

Energy Fuels Executes Definitive Agreement to Sell Alta Mesa ISR Project to enCore Energy for \$120 Million, Facilitating the Company's Plans to Accelerate Both Uranium and Rare Earth Production

written by Raj Shah | November 14, 2022

Non-dilutive sale of asset expected to materially enhance Energy Fuels' balance sheet and help to fund the rapid advancement and expansion of near-term U.S. uranium and rare earth production

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The Transaction is significant for the Company, as the cash received is expected to fully finance much of the Company's uranium, REE, vanadium and medical isotope business plans for the next two to three years without diluting shareholders. These

plans may include:

1. Ramping-up uranium production at one or more of the White Mesa Mill, the Nichols Ranch ISR Project, the Pinyon Plain mine, the La Sal Complex, and/or the Whirlwind mine which total up to two (2) million pounds of U308 per year of near-term, lower cost U.S. production capacity in order to fulfill commitments under existing and future long-term uranium supply agreements and as market conditions may warrant;
2. Accelerating the licensing and development of the Company's larger-scale uranium mines, including the Sheep Mountain, Roca Honda, and/or Bullfrog projects, which together will add over five (5) million pounds of production capacity in the next several years;
3. Establishing an "ore purchasing" program to secure additional feed to the White Mesa Mill, from others in the region as uranium mining picks up in the region, thereby maximizing the facility's existing eight (8) million pounds per year licensed uranium production capacity and having sole ownership of this production;
4. Financing the construction of "first to market" in the U.S. "Phase 1" REE separation infrastructure (up to 2,500 – 5,000 MT per year TREO capacity, including 500 – 1,000 MT per year of NdPr oxide or oxalate expected) at the White Mesa Mill;
5. Advancing the design, engineering and permitting of a planned, large "world significant" "Phase 2" crack-and-leach and "light" and "heavy" REE separation facility (up to 15,000 mT per year TREO capacity).
6. Developing the Company's Bahia heavy mineral sand and REE project in Brazil upon successful acquisition of the project; and
7. Acquiring additional monazite supply to feed the Company's

rapidly growing REE business.

The \$120 million of total consideration will be paid by enCore to Energy Fuels as follows:

1. \$60 million cash at closing; and
2. \$60 million in a secured convertible note (the "Note"), payable in two years from the closing, bearing annual interest of eight percent (8%). The Note will be convertible at Energy Fuels' election into enCore shares at a 20% premium to the 10-day volume-weighted average price of enCore shares ending the day before the closing. enCore is currently traded on the TSXV and has applied for a listing on the NASDAQ. The Note will be guaranteed by enCore Energy Corp., will be fully secured by Alta Mesa, and enCore will not be permitted to further encumber Alta Mesa with any third-party indebtedness, royalty or stream while the Note is outstanding. Unless a block trade or similar distribution is executed by Energy Fuels to sell the enCore common shares underlying the Note, Energy Fuels will be limited to converting the Note into a maximum of \$10 million principal amount of the Note per thirty (30) day period.

Furthermore, enCore will assume all reclamation liabilities associated with Alta Mesa (approximately \$10.3 million) and pay Energy Fuels the cash collateral on the existing reclamation bonds (approximately \$3.6 million). Once the reclamation liabilities are transferred to enCore, Energy Fuels will be nearly 60% collateralized on its remaining reclamation obligations. The Company also estimates that the sale of Alta Mesa will reduce Energy Fuels' cash burn by approximately \$2 million per year.

Energy Fuels acquired Alta Mesa in 2016 for approximately \$13.6 million of shares, and currently carries this project on its balance sheet at \$8.2 million. The Transaction represents an exceptional return on investment for Energy Fuels, and the value metrics of the Transaction compare favorably against precedent transactions within the uranium sector. Energy Fuels expects to replace the expected uranium production from Alta Mesa through permitting and production from its existing larger mining projects, ore purchases, toll milling arrangements, additional alternate feed and clean-up material, and potentially other transactions as market conditions may warrant.

Mark S. Chalmers, President and CEO of Energy Fuels stated: "This is a unique transaction for Energy Fuels. Not only does it allow us to monetize the Alta Mesa Project for \$120 million, it allows our company to focus and accelerate our higher priority uranium and rare earth projects without dilution to our shareholders. This non-dilutive transaction will add cash to Energy Fuels' significant working capital position, which was \$122 million at September 30, 2022. Energy Fuels will also retain some exposure to short-term market upside and optionality at Alta Mesa and enCore through the convertible note.

"With recent uranium market strength and having secured new long-term uranium contracts with major U.S. nuclear utilities earlier this year, the Company is beginning to perform the work needed to recommence production at one or more of our projects, with production expected to start as soon as 2023. We have already hired about 20 people, and the cash we receive from the Alta Mesa transaction will help further fund this ramp-up. On top of this, the Company plans to establish an "ore purchasing" program from future uranium mining from others that maximizes the underutilized uranium production capacity of the White Mesa Mill with the uranium produced going 100% to our account in a way that others cannot. Energy Fuels absolutely intends to

retain our position as the leading producer of uranium in the U.S. through our remaining outstanding portfolio of ISR and conventional uranium assets, and this transaction with enCore helps to both finance and focus our plans in this regard without dilution associated with equity financings.

“This cash also helps facilitate our plans to install rare earth separation infrastructure at our White Mesa Mill, including the expected capacity to produce approximately 500 – 1,000 tonnes per annum of separated ‘light’ rare earth oxides (or oxalates) by the end of 2023 or early 2024. We are also working on a number of fronts to secure additional monazite supply to feed our new rare earth infrastructure, and we expect this cash to significantly help finance purchases of monazite, fund our Bahia project in Brazil upon successful completion of that acquisition, and otherwise help in this regard. If we are successful with our rare earth initiatives, we have the potential to be the ‘first-to-market’ in the U.S. for the sale of commercial quantities of separated NdPr oxides (or oxalates), a raw material for rare earth permanent magnets used in electric vehicle drivetrains, wind energy systems, and defense applications. For reference, high-efficiency EVs each require about one to two kilograms of NdPr oxide. Therefore, in the next 12-18 months, if we are successful in constructing our Phase 1 rare earth separation capabilities, Energy Fuels could be domestically producing enough magnet material for 250,000 to 1 million EV drivetrains per year.

“I also believe this Transaction represents an important step forward for enCore Energy. Alta Mesa is a fully permitted and developed U.S. uranium project, and enCore’s President and CEO, Paul Goranson, knows it well, having constructed and operated it himself about ten years ago. To us, this appears to be a value creative transaction for both Energy Fuels and enCore.”

The closing of the Transaction is expected to occur by December 31, 2022. If the Transaction is not completed due to certain circumstances, enCore is required to pay to Energy Fuels a \$6 million break fee.

Cantor Fitzgerald Canada Corporation is acting as Energy Fuels' financial advisor and Dorsey & Whitney LLP and Dentons are acting as Energy Fuels' legal advisors in connection with the Transaction.

About Energy Fuels: *Energy Fuels is a leading U.S.-based uranium mining company, supplying U₃O₈ to major nuclear utilities. The Company also produces vanadium from certain of its projects, as market conditions warrant, and is ramping up to full commercial-scale production of RE Carbonate. Its corporate offices are in Lakewood, Colorado near Denver, and all 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 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 U₃O₈ per year, and has the ability to produce vanadium when market conditions warrant, as well as RE Carbonate from various uranium-bearing ores. The Nichols Ranch ISR Project is currently on standby and has a licensed capacity of 2 million pounds of U₃O₈ per year. The Alta Mesa ISR Project is also currently on standby and has a licensed capacity of 1.5 million pounds of U₃O₈ per year. In addition to the above production facilities, Energy Fuels also has one of the largest S-K 1300 and 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 United States and Canadian securities legislation, which may include, but are not limited to, statements with respect to: production and sales forecasts; the ability of the Company to accelerate uranium and rare earth production; scalability, and the Company's ability and readiness to re-start, expand or deploy any of its existing projects or capacity to respond to any improvements in uranium market conditions;; any expectation as to the timing of the closing of the Transaction or whether the closing will in fact occur; any expectation that the Transaction may fully finance much of the Company's uranium, rare earth, vanadium, and medical isotope business plans for the next two to three years; any expectation that the Company may license and eventually produce uranium from its Sheep Mountain, Roca Honda and/or Bullfrog projects; any expectation as to recommencement of production at any of the Company's uranium mines or the timing thereof; any expectation as to the ability of the Company to secure any new sources of ore or other processing opportunities at the Mill through an ore purchasing program; any expectation as to timelines for the permitting and development of projects; any expectation that the Company will maintain its position as a leading uranium company in the United States; any expectation with respect to timelines to production; any expectation that the Mill will be successful in producing RE Carbonate and/or separated REE oxides or oxalates on a full-scale commercial basis; any expectation that Energy Fuels will be successful in developing U.S. separation, or other value-added U.S. REE production capabilities at the

Mill, or otherwise, including the timing of any such initiatives and the expected production capacity or capital and operating costs associated with any such production capabilities; any expectation with respect to the quantities of monazite sands to be acquired by Energy Fuels, the quantities of RE Carbonate to be produced by the Mill or the quantities of contained TREO in the Mill's RE Carbonate; any expectation that the Company may sell its separated NdPr oxide (or oxalate) to major electric vehicle manufacturers in the U.S. and Europe; any expectation that the Bahia Project has the potential to feed the Mill with REE and uranium-bearing monazite sand for decades; any expectation as to the quantities to be delivered under existing uranium sales contracts, or that such contracts may help underpin the Company's uranium business for many years to come; and any expectation that the Company will generate net income in future periods. 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: commodity prices and price fluctuations; processing and mining difficulties, upsets

and delays; permitting and licensing requirements and delays; changes to regulatory requirements; legal challenges; the availability of sources of Alternate Feed Materials and other feed sources for the Mill; competition from other producers; public opinion; government and political actions; available supplies of monazite sands; the ability of the Mill to produce RE Carbonate to meet commercial specifications on a commercial scale at acceptable costs; the ability of Neo to separate the RE Carbonate produced by the Mill to meet commercial specifications on a commercial scale at acceptable costs; market factors, including future demand for REEs; the ability of the Mill to be able to separate radium or other radioisotopes at reasonable costs or at all; market prices and demand for medical isotopes; 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.

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