

# Energy Fuels ready with uranium stockpile and rare earths plans

## Strong financial position allows Energy Fuels to pay off debentures

It is remarkable to find a company with no sales in a fiscal period but still able to pay down all remaining corporate debenture debt. Who is this company and how do they do it?

On September 8, 2020, Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR) announced that it had delivered notice to the holders of the company's remaining debentures of a cash redemption on October 6, 2020. The holders of the floating rate convertible unsecured subordinated debentures, due December 31, 2020 in the amount of CAD\$10.4 million, will receive 101% of the principal and accrued interest. This is in spite of Q2-2020 results showing no sales for the first six months of 2020.

Energy Fuels is a uranium and vanadium mining company based in the United States. Their major production assets are the White Mesa Mill in Utah, the Nichols Ranch in-situ recovery (ISR) project in Wyoming, and the Alta Mesa ISR project in Texas. **Energy Fuels is the largest U.S. uranium producer** with substantial producible and near-ready production assets.

Despite the lack of sales in the first six months of 2020, a review of their balance sheet shows that Energy Fuels is in a strong financial position. Not counting approximately US\$20 million of restricted cash, the company had \$28.3 million of cash, cash equivalents and marketable securities, plus net inventories of \$26.6 million.

So as you ask “How did they do it?” the answer is clearly that Energy Fuels has kept a strong balance sheet and continue to meet their obligations in a timely manner. Said President and CEO Mark S. Chalmers, “Energy Fuels has focused on cleaning up our balance sheet with minimal impact to our shareholders.”

The uranium market has been challenging for a number of years, coming off a ten year price low in late 2016. Price movements have been moribund and would have continued this way, except that the US Nuclear Fuel Working Group report released on April 23, 2020 recommended support to the nuclear energy industry, including establishment of a \$150 million domestic uranium reserve. The impact on uranium prices was immediate, with the price initially jumping from about \$24 to \$34 a pound.

## **12-Month Uranium Price Movement**



Energy Fuels **owns and operates the only fully licensed and operating conventional uranium mill in the U.S.** – the White Mesa Mill – which has a licensed capacity of 8 million pounds of U308 per year. According to the company, this provides Energy Fuels with “significant production scalability as uranium prices recover in the years ahead.” The mill is also capable of processing for vanadium and the company is now a leading U.S. vanadium producer.

In April, 2020, Energy Fuels also announced its **entry into the U.S. rare earth elements (REE) market** by exploring the potential production of a rare earth oxide concentrate at its fully licensed and constructed White Mesa Mill that can be sold to REE separation facilities. Energy Fuels has brought in two leading rare earths experts to assist with their development and implementation of commercial and technical REE strategies. Energy Fuels’ President and CEO, Mark S. Chalmers, explained that “Energy Fuels continued to consolidate our

position as the clear leader in U.S. uranium production in Q2-2020, and we made significant progress in diversifying into rare earth element production.”

With no contracted sales and a substantial inventory of both uranium and vanadium, the company is poised to capitalize on the potential for improved markets in both minerals. In July, the company resumed production of uranium at the White Mesa Mill in Utah from alternate feed materials and pond returns. The company plans to produce within previously stated guidance of 125,000 to 175,000 pounds of uranium in 2020, building up and holding inventory of almost 700,000 pounds of uncontracted / uncommitted uranium by the end of the year.

Energy Fuels has significant resources that have been evaluated and are supportive of their production and inventory targets. Among all of their properties, there is a total estimated 9.8 million pounds of Measured uranium U308, 69.1 million pounds Indicated, and 49.1 million pounds of Inferred resources. In addition, the company has recorded almost 26 million pounds of Measured vanadium V205, 5.8 million pounds of Indicated resources and 8.5 million pounds of Inferred resources.

Only weeks away from being free of their debenture debt, Energy Fuels is in the right place at the right time. Building uncontracted inventory in uranium in a time when uranium pricing seems to have fewer headwinds, having support from the U.S. government, and lower Russian uranium imports into the US in the longer term is definitely more positive than earlier this year for the U.S.’s number one uranium producer.