

ENERGY FUELS INC.

Q2/17 Revenues and Earnings Beat Estimates on Higher Deliveries

EVENT

Energy Fuels announced its Q2/17 financial results.

BOTTOM LINE

Positive – Revenues and earnings beat our estimates due to earlier than expected deliveries of uranium in Q2. Production guidance for FY/17 was maintained at between 640,000-675,000 lbs. We maintain our Buy recommendation and are increasing our target price to \$4.25 per share.

FOCUS POINTS

- **Revenue and earnings beat** – Q2/17 revenue of \$17.9M beat our forecast due to an earlier than expected contract delivery of 300,000 lbs. This occurred despite pricing for the quarter of \$50.14/lb being below our forecast of \$58.17/lb. The quarterly loss per share of -\$0.06 was a beat when compared to our forecast of -\$0.15.
- **Guidance maintained** – FY/17 uranium production guidance has been upheld at between 640,000-675,000 lbs while sales guidance of 160,000 lbs for the remainder of the year is in-line with our expectations after adjusting for the earlier than expected delivery in Q2. Production from White Mesa is expected to be somewhat higher than previously forecast due to better than expected recoveries from pond returns. This will be somewhat offset by lower than expected production from Nichols Ranch.
- **Canyon Mine resource update** – A new NI 43-101 resource estimate for the Canyon Mine is expected during Q3/17. The expectation is for an increase in both the uranium and copper resource.

Recommendation:

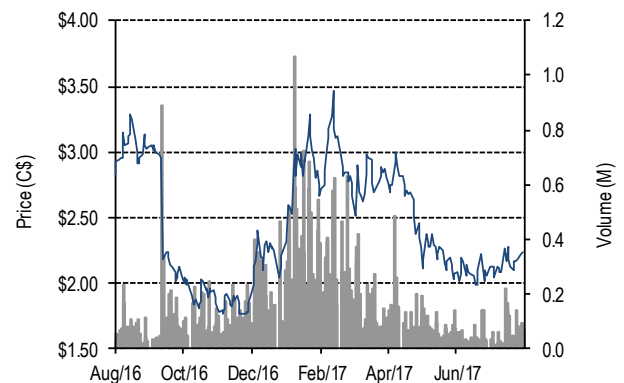
BUY

Symbol/Exchange: EFR-TSX/UUUU-NYSE
Sector: Metals & Mining
All dollar values in US\$ unless otherwise noted.
Current price: C\$2.20/ \$1.62
One-year target: C\$4.25↑
Target return: 93%
Cash on hand \$18.7M

Financial summary

	2015A	2016A	2017E	2018E
Shares O/S (M)	70.6	52-week range	\$1.76- 3.47	
Market cap (\$M)	\$157.4	Avg. weekly vol. (000)	0.121	
Market float (\$M)	\$144.8	Fiscal year-end	31-Dec	
Uranium Production (lbs)	741,090	1,015,000	640,000	1,056,901
Revenue (\$M)	61.4	54.6	32.7	18.8
Operating Cost (\$M)	(79.9)	(38.8)	(44.8)	(39.7)
Cash Cost net of credits (US\$/lb)	\$33.68	\$17.65	\$18.76	\$24.10
EBITDA (\$M)	(5.4)	34.6	28.3	12.7
EPS	-\$1.77	-\$0.70	-\$0.61	-\$0.56

Source: Company Reports and Cantor Fitzgerald Estimates



Company profile: Energy Fuels is an integrated uranium and vanadium mining company focusing on production exclusively in the U.S.

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See disclosure and a description of our recommendation structure at the end of this report.

EARLY DELIVERIES LEAD TO EARNINGS BEAT

Revenues of \$17.9M (all figures in \$USD) beat our and consensus estimates (\$7.1M and \$15.4M respectively) due to earlier than expected deliveries of 300,000 lbs, which was higher than our forecast of 86,667 lbs. As such, basic and fully diluted earnings amounted to a loss of -\$0.06 per share, topping our forecast of -\$0.15 per share.

The sales figure during Q2/17 was split between three contracts, bringing H1/17 total deliveries of 360,000 lbs split among four contracts. Uranium production from the nine header houses at Nichols Ranch amounted to 85,000 lbs during the quarter, bringing the H1/17 amount to 138,000 lbs. The ninth header house began extracting uranium in March. From milling operations, production from the White Mesa mill amounted to 32,000 lbs, bringing the total H1/17 figure to 66,000 lbs. We had forecasted much of these sales to be spread over the remainder of the year however but delivery lumpiness is standard for uranium deliveries.

Realized prices for the quarter were \$50.14/lb, which was below our forecast of \$58.17/lb. Of the \$17.9M in sales, \$15.04M were from sales of 200,000 lbs at a term contract price of \$65.38/lb while the remaining 100,000 lbs were sold to a spot contract for an average price of \$19.67/lb. Toll milling revenue contributed \$2.84M to the total.

Costs for the quarter came in at \$30.91/lb, which beat our forecast of \$48.74/lb as higher sales volumes averaged down the overall costs. The cost performance was also an improvement sequentially and relative to Q2/16 as those quarters were \$34.52/lb and \$40.99/lb, respectively.

Exhibit 1. Q2/17 financial Results

	Reported	Cantor	Variance	Reported	Variance	Reported	Variance
	Q2/17A	Q2/17E	with Est.	Q1/17A	Qtr-over-Qtr	Q2/16A	Yr-over-Yr
			% Change		% Change		% Change
INCOME STATEMENT (in US\$ 000's)							
Total revenue	19,850.0	7,121.1	178.7%	3,756.0	428.5%	7,006.0	183.3%
Operating costs	11,071.0	4,224.2	162.1%	2,071.0	434.6%	(4,099.0)	NM
Gross margin	8,779.0	2,896.9	203.0%	1,685.0	421.0%	11,105.0	-20.9%
Gross margin %	44.2%	40.7%		44.9%		158.5%	
Development, Permitting and Land Holding	1,186.0	6,225.7	-80.9%	3,323.0	-64.3%	3,475.0	-65.9%
Standby Costs	1,029.0	3,264.7		1,206.0		1,365.0	
General and Administrative	3,378.0	3,857.3		4,428.0		4,285.0	
Other expenses	8,876.0	110.0	7969.1%	865.0	926.1%	4,109.0	116.0%
Operating earnings	(5,690.0)	(10,560.7)	NM	(8,137.0)	NM	(2,129.0)	NM
Interest Expense	(603.0)	55.1	NM	(542.0)	-7.2%	(585.0)	-14.0%
Other Income (expense)	3,680.0	-	NM	(1,917.0)	NM	471.0	681.3%
Income taxes recovery (expense)	-	-	NM	-	NM	-	NM
Tax rate	0.0%	0.0%	NM	0.0%	NM	0.0%	NM
Net earnings (as reported)	(2,513.0)	(10,505.6)		(10,596.0)	NM	(2,243.0)	NM
Adjustments			NM	-	NM	-	NM
Adjusted earnings	(2,513.0)	(10,505.6)	NM	(10,596.0)	NM	(2,243.0)	NM
Earnings Per Share - Diluted	-\$0.04	-\$0.15	NM	-\$0.15	NM	-\$0.18	NM
Adjusted Earnings Per Share - Fully Diluted	-\$0.04	-\$0.15	NM	-\$0.15	NM	-\$0.04	NM

Source: Energy Fuels and Cantor Fitzgerald Canada Estimates

Production

Uranium (lbs)	112,000	194,333	-42.4%	92,000	21.7%	188,000	-40.4%
Alternate Feed	32,000	22,000	45.5%	34,000	-5.9%	0	NM
Vanadium (lbs)	0	0	NM	0	NM	0	NM

Sales

Uranium Contract (lbs)	200,000	86,667	130.8%	60,000	233.3%	100,000	100.0%
Uranium Spot (lbs)	100,000	0	NM	0	NM	0	NM
Total Uranium Sales	300,000	86,667		60,000		100,000	
Vanadium (lbs)	0	0	NM	0	NM	0	NM

Average Realized Prices

Uranium Contract (\$/lb)	\$65.38	\$58.17	12.4%	\$58.28	12.2%	\$100.28	-34.8%
Uranium Spot (\$/lb)	\$19.67	\$21.55	-8.7%	\$23.76	-17.2%	\$27.55	-28.6%
Uranium (\$/lb)	\$50.14	\$58.17	-13.8%	\$58.28	-14.0%	\$100.28	-50.0%
Vanadium (\$/lb)			NM		NM	\$5.50	NM

Total operating costs (\$000s)	\$11,071.00	\$4,224.15	162.1%	\$2,071.00	434.6%	\$4,099.00	170.1%
Average Cost (per Lb)	\$36.90	\$48.74	-24.3%	\$34.52	6.9%	\$40.99	-10.0%

Source: Energy Fuels, Cantor Fitzgerald Canada

FY/17 GUIDANCE MAINTAINED

Production guidance for the year has been upheld at between 640,000-675,000 lbs. Production from White Mesa is expected to be somewhat higher than previously forecast due to better than expected recoveries from pond returns. This will be somewhat offset by lower than expected production from Nichols Ranch.

Deliveries in H2/17 are expected to total 160,000 lbs (of which 60,000 lbs sold at spot) split between two contracts. For the year this means expected sales of 520,000 lbs, which is inline with our forecast of 320,000 lbs contract and 200,000 lbs at spot. For FY/17, the company expects to earn approximately \$6.5M in toll revenue for processing certain alternate feed materials for a third party. Of this amount, \$3.1M was earned in H1/17.

Energy Fuels is actively pursuing opportunities to process new and additional alternate feed sources, low grade ore from third parties in connection with various uranium clean-up requirements, and further recovery of pond return. Successful results from these activities would allow the Mill to extend the current campaign into 2018 and beyond.

CANYON MINE RESOURCE UPDATE COMING SOON

A new NI 43-101 resource estimate for the Canyon Mine is expected during Q3/17. The expectation is for an increase in both the uranium and copper resource. Over the course of the year, the company has been actively processing and reviewing the drilling results in order to further define the mineralization, develop mine plans, and evaluate the Mill's ability to recover a salable copper product. Through drilling and evaluation activities conducted to date, zones of high-grade uranium and copper mineralization within the deposit have been identified.

RECOMMENDATION

We are maintaining our Buy recommendation and increasing our target price to C\$4.25 per share from C\$4.05 per share. Our target price continues to be based on 1.0X our NAV of C\$4.27 per share.

EFR remains our top leverage pick to the expected uranium price recovery as the company has several assets that are within 1-2 years of production once the decision is made to start/restart them. That will allow the company to quickly respond to what we expect to be a violent uranium price spike as utilities seek to secure long term contracts to replace those that are rolling off.

Our NAV_{10%} increased from C\$4.07 per share due to the improvement in the company's cash and working capital position as a result of the strong sales this quarter.

Exhibit 2. Net Asset Value

Projects	NAV \$000s	Per Share	Comment
Uranium Operations	315,380	\$4.47	2018 DCF @ 10% Discount Rate
Virginia Energy (VUI-TSXV) 16.5%	258	\$0.004	80% of the market value for conservatism
Mega Uranium (MGA-TSX)	170	\$0.002	80% of the market value for conservatism
enCore Energy (EU-TSXV)	216	\$0.003	80% of the market value for conservatism
Cash	18,721	\$0.27	Q2/17 cash plus in-the-money options and warrants
Working Capital (Net of Cash)	15,487	\$0.22	As of Q2/17
NPV of Corporate G&A	(121,674)	-\$1.72	Discounted @ 10%
USD Total	228,558	\$3.24	
CAD Total	301,463	\$4.27	USD/CAD 0.76

Source: Cantor Fitzgerald Canada

APPENDIX

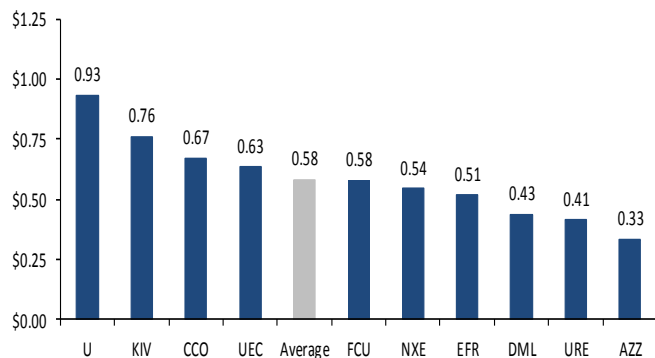
Exhibit 3. Comparable Valuation

Uranium Producer Company Name	Stage	Stock Price (Local \$)	Market Cap (\$'000)	Enterprise Value (\$'000)	NI43-101 Resources/JORC (M lbs)				MKT / LB	EV / LB	Est. 2016 Cash Cost / LB	
					Avg Grade	P&P	M&I	Inferred				Total
Cameco Corporation (TSX:CCO)	Production	12.78	5,058,231.1	6,269,451.1	6.089%	416.7	471.2	243.4	1,131.3	\$4.47	\$5.54	\$17.01
Energy Fuels Inc. (TSX:EFR)	Production	2.20	157,091.8	137,629.5	0.076%	0.0	110.3	61.9	172.2	\$0.91	\$0.80	\$17.65
Paladin Energy Ltd. (ASX:PDN)*	Production	0.05	79,696.5	413,600.4	0.080%	130.0	226.3	150.4	506.6	\$0.16	\$0.82	\$25.88
Peninsula Energy Ltd. (ASX:PEN)*	Production	0.36	83,371.7	89,174.1	0.050%	0.0	17.2	30.2	47.4	\$1.76	\$1.88	\$88.00
Uranium Energy Corp. (NYSE:UEC)*	Production	1.46	256,574.6	248,519.8	0.062%	0.0	32.4	36.3	68.7	\$3.73	\$3.62	
UR-Energy Inc. (TSX:URE)	Production	0.78	113,781.6	104,132.2	0.080%	0.0	34.5	10.3	44.9	\$2.53	\$2.32	\$23.21
Producer Average			\$958,124.6	\$1,210,417.8		91.1	148.6	88.8	328.5	\$2.26	\$2.50	\$34.35

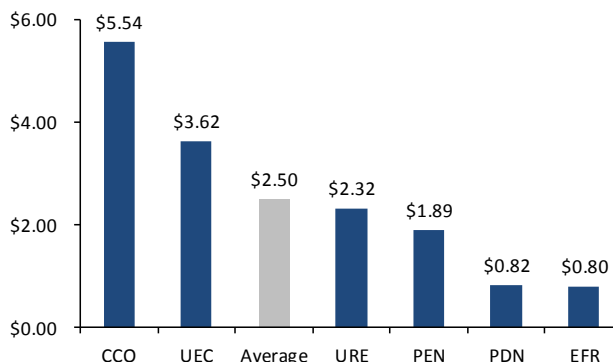
*Market Cap and Enterprise value for PDN, PEN and UEC. has been converted to \$CAD at the prevailing \$AUD/\$CAD or \$USD/\$CAD market exchange rates, P/NAV for PDN & PEN is from Bloomberg

Uranium Explorer/Developer Company Name	Stage	Stock Price (\$Local)	Market Cap (C\$'000)	Enterprise Value (C\$'000)	NI43-101/JORC Resources (M lbs)			MKT / LB	EV / LB	
					Avg Grade	M&I	Inferred			Total
Hathor Exploration (Acquired)	Exploration	4.70	654,240.0	581,240.0	8.63%	17.2	40.7	57.9	\$11.29	\$10.03
Denison Mines (TSX:DML)	Exploration	0.60	335,450.6	221,178.0	2.29%	102.0	97.6	199.7	\$1.68	\$1.11
Fission Uranium Corp. (TSX:FCU)	Exploration	0.74	358,617.3	314,025.3	1.51%	79.6	25.9	105.5	\$3.40	\$2.98
NexGen Energy (TSX:NXE)	Exploration	3.07	1,038,447.3	1,071,341.4	2.54%	179.5	122.1	301.6	\$3.44	\$3.55
Kivalliq Energy Corp. (TSXV:KIV)	Exploration	0.12	28,404.6	25,490.7	0.69%	0.0	43.3	43.3	\$0.66	\$0.59
UEX Corp. (TSX:UEX)	Exploration	0.20	63,847.8	55,637.3	0.84%	68.2	16.5	84.7	\$0.75	\$0.66
Azarga Uranium (TSX:AZZ)	Development	0.27	20,349.1	18,875.5	0.17%	18.1	5.7	23.8	\$0.86	\$0.79
Average			\$357,051.0	\$326,826.9		66.4	50.3	116.7	\$3.15	\$2.82

Uranium Coverage P/NAV



Uranium Producer EV/Resource



Source: Cantor Fitzgerald Canada

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CFCC *has* provided investment banking services or received investment banking related compensation from Energy Fuels Inc. within the past 12 months.

The analysts responsible for this research report *have*, either directly or indirectly, a long or short position in the shares or options of Energy Fuels Inc.

The analyst responsible for this report *has* visited the material operations of Energy Fuels Inc. including: White Mesa Mill, Pinenut Mine, Canyon Mine, Daneros Mine, Pandora Mine, Energy Queen Mine, Henry Mountains Mine, Nichols Ranch, Hank, and Jane Dough. No payment or reimbursement was received for the related travel costs.

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BUY (Speculative): The stock is attractively priced relative to the company’s fundamentals, however investment in the security carries a higher degree of risk.

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SELL: The stock is overpriced relative to the company’s fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

TENDER: We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

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