

Energy Fuels Inc. (TSX:EFR)

FY'21 Gain Upon Asset Sale; Setting the Stage for U and REE

Financial Results

March 17, 2022

(Currency is US\$ unless noted otherwise)

Closing Price (C\$/sh)	\$10.53		
Rating	BUY		
Target (C\$/sh)	\$11.85		
Return to Target	13%		
52 Week Low / High (C\$/sh)	\$5.55 / \$14.33		
CAPITALIZATION	Basic	Diluted	
Shares Outstanding (M)	156.3	157.2	
Market Capitalization (C\$M)	\$1,645.4		
Enterprise Value (C\$M)	\$1,469.0		
Cash and Cash Equivalents (C\$M)	\$177.1		
Total Debt (C\$M)	\$0.6		
FYE: DEC 31	2021A	2022E	2023E
REE produced (t)	118.8	798.3	5,987.4
Uranium produced (lb)	0	106,400	759,120
Revenue (US\$M)	\$3.18	\$22.75	\$172.65
Net Earnings (US\$M)	\$1.45	\$(3.74)	\$99.79
EBITDA (US\$M)	\$(1.97)	\$(3.74)	\$99.79
EPS	\$0.10	\$(0.03)	\$0.85
CFPS	\$(0.13)	\$(0.02)	\$0.64

RELATIVE PERFORMANCE



NET ASSET VALUE	C\$M	C\$/sh
Project NAV	1,901	12.09
Corporate NAV	1,865	11.86

RELATIVE VALUATION	US\$ EV/lb U₃O₈	P/NAV
Energy Fuels Inc.	10.11	0.89x
Peers *	7.61	0.84x

* S&P Capital IQ Pro

MAJOR SHAREHOLDERS

Management (5%), BlackRock, Inc. (10%), Mirae Asset Global Investments Co., (4.24%), The Vanguard Group, Inc. (3.53%)

DISCLOSURE CODE: 1,2

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, S&P Capital IQ Pro

Company Description

Energy Fuels is a 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 in July 2021 started the commercial production of a mixed REE carbonate. Energy Fuels holds three of America's key uranium production centers: the White Mesa mill in Utah, the Nichols Ranch in-situ recovery ("ISR") project in Wyoming, and the Alta Mesa ISR project in Texas.

Impact: Neutral to Slightly Positive

Energy Fuels reported FY'21 financial and operating results, highlighting earnings of \$1.5M after a gain on disposal of its non-core assets ([read more](#)) to Consolidated Uranium Inc. (TSXV:CUR, BUY, C\$4.15 target, David A. Talbot). **In our view, investors are not buying EFR for its current financial results, but for its growth prospects, given that it has the only conventional uranium mill, modified to handle REE production, a couple of ISR plants and several uranium mines already permitted and on standby. We believe EFR is setting the stage to become the largest producer of uranium, vanadium, and rare earths, just as price seems to be accelerating in each segment.**

- **Net income was -\$34.3M vs our estimate of -\$30.9M** after excluding a \$35.7M asset gain and lower than expected RE carbonate production, attributable to the lack of supply of monazite sands. Notable expenses included \$10.75M in development costs (related to RE carbonate production ramp up), \$9.4M in standby costs and \$15.3M in G&A.
- **Strong balance sheet** includes \$132M in cash, \$31M in inventory and no debt. Assuming current prices, inventory has a value of \$60.6M which includes 0.69M lb U₃O₈ at \$58.50/lb (\$40.4M) and 1.65M lb V₂O₅ at \$12.25/lb (\$20.2M).
- **Starting to pursue long-term (LT) uranium sales contracts.** While uranium production was nil in 2021, with the rebound in uranium prices, management seeks LT contracts, which we believe could kickstart several of its operations currently on standby. Guidance is for ~100-120k lb U₃O₈ processing alternate feed materials in 2022, and we move our low cost Nichols Ranch restart forward by one year to 2023.
- **REE production slow to ramp on lack of supply.** REE carbonate was 270t for 120t RE oxide in 2021 as circuits were installed at White Mesa. This is less than our forecast of 549t RE carbonate, largely because of lack of deliveries from its source in GA. Guidance for 2022 is 650-1000t (we use 800t) RE carbonate in 2022, on route to an estimated 6,000t by 2023 (by processing 15,000t of monazite sands).
- **Lanthanum and Cerium separation began in Q1/22,** representing the first REE separation in the US for many years. Studies with REE expert Carester SAS, continues to investigate permitting and design of a full separation circuit at White Mesa to produce separated oxides.
- **Adjusting our model.** After moving our Nichols Ranch start-up to 2023, lowering our RE oxide production forecast in 2022, our target for EFR remains unchanged. Looking ahead at 2022, we look forward to the publication of the medical isotope and separation scoping study.

We maintain a BUY rating and C\$11.85/sh target price. We value EFR using only its U₃O₈, V₂O₅ and REE carbonate businesses, awaiting further studies before we consider REE oxides or metals. **Upcoming catalysts:** 1) Monazite supply contracting (ongoing), 2) Potential restart of uranium operations (ongoing), 3) Medical isotope study (2022), 4) REE oxide separation scoping study (2022).

Figure 1: Energy Fuels NAV breakdown

Asset	Status	Resource (M lb U ₃ O ₈ e)	Valuation Method	Fair Value Estimate		%
				C\$ M	C\$/sh	
White Mesa REE (100%-owned)	Processing monazite ore	NA	DCF at 8%	733.12	4.66	39%
White Mesa uranium (100%-owned) ¹	Standby	25.85	DCF at 8%	434.19	2.76	23%
Nichols Ranch, Hank & Jane Dough (100%-owned)	Standby	7.87	DCF at 8%	187.40	1.19	10%
Alta Mesa (100%-owned)	Standby	20.41	DCF at 8%	271.28	1.73	15%
Sheep Mountain (100%-owned) ²	Development	30.29	In-situ - US\$2.80/lb U3O8	113.06	0.72	6%
Roca Honda (100%-owned)	Development	25.77	In-situ - US\$2.80/lb U3O8	96.21	0.61	5%
Standby mines ³	Standby	4.78	In-situ - US\$2.80/lb U3O8	17.84	0.11	1%
Other projects ⁴	Development	12.73	In-situ - US\$2.80/lb U3O8	47.53	0.30	3%
Project NAV		127.69		1,900.64	12.09	
Corporate adjustments:						
Cash				177.10	1.13	9%
Debt				0.00	0.00	0%
Inventory ⁵				77.95	0.50	4%
G&A				(326.39)	(2.08)	-17%
Equity Investments ⁶				35.85	0.23	2%
Corporate NAV				1,865.15	11.86	100%

¹ Includes Pinyon Plain, Henry Mountain and La Sal Complex

² Sheep Mountain has 30.285M in resources which includes 18.365M in probably reserves

³ Standby mines include the Whirlwind project

⁴ Other projects include West North Butte, North Rolling Pin, Wate, EZ Complex and Arkose Mining Venture

⁵ Inventory includes 691k lb U₃O₈ valued at US\$55.00/lb and 1.650M lb V₂O₅ valued at US\$12.40/lb

⁶ Equity investments includes 19.99% of Consolidated Uranium Inc."

Source: Company reports, RCS estimates

David A. Talbot | MD, Mining Analyst
Alina Islam | Senior Research Associate
Daniel Kozielowicz | Research Associate
Shikhar Sarpal | Research Associate

Red Cloud Securities Inc.
120 Adelaide Street West, Suite 1400
Toronto ON, M5H 1P9
research@redcloudsecurities.com
<https://www.redcloudfs.com/research-home/>

Disclosure Statement
Updated March 16, 2022

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target	Status	%
2021-04-22	NA	NA	BUY	73%
2021-05-14	NA	NA	BUY (S)	23%
2021-07-08	NA	NA	HOLD	0%
2021-07-15	NA	NA	SELL / Tender	0%
2021-07-30	NA	NA	NA	3%
2021-08-04	NA	NA	Under Review	1%
2021-09-07	BUY	10.25		
2021-10-13	BUY	11.85		
2021-10-21	BUY	11.85		
2021-11-02	BUY	11.85		
2021-11-23	BUY	11.85		
2021-12-16	BUY	11.85		
2022-02-28	BUY	11.85		
2022-03-03	BUY	11.85		
2022-03-10	BUY	11.85		

Disclosure Requirement

Red Cloud Securities Inc. is registered as an Investment Dealer in all Canadian provinces and territories, and is a member of the Investment Industry Organization of Canada (IIROC). Part of Red Cloud Securities Inc.'s business is to connect mining companies with suitable investors. Red Cloud Securities Inc., its affiliates and their respective officers, directors, representatives, researchers and members of their families may hold positions in the companies mentioned in this document and may buy and/or sell their securities. Additionally, Red Cloud Securities Inc. may have provided in the past, and may provide in the future, certain advisory or corporate finance services and receive financial and other incentives from issuers as consideration for the provision of such services.

Red Cloud Securities Inc. has prepared this document for general information purposes only. This document should not be considered a solicitation to purchase or sell securities or a recommendation to buy or sell securities. The information provided has been derived from sources believed to be accurate but cannot be guaranteed. This document does not take into account the particular investment objectives, financial situations, or needs of individual recipients and other issues (e.g. prohibitions to investments due to law, jurisdiction issues, etc.) which may exist for certain persons. Recipients should rely on their own investigations and take their own professional advice before investment. Red Cloud Securities Inc. will not treat recipients of this document as clients by virtue of having viewed this document.

Red Cloud Securities Inc. takes no responsibility for any errors or omissions contained herein, and accepts no legal responsibility for any errors or omissions contained herein, and accepts no legal responsibility from any losses resulting from investment decisions based on the content of this report.

Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
Energy Fuels Inc.	TSX:EFR	1,2

- The analyst has visited the head office of the issuer or has viewed its material operations.

2. The issuer paid for or reimbursed the analyst for a portion or all of the travel expense associated with a visit.
3. In the last 12 months preceding the date of issuance of the research report or recommendation, Red Cloud Securities Inc. has performed investment banking services or has been retained under a service or advisory agreement by the issuer.
4. In the last 12 months, a partner, director or officer of Red Cloud Securities Inc., or the analyst involved in the preparation of the research report has received compensation for investment banking services from the issuer.
5. The analyst who prepared this research report has a long position, in the issuer's securities.
6. The analyst who prepared this research report has a short position, in the issuer's securities.
7. Red Cloud Securities Inc. and its affiliates collectively beneficially owned 1% or more of any class of issuer's equity securities as of the end of the month preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month.
8. A partner, director or officer of Red Cloud Securities Inc. serves as a Director or Officer or Advisory Board Member of the issuer.
9. A partner, director or officer of Red Cloud Securities Inc. or any analyst involved in the preparation of a report has, during the 12 preceding months, provided services to the issuer for remuneration other than normal course investment advisory or trade execution services.
10. The analyst who prepared this research report was compensated from revenues generated solely by the Red Cloud Securities Inc.'s Investment Banking Department.
11. Red Cloud Securities Inc. is a market maker in the equity of the issuer.
12. There are material conflicts of interest with Red Cloud Securities Inc. or the analyst who prepared the report and the issuer.

Recommendation Terminology

Red Cloud Securities Inc. recommendation terminology is as follows:

- BUY – expected to outperform its peer group
- HOLD – expected to perform with its peer group
- SELL – expected to underperform its peer group
- Tender – clients are advised to tender their shares to a takeover bid
- Not Rated or NA – currently restricted from publishing, or we do not yet have a rating
- Under Review – our rating and target are under review pending, prior estimates and rating should be disregarded.

Companies with BUY, HOLD or SELL recommendations may not have target prices associated with a recommendation. Recommendations without a target price are more speculative in nature and may be followed by "(S)" or "(Speculative)" to reflect the higher degree of risk associated with the company. Additionally, our target prices are set based on a 12-month investment horizon.

Dissemination

Red Cloud Securities Inc. distributes its research products simultaneously, via email, to its authorized client base. All research is then available on www.redcloudsecurities.com via login and password

Analyst Certification

Any Red Cloud Securities Inc. research analyst named on this report hereby certifies that the recommendations and/or opinions expressed herein accurately reflect such research analyst's personal views about the companies and securities that are the subject of this report. In addition, no part of any research analyst's compensation is, or will be, directly or indirectly, related to the specific recommendations or views expressed by such research analyst in this report.