

ENERGY FUELS INC.

Accretive Divestiture of Non-Core Uranium Assets

EVENT

Energy Fuels announced a transaction with International Consolidated Uranium (CUR-TSXv, Not Covered) whereby UUUU will divest several of its non-core past-producing and development stage uranium assets in Utah and Colorado to CUR for total consideration of ~\$26 MM in cash and shares.

BOTTOM LINE

Modest Positive – We previously ascribed zero value to the non-core uranium assets UUUU is selling to CUR for ~\$26 MM. While this transaction is immediately accretive to our numbers on Energy Fuels, it is of insufficient size at this stage to “move the needle” on our target price.

FOCUS POINTS

- **Transaction Details** – Consolidated Uranium is acquiring 100% of the past-producing Tony M, Daneros, and Rim uranium mines in Utah and the Sage Plain property and eight DOE Leases in Colorado from Energy Fuels. CUR is paying UUUU \$2.0 MM in cash upfront, 19.9% of CUR’s outstanding shares (~C\$19.0 MM at the time of the deal announcement), C\$6.0 MM in deferred cash, and a milestone payment of C\$5.0 MM in cash upon the commencement of commercial production at the Utah assets.
- **White Mesa Toll Milling Agreement** – As part of the transaction, Energy Fuels will also provide toll-milling services to Consolidated Uranium, for a fee, on all ore mined from Tony M, Daneros, and/or Rim in the future.
- **Maintaining Buy Rating and Target** – Incorporating the CUR transaction increases our UUUU NAVPS to \$4.22 from \$4.07. We continue to rate the stock a Buy with a target price of \$6.25/C\$8.00/share.

Recommendation:

BUY

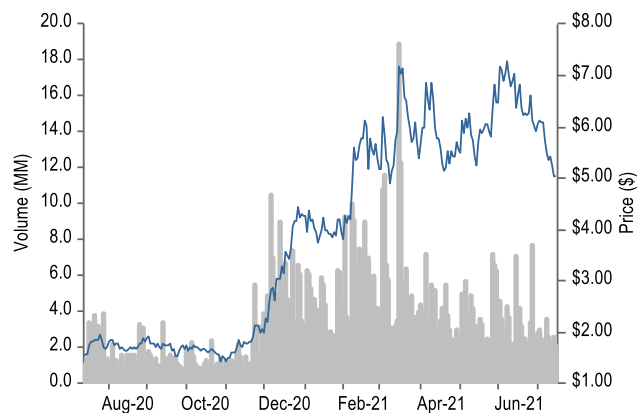
Symbol/Exchange: UUUU-NYSE/EFR-TSX
Sector: Metals & Mining
All dollar values in US\$ unless otherwise noted.
Current price: \$5.04/C\$6.31
One-year target: \$6.25/C\$8.00
Return to Target: 24.0%
Cash and Equivalents: \$42.7 MM

Financial summary

Shares O/S (MM)	146.8	52-week range	\$1.38-\$7.83	
Market cap (MM\$)	\$739.9	30D avg. vol. (000)	3,535	
Market float (MM\$)	\$727.9	Fiscal year-end	31-Dec	
Calendar Year	2018A	2019A	2020A	2021E
Uranium Production* (K lb)	493	130	197	35
Uranium Sales (K lb)	650	N/A	N/A	N/A
Realized U ₃ O ₈ Price (\$/lb)	\$32.20	N/A	N/A	N/A
Cash Operating Costs (\$/lb)	\$22.69	N/A	N/A	N/A
Basic EPS, dil., adj.	(\$0.30)	(\$0.40)	(\$0.23)	(\$0.32)
Dividends per share	-	-	-	-
CFPS (before W/C)	(\$0.05)	(\$0.21)	(\$0.21)	(\$0.24)
Free CFPS	(\$0.35)	(\$0.21)	(\$0.22)	(\$0.25)

*includes U₃O₈e from Alternate Feed circuit

Source: Company Reports and Cantor Fitzgerald Estimates



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

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

INTERNATIONAL CONSOLIDATED URANIUM DEAL

Energy Fuels announced a transaction with International Consolidated Uranium whereby UUUU will divest several of its non-core past-producing and development stage uranium assets in Utah and Colorado to CUR for total consideration of ~\$26 MM in cash and shares. Consolidated Uranium is acquiring 100% of the past-producing Tony M, Daneros, and Rim underground uranium mines in Utah and the Sage Plain property and eight DOE Leases in Colorado from Energy Fuels. CUR is paying UUUU \$2.0 MM in cash upfront, 19.9% of CUR’s outstanding shares (~C\$19.0 MM at the time of the announcement), C\$6.0 MM in deferred cash, and a milestone payment of C\$5.0 MM in cash upon the commencement of commercial production.

Exhibit 1. Location of UUUU Projects Being Sold to CUR



Source: Energy Fuels, International Consolidated Uranium

BRIEF ASSET OVERVIEW

The Tony M, Daneros, and Rim assets are permitted, past producing underground uranium mines that are currently being kept in various states of care-and-maintenance. Located in mining-friendly Utah, the three projects were toll-milled at Energy Fuel’s White Mesa milling facility at various stages, intermittently over the last several decades. The projects could be put back into production in an environment of higher uranium prices and/or should sufficient long-term supply contracts be signed by International Consolidated Uranium. A brief overview of the assets is provided in Exhibit 2.

TOLL MILLING AND OPERATING AGREEMENTS

As part of the transaction, Energy Fuels will also provide toll-milling services to International Consolidated Uranium, for a fee, on all ore mined from Tony M, Daneros, and/or Rim in the future. Energy Fuels will also provide ongoing services to maintain the Tony M, Daneros, and Rim assets in good standing, for

which it will be paid a fee from International Consolidated Uranium. Financial terms on the toll-milling and operating agreements were not provided.

Exhibit 2. Historical Production / Historical Resource Overview

Tony M	Past Production:	1979-1984:	569 Klb @ 0.12% U3O8
		2007-2008:	422 Klb @ 0.13% U3O8
	Historical Resource:	Indicated:	8.13 MMlb @ 0.24% U3O8
		Inferred:	2.75 MMlb @ 0.16% U3O8
Daneros	Past Production:	2010-2013:	942 Klb @ 0.24% U3O8
	Historical Resource:	Indicated:	0.14 MMlb @ 0.36% U3O8
		Inferred:	0.05 MMlb @ 0.37% U3O8
Rim	Past Production:	2008-2010:	unknown
	Historical Resource:	Inferred:	0.33 MMlb @ 0.20% U3O8

Source: Cantor Fitzgerald

ACCRETION TO ENERGY FUELS' NET ASSET VALUE

We previously ascribed zero value to the non-core uranium assets UUUU is selling to CUR for total cash and share consideration of ~\$26 MM. Incorporating the asset divestiture increases our Energy Fuels NAVPS to \$4.22 from \$4.07 (Exhibit 3), and so while this transaction is immediately accretive to our numbers on UUUU, it is of insufficient size at this stage to “move the needle” on our target price. We note that Energy Fuels will retain exposure to Tony M, Daneros, and Rim via its 19.9% equity stake in International Consolidated Uranium, as well as its toll-milling agreement on all future production from the assets.

Exhibit 3. Updated Energy Fuels NAVPS

Asset (\$)		Value (\$MM)	\$ Per Share	% of NAV
Nichols Ranch	7.5%			0%
Alta Mesa	7.5%			0%
La Sal Complex	\$2/lb V2O5	\$46.9	\$0.32	8%
REE Business	7.5%	\$269.6	\$1.84	44%
White Mesa Mill	rep. value	\$175.0	\$1.19	28%
Total Mining Assets		\$491.4	\$3.35	79%
Cash*, Securities, U3O8, V2O5 inventory		\$113.0	\$0.77	18%
CUR-TSXv Shares*		\$15.2	\$0.10	2%
Current Debt		\$0.0	\$0.00	0%
Long Term Debt		\$0.0	\$0.00	0%
Future Debt Financing		\$0.0	\$0.00	0%
Net Asset Value		\$619.7	\$4.22	100%
P/NAV			1.19x	

*Adjusted for pending CUR transaction
Source: Cantor Fitzgerald

MAINTAINING BUY RATING AND TARGET

Our price target continues to be derived via a 1.5x NAVPS multiple on Energy Fuels' uranium, vanadium, and rare earth element (REE) businesses.

Incorporating the transaction announced this morning, we are now adding in the market value of Energy Fuels' forthcoming 19.9% equity stake in CUR, valued at \$0.10/UUUU share. We continue to rate Energy Fuels a Buy with a price target of \$6.25/C\$8.00/share.

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The analysts responsible for this research report *do not 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 not* visited the material operations of Energy Fuels Inc. No payment or reimbursement was received for the related travel costs.

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BUY: The stock is attractively priced relative to the company’s fundamentals and we expect it to appreciate significantly from the current price over the next 6 to 12 months.

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

HOLD: The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

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.

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UNDER REVIEW: We are temporarily placing our recommendation under review until further information is disclosed.

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