

ENERGY FUELS INC.

Resource Update Grows Size, Improves Quality, and Adds Copper; Target Increased

EVENT

Energy Fuels announced a new estimate for uranium and copper resources at the Canyon Mine.

BOTTOM LINE

Positive – The resource update increased uranium resources by nearly 1M lbs U₃O₈ while migrating nearly all resources to the measured and indicated category. In addition, the inclusion of about 12 M lbs of copper changes the economics of the project. We maintain our Buy recommendation and are increasing our target price to \$4.30 per share.

FOCUS POINTS

- **More and Higher quality lbs** – The total uranium resource has increased by approximately 1.0M lbs, with nearly all of the previous resource from the Inferred category now upgraded to the Measured & Indicated category.
- **Copper resource to lower production cost** – A total of approximately 12.0M lbs of Measured & Indicated copper resource (with a grade of 5.9% Cu) was identified in the main zone. We forecast that uranium cash costs net of the copper by-product credit will average US\$14.45/lb over the two-year life of mine.
- **Canyon Mine fully permitted** – In addition to being fully permitted, all upfront development construction (including a production shaft) has been substantially completed. We forecast initial production from Canyon by 2019.

Recommendation:

BUY

Symbol/Exchange: EFR-TSX/UUUU-NYSE
Sector: Metals & Mining
All dollar values in US\$ unless otherwise noted.
Current price: C\$2.10/ \$1.65
One-year target: C\$4.30↑
Target return: 105%
Cash on hand \$18.7M

Financial summary

Shares O/S (M)	70.6	52-week range	\$1.76- 3.47	
Market cap (\$M)	\$149.6	Avg. weekly vol. (000)	0.121	
Market float (\$M)	\$137.6	Fiscal year-end	31-Dec	
	2015A	2016A	2017E	2018E
Uranium Production (lbs)	741,090	1,015,000	640,000	531,234
Revenue (\$M)	61.4	54.6	32.7	18.8
Operating Cost (\$M)	(79.9)	(38.8)	(44.8)	(38.1)
Cash Cost net of credits (US\$/lb)	\$33.68	\$17.65	\$18.76	\$25.03
EBITDA (\$M)	(5.4)	34.6	28.3	14.3
EPS	-\$1.77	-\$0.70	-\$0.61	-\$0.54

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.

CANYON MINE RESOURCE UPDATE

The resource update for Canyon was positive on many fronts as it increased the uranium resource by nearly 1 M lbs U₃O₈, upgraded nearly the entire amount from Inferred to Measured & Indicated, and added a notable amount of copper as well.

As noted in exhibit 1, the resource update (effective June 2017) has improved upon the February 2007 resource estimate on several fronts as the size and quality of the contained uranium resource estimate improved, as well as the introduction of high grade copper.

Exhibit 1. Resource Statement

	Measured & Indicated					
	Tons	U3O8 %	Contained U3O8	Tons	Cu %	Contained Cu
February 2007	0	0.00%	0	0	0.00%	0
June 2017	139,000	0.88%	2,434,000	101,000	5.93%	11,939,000
	Inferred					
	Tons	U3O8 %	Contained U3O8	Tons	Cu %	Contained Cu
February 2007	70,500	1.08%	1,523,000		0.00%	0
June 2017	18,000	0.38%	134,000	5,000	5.90%	570,000

Source: Energy Fuels

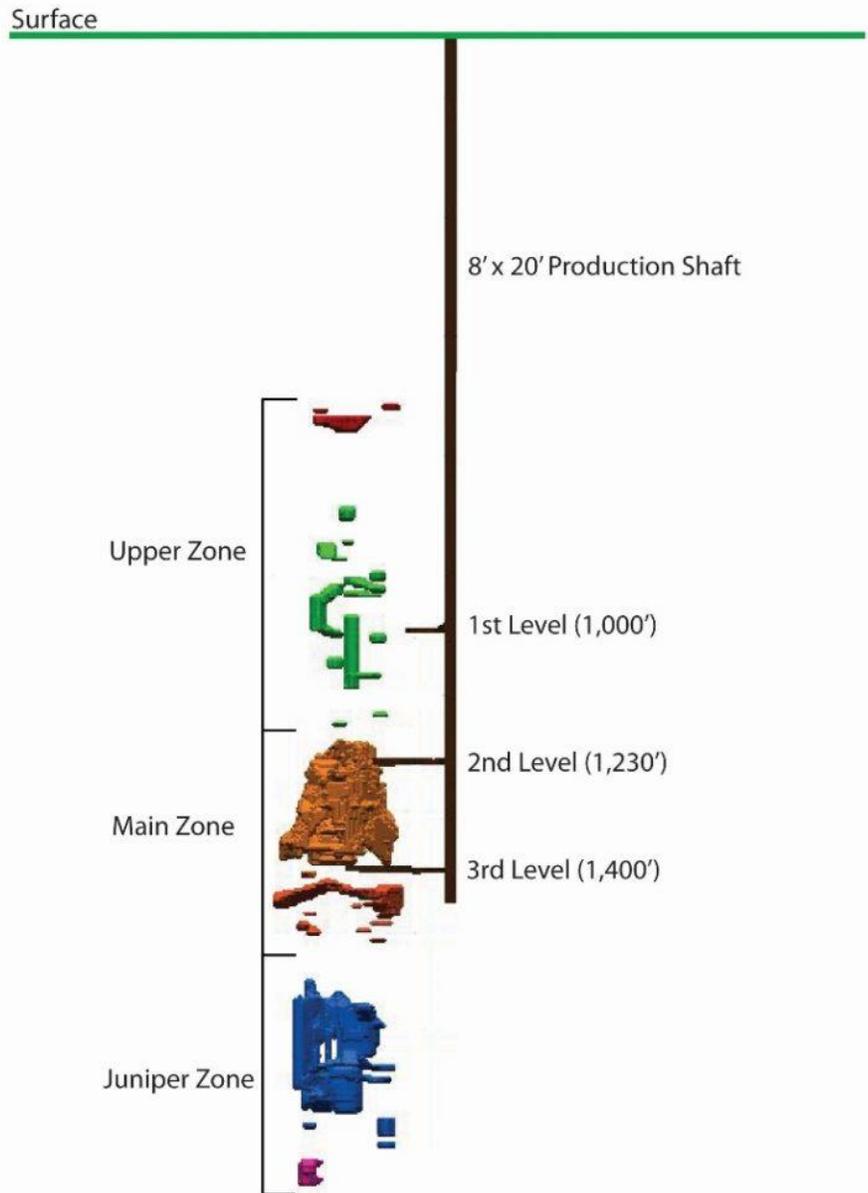
The estimate was prepared by Roscoe Postle Associates Inc. and the documentation will be filed on SEDAR within 45 days.

In the zone containing both uranium and copper (the "Main Zone"), 101,000 tons of Measured and Indicated Mineral Resources are reported with an average grade of 0.86% U₃O₈ and 5.93% Cu, containing 1,725,000 pounds of uranium and 11,939,000 pounds of copper using a 0.36% U₃O₈ equivalent cut-off grade. The uranium equivalent cut-off grade used for the Main Zone is different from the other zones, as the presence of copper requires different methods of processing. The cut-off grade used previously across all zones was 0.2% U₃O₈.

The zones containing only uranium (the "Upper Zone" and the "Juniper Zone") are estimated to contain 38,000 tons of Measured and Indicated Mineral Resources with an average grade of 0.94% U₃O₈ containing 709,000 pounds of U₃O₈, using a 0.29% U₃O₈ cut-off grade. This too is a higher cut-off grade than what was used in the previous resource estimate (0.2% U₃O₈).

Metal prices used for the estimate were US\$60/lb U₃O₈ for uranium and US\$3.50/lb Cu. These figures are notably higher than the current price environment for both metals which currently trade at around US\$20.25/lb and US\$3.00/lb, respectively. Cantor Fitzgerald Canada Research forecasts an average U₃O₈ price of US\$44.58/lb and an average copper price of US\$2.83/lb over the next three calendar years. As such, we have discounted the M&I resource size by 20% when considering a mineable resource size for Canyon. However we noted that management believes there is notable exploration upside at Canyon that can add to this resource estimate.

Exhibit 2. Canyon Mine



Source: Energy Fuels

Located in Northern Arizona, the Canyon Mine is fully-permitted and significant development work has already been completed. To date, substantially all surface development at the mine has been installed, including a headframe, hoist, maintenance facility, ore pad, and evaporation pond. In addition, the 8-foot by 20-foot production shaft has been completed to a depth of approximately 1,452-feet, and some initial horizontal underground development has been constructed (exhibit 2).

Material from Canyon is expected to be processed at Energy Fuels' White Mesa Mill, which is the only uranium mill in the U.S. Management notes that it has identified options for processing the copper resources from the Canyon Mine at

the Mill as well. The mineralized copper material is expected to be processed using acid leach (the same method that is used for uranium) followed by one of several options available to extract the copper out of solution and made into a saleable product. Copper processing is expected to require some additional equipment and circuit modifications at the White Mesa Mill, and depending on the option chosen, possibly some additional licensing actions. Bench-scale metallurgical testing has been ongoing since January at Energy Fuels' White Mesa Mill Laboratory, as well as at ANSTO, an independent testing firm in Australia. Further metallurgical testing, optimization, and evaluation is expected to continue into 2018. The copper resources have the significant potential to add by-product credits and lower the U₃O₈ cost per pound at the Canyon Mine even further.

RECOMMENDATION

We are maintaining our Buy rating and are increasing our target price to \$4.30/share from \$4.25/share. Our valuation reflects a 1.0x multiple to our revised NAV10% of \$4.32/share, which increased from \$4.27/share.

Our NAV increased due to an upward revision in the estimated mineable uranium resource at Canyon from 83,000 tons to 111,200 tons and the introduction of a copper circuit. For the copper circuit we estimate that it would cost an additional US\$10M in capex to install and would increase milling costs per ton by US\$30/ton, which now stands at US\$220/ton. Average head grades are forecast at 5.9% Cu and recoveries are expected to be at 67%. We estimate that the copper circuit will bring in about US\$36M in revenue for Energy Fuels over the life of mine.

Offsetting the positive impact from the news release is our pushing back of forecast production at Canyon by one year to 2019. We have also lowered our head grade expectations for uranium to 0.88% from 1.00%.

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.

Exhibit 3. Net Asset Value

Projects	NAV \$000s	Per Share	Comment
Uranium Operations	318,012	\$4.51	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	231,190	\$3.28	
CAD Total	304,935	\$4.32	USD/CAD 0.76

Source: Cantor Fitzgerald Canada

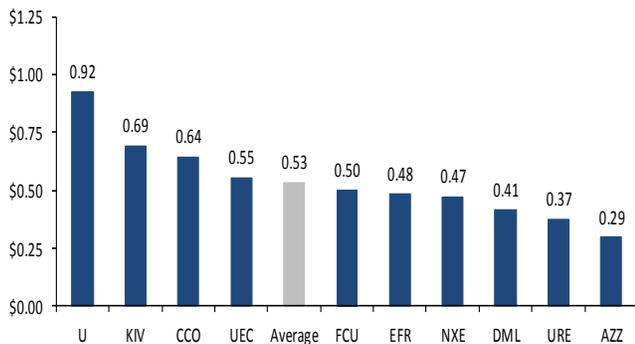
APPENDIX

Exhibit 4. Comparable Valuation

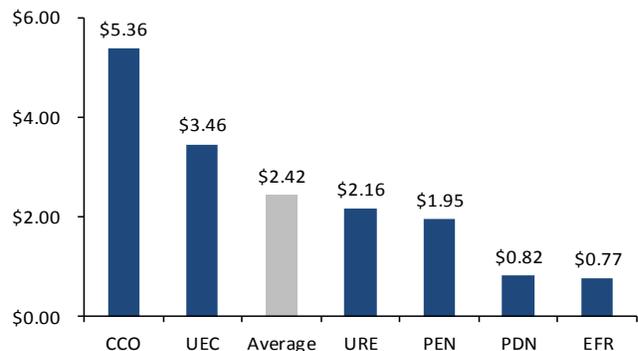
Uranium Producer	Stock Price	Market	Enterprise	NI43-101 Resources/JORC (M lbs)				MKT / LB	EV / LB	Est. 2016 Cash		
Company Name	Stage	(Local \$)	Cap (\$'000)	Value (\$'000)	Avg Grade	P&P	M&I	Inferred	Total	Cost / LB		
Cameco Corporation (TSX:CCO)	Production	12.27	4,856,376.8	6,067,596.8	6.089%	416.7	471.2	243.4	1,131.3	\$4.29	\$5.36	\$17.01
Energy Fuels Inc. (TSX:EFR)	Production	2.10	149,951.3	132,952.4	0.078%	0.0	112.7	60.4	173.1	\$0.87	\$0.77	\$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	0.39	88,197.1	92,602.8	0.050%	0.0	17.2	30.2	47.4	\$1.86	\$1.95	\$88.00
Uranium Energy Corp. (NYSE:UEC)*	Production	1.27	245,553.1	237,548.1	0.062%	0.0	32.4	36.3	68.7	\$3.57	\$3.46	
UR-Energy Inc. (TSX:URE)	Production	0.71	103,570.5	96,738.3	0.080%	0.0	34.5	10.3	44.9	\$2.31	\$2.16	\$23.21
Producer Average			\$920,557.5	\$1,173,506.5		91.1	149.1	88.5	328.7	\$2.18	\$2.42	\$34.35

Uranium Explorer/Developer	Stock Price	Market	Enterprise	NI43-101/JORC Resources (M lbs)			MKT / LB	EV / LB		
Company Name	Stage	(\$Local)	Cap (C\$'000)	Value (C\$'000)	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	0.57	318,678.1	212,764.4	2.29%	102.0	97.6	199.7	\$1.60	\$1.07
Fission Uranium Corp. (TSX:FCU)	Exploration	0.64	310,155.5	271,963.3	1.51%	79.6	25.9	105.5	\$2.94	\$2.58
NexGen Energy (TSX:NXE)	Exploration	2.67	903,144.8	935,945.9	2.54%	179.5	122.1	301.6	\$2.99	\$3.10
Kivalliq Energy Corp. (TSXV:KIV)	Exploration	0.11	25,934.7	23,020.7	0.69%	0.0	43.3	43.3	\$0.60	\$0.53
UEX Corp. (TSX:UEX)	Exploration	0.20	63,847.8	57,272.7	0.84%	68.2	16.5	84.7	\$0.75	\$0.68
Azarga Uranium (TSX:AZZ)	Development	0.24	18,088.1	17,510.5	0.17%	18.1	5.7	23.8	\$0.76	\$0.74
Average			\$327,727.0	\$299,959.6		66.4	50.3	116.7	\$2.99	\$2.67

Uranium Coverage P/NAV



Uranium Producer EV/Resource



Source: Cantor Fitzgerald Canada

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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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