June 19, 2018
Resuming Coverage

ENERGY FUELS INC.

Largest U.S. Uranium Producer, Well Positioned for Market Turnaround

Equity Research

EVENT

We are resuming coverage of Energy Fuels Inc. following the departure of an analyst.

BOTTOM LINE

We are maintaining our Buy recommendation and re-initiating/transitioning coverage with a 52 week target price of $4.00/C$5.00/ share. This is based on a 1.0x NAVPS7.5% multiple on Nichols Ranch and Alta Mesa, and values the White Mesa milling complex at replacement value of $175 MM.

FOCUS POINTS

- **Largest U.S. Based Producer –** Energy Fuels produced 1.57 MMlb U3O8 from a combination of in-situ recovery (ISR), alternate feed, and toll processing in FY17. This ranks the company as the largest uranium producer in the United States. For FY18 we expect production of 460 Klb.
- **Flexibility to Scale-Up Production** – With Alta Mesa (ISR) and Canyon (conventional) currently on stand-by, in a higher uranium price environment (~$50/lb U3O8), both of these operations would likely be re-started, increasing annual production to +2.5 MMlb U3O8 per annum.
- **Highly Strategic White Mesa Mill** – Refurbished in 2007, the White Mesa Mill is the only conventional uranium and vanadium processing facility in the United States. Located near Blanding, Utah, the mill has an annual licensed processing capacity of 8+ MMlb U3O8. Vanadium production from a separate circuit at White Mesa will re-commence later this year or in early 2019.

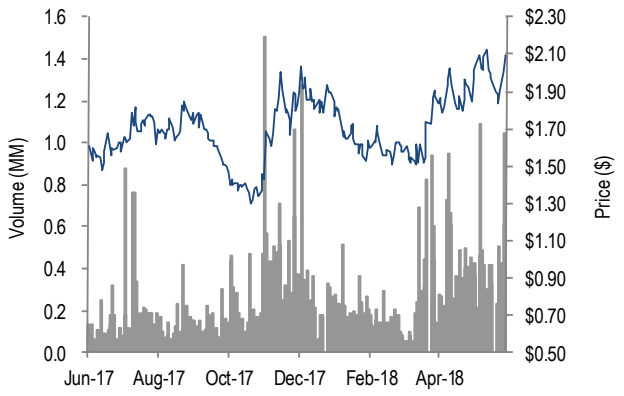
Recommendation:	**BUY**
Symbol/Exchange:	UUUU NYSE / EFR TSX
Sector:	Metals & Mining
All dollar values in US$ unless otherwise noted.	
Current price:	$2.07, C$2.70
One-year target:	$4.00, C$5.00
Return to Target:	93.2%
Unrestricted Cash on hand:	$6.6 MM

Financial summary

Shares O/S (MM)	76.0	52-week range	$1.30-$2.21
Market cap ($MM)	$157.3	Avg. weekly vol. (000)	1,025
Market float ($MM)	$150.5	Fiscal year-end	31-Dec

Calendar Year	**2017A**	**2018E**	**2019E**	**2020E**
Uranium Production (K lb)	1,570	460	1,365	2,140
Uranium Sales (K lb)	520	970	1,365	2,140
Realized U3O8 Price ($/lb)	$47.05	$32.89	$50.00	$50.00
Cash Operating Costs ($/lb)	$28.22	$24.99	$26.54	$27.45
All-In Sustaining Costs ($/lb)	$28.22	$25.19	$26.65	$28.01
Basic EPS, dil., adj.	($0.39)	($0.41)	($0.32)	($0.05)
Dividends per share	-	-	-	-
CFPS (before W/C)	($0.12)	($0.23)	($0.16)	$0.14
Free CFPS	($0.29)	($0.23)	($0.16)	$0.14

Source: Company Reports and Cantor Fitzgerald Estimates



Company profile: Energy Fuels is an integrated uranium and vanadium 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.

BRIEF COMPANY OVERVIEW

Energy Fuels is the only U.S. based uranium producer with both conventional production capabilities (drill, blast, load, haul) and In-Situ Recovery ("ISR") output. It also can process/re-process other uranium-bearing materials via the Alternate Feed circuit at its White Mesa processing facility. Along with Ur-Energy (URG-NYSE/URE-TSX, Buy - $1.25/C$1.50/share), on January 16, 2018, Energy Fuels jointly submitted a Section 232 Petition to the U.S. Department of Commerce ("DOC") proposing that 25% of the U.S. nuclear market requirements (utilities) is reserved for U.S. domestic uranium production. For additional context, please see our previously published note from April: American Made: Reviving the U.S. Uranium Industry. Having produced a total of 1.57 MMlb over FY/17, Energy Fuels ranks as the largest U.S. based uranium producer. That said, given the currently depressed uranium price environment, the company has scaled back on production, delivering material primarily into higher-priced long-term contracts, and only a minimal amount into the spot market. At present, Energy Fuels is only operating the Nichols Ranch ISR operation in Wyoming, and processing alternate feed material, when available, on a toll-treating basis at White Mesa. We forecast 2018 production of 460 Klb U3O8. That said, Energy Fuels is arguably the best positioned to scale-up production in a period of higher uranium prices. With Alta Mesa (ISR) and Canyon (conventional) currently on stand-by, in a higher uranium price environment (~$50/lb U3O8, Cantor Estimate), both of these operations would likely be re-started, increasing annual production to +2.5 MMlb U3O8 per annum. The Company has an extensive portfolio of conventional past-producing mines within the Four Corners States, in addition to ISR assets in Wyoming (Nichols Ranch, operating) and Texas (Alta Mesa, on care and maintenance). In addition to the uranium business, a separate recovery circuit at White Mesa is expected to re-start vanadium production by the end of this year or in early 2019.

Exhibit 1. Asset Portfolio in the U.S.

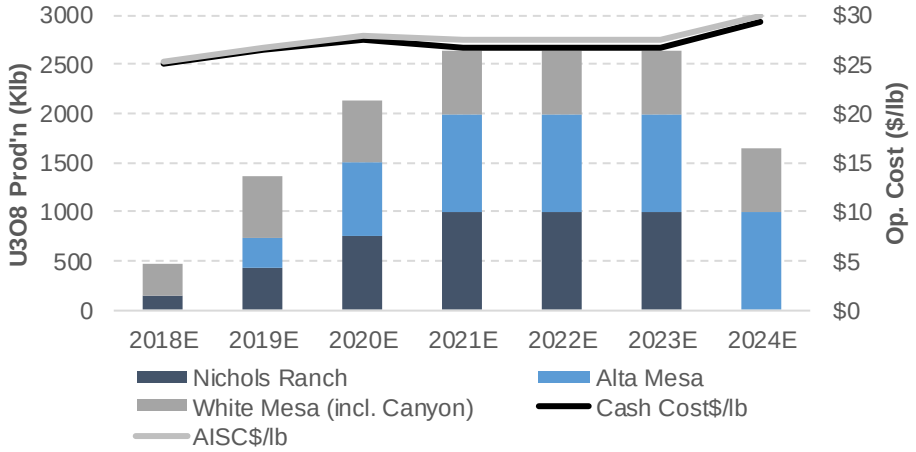
Source: Energy Fuels Inc.

PRODUCTION, COST AND SALES GUIDANCE

The Company expects 2018 production to total 460-520 Klb U3O8 of which, Nichols Ranch is expected to contribute 140-160 Klb with the balance coming from alternate feed and conventional milling (toll treating) at White Mesa in H2/18. We incorporate 2018 production of 460 Klb U3O8 at cash operating

costs of $25/lb U3O8 in our DCF-based NAVPS and EPS/CFPS estimates for Energy Fuels. In 2019, *assuming a rebound in uranium prices* to *~$50/lb* we forecast production of 1.4 MMlb U3O8 on a company-wide basis, with output ramping-up at Nichols Ranch, more conventional material being processed at White Mesa, and initial production at Alta Mesa (currently on care and maintenance pending a rebound in U3O8 prices). We note that our forecasts are entirely dependent upon higher uranium prices. Should spot prices remain at current levels, and Energy Fuels not be successful in securing new higher-priced long-term delivery contracts, production would likely remain at current levels (~0.5 MMlb U3O8) or even potentially decline. In Q1/18, a spot delivery for 50 Klb was completed at $24.75/lb. On April 1, 2018, a delivery of 400 Klb was completed under two long term contracts at a fixed price of $61.30/lb. For the remainder of the year, the Company expects to complete two additional deliveries totaling 200 Klb for a price based on the average spot price for five weeks prior to the dates of delivery. *Energy Fuels has no further long-term contractual obligations following the uranium deliveries it will make this year.* All uranium sales in 2019+ will be into the spot market, and unhedged, unless the Company can secure new long term contracts.

Exhibit 2. Production and Cost Profile



Source: Cantor Fitzgerald

WYOMING ISR - NICHOLS RANCH

Located in Wyoming's Powder River Basin, at present, Nichols Ranch is Energy Fuels' only producing uranium asset. The ISR Nichols Ranch operation began production in 2014, and was acquired by Energy Fuels in the Uranerz Energy transaction in 2015. To date, the mine has produced over 1.1 MMlb U3O8 and has licensed capacity of 2.0 MMlb U3O8 per annum. There are currently a total of nine wellfields in production, with an additional 34 future wellfields that are planned (four at Nichols Ranch, 22 at Jane Dough and eight at Hank). These future wellfields are fully permitted and awaiting a "go" decision that once made, would see production at Nichols Ranch begin to ramp-up in 6-9 months (Cantor estimate). In our view, Energy Fuels would have to "lock in" uranium prices of ~$50/lb U3O8 via either materially higher spot prices and/or higher priced long-term contracts, prior to making a "go" decision to ramp-up. In FY17, the ISR operation contributed 259 Klb U3O8 to Energy Fuels. We forecast production to total 140 Klb in 2018, followed by 425 Klb in 2019, 750 Klb in 2020 and reaching steady state of 1.0 MMlb annually from 2021 until 2024+. We forecast cash operating costs to approximate $25/lb U3O8 over the next several years

declining to $22.50/lb when Nichols Ranch is fully expanded. We value Nichols Ranch at $71.5 MM or $0.92/share in our DCF-based NAVPS for Energy Fuels.

Exhibit 3. Nichols Ranch ISR Facility

Source: Energy Fuels Inc.

ALTA MESA ISR

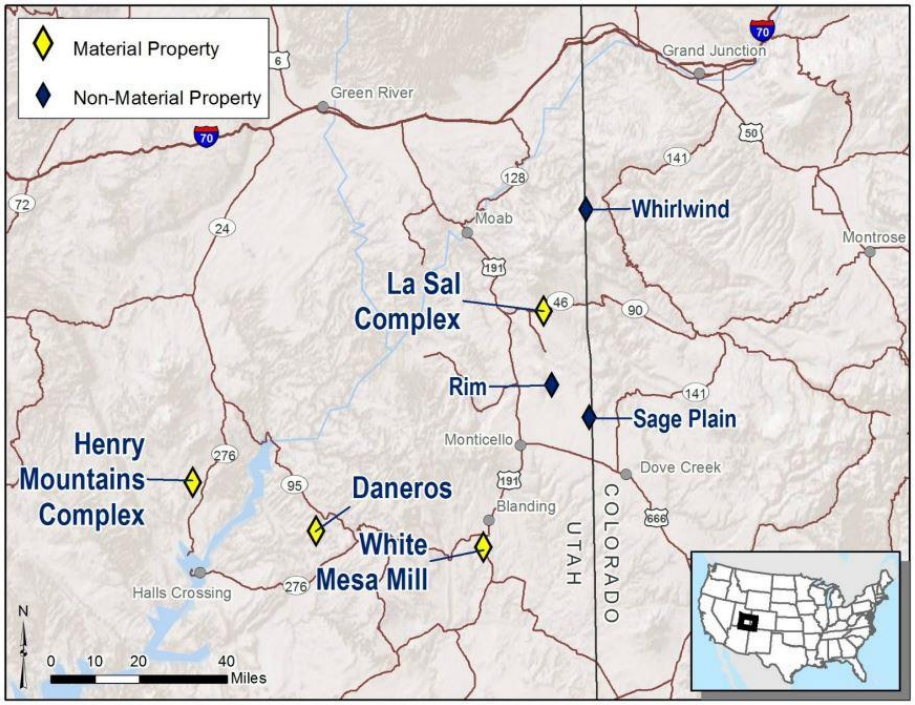
Located in South Texas, Alta Mesa was acquired from Mestena Uranium LLC in June of 2016. The property comprises 195,501 contiguous acres of land. The Project itself is a fully permitted, constructed, past producing ISR processing facility that has the capacity to produce 1.5 MMlb U3O8 per annum. Pending higher uranium prices (Cantor estimate $50/lb U3O8), and upon a re-start decision, commercial production is expected to be achieved after a 9-12 month ramp-up period. Note that Alta Mesa was previously in production, but was placed on care and maintenance in 2013 due to weak uranium prices. Similar to Nichols Ranch, in our view, Energy Fuels would have to "lock in" uranium prices of ~$50/lb U3O8 via either materially higher spot prices and/or higher priced long-term contracts, prior to making a re-start decision at Alta Mesa. In our DCF-based NAVPS and production profile for Energy Fuels, based on realized uranium prices of $50/lb U3O8, we forecast Alta Mesa to re-start operations in H2/19, producing 300 Klb U3O8 in that year. Should uranium prices support the re-start, production could then be ramped up to 750 Klb U3O8 in 2020, and eventually steady state of 1.0 MMlb U3O8 in 2021 (Cantor estimate). We forecast cash operating costs of $30/lb U3O8 and a mine-life extending to 2024+. We value Alta Mesa at $49.9 MM or $0.64/share in our DCF-based NAVPS for Energy Fuels.

WHITE MESA MILL

Located in Blanding Utah, the White Mesa mill is the only fully licensed and operating conventional uranium mill in the United States. It was refurbished in 2007 at a cost of $31 MM. The facility has a licensed capacity of 2,000 tons per day and can produce up to 8.0 MMlb U3O8 per annum. The White Mesa Mill

also has an alternate feed circuit to process other uranium bearing materials, such as those derived from uranium conversion and other metal processing. This alternate feed is sourced from third parties, including uranium bearing tailings from other metal processing and residues from uranium conversion. The White Mesa mill is the only facility in North America capable of processing these alternate feeds. The mill also features a separate circuit that allows for the recovery of vanadium, which is commonly associated with uranium mineralization in the Colorado Plateau. In 2017, a total of 366 Klb U3O8 was produced, along with a further 946 Klb processed on account of a toll treating agreement. Note that between 2007-2014, the mill produced over 1.0 MMlb U3O8 per annum from conventional sources encompassing projects such as La Sal, Daneros, Tony M, Arizona 1, Pinenut, and from alternate sources. Additionally, though vanadium production ceased in 2014, since 1980 when the mill was originally built, over 45 MMlb of vanadium has been produced. Management has stated that vanadium production will re-commence (approximately 500 Klb per annum) later this year or by early 2019. We forecast production of 175 Klb U3O8 from conventional milling and 145 Klb U3O8 from alternate feed at White Mesa in 2018. At higher uranium prices (Cantor estimate $50/lb U3O8) we forecast White Mesa production to grow to 350 Klb U3O8 from conventional milling and 290 Klb U3O8 from alternate feed in 2019 and thereafter. We value White Mesa at $175 MM in our NPV for Energy Fuels, our best estimate as to its replacement cost. The mill is highly strategic, centrally located to a number of conventional past producing open-pit and underground mines that could be re-started pending higher uranium prices.

Exhibit 4. White Mesa Mill Proximity to Nearby EFR Mines



Source: Energy Fuels Inc.

CANYON MINE

The wholly owned Canyon Mine is located in Coconino County, northern Arizona. The mine is located on a 17 acre site within the Kaibab National Forest,

approximately 150 miles north of Phoenix. Over the years 2016-2017, the Company undertook an extensive underground drilling program on the property, which led to an updated resource estimate (effective date June 17, 2017) currently totaling 2.43 MMlb U3O8 in the Measured & Indicated category grading 0.88% U3O8, along with 0.13 MMlb U3O8 in the Inferred category grading 0.38% U3O8. We note that the underground Canyon project is the highest grade uranium mine being developed in the United States. It is currently fully permitted and on standby awaiting higher uranium prices. Surface infrastructure and the main production shaft is largely completed, and should a production go-ahead decision be made, the remaining upfront CAPEX to initial production is projected at $25 MM. Material from Canyon, when re-started, will be trucked 270 miles by paved road to the White Mesa mill for processing.

Exhibit 5. Company-Wide Scalability

Mine	Status	2017 Production (Lbs.)	Speed to Increase Production	Life	M&I (Lbs.)[2]	Inferred (Lbs.)
ANNUAL PRODUCTION TARGET AT $40 - $50 PER POUND SALES PRICE = UP TO 2.5M POUNDS OF U_3O_8 PER YEAR						
Nichols Ranch	Permitted/Operating	259,000	6 months	10 yrs.	5.5m	1.1m
Alta Mesa	Permitted/Standby	0	12 months	15 yrs.	3.2m	16.8m
Canyon (U_3O_8 & Cu)	Permitted/Standby	0	12 months	4 yrs.	2.4m	0.2m
Alternate Feeds – White Mesa	Permitted/Operating	366,000	6 months	Ongoing	n/a	n/a
Toll Processing – White Mesa	Permitted/Operating	950,000	6 months	Ongoing	n/a	n/a
ANNUAL PRODUCTION TARGET AT $60 PER POUND SALES PRICE = ADDITIONAL 1M – 4M POUNDS OF U_3O_8 PER YEAR						
La Sal Complex (U_3O_8 & V_2O_5)	Permitted/Standby	0	6 months	7 yrs.	4.1m	0.4m
Daneros	Permitted/Standby	0	6 months	5 yrs.	0.1m	0.1m
Whirlwind (U_3O_8 & V_2O_5)	Permitted/Standby	0	12 months	8 yrs.	1.0m	2.0m
Tony M	Permitted/Standby	0	12 months	13 yrs.	8.1m	2.8m
Roca Honda	Advanced Permitting	0	4 years	9 yrs.	14.6m	11.2m
Bullfrog	Pre-permitting	0	6 years	13 yrs.	4.7m	5.3m
Sheep Mt.	Permitted	0	6 years	15 yrs.	30.3m	n/a

PRODUCTION FACILITY: Nichols Ranch ISR Plant; Alta Mesa ISR Plant; White Mesa Mill; Heap Leach Facility

Source: Energy Fuels Inc.

SCALABILITY IN A HIGHER PRICE ENVIRONMENT

At $50/lb U3O8 prices, Energy Fuels could ramp-up production to ~2.5 MMlb U3O8 per annum via an expansion of Nichols Ranch, the re-start of Alta Mesa, initial conventional production at Canyon underground, and alternate feed and toll-treating material at White Mesa (Exhibit 5). At prices greater than $50/lb U3O8, Energy Fuels has a number of additional conventional satellite projects located within trucking distance of White Mesa including La Sal, Daneros, Whirlwind, Tony M, Roca Honda, Bullfrog, and Sheep Mountain. These could potentially add an additional 1-4 MMlb U3O8 per annum.

SECTION 232 PETITION

Earlier in January, Energy Fuels was one of two domestic producers (the other being Ur-Energy) to jointly sign a Section 232 petition with the U.S. Department of Commerce ("DOC"). The petition proposes to reserve 25% of the U.S. nuclear market (utility demand) for domestic uranium production. Once the DOC initiates an investigation (expected in the coming weeks), the Secretary of the DOC will have 270 days to complete a report and submit it to the President of the United States. The President will then have 90 days to act on the Secretary's recommendations. Seeing as domestic production currently represents less than 5% of U.S. utility demand, we believe that this Petition moving forward will be a large catalyst pushing domestic uranium prices considerably higher in order to incentivize new production. This would have a material positive impact to the U.S. uranium producers including Energy Fuels, potentially acting as a massive positive catalyst to the share price.

BALANCE SHEET

Energy Fuels exited Q1/18 with $6.6 MM in cash, $16.8 MM in inventories, and restricted cash of $21.6 MM. Debt/borrowings as of exit Q1/18 stood at $3.5 MM (current) and $22.9 MM (long-term). The long-term debt is comprised of convertible debentures of $16.3 MM and a Wyoming Industrial Development Revenue Bond loan of $6.6MM. The convertible debentures were from a July 24, 2012 bought deal public offering of 22,000 floating-rate convertible unsecured subordinated debentures originally maturing June 30, 2017 at a price of C$1,000 (gross proceeds of C$21.6 MM). The debentures are convertible into common shares at the option of the holder. The maturity date has since been extended to December 31, 2020 and the conversion price has been reduced from C$15.00 to C$4.15 per common share. The debentures accrue interest, payable semi-annually in arrears on June 30 and December 31 of each year at a fluctuating rate of not less than 8.5% and not more than 13.5%, indexed to the simple average spot price of uranium as reported on the UxC Weekly Indicator Price. Moreover, the debentures may be redeemed in whole or part, at par plus accrued interest and unpaid interest by the Company between June 30, 2019 and December 31, 2020 (subject to certain terms and conditions). The Wyoming Industrial Development Revenue Bond loan was assumed by the company following the acquisition of Uranerz Energy (essentially Nichols Ranch) in 2015. The loan originated on December 3, 2013 and carries an annual interest rate of 5.75%. It is repayable over seven years, maturing on October 15, 2020 (though the Company may choose to repay the loan before maturity date, without any penalty or premium). Principal and interest are paid on a quarterly basis on the first day of January, April, July and October. At Q1/18 exit, the loan had an outstanding balance of $10.0 MM of which the current portion of the note was $3.5 MM.

Exhibit 6. NAVPS Breakdown

Asset ($)		Value ($MM)	$ Per Share	% of NAV
Nichols Ranch	7.5%	$71.5	$0.92	21%
Alta Mesa	7.5%	$49.9	$0.64	15%
White Mesa Mill	rep. value	$175.0	$2.26	51%
Total Mining Assets		$296.4	$3.82	87%
Cash, S/T Investments, U inventory		$45.0	$0.58	13%
Current Debt + S/T Leases		($3.5)	($0.04)	
Long Term Debt + S/T Leases		($22.9)	($0.29)	
Future Equity Financing		$0.0	$0.00	
Future Debt Financing		$0.0	$0.00	
Net Asset Value		**$315.1**	**$4.06**	
P/NAV			0.51x	

Source: Cantor Fitzgerald Canada

NET ASSET VALUE OVERVIEW

Based on a long-term uranium price of $50/lb U3O8, we calculate a project $NPV_{7.5\%}$ of $71.5 MM on Nichols Ranch and $49.9 MM on Alta Mesa that we expect to begin contributing to production in 2019. Our NAV calculation also incorporates $175 MM in replacement value for the White Mesa mill. Including the company's current financial position of $45.0 MM in cash, restricted cash,

and uranium in inventory, and $26.3 MM in total debt, we calculate a company-wide NAVPS of $4.06/share (Exhibit 6) for Energy Fuels.

INVESTMENT THESIS

We believe that in the context of the current Section 232 petition process, the investment opportunity in owning U.S. based uranium producers should be a highly rewarding one. Should our investment thesis prove to be correct, and Section 232 will ultimately drive domestic uranium prices up 145% to +$50/lb U3O8 (the lowest level necessary to incentivize even modest U.S. production growth), operating leverage within the mining business itself could propel Energy Fuels' share prices multiple times higher than its current depressed levels.

TARGET AND RECOMMENDATION

Based on a 1.0x $NAVPS_{7.5\%}$ multiple (rounded) on Nichols Ranch and Alta Mesa, and incorporating a $175 MM replacement value for the White Mesa mill complex, we are re-initiating coverage of Energy fuels with a Buy rating and a 52-week target price of $4.00/C$5.00/share. We note that this target price has the potential to move materially higher if/when uranium prices rebound and/or Energy Fuels can successfully sign new higher priced long-term contracts. In our view, this will be largely dependent on if/when a Section 232 investigation is initiated, the outcome of the investigation, and ultimately a decision by the White House.

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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.

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

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

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