

# Energy Fuels Announces Q3-2018 Results, Including \$51.3 Million of Working Capital

written by Raj Shah | November 5, 2018

✖ November 5, 2018 ([Source](#)) – **Energy Fuels Inc. (NYSE American: UUUU; TSX: EFR) (“Energy Fuels” or the “Company”)**, today reported its financial results for the quarter ended September 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](http://www.sec.gov/edgar.shtml), on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com), and on the Company’s website at [www.energyfuels.com](http://www.energyfuels.com). Unless noted otherwise, all dollar amounts are in U.S. dollars.

## Highlights:

- At September 30, 2018, the Company had \$51.3 million of working capital, including \$14.8 million in cash, \$27.2 million in marketable securities and 385,000 pounds of finished goods inventory.
- Uranium production for our own account totaled 157,000 pounds of  $U_3O_8$  during the quarter, plus another 245,000 pounds of  $U_3O_8$  for the accounts of others.
- The Company had no scheduled contract sales during the quarter and elected to complete no discretionary uranium spot sales during the quarter, opting instead to accumulate uranium inventories from production. The Company believes uranium prices will improve, and it will be able to sell inventory at higher prices in the future.

As a result, revenues for the quarter were limited to \$450,000, which, together with the non-cash expenditure associated with the acquisition of the Nichols Ranch royalties and expenditures on the Company's upcoming vanadium programs contributed to an operating loss of \$10.2 million for the quarter.

- The Company continued fulfilling alternate feed contracts, which resulted in \$450,000 of revenue and \$2.4 million of deferred revenue during the quarter, and \$3.1 million of revenue and deferred revenue year-to-date. The Company currently has contracts to secure a total value from alternate feed materials of \$7.1 million in revenue, deferred revenue or uranium during the full year 2018, and continues to pursue additional alternate feed opportunities.
- During the quarter, the Company continued preparations for its planned November 2018 campaign to recover up to approximately 4.0 million pounds of vanadium from existing pond solutions at the White Mesa Mill, and commenced its vanadium test-mining program, both aimed at allowing the Company to capitalize on current vanadium market strength.
- During the quarter, the US Department of Commerce announced the initiation of its investigation pursuant to Section 232 of the Trade Expansion Act, in response to the Company's petition. 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 US uranium production, which if granted, would be expected to strengthen uranium prices available to US producers.

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

"During the past quarter, Energy Fuels continued to pursue a number of major opportunities that we believe will continue to

build shareholder value.

"I'm currently most excited about Energy Fuels becoming the newest vanadium producer in the World in the next few weeks. We believe we have four (4) million pounds of recoverable vanadium dissolved in our pond solutions at the White Mesa Mill. Our plan is to produce 200,000 to 225,000 pounds of  $V_2O_5$  per month for a period of 16-20 months, subject to market conditions, costs, and recoveries. This production should coincide very well with today's strong vanadium prices, which as of today have risen over 150% year-to-date to \$26.25 per pound. We look forward to Energy Fuels taking its place as the only primary producer of  $V_2O_5$  in North America.

"In addition, at our request, the U.S. Department of Commerce initiated a Section 232 investigation into uranium imports into the United States. We proposed a quota that would limit uranium imports into the U.S., reserving 25% of the U.S. uranium market for U.S. uranium producers. Commerce is currently in the midst of the investigation, which by law they must complete by mid-April 2019. This investigation has the potential to result in remedies that would revitalize the domestic uranium industry and significantly bolster U.S. energy and national security, while imposing a negligible cost on utilities and their consumers.

"I'd also like to say a few words about how we are investing today in future shareholder value. At the end of the quarter, we held about 385,000 pounds of  $U_3O_8$  inventory; all U.S. origin. At today's uranium spot price of \$28.00, we could have sold this material on the spot market, and perhaps allowed the Company to realize over \$10 million in revenue for the quarter. However, we made the conscious decision not to sell any of our inventory, as we believe it will be worth more in the future due to improving uranium market conditions. And, U.S.-origin uranium could be

worth considerably more if relief is granted under Section 232. Therefore, we will continue to build unhedged uranium inventory until the end of the year, giving us the ability to quickly benefit from the future uranium price increases we expect. We also intend to maintain our strong working capital position in order to continue to be poised to increase uranium production in response to a favorable section 232 determination and/or to increase vanadium production if warranted by favorable vanadium market conditions.

“I believe 2018 has truly represented a turning point for Energy Fuels. Commerce initiated our 232 investigation into uranium; we are planning to capitalize on a significant vanadium opportunity; we are maintaining a strong working capital position; we are paying down debt; we made the Russell 3000 Index; we acquired strategic royalties in the State of Wyoming; and we have enjoyed strong share price appreciation. Through these achievements, I believe we have distinguished ourselves from other uranium companies, and at this point, I don’t believe we have any peers with a similar ability to capitalize on the wide range of opportunities which are unique to our company.”

### **Additional Key Developments:**

On August 14, 2018, the Company announced the acquisition of royalties on our Nichols Ranch Property, as well as a significant royalty on a number of properties owned by Cameco Corporation in Northern Wyoming. Acquisition of these royalties reduces our production costs at Nichols Ranch while also providing potential revenue exposure to some of Cameco’s properties in the future and thus strengthens our position substantially in 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, making Energy Fuels the newest vanadium producer in the World and the only primary producer of  $V_2O_5$  in North America. 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 period of 16 to 20 months beginning in mid-November 2018, subject to market conditions, costs, and recoveries.

On November 2, 2018, the Company filed a new base shelf registration statement on Form S-3 with the SEC allowing the Company to issue common shares, warrants, subscription receipts, preferred shares, debt securities, or any combination of such securities as units, in amounts, and at prices, and on terms to be determined based on market conditions at the time of sale, and as set forth in an accompanying prospectus supplement, for an aggregate offering amount of up to US\$150 million during the 25-month period that the statement remains effective.

Mark S. Chalmers, President and CEO of Energy Fuels continued: "In order to maintain financial flexibility and efficient access to capital in light of the significant opportunities in front of the Company, we renewed our ATM program and base shelf registration statement. This financial flexibility has allowed us to pay off our Wyoming Debt in full, to advance our vanadium projects at the White Mesa Mill and La Sal Complex, and to still have over \$51.3 million in working capital at the end of the quarter, while at the same time enjoying share appreciation of over 70% this year. This also puts the Company in a stronger position to be able to increase uranium and vanadium production

quickly in the event of a favorable Section 232 determination and as may be required in this very hot vanadium market. It also gives us the ability to redeem all or a portion of our convertible debentures next year, which would eliminate all of the Company's remaining long-term debt.

### **Selected Summary Financial Information:**

\$000, except per share data		Three months ended September 30, 2018	Three months ended September 30, 2017
<b>Results of Operations:</b>			
Total revenues	\$	451	\$ 5,499
Gross profit (loss)		(263)	1,931
Operating loss		(10,215)	(5,011)
Net loss attributable to the company		(13,897)	(4,884)
Basic and diluted loss per share		(0.16)	(0.07)
\$000's		As at September 30, 2018	As at December 31, 2017
<b>Financial Position:</b>			
Working capital	\$	51,266	\$ 33,296
Property, plant and equipment		30,616	33,076

Mineral properties	83,539	83,539
Total assets	196,781	185,338
Total long-term liabilities	44,046	45,701

### **Operations Update and Outlook for year ending December 31, 2018**

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

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

#### Uranium Recovery Activities

The Company expects to recover a total of 460,000 to 520,000 pounds of  $U_3O_8$  in the year ending December 31, 2018, of which 328,000 pounds of  $U_3O_8$  were produced in the first nine months of the year. The Company intends to publish its guidance for 2019 after Board approval of the Company's 2019 budget, which is expected to occur in December 2018.

#### *ISR Operations*

We expect Nichols Ranch to recover a total of 140,000 to 160,000 pounds of  $U_3O_8$  in the year ending December 31, 2018, of which we recovered 115,000 pounds during the nine months ended September 30, 2018. At September 30, 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 continue to defer further development of wellfields at its Nichols Ranch Project and to keep its Alta Mesa Project

on standby through 2018.

### *Conventional Operations*

We expect to recover 320,000 to 360,000 pounds of  $U_3O_8$  at the White Mesa Mill during the year ending December 31, 2018 for our own account, of which 213,000 pounds were recovered during the nine months ended September 30, 2018. Of this material, approximately 130,000 pounds of  $U_3O_8$  are expected to be recovered from Alternate Feed Materials and the remainder from Pond Return. In addition to the 130,000 pounds of uranium expected to be recovered from Alternate Feed Materials (valued at \$3.5 million), the Company expects to receive an additional \$3.6 million in cash from processing fees, for total expected value from alternate feed materials of \$7.1 million during 2018, of which \$3.1 million of revenue and deferred revenue was recognized during the nine months ended September 30, 2018. The Company is continuing to pursue other alternate feed material opportunities, including the processing of low-grade ore from third parties in connection with various uranium clean-up requirements, some of which may result in additional value to the Company in 2018 and/or 2019. Successful results from these uranium related activities, along with the vanadium recovery activities discussed below, are expected to allow the Mill to operate for the remainder of 2018 and through 2019.

At the Canyon Project, the Company plans to continue to carry out engineering, procurement and construction management activities for the remainder of 2018 and into 2019, 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 timing of our plans to extract and process mineralized material from this project will be based on the results of this additional evaluation work,



along with market conditions, available financing, and sales requirements.

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 its Roca Honda Project, a large, high-grade conventional project in New Mexico, with the Record of Decision currently scheduled to be completed in 2019. 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.

In addition, a number of the Company's conventional uranium mines also have substantial vanadium resources. These mines are discussed in the vanadium section below.

### *Uranium Trade Petition*

In January 2018, the Company participated in the filing of a 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 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 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. 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, 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. The Company intends to continue its support of this action for the remainder of 2018 and during 2019.

On July 18, 2018, the DOC initiated its investigation. Pursuant to Section 232 of the Trade Expansion Act, 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.

#### Vanadium Recovery Activities

Beginning in November 2018, the Company expects to commence recovering vanadium from existing tailings pond solutions, which result from past mineral processing operations, at the White Mesa Mill in a manner similar to the way the Company has recovered uranium from those same solutions. Based on bench scale analyses, the Company believes it may be able to recover up to 4.0 million pounds of solubilized vanadium from the Mill's tailings and evaporation ponds at a potential rate of 200,000 to 225,000 pounds of  $V_2O_5$  per month. This recovery of vanadium, assuming a successful ramp-up to commercial-scale production, would be expected to continue through 2019 and into 2020, given favorable costs, recoveries, and then-prevailing market conditions.

The Company is also currently engaged in a test-mining program at its La Sal Complex to evaluate different 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  $U_3O_8$  recovered. This test mining campaign is expected to continue through the remainder of 2018 and into 2019 for as long as useful information continues to be developed and/or market conditions warrant. The early results of this test mining are very encouraging.

The Company is also reviewing the economics of processing certain previously mined uranium/vanadium ore stockpiles, as well as the recovery of vanadium alone or in combination with uranium from other potential vanadium-bearing streams, as market conditions may warrant.

#### Uranium Readiness Activities

The Company is also evaluating various uranium-readiness activities it can undertake at this time to enhance its position to benefit from expected improvements in uranium market conditions as a result of what the Company believes to be positive uranium market fundamentals, or as a result of potential remedies from the Company's Section 232 Petition. These activities may include: improvements in the flow rates at the Company's Nichols Ranch project to allow for increased maximum production levels at that facility; exploration drilling at the Company's Alta Mesa project to further delineate resources in currently licensed areas, which would allow for more pounds to be included in near-term wellfield development; and accelerated permitting and development activities at certain of the Company's other uranium and uranium/vanadium mines. The Company expects to be able to provide further details on these potential activities in December 2018, following the Board's approval of the Company's 2019 budget.

## **Sales and other revenue update and outlook year ending December 31, 2018**

While no deliveries of  $U_3O_8$  occurred during Q3-2018, in the nine months ended September 30, 2018, the Company completed a total of 550,000 pounds of  $U_3O_8$  sales at a weighted average price of \$50.94 per pound.

In the final three months of the year, the Company expects to complete one delivery of 100,000 pounds of  $U_3O_8$  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 Company's current uranium production is 100% unhedged, and all uranium sales in 2019 and beyond will be made on the spot market or pursuant to new long-term contracts to the extent such contracts may be available on satisfactory terms. While the Company does not currently forecast the need to complete any spot sales in 2019 for cash generation purposes, uranium inventories, along with expected uranium production in 2019, are expected to provide the Company with the flexibility to complete spot sales in 2019 if market conditions warrant.

**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 in Utah, 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](http://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; any expectation that the Company will maintain a strong working capital position; any expectation that the Company's acquisition of royalties may reduce operating costs at the Company's Nichols Ranch project; any expectation that the Company plans to commence vanadium production from existing pond solutions at the White Mesa Mill and any expected vanadium recoveries from such solutions; any expectation that high-grade vanadium associated with lower grade uranium exists in the La Sal mine complex or in any other mines, and the extent to which it may exist; any expectation relating to potential increases in productivity and mined grades for vanadium and decreases in mining costs at the La Sal Complex or any other mines; any expectation that the Company may be able to capitalize on current high vanadium prices; any expectation that the Company

will be the only primary producer of  $V_2O_5$  in North America; the ability of the Company to secure any new sources of alternate feed materials, land clean-up materials, or other processing opportunities at the White Mesa 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 or vanadium market conditions; any expectations regarding keeping the White Mesa Mill in operation through 2018 and 2019; expected timelines for the permitting and development of projects; the Company's expectations as to longer term fundamentals in the market and price projections and any expectations that uranium prices may improve; any expectations as to expenditures and cost reductions; any expectations with respect to the repayment of outstanding indebtedness; any expectations of the Company becoming or maintaining its position as a leading uranium or vanadium company in the United States; any expected benefits from inclusion in the Russell indexes; any expectations with regard to the outcome of the Section 232 investigation, including any expectation that any remedy granted may strengthen uranium prices available to US producers; any expectation that the Company will clear the base shelf prospectus with the SEC or on the terms filed; any expectation about any future appreciation of the Company's shares; and any expectations as to the outcome of the Company's uranium readiness evaluations and any activities it may undertake. 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; any expectation that the Company will maintain a strong working capital position; any expectation that the Company’s acquisition of royalties may reduce operating costs at the Company’s Nichols Ranch project; any expectation that the Company plans to commence vanadium production from existing pond solutions at the Mill and any expected vanadium recoveries from such solutions; any expectation that high-grade vanadium associated with lower grade uranium exists in the La Sal mine complex or in any other mines, and the extent to which it may exist; any expectation relating to potential increases in productivity and mined grades for vanadium and decreases in mining costs at the La Sal Complex or any other mines; any expectation that the Company may be able to capitalize on current high vanadium prices; any expectation that the Company will be the only primary producer of  $V_2O_5$  in North America; the ability of the Company to secure any new sources of alternate feed materials, land clean-up materials, or other processing opportunities at the White Mesa 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 or vanadium market conditions; any expectations regarding keeping the White Mesa Mill in operation through 2018 and 2019; expected timelines for

the permitting and development of projects; the Company's expectations as to longer term fundamentals in the market and price projections and any expectations that uranium prices may improve; any expectations as to expenditures and cost reductions; any expectations with respect to the repayment of outstanding indebtedness; any expectations of the Company becoming or maintaining its position as a leading uranium or vanadium company in the United States; any expected benefits from inclusion in the Russell indexes; any expectations with regard to the outcome of the Section 232 investigation, including any expectation that any remedy granted may strengthen uranium prices available to US producers; any expectation that the Company will clear the base shelf prospectus with the SEC or on the terms filed; any expectation about any future appreciation of the Company's shares; any expectations as to the outcome of the Company's uranium readiness evaluations and any activities it may undertake; 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](http://www.sec.gov/edgar.shtml), on SEDAR at [www.sedar.com](http://www.sedar.com), and on the Company's website at [www.energyfuels.com](http://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.