels acquired Magnum Uranium (2009), Titan Uranium (2012), Denison Mines’ US Mining Division (2012), Strathmore Resources (2013), Uranerz Energy (2015), and Mesteña Uranium

(2016). Due in large part to Mr. Antony's foresight and passion, Energy Fuels now holds three uranium production facilities with over 12 million pounds of licensed capacity, the only near-term vanadium production facility in the United States, and a portfolio of producing and near-producing mines and mineral properties. The Company's Board, Management, and the entire Energy Fuels team will greatly miss Steve's intelligence, energy, integrity, and kindness.

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 standby. Energy Fuels also has the largest National Instrument 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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This news release contains certain "Forward Looking Information" and "Forward Looking Statements" within the meaning of applicable securities legislation, which may include, but is not limited to, statements with respect to: production, revenue and sales forecasts; the ability of the Company to secure any new sources of alternate feed materials, land clean-up materials, or other processing opportunities at the Mill; whether all or a portion of any copper resource at the Canyon project can be recovered at the Mill or elsewhere; optionality, 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 production at the Mill and other opportunities; any expectations regarding keeping the Mill in operation through 2018 and the generation of positive cash flow from the Mill as a result; expected timelines for the permitting and development of projects; the Company's expectations as to longer term fundamentals in the market and price projections; any expectations as to expenditures and cost reductions; any expectations with respect to the repayment of outstanding indebtedness; expectations of the Company to become or maintain its position as a leading uranium company in the United States; any expected benefits from inclusion in the Russell indexes; and any expectations with regard to the outcome of the Section 232 investigation. 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, revenue and sales forecasts; the ability of the Company to secure any new sources of alternate feed materials, land clean-up materials, or other processing opportunities at the Mill; whether all or a portion of any copper resource at the Canyon project can be recovered at the Mill or elsewhere; optionality, 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 production at the Mill and other opportunities; any expectations regarding keeping the Mill in operation through 2018 and the generation of positive cash flow from the Mill as a result; expected timelines for the permitting and development of projects; the Company’s expectations as to longer term fundamentals in the market and price projections; any expectations as to expenditures and cost reductions; any expectations with respect to the repayment of outstanding indebtedness; expectations of the Company to become or maintain its position as a leading uranium company in the United States; any expected benefits from inclusion in the Russell indexes; any expectations with respect to the outcome of the Section 232 investigation; 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 atwww.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.