EIGHT CAPITAL

TARGET REVISION

# Energy Fuels Inc.

(EFR-T: C$8.50)

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**BUY**
Target: C$10.50 (from C$3.55)

# 2020: A Transformational Year for Energy Fuels

| EFR-T | New | | Last |
|---|---|---|---|
| **Rating** | -- | | **BUY** |
| **Target (C$)** | **$10.50** | ▲ | **$3.55** |
| Projected Return | 22% | ▲ | -59% |
| Target DCF multiple | 1.50x | ▲ | 1.00x |
| Corporate DCF (C$) | 5.74 | ▲ | 2.53 |
| Cash, Investments, and Inventories (C$) | 0.50 | ▲ | 0.22 |
| Debt (C$) | 0.00 | ▲ | (0.22) |
| Unmined Resources (C$) | 1.38 | ▲ | 1.02 |
| Total NAV (C$) | 7.62 | ▲ | 3.54 |
| P/NAV | 1.13x | ▼ | 2.42x |

| Company Data | |
|---|---|
| Last Price | C$ 8.58 |
| 52-week Range | C$ 1.50 - C$ 9.75 |
| Market Cap ($MM) | C$ 1,208 |
| Enterprise Value ($MM) | $945.0 |
| Shares Outstanding - Basic (MM) | 140.8 |
| Shares Outstanding - FD (MM) | 148.3 |
| Avg Volume - 100d (000 shares/day) | 5,612.2 |
| Cash (excl. Restricted Cash) ($MM) | $20.2 |
| U3O8 and Vanadium Inventory ($MM) | $33.9 |
| Debt ($MM) | $0.0 |
| Working Capital ($MM) | $40.2 |

| Forecast | 2020A | 2021E | 2022E | LT |
|---|---|---|---|---|
| Spot (US$/lb) | 29.8 | 32.0 | 35.0 | 50.0 |
| Term (US$/lb) | 32.0 | 32.0 | 50.0 | 50.0 |

**All Figures in US$ Unless Otherwise Noted**

Source: FactSet, Company Reports, Eight Capital

### EFR-T: Price/Volume Chart


*Source: Factset*

### Company Description

*Energy Fuels is America's largest mixed ISR and conventional uranium and vanadium producer, supplying over a third of the uranium produced in the U.S. It operates the White Mesa Mill in UT, capable of 8.0 MM lbs U3O8 per year and its Nichols Ranch ISR Mine in WY has received NRC approval for its Jane Dough expansion. White Mesa Mill is also capable of jointly processing rare earths.*

**We recommend Energy Fuels with a BUY rating and increase our target price to C$9.50 (from C$3.55), based on our 10% DCF model with a 1.5x DCF multiple (was 1.0x) given clean energy driven multiples expansion after incorporating 2020 results and our hypothetical plans for rare earths processing and uranium production ramp-ups.**

We see strong and improving demand outlook for separated rare earth oxides (REOs), especially for neodymium-praseodymium (NdPr) magnets that are used in growing number of modern technologies, including off-shore wind turbines and EVs. These high-powered magnets enable the conversion of electrical energy into motion via permanent-magnet motors. As a result, reported prices for separated NdPr oxide >99% in China (where 80-90% of separated rare earth oxides are produced) have recently reached as high as $80,000/t or higher. Energy Fuels appears to be capitalizing from this, with the help of its well-suited White Mesa Mill (WMM) and its plans to start processing ores of rare earth elements (REEs) this year from a starter feed source of least 2,500 tpa monazite. The monazite is produced in Georgia and contains 55% TREO, with 22% of the TREO consisting of the highly-coveted Nd and Pr. This new exposure to REEs combined with EFR's dominant position as a leading US uranium producer ready to ramp up production when uranium prices turn makes EFR our top pick among producers (see uranium sector note).

**A key risk for REE processing is security of feed supply,** but monazite has been reported to be widely available as a byproduct of mineral sand operations in the southeastern US. EFR's ability to ramp up beyond the three year minimum supply agreement of 2,500 tpa monazite (55% TREO) towards the targeted 15,000 monazite (or higher) while vertically integrating downstream by adding a separation plant (for perhaps $100-200MM) to separate NdPr oxides (among other REOs) could be limited by Chemours' available supply of monazite (Energy Fuels announced a supply agreement with The Chemours Company on 14-DEC-20, link to PR). Monazite sand mining (and concentration by gravity methods) has however been documented in the SE US by US Geologic Survey dating back to at least the 1950s (link to USGS report). And local Georgia media reports suggest sand containing low level rare earths has been mined as a sideline business to another operation, and shipped to China dating back to 2018 (link to article). It therefore seems reasonable to expect that EFR can get its hands on more of this monazite from the southeastern US, from Chemours or otherwise, especially given the strong fit the material seems to have with the WMM (given its co-located in US, already has much of the necessary crack and leach equipment, can tolerate and actually benefit from the uranium contained in the monazite, and has ample capacity in its permitted tailings facility). Monazite is also mined in Australia and Africa, and offer additional supply opportunities to EFR.

**REEs could help EFR transform into to a multi-billion dollar company,** based on the recent performance of REE ore processing peers MP Materials (MP-US, not rated) and Lycas Rare Earths (LYN-ASX, not rated). The market caps of both peers have increased 2.5-fold over the last 6 months to US$5.9B and US$4.3B (vs. EFR mkt cap increasing more than 3-fold in 6 months to nearly US$1B, as it appears to be encroaching on this new peer group).

Both of these peers appear to still rely on China for separation of their REOs, but MP plans to begin REO separation at its new plant in California from 2022 (where it already has an operational mine and crack and leach facility) and LYC plans to separate in Texas from roughly 2025 (to be fed with material from its new ~$300-400MM crack and leach facility to be constructed near its mine in Australia, link to PR). We think Energy Fuels' REE ore processing plans stack up well against those of more advanced REE ore processing peers MP and LYC, especially given the scarcity value associated with its pre-existing domestic crack-and-leach processing facility at its WMM in Utah (which MP also similarly had in California), and through its current access to the European supply chain (off-shore wind turbines and EVs) through its partnership with NEO.

**Energy Fuels finishing the year cashed up with no debt and a net loss of only $0.23/sh** is mostly all that matters with the annual financials given idled production amid low uranium prices, and given the strong outlook on the REE and nuclear demand front. After raising $30.4MM from its ATM, the company now boasts $80.4MM in cash, marketable securities and inventory (700klbs U3O8 and 1.7MMlbs V2O5) after idled 2020 production of only 190.5klbs U3O8 and 67klbs V2O5 (added to inventory). And while uranium prices remain relatively flat around $30-1/lb U3O8, rising vanadium prices (to $8/lb V2O5 recently from $5/lb last year) might entice EFR to restart vanadium production from its tailings recycling operation at White Mesa (management suggests vanadium production might restart above $10/lb V2O5).

**EFR doubles down on clean energy movement by adding REEs to its purview,** which helped catapult the stock 400% (outperforming our uranium producer peer group avg. gain of 180% in same period), since the first closure of Cigar Lake back in March 2020 when Energy Fuels was trading near an all-time low below C$1.50/sh while the uranium sector was largely out of favour. This closure of Cigar Lake (accounting for roughly 12% of global production) appears to have acted as an initial catalyst for the uranium sector, at a time when the Trump administration was voicing its support for the US nuclear/uranium sectors, and when we think investors were beginning to realize that nuclear power is likely to play a key role in meeting emissions targets in the transition towards EVs and a low carbon future (regardless of current uranium spot prices). More recently, the incoming Biden Administration appears to have doubled down on US support for nuclear, which along with rising public support for nuclear as a clean energy source including from people such as Bill Gates have pushed NAV multiples higher amid relatively flat uranium pricing around $30/lb (see uranium sector note). And this choice by EFR to enter rare earths appears to have amplified its benefit of the rising uranium sector multiples.

**EFR stacks up well (and perhaps appears under-valued) against REE processing peers MP and LYC.** EFR's initial 3 years supply agreement for a minimum of 2,500 tons/a (tpa) monazite equates to ~0.5% of global REE supply of ~250,000 tonnes REO, ~10% of US REE demand, and includes ~275 tpa NdPr oxides (22% of TREO in monazite) or ~0.8% of global NdPr oxide market of ~30,000 tonnes NdPr oxides. Expansion to 15,000 tpa monazite would translate to roughly 2.7% of global REE supply, 50% of US demand, and would include 1,497 t NdPr oxides or roughly 5% of global NdPr supply. Rare earth processing peer MP produces 38,000 tonnes/a REO for 15% of global supply that is currently shipped to China for separation, with domestic REO separation set to begin onsite in California from 2022, which after optimization the company is targeting 6,075 tonnes/a separated NdPr oxides for 20% of global NdPr supply that MP expects will help generate a run-rate adj. EBITDA of $250MM (implying a NPV10% of $2.3B over 20 years and a current P/NAV of 2.6x vs. EFR's 1.1x). LYC produces ~16,000 tonnes/a REO for 6% of global supply, including ~5,400 tonnes/a NdPr oxide for 2% of global NdPr supply that it currently sends to its Malaysian operations for cracking and leaching, and REO separation (with plans to construct a new crack and leach facility closer to the mine in Australia and a separation plant Texas facility from 2025). Without these proposed improvements from Aussie crack and leach and US separation, LYC completed H2/20 with EBITDA of A$80.6MM when NdPr oxide prices averaged roughly 30-50% lower, which might imply a new EBITDA run-rate of US$180.5MM pa (implying a NPV10% of $1.6B over 20 years and a current P/NAV of 2.7x vs. EFR's 1.1x).

**Strong REE fundamentals and scarcity value overshadow lack of current visibility on costs and pricing** for EFR's REE processing plans. Prices for Chinese neodymium-praseodymium (NdPr) oxide >99% TREO have recently risen to as much as $80,000/t, largely on the back of rising demand from rare earth permanent magnets used in the direct drive motors of off-shore wind turbines (as opposed to geared motors used on-shore that require more maintenance) and in the drive trains of hybrid and electric vehicles, in addition to a growing number of new robot/drone and defense technologies. Argus Media suggests that off-shore wind turbines will be the biggest driver of REE demand (especially Pr and Nd oxides) in the coming years, when it forecasts a 20% CAGR for off-shore wind power GW output. A record 6.6GW in off-shore wind capacity was added in 2020 (following a previous record of 6.0 GW added in 2019) for a global total of 36 GW (25 GW in Europe and 11GW in China). Argus expects another 200 GW to be added in the next decade, and that only rare earth permanent magnets are strong enough to power the direct-drive motors. Roskill predicts that rare earth magnets will grow from 29% of rare earth demand in 2020 to 40% of rare earth demand in by 2030. Meanwhile, Benchmark Minerals forecasts European and North American EV battery plant output to increase by roughly 7-fold and 4-fold respectively (vs. global increase of roughly 3-fold). We don't know where these European and North American EV and wind turbine makers will source their coveted PrNd oxides in the future, but it could turn out to be directly from White Mesa (if a separation plant was added, or possibly even finishing circuits for metals/allows/powders/magnets as EFR envisions). Recall from our battery metals coverage (see battery metals sector note), the upstream stages of the EV supply chain (extraction and ore processing) are typically more constrained (by geology, capital, linkages to supply chain) than the EV output at the downstream end, and this imbalance is positive for battery metals demand/pricing (and similarly positive for REE demand/pricing, especially given the exposure to both EVs and off-shore wind turbines among other new technologies). If EFR can meaningfully tie its White Mesa Mill into the constrained second stage (mineral processing) of the critical minerals (in this case rare earths) supply chain, we think it offers investors huge scarcity value, while still retaining the more moderate scarcity value associated with its existing critical minerals business as a dominant US producer of uranium (global consumption currently

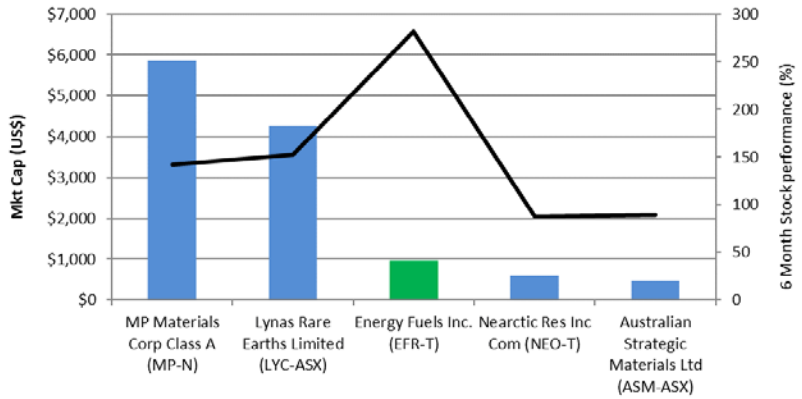
exceeds production by ~60MM lbs pa) and vanadium (currently idled but is also poised to ramp up in the coming years if uranium and vanadium prices continue to rise).

**EFR might turn a small profit from the initial REE feed, but the real prize lies in the downstream integration.** We apply a 10% DCF to our hypothetical REE processing plan, which now makes up 33% of our NAV. We assume three stages:

- Stage 1 (2021): 3,000 tons monazite 55% TREO purchased for US$1,000/ton monazite, producing 1,500 tons REOs as NdPr mixed REE carbonate 71% TREO, selling to NEO for US$5,000/ton REO (vs. MP's Q4/20 realized price of $3,693/ton REO selling into China). While EFR suggests it might earn a few million from initial processing, we assume a 2 year paypack on initial capex guidance of $2MM, resulting in an operating margin of $1MM (33%) and opex of $1,167/ton monazite ($2,334/ton REO) vs. MP's Q4/20 production costs of $1,441/t REO).
- Stage 2 (2022-23): 15,000 tons/a monazite 55% TREO purchased for US$1,000/ton, producing 7,500 tons/a NdPr mixed REE carbonate 71% TREO, selling to NEO for US$5,000/ton. We assume slightly lower opex of $1,150/ton monazite (2,300/t REO) and construction of a separation plant during 2023, for a capex of US$150MM (within management's suggested guidance of US$100-200MM).
- Stage 3 (2024+): 20,000 tons/a monazite 55% TREO purchased for US$1,000/t, producing 10,000 tons/a NdPr mixed REE carbonate 71% TREO, which is further processed and separated into two hypothetical streams: (1) 2,200 tons NdPr oxide >99% selling for $60,000/tonne ($54,430/ton), and (2) 7,800 of hypothetical byproduct mixed REE oxide >99% selling for $11,500/tonne ($10,432/ton). The 1975 USGS report (link) lists yttrium, neodymium, cerium, lanthanum, praseodymium and gadolinium as contained within the monazite.

**Idled uranium and vanadium production is ready to ramp up.** We assume uranium production of 54 klbs U3O8 this year (within guidance of 30-60 MM lbs), ramping up to 1.7 MM lbs by 2023 when our price deck forecasts a uranium price of $39/lb. We then assume further ramp up to more than 2.5 MM lbs by 2025, when our price deck assumed $47/lb. We assume vanadium restarts next year, ramping up to 3.5 MM lbs by 2023 and sold at a price of $10/lb V2O5 (vs. today's price of $8/lb). We assume the uranium and vanadium inventories are sold next year at prices of $35/lb U3O8 (potentially to the uranium reserve, which might see higher prices in the $40-55/lb range to help entice companies bring production online) and $10/lb V2O5.

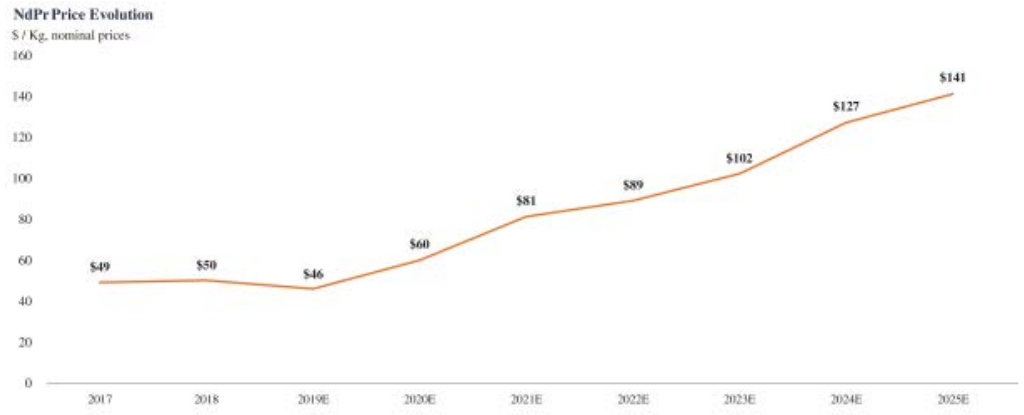
***Figure 1: Select rare earth ore processing and separation peers***




| Company Name & Ticker | Q4/20 Adj. EBITDA from REEs (US$MM) | Annual Adj. EBITDA Run-Rate from REEs Based on Q4/20 (US$MM) | Forecasted 2023-34 Adj. EBITDA Run-Rate from REEs (US$MM) | Comment | Implied NPV10% Based on Forecasted 2023-34 Adj. EBITDA Run-Rate from REEs (US$MM) | Annual REO production (tonnes REO) | Comment | Included NdPr oxides (tonnes REO) | % NdPr Oxide | Adj. EBITDA/t REO ($000/t) | Adj. EBITDA/t NdPr oxides ($000/t NdPr) | Mkt Cap (US$MM) | Implied REE P/NAV |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MP Materials Corp Class A (MP-N) | 18 | 72 | 250 | Previously guided by company, after California separation plant from 2022-23, prior to longer term magnet production plans | $2,269 | 38,000 | Current run-rate production | 6,075 | 16% | 6.6 | 41.2 | US$5,861 | 2.58 |
| Lynas Rare Earths Limited (LYC-ASX) | 32 | 129 | 181 | Q4/20 Run-Rate Adjusted for 40% higher pricing since H2/20, prior to Aussie crack and leach and Texas separation facilities expected from 2025 | $1,577 | 16,000 | Current run-rate production | 5,479 | 34% | 11.3 | 33.0 | US$4,274 | 2.71 |
| Energy Fuels Inc. (EFR-T) | -- | -- | 90 | From our hypothetical 20ktons/a monazite processing plan, after $150MM separation plant from 2023-24 | $819 | 9,072 | From our hypothetical 20ktons/a monazite, after separation plant from 2023-24 | 1,996 | 22% | 10.0 | 45.2 | US$965 | -- |

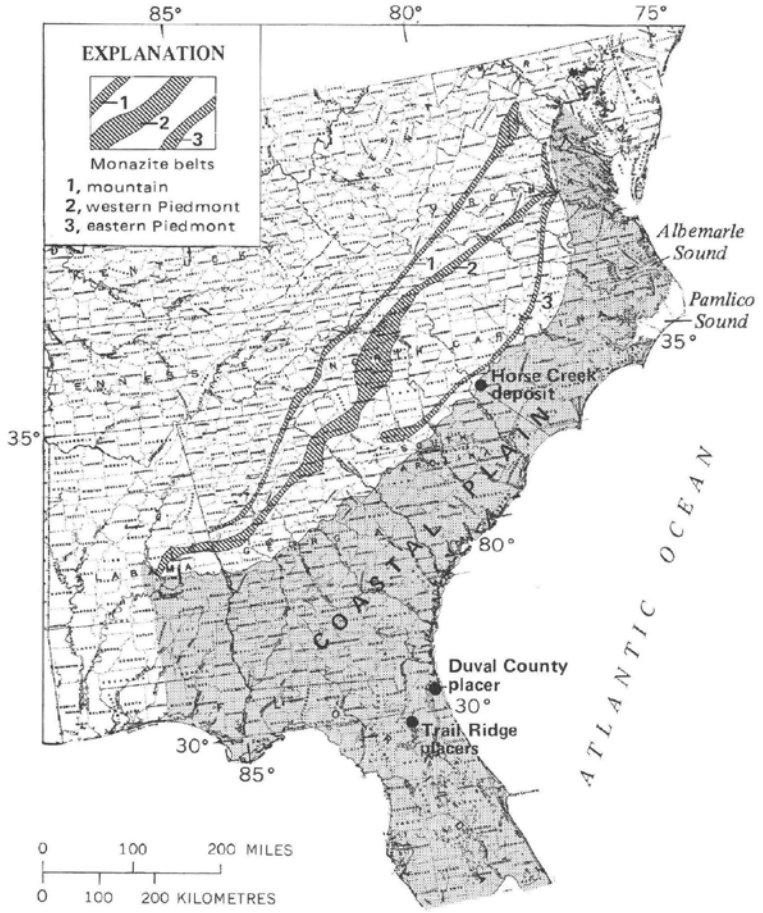
*Source: Factset, Company reports, Eight Capital estimates*

***Figure 2: NdPr Forecasted Pricing***




*Source: MP Materials company reports, CRU Group 2020 Rare Earth Market Study*

***Figure 3: Configuration of the three monazite belts previously documented in the southeastern US***




"I think there is reason for cautious optimism in terms of rare-earth production from Georgia."

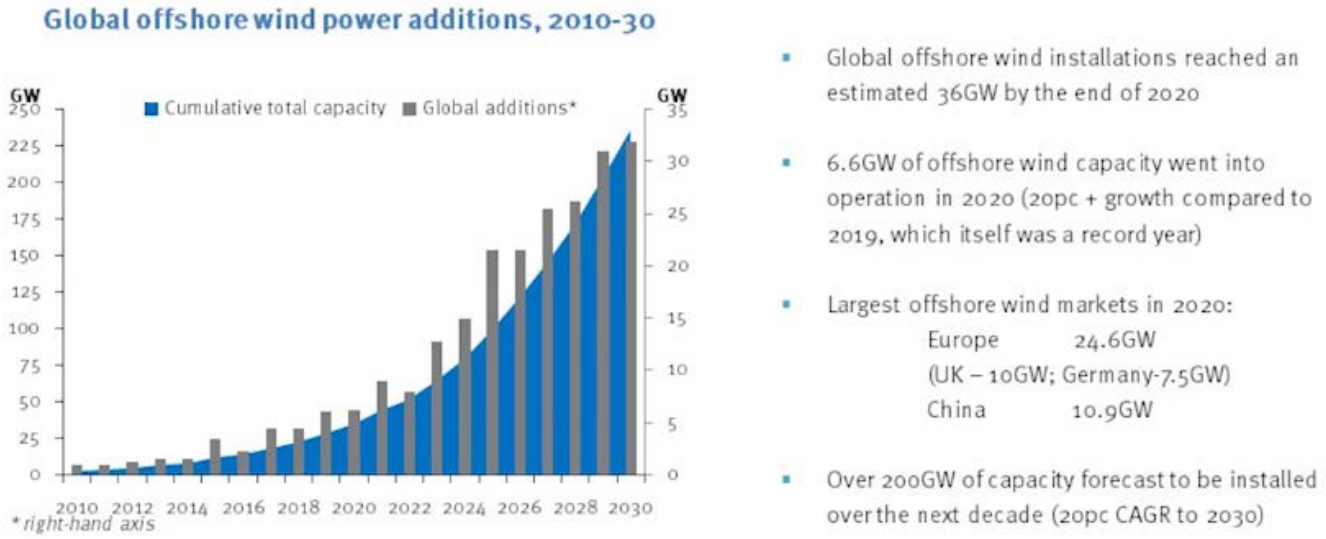
—Rod Eggert, a Colorado School of Mines economics professor in USGS report from 1975

*Source: USGS, 1975 (link)*

***Figure 4: Mining of rare earths as a byproduct in Georgia that were reported to have been shipped to China***

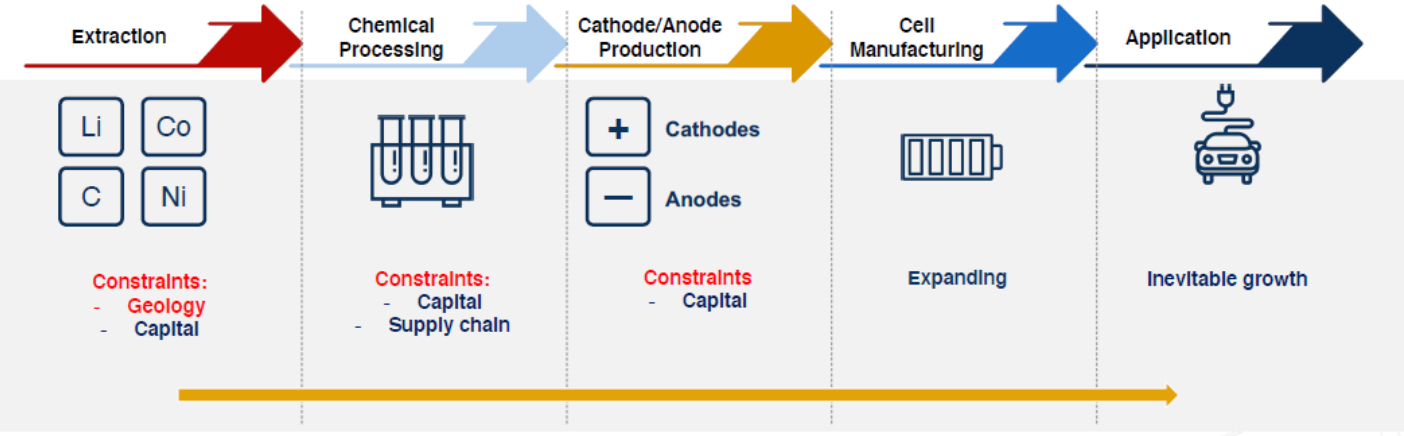

*Source: Georgia media reports, 2019 (link)*

***Figure 5: Over 20% growth in offshore wind power additions in 2020 (6.6 GW installed globally) - a record year, following a record year in 2019 (6.0 GW installed).***



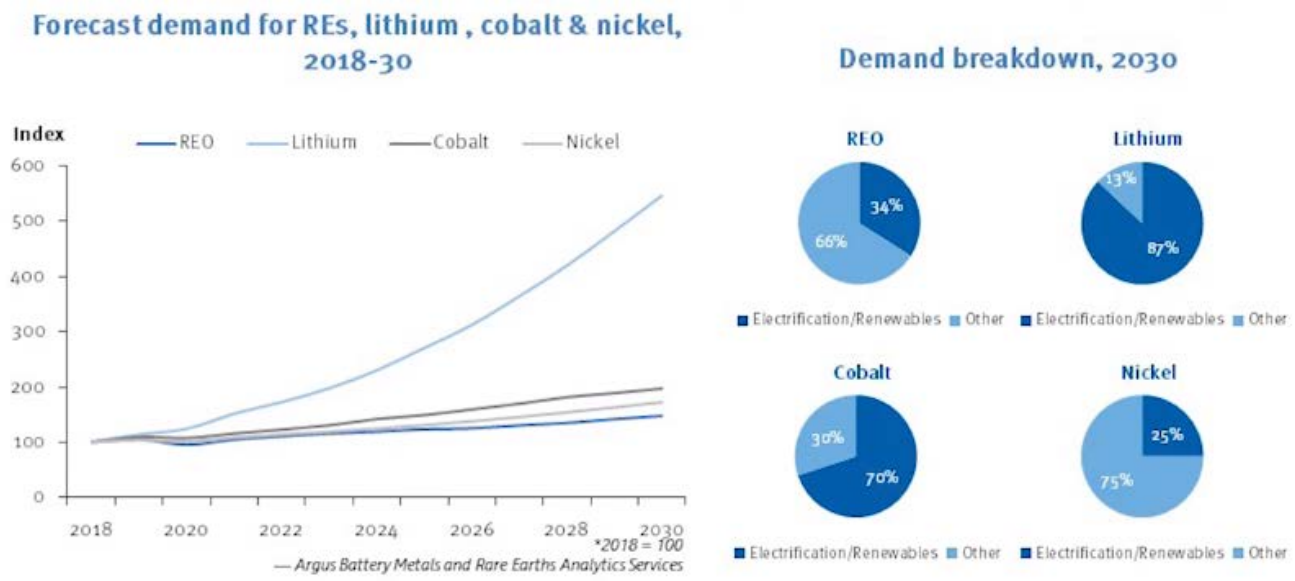

*Source: Argus Media*

***Figure 6: Upstream constraints stand in the way of tackling supply chain challenges (also applies to rare earths).***



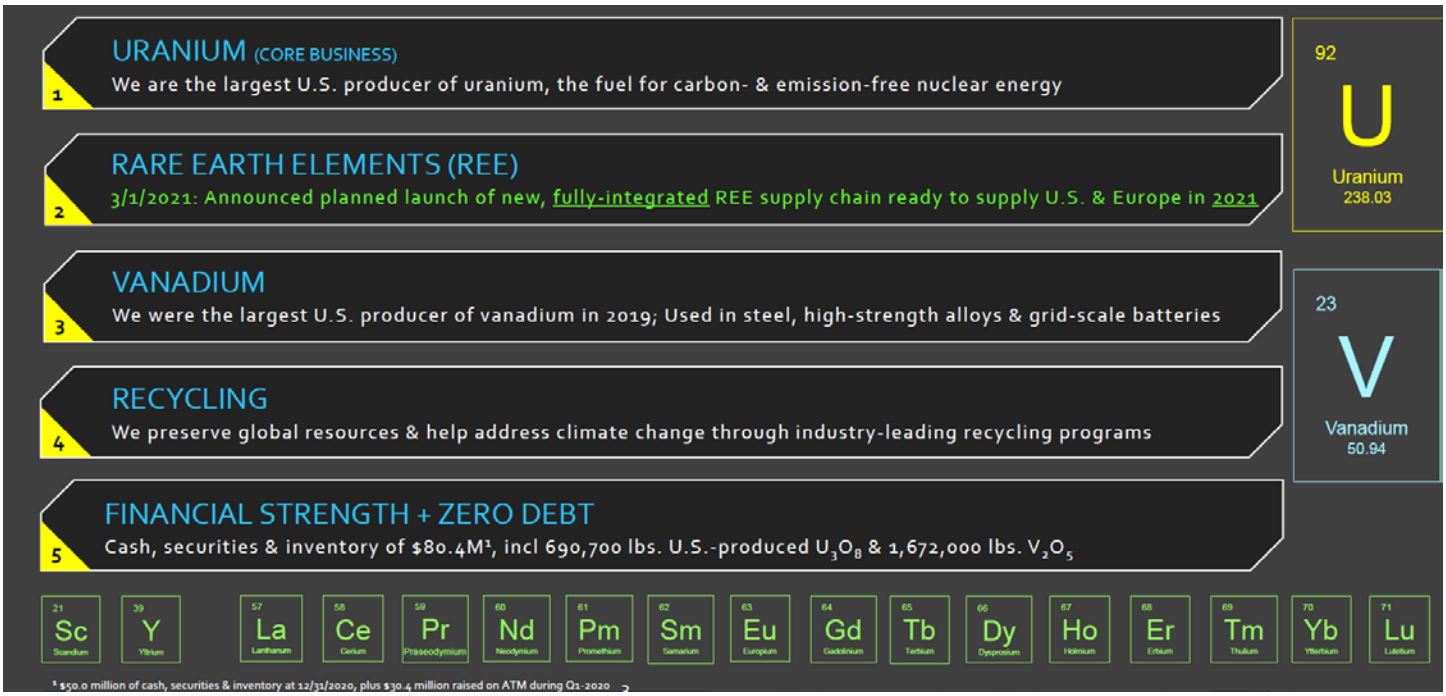

*Source: Benchmark Minerals*

***Figure 7: Forecasted demand for rare earths alongside lithium, cobalt, and nickel (2018-2030)***



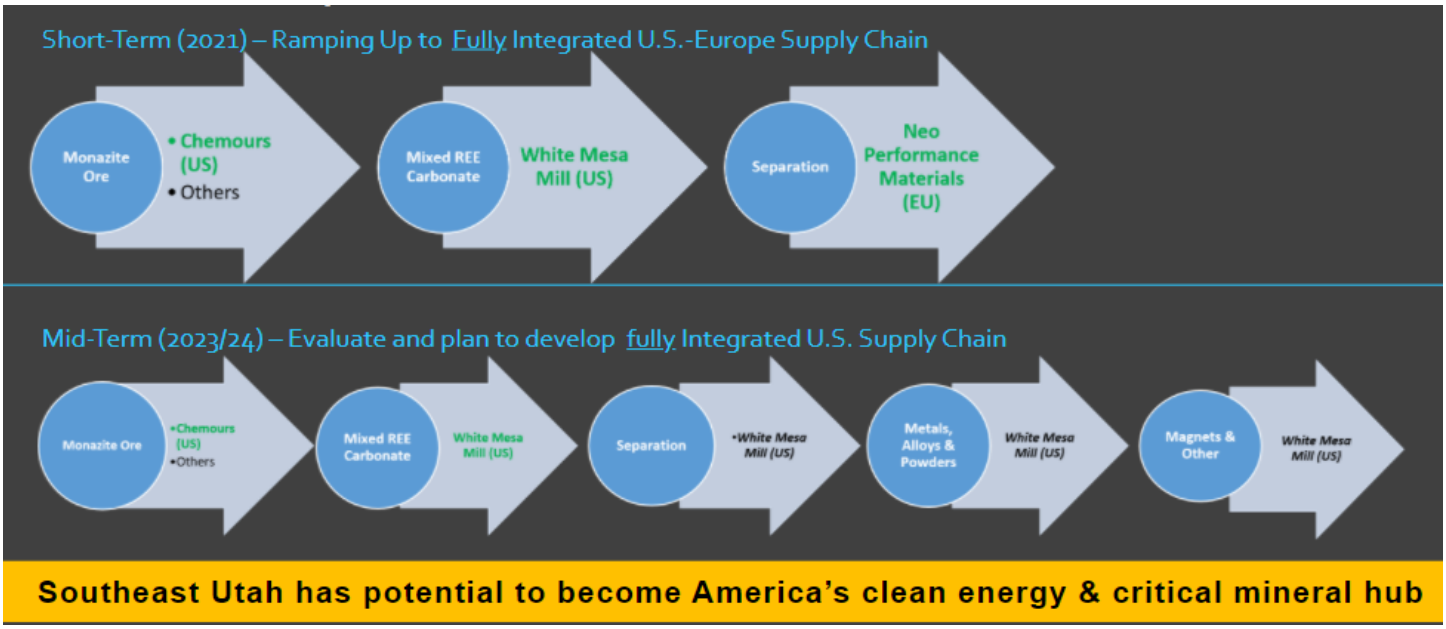

*Source: Argus Media*

***Figure 8: Energy Fuels business case***




*Source: Company reports*

***Figure 9: A rebuilt rare earth supply chain led by Energy Fuels***

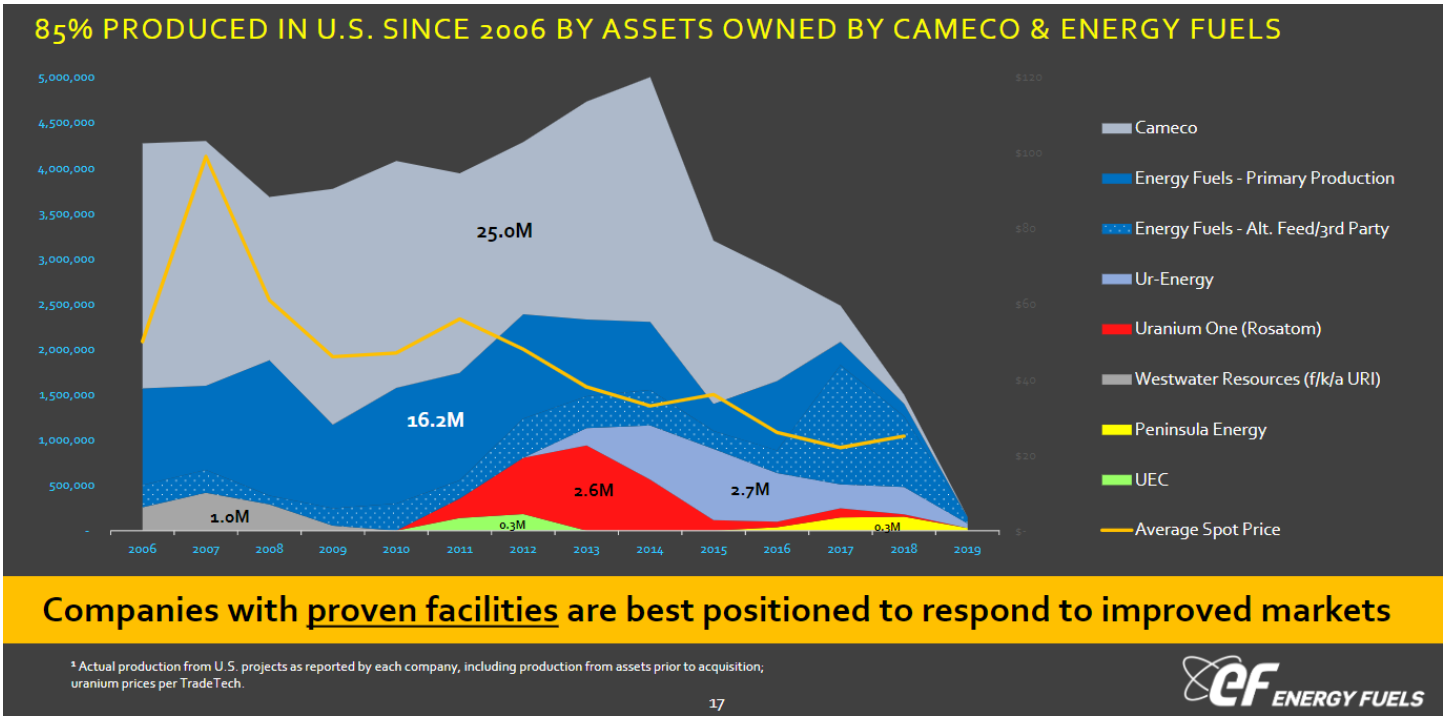



*Source: Company reports*

***Figure 10: Financial strength and flexibility***

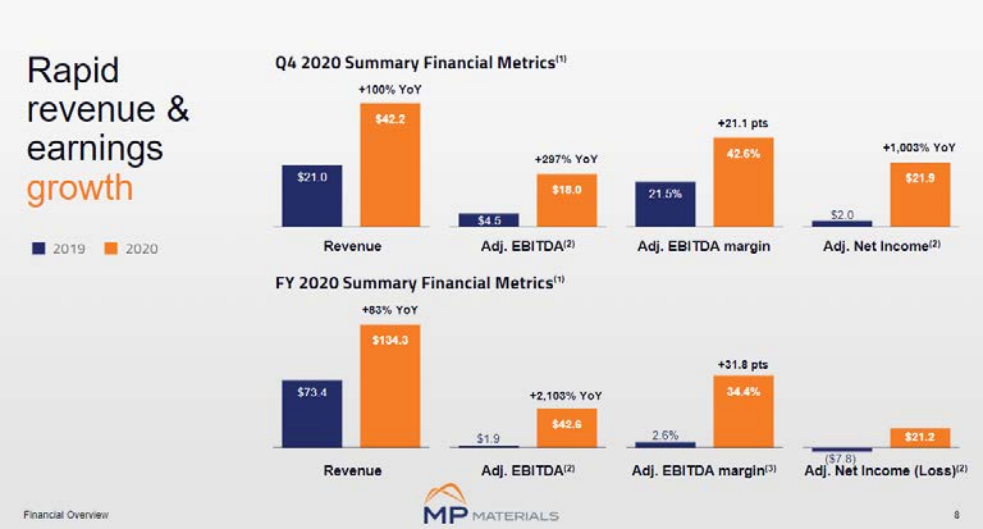

*Source: Company reports*

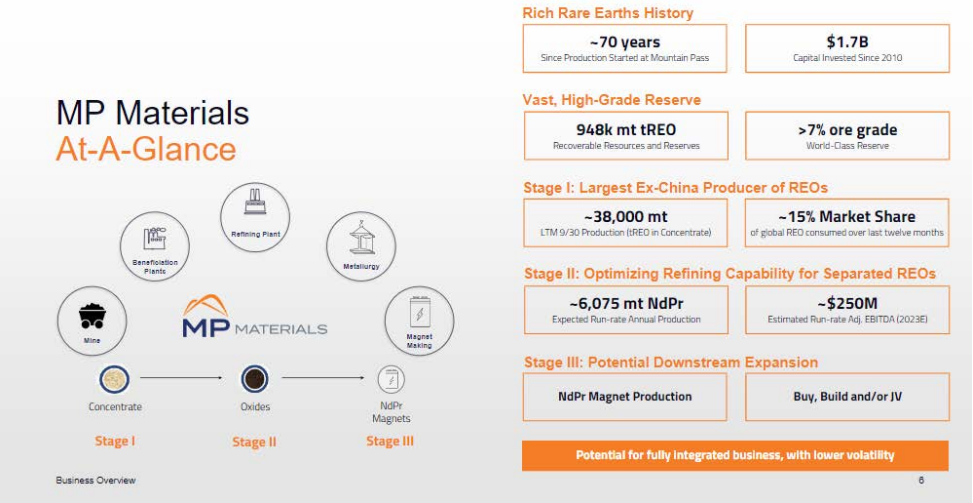
***Figure 11: America's Proven uranium producers***




*Source: Company reports*

***Figure 11: MP Materials (MP-US, Not rated) operating and financial performance***


*Source: Company reports*

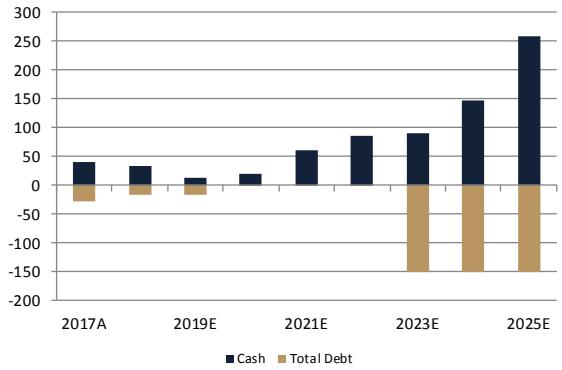
## Energy Fuels Inc.

**Net Asset Valuation at Eight Capital Price Deck (C$)**

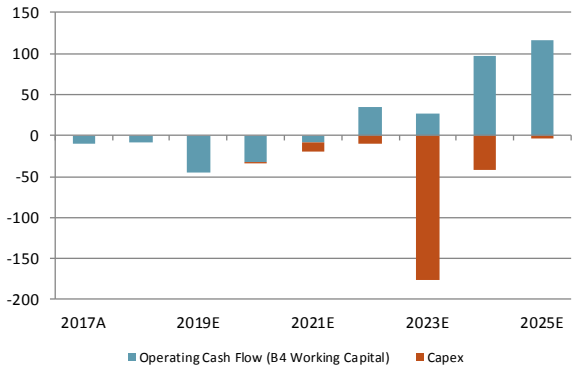
| | Target Setting NAV | | | NAV at Various Discount Rates | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 0% | | 5% | | 15% | |
| | Discount Rate | ($MM) | ($/Share) | ($MM) | ($/Share) | ($MM) | ($/Share) | ($MM) | ($/Share) |
| **Uranium Assets** | | | | | | | | | |
| Pandora | 10% | 13 | 0.09 | 23 | 0.16 | 17 | 0.12 | 10 | 0.07 |
| Beaver | 10% | 4 | 0.03 | 7 | 0.05 | 6 | 0.04 | 3 | 0.02 |
| Daneros | 10% | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Canyon | 10% | 1 | 0.01 | 2 | 0.02 | 1 | 0.01 | 0 | 0.00 |
| Pinenut | 10% | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Arizona 1 | 10% | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Alt Feed & Pond Returns | 10% | 117 | 0.83 | 216 | 1.53 | 157 | 1.11 | 91 | 0.65 |
| White Mesa REE Processing | 10% | 351 | 2.50 | 1,020 | 7.24 | 588 | 4.18 | 215 | 1.52 |
| Sheep Mountain | 10% | 14 | 0.10 | 141 | 1.00 | 57 | 0.40 | -8 | -0.06 |
| Roca Honda | 10% | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Nichols Ranch | 10% | 39 | 0.27 | 56 | 0.40 | 46 | 0.33 | 32 | 0.23 |
| Alta Mesa | 10% | 46 | 0.33 | 115 | 0.82 | 67 | 0.47 | 33 | 0.23 |
| **Total Uranium Assets** | | **585** | **4.15** | **1,581** | **11.23** | **938** | **6.66** | **376** | **2.67** |
| **Other Assets & Expenses** | | | | | | | | | |
| Cash | | 26 | 0.18 | 26 | 0.18 | 26 | 0.18 | 26 | 0.18 |
| Inventory | | 44 | 0.31 | 44 | 0.31 | 44 | 0.31 | 44 | 0.31 |
| Debt | | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Resources | | 195 | 1.38 | 195 | 1.38 | 195 | 1.38 | 195 | 1.38 |
| Exploration, G&A, Other | 10% | 223 | 1.58 | 246 | 1.74 | 231 | 1.64 | 221 | 1.57 |
| **Net Other Assets** | | **488** | **3.46** | **511** | **3.63** | **496** | **3.52** | **486** | **3.45** |
| **Net Asset Value** | | **1,073** | **7.62** | **2,092** | **14.86** | **1,434** | **10.18** | **862** | **6.12** |
| **Share Price** | | | **8.58** | | **8.58** | | **8.58** | | **8.58** |
| **P/NAV** | | | **1.13x** | | **0.58x** | | **0.84x** | | **1.40x** |

**Financial Forecasts at Eight Capital Price Deck (MM US$)**

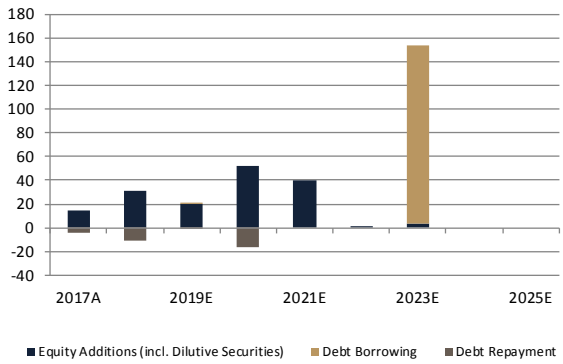
**Cash and Debt**



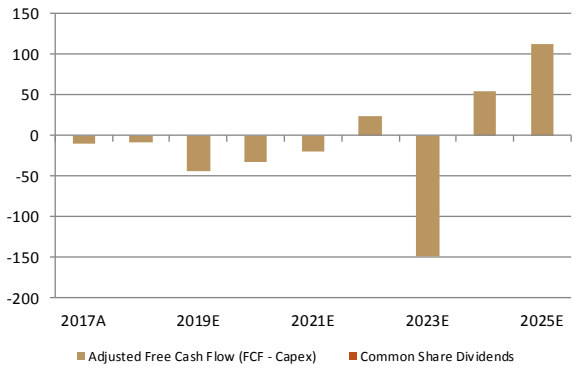

**Operating Cash Flow and Capital Spending**




**Changes in Debt and Equity**




**Free Cash Flow and Common Share Dividends**




*Source: Company Reports, Eight Capital*

## Energy Fuels Inc (EFR-T)

| | | | |
|---|---|---|---|
| **Rating** | **BUY** | **C$ Target** | **$10.50** |
| | | **C$ Close** | **$8.58** |
| Mitch Vanderydt, P.Eng, Mining Research Analyst | | **12-month return** | **22%** |
| mvanderydt@viicapital.com | | | |

| | |
|---|---|
| **Shares O/S (MM)** | **140.8** |
| **Fully Diluted Shares (MM)** | **148.3** |
| **Basic Mkt. Capitalization ($MM)** | **C$ 1,208.2** |
| **Enterprise Value ($MM)** | **C$ 945.0** |

**PRODUCTION ESTIMATES (000 lbs)**

| Year-End December | 2018A | 2019A | 2020A | 2021E | 2022E |
|---|---|---|---|---|---|
| Pandora | 0 | 0 | 0 | 0 | 58 |
| Beaver | 0 | 0 | 0 | 0 | 188 |
| Daneros | 0 | 0 | 0 | 0 | 0 |
| Canyon | 0 | 0 | 0 | 0 | 120 |
| Sheep Mountain | 0 | 0 | 0 | 0 | 0 |
| Alt Feed | 777 | 0 | 191 | 50 | 270 |
| Nichols Ranch/Hank/Jane Do | 140 | 70 | 6 | 0 | 349 |
| Roca Honda | 0 | 0 | 0 | 0 | 0 |
| Alta Mesa | 0 | 0 | 0 | 0 | 116 |
| **TOTAL** | **917** | **70** | **197** | **50** | **1,102** |

**TOTAL CASH COST ESTIMATES (excl. non-cash, incl. wellfield expenditures) (US$/lb U3O8)**

| Year-End December | 2018A | 2019A | 2020A | 2021E | 2022E |
|---|---|---|---|---|---|
| Pandora | 0.0 | 0.0 | 0.0 | 0.0 | 16.7 |
| Beaver | 0.0 | 0.0 | 0.0 | 0.0 | 24.1 |
| Daneros | 0.0 | 0.0 | 0.0 | 0.0 | 47.2 |
| Canyon | 0.0 | 0.0 | 0.0 | 0.0 | 28.2 |
| Sheep Mountain | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Alt Feed | 9.0 | 0.0 | 16.2 | 19.7 | 3.1 |
| Nichols Ranch/Hank/Jane Do | 23.4 | 23.4 | 145.3 | 0.0 | 28.6 |
| Roca Honda | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Alta Mesa | 0.0 | 0.0 | 0.0 | 0.0 | 24.5 |
| **Wt. Avg. Total Cash Costs** | **11.2** | **23.4** | **20.2** | **18.4** | **20.1** |

**URANIUM RESERVES & RESOURCES**

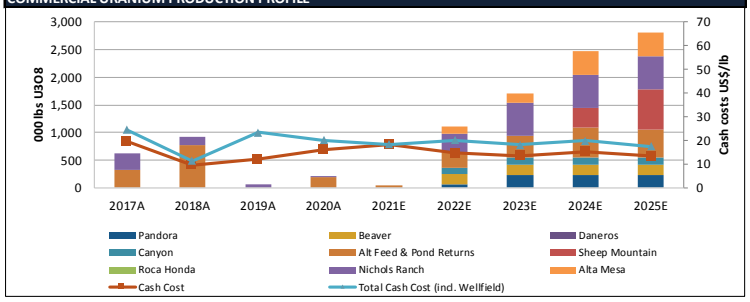
| | Ownership | Tons MM t | Grade % U3O8 | Cont U3O8 (MM lbs) 100% Basis | EFR Share |
|---|---|---|---|---|---|
| **Measured and Indicated Resources** | | | | | |
| Wyoming Conventional | 100% | 20.43 | 0.10% | 41.81 | 41.81 |
| Wyoming ISR | 100% | 8.39 | 0.10% | 14.99 | 14.99 |
| Henry Mountains | 100% | 2.41 | 0.27% | 12.81 | 12.81 |
| Roca Honda | 100% | 1.51 | 0.48% | 14.56 | 14.56 |
| Arizona Strip | 100% | 0.00 | 0.00% | 0.00 | 0.00 |
| Colorado Plateau | 100% | 1.79 | 0.19% | 6.71 | 6.71 |
| Alta Mesa | 100% | 1.60 | 0.11% | 3.60 | 3.60 |
| Other | 100% | 0.02 | 0.26% | 0.08 | 0.08 |
| **Measured and Indicated Resources** | | **32.74** | **0.13%** | **94.56** | **94.56** |
| **Inferred Resources** | | | | | |
| Wyoming Conventional | 100% | 4.01 | 0.07% | 5.68 | 5.68 |
| Wyoming ISR | 100% | 3.57 | 0.10% | 7.26 | 7.26 |
| Henry Mountains | 100% | 1.62 | 0.25% | 8.08 | 8.08 |
| Roca Honda | 100% | 1.20 | 0.47% | 11.21 | 11.21 |
| Arizona Strip | 100% | 0.42 | 0.63% | 5.26 | 5.26 |
| Colorado Plateau | 100% | 0.79 | 0.19% | 3.06 | 3.06 |
| Alta Mesa | 100% | 7.00 | 0.12% | 16.80 | 16.80 |
| Other | 100% | 0.03 | 0.26% | 0.13 | 0.13 |
| **Inferred Resources** | | **18.63** | **0.16%** | **57.49** | **57.49** |
| **TOTAL RESOURCES** | | **51.37** | **0.14%** | **152.05** | **152.05** |
| **Current Per Pound Metrics** | | **EFR** | **Prod. Peers** | **Prem./Disc.** | |
| EV/lb (US$) | | 5.21 | 5.02 | 4% | |

| **NET ASSET VALUE** | **0% NAV (C$ MM)** | **C$/share** | **10% NAV (C$ MM)** | **C$/share** |
|---|---|---|---|---|
| Corporate DCF | 1,814 | 12.97 | 802 | 5.74 |
| Cash, Investments, and Inventories | 26 | 0.18 | 69 | 0.50 |
| Debt | 0 | 0.0 | 0 | 0.00 |
| Unmined Resources | 195 | 1.38 | 195 | 1.38 |
| **Total NAV** | **2,035** | **14.54** | **1,066** | **7.62** |
| **Eight Capital DCF Target Multiple** | | | | **1.5x** |
| **Share Price Target** | | | **C$** | **10.50** |

**Long Term Uranium Price Assumption (US$/lb)**

| Target (C$/share) | 20.00 | 35.00 | 50.00 | 65.00 | 80.00 |
|---|---|---|---|---|---|
| 0% Discount | 11.48 | 16.90 | 22.18 | 27.48 | 32.79 |
| 5% Discount | 8.06 | 11.60 | 15.03 | 18.47 | 21.92 |
| 10% Discount | 6.22 | 8.70 | 11.09 | 13.49 | 15.89 |
| 15% Discount | 5.17 | 7.01 | 8.77 | 10.55 | 12.32 |

**COMMERCIAL URANIUM PRODUCTION PROFILE**




**BALANCE SHEET (US$ MM)**

| Year-End December | 2019A | 2020A | 2021E | 2022E |
|---|---|---|---|---|
| **Assets:** | | | | |
| Cash & ST Investments | 12.81 | 20.17 | 61.08 | 86.47 |
| Other Current Assets | 30.36 | 32.30 | 40.39 | 7.68 |
| **Current Assets** | **43.17** | **52.47** | **101.47** | **94.15** |
| Mineral Properties | 109.74 | 107.16 | 118.35 | 119.91 |
| Other Non-Current Assets | 22.81 | 23.60 | 23.60 | 23.60 |
| **Total Assets** | **175.72** | **183.24** | **243.43** | **237.66** |
| **Liabilities:** | | | | |
| Current Liabilities | 22.64 | 12.31 | 12.31 | 12.31 |
| Long-Term Debt | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Non-Current Liabilities | 22.48 | 13.38 | 42.28 | 9.56 |
| **Total Liabilities** | **45.11** | **25.69** | **54.59** | **21.88** |
| Capital Stock | 493.96 | 549.32 | 589.22 | 590.04 |
| Retained Earnings | (367.05) | (395.50) | (404.13) | (377.99) |
| Non-Controlling Interests | 3.70 | 3.73 | 3.73 | 3.73 |
| **Total Shareholder Equity** | **130.61** | **157.55** | **188.83** | **215.79** |

**INCOME STATEMENT (US$ MM)**

| Year-End December | 2019A | 2020A | 2021E | 2022E |
|---|---|---|---|---|
| Total Revenue: | 5.9 | 1.7 | 13.9 | 136.9 |
| % Uranium | 62% | 100% | 41% | 46% |
| % Other | 38% | 0% | 59% | 54% |
| Operating Costs | 3.9 | 0.0 | 7.5 | 71.3 |
| G&A | 14.3 | 14.3 | 15.0 | 15.0 |
| Exploration | 0.0 | 0.0 | 0.0 | 0.0 |
| Depreciation | 0.0 | 0.0 | 0.0 | 8.4 |
| Other | 24.3 | 14.2 | 0.0 | 2.0 |
| **EBITDA** | **(36.6)** | **(26.9)** | **(8.6)** | **48.6** |
| **EBIT** | **(36.6)** | **(26.9)** | **(8.6)** | **40.2** |
| Interest Expense | (1.5) | (1.0) | 0.0 | 0.0 |
| **EBT** | **(38.9)** | **(28.9)** | **(9.9)** | **40.2** |
| Taxes | 0.0 | 0.0 | 0.0 | (14.1) |
| Equity Earnings | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | -0.1 | -0.1 | 0.0 | 0.0 |
| **Net Income (Reported)** | **(38.2)** | **(28.0)** | **(8.6)** | **26.1** |
| **EPS (Reported) $/sh** | **(0.40)** | **(0.23)** | **(0.06)** | **0.18** |
| Average Shares (MM) | 94.6 | 121.2 | 139.8 | 145.4 |

**CASH FLOW STATEMENT (US$ MM)**

| Year-End December | 2019A | 2020A | 2021E | 2022E |
|---|---|---|---|---|
| Net Income (Reported) | (38.2) | (28.0) | (8.6) | 26.1 |
| Depreciation | 0.0 | 0.0 | (0.0) | (8.4) |
| Working Capital Changes | (21.8) | (8.8) | 0.0 | 0.0 |
| Other | 15.6 | 4.6 | 0.1 | 16.7 |
| **Operating Cash Flow** | **(44.4)** | **(32.2)** | **(8.6)** | **34.5** |
| **Operating Cash Flow/sh ($/sh)** | **(0.24)** | **(0.19)** | **(0.06)** | **0.24** |
| Capital Expenditures | 0.0 | (0.6) | (11.2) | (9.9) |
| Acquisitions | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 22.6 | 4.2 | 0.0 | 0.0 |
| **Investing Cash Flow** | **22.6** | **3.6** | **(11.2)** | **(9.9)** |
| Common Share Dividends | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity Financing | 19.7 | 52.4 | 39.9 | 0.8 |
| Debt Issue | 0.8 | 0.0 | 0.0 | 0.0 |
| Debt Repayment | (0.3) | (16.0) | 0.0 | 0.0 |
| Other | 0.2 | 0.2 | 0.0 | 0.0 |
| **Financing Cash Flow** | **20.4** | **36.6** | **39.9** | **0.8** |
| **Net Change in Cash** | **(1.4)** | **8.1** | **20.1** | **25.4** |
| **Cash Balance** | **32.9** | **41.0** | **61.1** | **86.5** |
| **Free Cash Flow** | **(44.4)** | **(32.8)** | **(19.8)** | **24.6** |

**VALUATION DATA**

| Year-End December | 2019A | 2020A | 2021E | 2022E |
|---|---|---|---|---|
| P/E | -- | -- | -- | 38.08x |
| P/CF | -- | -- | -- | 28.56x |
| EV/EBITDA | -- | -- | -- | 15.54x |
| FCF Yield | -- | -- | -- | 2.03% |

**INPUT PRICES**

| | 2019A | 2020A | 2021E | 2022E |
|---|---|---|---|---|
| Eight Capital Spot Uranium (US$/l | 35.0 | 29.8 | 32.0 | 35.0 |
| Uranium Realized Price (US$/lb) | 0.0 | 0.0 | 32.0 | 35.0 |
| Exchange (US$/C$) | 0.75 | 0.73 | 0.78 | 0.81 |

*Source: Company Reports, FactSet, Eight Capital*

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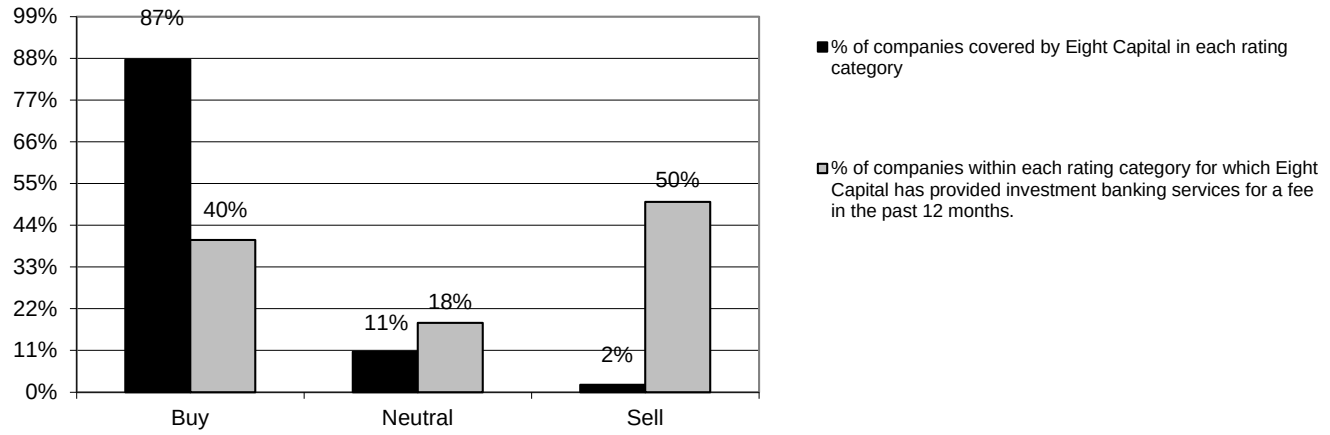


*As at March 31, 2021*
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