Energy Fuels' Mark Chalmers addresses the impact of the coronavirus on the uranium market and steps up to the critical materials supply chain podium

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Given the recent announcement of a US$1.5 billion (US$150 million pa for 10 years) uranium reserve to be allocated to US uranium producers, there has been quite a buzz around the uranium sector which is currently dominated by Energy Fuels.

Energy Fuels CEO Mark Chalmers, accompanied by several members of senior management, lead an excellent Company webcast update, with a special address on the impact of the coronavirus (COVID-19) on the critical materials sector on Friday morning. During this webcast, he provided an update on the Company, covering everything from the US uranium reserve to the Company's FY 2019 results. During this webcast he identified the increasing prioritization by the by the U.S. government for a both U.S. sourced critical materials and the build-out of a North American rare earths supply chain. Below I touch on the key highlights.

Energy Fuels Inc. (NYSE: UUUU | TSX: EFR) is one of only three US uranium miners still in production, and has been the largest US uranium producer over the past 4 years. Energy Fuels has the largest uranium resource portfolio in the U.S. among producers, with an ability to rapidly scale up production if needed. Added to this Energy Fuels is a leading U.S. vanadium producer. There is also some potential for future rare earths processing at White Mesa Mill.

The White Mesa Mill is a strategic asset for Energy Fuels and the USA

Many don’t know, but the White Mesa Mill has produced about the same amount of uranium and vanadium over its lifetime to date, or about 45 million pounds of each. White Mesa Mill can also recycle alternate feed materials and materials from land clean ups.

Energy Fuels’ flagship White Mesa Mill produces both uranium and vanadium, with potential to add rare earths processing

Energy Fuels views on Russia

Russia has a long history of manipulating markets to gain a geopolitical advantage. If nothing changes the US could be dependent on Russia, China and its allies for uranium. **Also at the end of 2020, the Russian Suspension Agreement (RSA) expires. This means Russia could potentially export even more uranium into the US market leading to a price war, as we recently have seen with oil.** It would also potentially increase the US’s dependence on Russia for uranium after 2021.

Energy Fuels views on President Trump’s FY2021 budget provision for a U.S. uranium reserve of US$150 million pa

Energy Fuels is positive on the recent move that the US plans to support the US uranium producers. There are no details yet on how the US$150 million pa will be allocated but there is a very strong possibility that Energy Fuels will benefit, especially given they initiated the Section 232 Petition.

The Office of Nuclear Energy (NE) stated:

"The reserve is expected to support the operation of at least two U.S. uranium mines."

There are currently only three or four uranium facilities operating in the U.S. right now that have the current capability to supply a U.S. uranium reserve. These include Energy Fuels' White Mesa Mill in Utah and Energy Fuels' Nichols Ranch ISR Facility in Wyoming.

Energy Fuels (blue) has been the largest US producer of uranium over the last 4 years

Energy Fuels approach with COVID-19

Energy Fuels is adopting the following procedures to support the COVID-19 battle:

- Eliminating travel and conference attendance for the time being.
- In these tough times with low uranium and vanadium prices, Energy Fuels is focusing on cost-cutting measures and maintaining balance sheet strength.
- Energy Fuels state that of very significant concern right now is that "Kazakhstan might have to shut down uranium production due to COVID-19″. This could lead to a uranium supply shock given Kazakhstan is the world's largest uranium producing country.

Energy Fuels FY 2019 results and current activities

- Energy Fuels end 2019 cash and marketable securities, and inventory was at $40.5 million. Added to this is $19.5 million from 2020 activities. There is also US$16 million of convertible debt that matures on December 31, 2020 (payable in cash or shares at the Company’s option). Net assets are therefore over $40 million confirming a very strong balance sheet.
- Energy Fuels is currently pursuing additional cash flow opportunities in alternative feed materials, land cleanup, vanadium & rare earth elements. Energy Fuels is participating in a pilot-scale cleanup project for Navajo Nation, and is also supporting the cleanup of a private mine in Mexico.

Note: The White Mesa Mill is the only facility in U.S. that can recycle material into usable uranium.

Rare Earth Elements

Energy Fuels has been approached by several entities including the US Government to process certain uranium bearing rare earth elements at the White Mesa Mill. Energy Fuels stated:

“We can play a significant part in bringing rare earth element production back to the United States.”

Closing remarks

With the possibility that the world’s largest uranium producing country Kazakhstan may have to shut down uranium production due to COVID-19, there is the very real potential for a supply shock to hit the uranium market.

One of the very best ways for investors to gain exposure to the US uranium and vanadium sectors is to consider investing in Energy Fuels. They stand to benefit from any uranium supply shock/price increase, an announcement of uranium contracts to build the newly announced uranium reserve, or any further announcements to support US critical materials supply. Energy Fuels' strong balance sheet and top tier assets allow them the flexibility to turn on and off uranium and vanadium production depending on market prices.

By investing in Energy Fuels investors gain exposure to the leading US producer of both uranium and vanadium, and also a potential future rare earths processor. To gain exposure to uranium, vanadium, and rare earths (potential for processing) in one company, located in the USA, is quite unique and exceptional.