

A uranium company making waves in the rare earths space

“One Ring to rule them all” is a central plot element in J. R. R. Tolkien’s fictional novel *The Lord of the Rings*, as well as Peter Jackson’s movie trilogy, both of which I highly recommend. The One Ring was one of the most powerful artifacts ever created and was crafted by Lord Sauron. Sauron’s intent was to enhance his own power, and to exercise control over the other Rings of Power as he hoped to gain lordship over the Elves and all of the other races in Middle-earth. A pretty powerful theme for a fictional story, but where might I be going with this in real life today? Bear with me, it’ll take a bit to follow the tangled way my brain works.

At the recently concluded G7 meeting there was seeming consensus to chastise both China and Russia for various assorted reasons. It’s a reasonable bet that those nations may not be as cooperative with their abundant natural resources on a go forward basis as a result of being singled out. The G7 communique noted the need for supply chain resilience and technology standards so that democracies are aligned and supporting each other. I read into that, rare earths that the developing world requires to meet its climate objectives, amongst other things. Right now China basically owns that space between control of resources and the processing of those resources into useable products. Assuming the West isn’t already too late in light of what InvestorIntel’s Jack Lifton wrote about in this article, we shall soldier on.

The West needs its One Ring, albeit not to rule them all, but to control its destiny. The leading North American candidate to craft that ring (so to speak) is Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR). To quote President and CEO, Mark

Chalmers “Without a doubt, Energy Fuels is making major strides toward restoring critical U.S. rare earth supply chains. In late-March, we began to ramp up production of an intermediate rare earth product at our White Mesa Mill in Utah using monazite from Chemours. This is expected to be a high-value product ready to be separated and refined into value-added rare earth products at Neo Performance Materials Inc’s (TSX: NEO) plant in Europe. At this time, no other U.S. company is producing a product this far down the rare earth value chain. However, we have much bigger rare earth plans, and the momentum is building rapidly as we execute our purposeful strategy. We are now taking real steps toward designing and building fully integrated, U.S. rare earth production capabilities.”

The 800 pound gorilla in North American rare earths right now is MP Materials Corp. (NYSE: MP) but they are focused on their own production at Mountain Pass and have an offtake agreement with Chinese based entities. Additionally, they are still in their Stage 2 development process which would only get them to where Energy Fuels is capable of today. The other differentiator with Energy Fuels is that many, if not most, rare earths ores contain low levels of radioactive materials, including uranium and thorium, necessitating extensive radioactive materials licensing requirements. Energy Fuels 100% owned White Mesa Mill has existing infrastructure (licensed, constructed and in operation) with a 40 year history of “responsibly managing low-level radioactive materials”. Energy Fuels is in a unique, industry-leading position with this asset to process monazite ores into rare earth carbonate. In other words, a recipe for success in light of the current political environment.

The Company has several collaborations with the U.S. government and national laboratories on various rare earth initiatives, including being granted a \$1.75 million contract by the U.S. Department of Energy to perform studies that

complement work to develop rare earth separation capabilities at their White Mesa Mill. As well, Energy Fuels has deals with The Chemours Company and Hyperion Metals Limited to process ore from their respective mines at the Offerman Mineral Sand Plant in Georgia and the Titan project in Tennessee. Energy Fuels will process the monazite sands into a mixed rare earth carbonate for use as feed material for Neo Performance's separated rare earth production plant in Europe.

Energy Fuels and its White Mesa Mill are uniquely situated as the only North American facility to be able to process an intermediate rare earth product. The company is flush with cash, with approximately \$57 million having finished Q1/21 with \$44 million plus raising \$13 million throughout April and May via an at the market share issuance. Additionally, the Company has an available inventory of saleable uranium and vanadium with a market value of approximately \$28 million. The fact that it is also a uranium company is responsible for the wash out in the stock price yesterday (down 9.4%) on news of a potential issue at a Chinese nuclear facility. This news caused a broad brush destruction of market cap across the whole uranium sector. However, if you see the rare earth side of the Energy Fuels business being the potential future of the company then perhaps this is a buying opportunity.