

# Energy Fuels Announces Q3-2019 Results

written by Raj Shah | November 2, 2019



NYSE AMERICAN: UUUU  
TSX: EFR

November 1, 2019 ([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, 2019. 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, 2019, the Company had \$41.1 million of working capital, including \$14.7 million in cash, \$7.8 million in marketable securities, 500,000 pounds of uranium finished goods inventory, and 1,150,000 pounds of vanadium finished goods inventory.
- Vanadium production totaled 530,000 pounds of  $V_2O_5$  for the quarter, and the Company expects to continue to produce 160,000 to 200,000 pounds of  $V_2O_5$  per month through Q4-2019, subject to continued successful recovery and suitable sales prices.
- Uranium production totaled 16,000 pounds of  $U_3O_8$  during the quarter.

- The Company did not complete any uranium sales during the quarter.
- At the current time, the Company is selling only small quantities of vanadium, while mainly focusing on building  $V_2O_5$  inventory for sale in the future to capitalize on any future price increases in vanadium markets that are often volatile.
- The Company had an operating loss of \$8.8 million during the quarter, due in part to an impairment to inventories of \$2.3 million as a result of low uranium prices and a decrease in vanadium prices during the quarter; as well as the decision to limit uranium and vanadium sales during the quarter.
- On July 12, 2019, President Donald J. Trump issued a Presidential Memorandum pursuant to Section 232 of the Trade Expansion Act of 1962 (as amended), ordering the creation of the U.S. Nuclear Fuel Working Group (the "Working Group") to "examine the current state of domestic nuclear fuel production to reinvigorate the entire nuclear fuel supply chain, consistent with United States national security and nonproliferation goals." Following an apparent extension of time to complete their report (a formal announcement was not made), we understand the Working Group currently has until approximately November 10, 2019 to present its recommendations to the President. The Company intends to continue supporting this initiative in Q4-2019 and believes it has the potential to result in actions that could provide meaningful support to the U.S. uranium mining industry.
- On July 13, 2019, the Company announced that it had entered into a new processing agreement, whereby the owner of a formerly producing uranium mine in New Mexico will deliver cleanup ore material from the mine for processing and recovery of uranium at the Company's White Mesa Mill.

Revenues payable to the Company are expected to be between \$700,000 and \$3.5 million. In addition, the Company will retain any uranium recovered from the material for its own account, which is expected to total between 8,000 and 70,000 pounds of  $U_3O_8$ , or approximately \$200,000 to \$1.75 million at today's spot prices. Deliveries began in late-June 2019, and to date total 4,600 tons of material out of an expected 10,000 to 50,000 tons of material. The Company has proposed similar services to assist in the cleanup of Cold War era abandoned uranium mines on the Navajo Nation and other lands.

- As previously announced, on August 1, 2019 the Board of Directors (the "Board") of the Company appointed Mr. Alex G. Morrison to serve as a director.

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

"During Q3-2019, Energy Fuels continued to be the 'driving force' within the U.S. uranium mining industry, as we continue to encourage the U.S. government and President Trump to support a renaissance in U.S. uranium production. We were pleased that on July 12, 2019, the President created the U.S. Nuclear Fuel Working Group, comprised of 13 Cabinet-level and other major government agencies, and directed them to develop recommendations on 'reviving and expanding' domestic nuclear fuel production, including uranium mining. While the original deadline for the Working Group to provide those recommendations was apparently extended from October 10, 2019 to approximately November 10, 2019, we remain confident of a positive outcome for the Company and our industry. Because Energy Fuels is currently the largest U.S. uranium producer, with the most operational production, licensed capacity, and in-ground uranium resources among producers in the U.S., we expect to be a significant beneficiary of any action taken by the U.S.

government. I look forward to corresponding with shareholders as we learn more from the U.S. government on the future of U.S. uranium production.

“As previously announced, we are continuing to fulfill a new processing agreement at the White Mesa Mill, under which we are assisting in the cleanup of a formerly producing uranium mine in New Mexico. While we expect to generate significant incremental income from this project, perhaps more importantly, we are successfully demonstrating to the U.S. Environmental Protection Agency (“EPA”) and the Navajo Nation that we can be their partner in the cleanup of Cold War era abandoned uranium mines in the Four Corners Region of the U.S. We look forward to potentially seeing ‘trucks rolling’ in the not too distant future.

“In addition, we continue to be very happy with our vanadium production campaign; except prices continued to fall during the quarter. At the current time, we are mainly building inventory for later sale, while purities and recoveries remain high. We are also continuing discussions to potentially sell our product at premium pricing to customers who require higher purities. If vanadium prices do not make a recovery in the next few months, we will evaluate shutting down production to save this valuable asset for later recovery.

“Finally, during 2018 and 2019, we selectively invested in a number of critical path items at our uranium production facilities and mines in order to significantly enhance their production readiness. If and when the ‘starting gun goes off’, either due to the President acting on the recommendations of the U.S. Nuclear Fuel Working Group or generally improving uranium market conditions, we believe we are very well positioned to quickly and cost-effectively increase production and capture those higher prices. Since 2006, uranium production facilities

currently owned by Energy Fuels have supplied roughly 35% of all uranium produced in the U.S., putting us second only to Cameco during this period, who produced about 50%. Our people and facilities have demonstrated, time and again, that we can respond to rapidly evolving market conditions, most recently when we commenced vanadium production within just a few months of a production decision. We look forward to once again demonstrating our ability to execute when the U.S. uranium market rebounds.”

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

In thousands, except per share data	<b>Three months ended September 30, 2019</b>		<b>Three months ended September 30, 2018</b>	
<b>Results of Operations:</b>				
Total revenues	\$	423	\$	451
Operating loss		(8,832)		(10,215)
Net loss attributable to the company		(6,840)		(13,812)
Basic and diluted loss per share		(0.07)		(0.16)
	<b>As of</b>		<b>As of</b>	
In thousands	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
<b>Financial Position:</b>				
Working capital	\$	41,059	\$	52,000
Property, plant and equipment		27,089		29,843
Mineral properties		83,539		83,539
Total assets		181,372		196,766

Total long-term liabilities		40,615		43,059
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## *Overview*

### Operations and Sales Outlook Overview

The Company plans to extract and recover uranium from its Nichols Ranch Project in 2019 at reduced levels as its existing wellfields become depleted. This will continue until such time as the incremental cost of production exceeds the value of the pounds recovered. In addition, the Company expects to continue to extract and recover vanadium from pond solutions at its White Mesa Mill through 2019 and to build its vanadium inventory at current price levels, which are close to the Company's incremental cost of producing vanadium.

As a result of current low 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 from the U.S. government, or through improved uranium market fundamentals. Until such time as improvements in uranium market conditions are observed or suitable sales contracts can be entered into, the Company expects to defer further wellfield development at its Nichols Ranch Project. In addition, the Company will keep the Alta Mesa Project and its conventional mining properties on standby. The Company is also seeking new sources of revenue, including new sources of Alternate Feed Materials and new fee processing opportunities at the Mill that can be processed under existing market conditions, largely unrelated to uranium sales prices. The Company will also continue its efforts to receive U.S. government support for domestic uranium production and will evaluate additional acquisition and disposition opportunities that may arise.

### Extraction and Recovery Activities Overview

During the nine months ended September 30, 2019, the Company recovered approximately 56,000 pounds of  $U_3O_8$ , which currently places the Company within its published guidance of 50,000 to 125,000 pounds of  $U_3O_8$  for the year. The Company also recovered approximately 1,300,000 pounds of high-purity vanadium pentoxide (" $V_2O_5$ " or "black flake") during the nine months ended September 30, 2019 and expects to continue to recover approximately 160,000 to 200,000 pounds of  $V_2O_5$  per month while vanadium recovery operations continue.

The Company has entered into no uranium sales commitments for 2019 thus far. Therefore, all 2019 uranium production is expected to be added to existing inventories. All  $V_2O_5$  production is expected to be sold on the spot market, if prices rise significantly above current levels, or maintained in inventory.

### *ISR Activities*

During the nine months ended September 30, 2019, we extracted and recovered approximately 56,000 pounds of  $U_3O_8$  from the Nichols Ranch Project, which is within the Company's published guidance of 50,000 to 70,000 pounds of  $U_3O_8$  from Nichols Ranch for the year.

As of September 30, 2019, 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 procured, the Company intends to defer development of further header houses at its Nichols Ranch Project. The Company currently holds 34 fully-permitted, undeveloped wellfields at Nichols Ranch, including four additional wellfields at the Nichols Ranch wellfields, 22 wellfields at the adjacent Jane Dough wellfields, and eight wellfields at the Hank Project, which is fully permitted to be constructed as a satellite facility to the Nichols Ranch Plant.

The Company currently expects to continue running the Nichols Ranch Project through the end of 2019. However, if market conditions do not improve significantly by that time as a result of U.S. government support or otherwise, the Company expects to place this project on standby in early 2020.

The Company expects to continue to keep the Alta Mesa Project on standby until such time as improvements in uranium market conditions are observed or suitable sales contracts can be procured.

### *Conventional Activities*

#### Conventional Extraction and Recovery Activities

During the nine months ended September 30, 2019, the Company produced 1,300,000 pounds of high-purity  $V_2O_5$  from its Mill Pond Return program, as well as captured 30,000 pounds of  $U_3O_8$  in the mill circuit (which has not been packaged) through September 19, 2019. The Company is currently producing at full production rates of 160,000 to 200,000 pounds of  $V_2O_5$  per month. On September 19, 2019, the Company ceased uranium recovery operations from Pond Returns in order to lower its cost of production for vanadium. The Company expects to continue to recover vanadium at these rates during the fourth quarter of 2019, taking into account seasonal considerations. Despite currently low vanadium prices, the Company plans to continue this program, rather than place it on standby at this time, for three reasons. First, the Company believes vanadium prices are likely to rise in the future and the Company will be well-positioned to take advantage of any future price increases if it has readily saleable inventory. Second, the Company's vanadium recovery process is running smoothly, and it makes sense to continue producing efficiently and at the lowest possible cost under current conditions. Finally, maintaining vanadium



production will allow the Mill to retain its current highly skilled workforce, which will be able to switch over to uranium production if the Company ramps up its uranium production in response to U.S. government support for domestic uranium production or improved market conditions. The Company will continue to monitor its vanadium recoveries, which are expected to decrease during the colder winter months, its costs of production, current and expected vanadium prices, and its uranium production schedule, and may vary these plans, including shutting down its vanadium production, as circumstances warrant. If vanadium prices increase, or other opportunities arise, the Company may sell all or a portion of its vanadium inventory.

If vanadium recovery operations from the current Mill Pond Return program are put on standby during Q4-2019, the Company plans to utilize the resulting available Mill capacity by processing stockpiled Alternate Feed Materials in the fourth quarter of 2019.

#### Conventional Standby, Permitting and Evaluation Activities

During the nine months ended September 30, 2019, the Company completed its test-mining and refurbishment program targeting vanadium at the fully-permitted La Sal Complex located on the Colorado Plateau. We completed the test-mining by the end of April 2019 and continued to pursue enhanced operational readiness targeting future commercial production. The goal of the test-mining program was to evaluate different mining approaches in previously mined out areas 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  $U_3O_8$ . During this program, the Company refurbished the La Sal, Beaver Shaft and Pandora mines within the La Sal Complex and extracted approximately 11,000 tons of mineralized material. The Company expects to continue readiness

activities through the fourth quarter of 2019.

During 2019, the Company plans to continue carrying out engineering, metallurgical testing, procurement and construction management activities at its Canyon Project, including additional bench and pilot plant scale metallurgical test work of the uranium/copper mineralization, and to continue pursuing any additional permitting actions that may be required to potentially recover copper at the White Mesa Mill. The timing of the Company's 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, sales requirements, and/or permits required for copper recovery at the Mill.

The Company is selectively advancing certain permits at its other major conventional uranium projects. The Company plans to continue licensing and permitting the Roca Honda Project, a large, high-grade conventional project in New Mexico, with the Record of Decision currently scheduled to be completed in 2021. The Company intends to maintain required permits at the Company's conventional projects, including the Sheep Mountain Project and the Daneros Project. In addition, the Company intends to continue evaluation of 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 the Company's forecasts. All of these projects serve as important pipeline assets for the Company's future conventional production capabilities, as market conditions warrant.

## *Sales*

During the nine months ended September 30, 2019, the Company completed \$66,000 of uranium sales. The Company currently has no

remaining contracts and is therefore fully unhedged to future uranium price increases.

At the current time, the Company is selling only small quantities of vanadium, while mainly focusing on building  $V_2O_5$  inventory for sale in the future as prices are expected to increase. During the nine months ended September 30, 2019, the Company completed sales of 152,000 pounds of vanadium at an average price of \$12.88 per pound. The Company expects to continue to sell finished vanadium product when justified into the metallurgical industry, as well as other markets that demand a higher purity product, including the aerospace, chemical, and potentially the vanadium battery industries. The Company expects to sell to a diverse group of customers in order to maximize revenues and profits. The Company is continuing to produce a high-purity vanadium product of 99.6%-99.7%  $V_2O_5$ . 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 may also retain vanadium product in inventory for future sale, depending on vanadium spot prices at the time of production.

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.

#### *Unites States Nuclear Fuel Working Group*

As described above, the deadline for the Working Group to make recommendations to the President originally set for October 10, 2019 has apparently been extended for 30 days. The Company looks forward to learning the recommendations, and believes this initiative has the potential to result in actions that could provide meaningful support to the uranium mining industry. It should be noted, however, that there can be no certainty of the

outcome of the Working Group's study and recommendations. No action could be taken or remedies granted, and any actions taken may not result in a meaningful or material remedy to the uranium mining industry. Therefore, the outcome of this process is uncertain.

**Mark S. Chalmers, 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.

**About Energy Fuels:** Energy Fuels is a leading U.S.-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 Lakewood, Colorado near Denver, 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 in-situ recovery ("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 standby. 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](http://www.energyfuels.com).

**Cautionary Note 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 are not limited to, statements with respect to: production and sales forecasts; costs of production; 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, or the Company's ability to sell any of its vanadium product at a premium to spot prices or otherwise; the Company's ability to respond to rapidly evolving market conditions; the expected results from the vanadium test-mining program; 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; 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; the outcome of the U.S. Nuclear Fuel Working Group study, including the nature of any recommendations by the Working Group to the President of the United States; whether or not the President will act on any such recommendations and, if so, the nature of the action and remedy; and the expected benefits of any such 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," "budgets," "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; costs of production; 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, or the Company's ability to sell any of its vanadium product at a premium to spot prices or otherwise; the Company's ability to respond to rapidly evolving market conditions; the expected results from the vanadium test-mining program; 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; 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; the outcome of the U.S. Nuclear Fuel Working Group study, including the nature of any recommendations by the Working Group to the President of the United States; whether or not the President will act on any such recommendations and, if so, the nature of the action and remedy; the expected benefits of any such remedies; and the other factors described under the caption "Risk Factors" in the

Company's most recently filed Annual Report on Form 10-K, 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.