# Energy Fuels Announces Q1-2019 Results

written by Raj Shah | May 8, 2019

May 8, 2019 (Source) – **Energy Fuels Inc. (NYSE American: UUUU;TSX: EFR) ("Energy Fuels" or the "Company")** today reported its financial results for the quarter ended March 31, 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, 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.

**Highlights:**

- At March 31, 2019, the Company had $47.3 million of working capital, including $15.3 million in cash, $17.5 million in marketable securities, 470,000 pounds of finished uranium goods inventory, and 270,000 pounds of finished vanadium goods inventory.
- The Company successfully achieved commercial rates of vanadium production at the Company's White Mesa Mill (the "**Mill**"), producing the highest purity vanadium in the Mill's history. Vanadium production totaled 325,000 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 over a 16-20 month period, subject to continued

successful recovery and suitable sales prices.

- Uranium production totaled 20,000 pounds of $U_3O_8$ during the quarter.
- The Company completed no uranium sales during the quarter and continues to add to uranium inventories. The Company believes that uranium prices will improve and that it may be able to sell inventory at higher prices in the future.
- The Company completed 53,000 pounds of vanadium sales into the steel industry during the quarter, following conversion of the Company's $V_2O_5$ product into ferrovanadium. The Company is continuing to convert $V_2O_5$ into ferrovanadium, while also evaluating the sale of certain quantities of high-purity $V_2O_5$ into specialty aerospace, chemical, and potentially the vanadium battery industries.
- The Company continued a limited conventional vanadium test-mining program at its La Sal Complex. As of March 31, 2019, the Company had mined approximately 6,000 tons of mineralized material with an average grade of 1.44% $V_2O_5$ and 0.17% $U_3O_8$. While these numbers are not intended to represent the basis of a new resource estimate, the Company believes that the new mining methods that were tested are likely to result in reduced costs, higher grades, and higher value for mined material due to significantly improved grade control at the mine site. The Company completed test mining in April 2019 and plans to continue further operational readiness activities at the La Sal Complex based on these encouraging results.
- Pursuant to Section 232 of the Trade Expansion Act of 1962 (as amended), on April 14, 2019, the U.S. Department of Commerce ("**DOC**") completed its investigation into the effects of uranium imports on U.S. national security (the "**Section 232 Investigation**") and submitted a report to the

President of the United States containing their findings and proposed remedy (if any). The Company is seeking a remedy which would set a quota limiting imports of uranium into the U.S., effectively reserving 25% of the U.S. nuclear market for U.S. uranium production. If granted, the quota would be expected to strengthen uranium prices available to U.S. producers, thereby reviving an industry crucial to America's national security and the generation of clean, carbon-free nuclear energy.

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

"Energy Fuels continued to make important progress on a number of value-building initiatives in the first quarter of this year.

"Some of our most noteworthy achievements have resulted from our continued support of the U.S. Department of Commerce's Section 232 investigation into U.S. uranium imports. On April 14, 2019, our efforts resulted in an important milestone. On that date, the DOC submitted a report to the White House containing the results of its investigation, along with proposed recommendations. President Trump now has up to 90 days from April 14, 2019 to decide whether and how to act on DOC's recommendations. As the report has not been made public, the Company has not seen the report. However, we believe the facts are crystal clear. Increasing levels of uranium and nuclear fuel imports into the U.S. from our geopolitical rivals represent a real threat to U.S. national security and energy security. We are proud to be one of the voices urging the President to act decisively to protect America on this key issue, and we will continue to support this initiative in the months ahead.

"While we await the President's decision on the Section 232 investigation, one of our other key initiatives involves vanadium production, where we have made enormous strides to re-establish the Company as the only primary producer of vanadium

in North America. In 2018, when vanadium prices began to rise over the $10 per pound threshold, we began evaluating the short-term recovery of dissolved vanadium from the pond solutions at our White Mesa Mill, a source of solubilized vanadium inventory we had never previously attempted to recover. Through the innovation, hard work, and dedication of our skilled milling professionals, we entered production toward the end of 2018 and began making sales in February 2019. We are actively producing significant quantities of the highest-purity vanadium in the Mill's history. Perhaps more importantly, since we have developed an effective processing methodology, we now have the ability to quickly and inexpensively adjust production in response to evolving market conditions. We are closely tracking market conditions, particularly in China where significant quantities of vanadium are produced and consumed. Prices currently sit at approximately $9.10 per pound and, if they remain at current levels or decline for any extended period of time, we may temporarily halt vanadium production in order to save this valuable inventory for higher future prices. Regardless of what happens to markets, we have created the potential to rapidly generate significant cash flows during periods of elevated vanadium prices.

"We also believe we have created significant shareholder value through the test-mining program at our La Sal Complex. As we have previously reported, under this program we analyzed mining methods and technologies never before utilized in the uranium/vanadium mines of the Colorado Plateau. Our results are extremely encouraging, potentially changing the paradigm for mining these deposits by significantly improving grade control. If successful, this would reduce mining, milling and trucking costs, and potentially improve Mill recovery for vanadium since the higher the vanadium grade fed into the Mill, the higher the percentage of vanadium recovered.

“In short, we believe we are clearly demonstrating that Energy Fuels is not just another uranium company waiting for prices to recover. We are committed to realizing value and leveraging our assets wherever we can. We look forward to providing further updates on our progress in the months ahead.”

***Selected Summary Financial Information:***

| $000, except per share data | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| **Results of Operations:** | | |
| Total revenues | $ 1,670 | $ 1,254 |
| Operating loss | (10,122) | (10,400) |
| Net loss attributable to the company | (12,127) | (10,822) |
| Basic and diluted loss per share | (0.13) | (0.14) |
| $000’s | As at March 31, 2019 | As at December 31, 2018 |
| **Financial Position:** | | |
| Working capital | $ 47,256 | $ 52,000 |
| Property, plant and equipment | 29,017 | 29,843 |
| Mineral properties | 83,539 | 83,539 |
| Total assets | 190,341 | 196,766 |
| Total long-term liabilities | 47,306 | 43,059 |

**Outlook**

*Overview*

Operations and Sales Outlook Overview

The Company plans to extract and/or recover uranium from its Nichols Ranch Project in 2019. In addition, during 2019 the Company expects to extract and/or recover vanadium, and potentially uranium, from pond solutions at its White Mesa Mill, subject to continued successful recovery and suitable sales prices.

As a result of improved vanadium market conditions in 2018, the Company began its current campaign in early 2019 to recover between two and a half (2.5) and four (4) million pounds of vanadium from existing pond solutions at the White Mesa Mill, which result from past mineral processing campaigns, over the 16 to 20 month expected life of the program.

Extraction and Recovery Activities Overview

During the quarter ended March 31, 2019, the Company recovered approximately 20,000 pounds of $U_3O_8$. In the year ending December 31, 2019, the Company expects to recover approximately 50,000 to 125,000 pounds of $U_3O_8$. The Company also recovered 325,000 pounds of high-purity vanadium pentoxide ("**$V_2O_5$**" or "**black flake**"), during the quarter ended March 31, 2019, and expects to continue to recover approximately 160,000-200,000 pounds of $V_2O_5$ per month over the life of the program, subject to continued successful recovery and depending on the availability of suitable sales prices.

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 or maintained in inventory.

Both ISR and conventional uranium extraction and/or recovery are expected to continue to be maintained at reduced levels until such time as improvements in uranium market conditions are observed or suitable sales contracts can be procured. Continued vanadium production will depend on the continued availability of suitable vanadium spot prices.

ISR Activities

During the quarter ended March 31, 2019, we extracted and recovered approximately 20,000 pounds of $U_3O_8$ from the Nichols Ranch Project. In the year ending December 31, 2019, the Company expects to produce approximately 50,000-70,000 pounds of $U_3O_8$ from Nichols Ranch.

At March 31, 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 expects to continue to keep the Alta Mesa ISR 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 quarter ended March 31, 2019, the White Mesa Mill recovered no uranium due to the its focus on vanadium recovery.

During the quarter, the Company produced 325,000 pounds of high-purity $V_2O_5$ from its Mill pond return program. The Company is currently producing at full-production rates of 160,000 to 200,000 pounds of $V_2O_5$ per month. The Company expects to continue to recover $V_2O_5$ at these rates throughout 2019, subject to

continued successful recovery and depending on the availability of suitable sales prices. If vanadium prices remain at current levels or decline, the Company may curtail or stop vanadium production during the year, pending improvements in vanadium prices. One of the benefits of the Mill's vanadium pond return program is that it can be stopped and restarted relatively quickly in response to changes in vanadium market conditions.

In addition, the Company is evaluating whether uranium can be extracted, concurrent with its vanadium recovery, from the pond solutions. If the Company determines such recovery is possible, it expects that up to approximately 55,000 pounds of $U_3O_8$ could potentially be recovered at the White Mesa Mill in 2019 from those activities.

The Company currently expects that planned vanadium and other processing activities will keep the Mill in operation through the end of 2019 and into 2020. The Company is also actively pursuing opportunities to process new and additional alternate feed sources and low-grade ore from third parties in connection with various uranium clean-up requirements. In addition, if improvements in uranium market conditions are observed as a result of the Section 232 Investigation or otherwise, the Company would expect to be able to procure suitable long-term sales contracts to keep the Mill operating over a considerably longer period of time.

Conventional Standby, Permitting and Evaluation Activities

During the quarter ended March 31, 2019, the Company continued its test-mining program targeting vanadium at the fully-permitted La Sal Complex located on the Colorado Plateau, which it completed in April 2019, in addition to pursuing enhanced operational readiness targeting future commercial production. The goal of the program was to evaluate different mining

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 $U_3O_8$. During this program, the Company refurbished the La Sal and Pandora mines within the La Sal Complex and extracted approximately 6,000 tons of mineralized material. The Company expects to continue readiness activities throughout 2019. In addition, the Company expects to complete a surface and underground drilling program at the La Sal Complex by mid-2019 in order to potentially expand the known uranium and/or vanadium resources available to mine.

*Sales*

During the quarter ended March 31, 2019, the Company completed no uranium sales. The Company currently has no remaining contracts and is therefore fully unhedged to future uranium price increases.

The Company continued $V_2O_5$ shipments during the quarter ended March 31, 2019 with initial quantities being allocated for conversion to ferrovanadium ("**FeV**"), which is currently being sold into spot metallurgical markets. During the quarter, the Company completed sales of 53,000 pounds of vanadium at an average price of $20.40 per pound. The Company expects to continue to sell finished vanadium product as it is produced 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.

*Trade Petition*

In January 2018, the Company participated in the joint filing of a Petition for Relief under Section 232 of the Trade Expansion Act of 1962 (as amended) from Imports of Uranium Products that Threaten National Security (the "**Petition**"). On April 14, 2019, the DOC completed the Section 232 Investigation and submitted a report to the President of the United States containing their findings and proposed remedy (if any). From April 14, 2019, the President has 90 days to act on the DOC's recommendations and, if necessary, take action to adjust imports or pursue other lawful, non-trade-related actions to address the national security threat. 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 during 2019. It should be noted, however, that there can be no certainty of the outcome of the Section 232 Investigation and,

therefore, the outcome of this process is uncertain.

***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.*

***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 Statessecurities legislation, which may include, but is not limited to, statements with respect to: production and sales forecasts; costs of production; scalability, 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 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 ability to quickly and inexpensively adjust vanadium production in response to evolving market conditions; the ability to generate cash flows during periods of elevated vanadium prices; 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; any threats to national security and energy security; and the outcome of the Department of Commerce Section 232 investigation, including the nature of the Secretary of Commerce's recommendation to the President of the United States; whether or not the President will act on the recommendation and, if so, the nature of the action and remedy; and the expected benefits of the proposed 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; scalability, 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 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 ability to quickly and inexpensively adjust vanadium production in response to evolving market conditions; the ability to generate cash flows during periods of elevated vanadium prices; 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; any threats to national security and energy security; and the outcome of the Department of Commerce Section 232 investigation, including the nature of the Secretary of Commerce's recommendation to the President of the United States; whether or not the President will act on the recommendation and, if so, the nature of the action and remedy; the expected benefits of the proposed 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, on SEDAR at www.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.*