

ENERGY FUELS INC.

FY/16 Revenue beats while EPS falls short

EVENT

Energy Fuels announced FY/17 financial results.

BOTTOM LINE

Modestly Negative – Due to the continuing low uranium price environment, a weak year for Energy Fuels was expected. We have adjusted our cost estimates in line with recent performance and continue to view Energy Fuels as our top leverage play to the upcoming uranium recovery. We are maintaining our Buy recommendation and are lowering the target price to C\$5.05/share, or by 15%, to reflect the impact of higher costs.

FOCUS POINTS

- **Bottom line misses** – 2016 FY EPS of US-\$0.70/share missed consensus estimates of US-\$0.52/share and our forecast of US-\$0.39/share. Revenues of US\$54.6M beat the consensus estimate of US\$47.8M and were roughly in-line with our forecast of US\$55.7M.
- **Higher costs** – The key variance to our estimate is attributable to higher than expected costs amounting to US\$93M versus our estimate of US\$79.2M.
- **Header houses deferred** - Energy Fuels has announced that it will defer further development of the Nichols Ranch ISR Project beyond its ninth header house (which was just completed and began extracting uranium earlier this month). The permitting of Jane Dough however will be proceeding as previously planned.
- **Great leverage to U Price** - EFR has several assets that are within 1-2 years of production once the decision is made to start/restart. That will allow for a quick response to our expected violent uranium price spike in the future.

Recommendation:

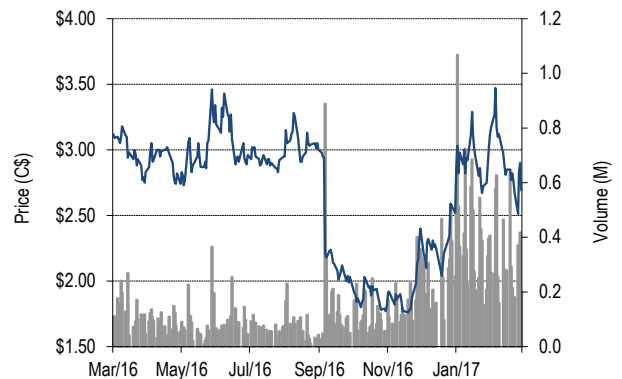
BUY

Symbol/Exchange: EFR-TSX/UUUU-NYSE
Sector: Metals & Mining
All dollar values in US\$ unless otherwise noted.
Current price: C\$2.62/ \$1.95
One-year target: C\$5.05↓
Target return: 93%
Cash on hand \$16.9M

Financial summary

Shares O/S (M)	56.4	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	799,900	1,055,567
Revenue (\$M)	61.4	54.6	25.8	22.3
Operating Cost (\$M)	(79.9)	(38.8)	(43.8)	(49.2)
Cash Cost net of credits (US\$/lb)	\$33.68	\$17.65	\$19.43	\$32.98
EBITDA (\$M)	(5.4)	34.6	21.6	3.2
EPS	-\$1.77	-\$0.70	-\$0.67	-\$0.74

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.

Rob Chang, MBA

rchang@cantor.com
(416) 849-5008

Associate: Michael Wichterle, MBA, CAIA

mwichterle@cantor.com
(416) 849-5005

Sales/Trading — Toronto: (416) 363-5757, (866) 442-4485

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

HIGHER COSTS IMPACT FULL YEAR RESULTS

2016 FY EPS of US-\$0.70/share missed consensus estimates of US-\$0.52/share and our forecast of US-\$0.39/share. Revenues of US\$54.6M beat the consensus estimate of US\$47.8M and were roughly in-line with our forecast of US\$55.7M. The key variance to our estimate is attributable to higher than expected costs amounting to US\$93M versus our estimate of US\$79.2M. Key contributors to this difference is in higher than expected costs applicable to revenue US\$35.4M vs US\$31M and Development, Permitting and Land Holding costs of US\$21M vs US\$17M.

During the year, sales of 1,150,000 lbs of U₃O₈ were completed by the company at an average realized price of US\$47.42/lb. 850,000 lbs were contracted sales at an average price of US\$56.64/lb (Cantor: US\$56.43/lb) while the balance was sold at an average spot price of US\$21.10/lb (Cantor: US\$26.41/lb).

OPERATIONS LARGELY IN-LINE WITH ESTIMATES

Recoveries amounted to 680,000 lbs. of U₃O₈ from White Mesa (primarily from alternate feed material) along with 335,000lbs from Nichols Ranch. For FY/17, it is expected that 450,000 lbs. will be recovered at the White Mesa mill. This will comprise 300,000 lbs. U₃O₈ from dissolved uranium not yet recovered from processing the mill's tails management system ("pond return") and approximately 150,000 lbs. from alternate feed material sources. We were initially forecasting production of 703,000 lbs. produced from White Mesa/alternate feed along with 325,000 lbs. from Nichols Ranch.

HEADER HOUSES DEFERRED, PERMITTING CONTINUES

Given the continued weak price environment, Energy Fuels has announced that it will defer further development of the Nichols Ranch ISR Project beyond its ninth header house (which was just completed and began extracting uranium earlier this month). Permitting of Jane Dough however, (located adjacent to Nichols Ranch) will continue and is expected to be completed by mid-2017. It is expected that Jane Dough will commence production after the thirteenth header house is completed at Nichols Ranch.

At Canyon, the company is expecting to complete shaft sinking activities to a total depth of 1,400 feet later this month. The evaluation of core samples is on-going, recall that the best uranium intercepts (based on chemical assays and grade thickness) included 6.0 feet of mineralization with an average grade of 16.99% U₃O₈ and 46.0 feet of mineralization with an average grade of 1.37% U₃O₈.

2017 GUIDANCE

The company expects to complete deliveries of 520,000 lbs. U₃O₈ consisting of four contracts comprising 320,000 lbs. under long term contracts and 200,000 lbs. under a spot contract priced at the average spot price of uranium for the five weeks prior to the December 31, 2017 delivery date. Production from Nichols Ranch is expected to total 350,000 lbs.

For 2018 sales of 400,000 lbs. U₃O₈ are expected with half of that amount being sold at the end of the year at the average spot price of the preceding five weeks.

RECOMMENDATION

We are maintaining our Buy recommendation and are reducing our price target to C\$5.05 per share (from C\$5.65 previously) based on 1.0X NAV of C\$5.06 per share. We note that despite the downward revision, 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%} has decreased from C\$5.63 per share due to the upward adjustment of cost estimates based on 2016 results. We have also updated our sales estimates in line with EFR's guidance for 2017 and 2018. Lastly, we have deferred development work for Sheep Mountain, Jane Dough, as well expansion capital for Nichols Ranch in line with management comments. Our NAV is based on cash flows beginning in 2017.

Exhibit 3. Net Asset Value

Projects	Energy Fuels		Comment
	NAV \$000s	Per Share	
White Mesa Mill and EFR's Uranium Mines/Projects	242,940	\$3.67	2017 DCF @ 10% Discount Rate
Virginia Energy (VUI-TSXV) 16.5%	252	\$0.004	80% of the market value for conservatism
Mega Uranium (MGA-TSX)	166	\$0.003	80% of the market value for conservatism
enCore Energy (EU-TSXV)	211	\$0.003	80% of the market value for conservatism
Cash	16,901	\$0.26	Q4/16 Cash
Working Capital (Net of Cash)	-12,107	-\$0.18	As of most recent quarter
USD Total	248,363	\$3.75	
CAD Total	335,267	\$5.06	USD/CAD 0.74

Source: Cantor Fitzgerald Canada

APPENDIX

Exhibit 4. Comparable Valuation

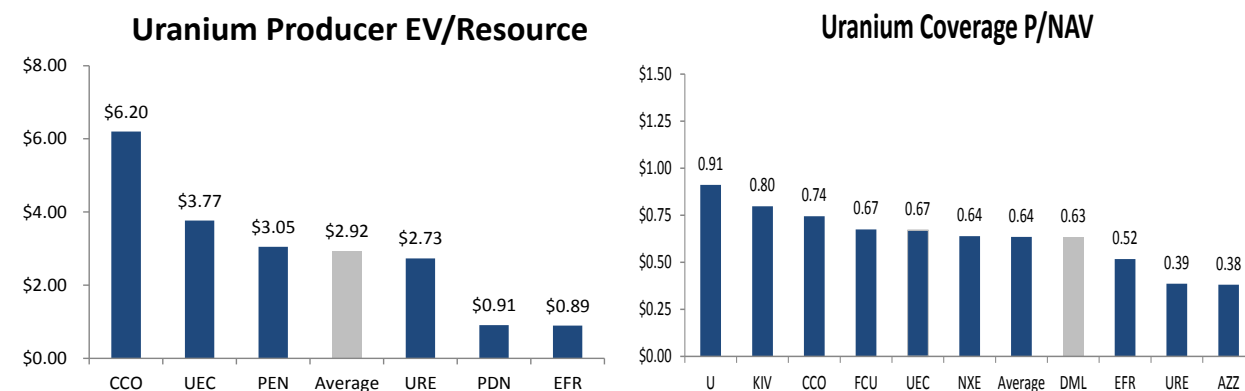
Uranium Producer Company Name	Stage	Stock Price (Local \$)	Market Cap (\$'000)	Enterprise Value (\$'000)	NI43-101 Resources/JORC (M lbs)				MKT / LB	EV / LB	
					Avg Grade	P&P	M&I	Inferred			Total
Cameco Corporation (TSX:CCO)	Production	14.75	5,837,939.7	7,011,145.7	6.089%	416.7	471.2	243.4	1,131.3	\$5.16	\$6.20
Energy Fuels Inc. (TSX:EFR)	Production	2.62	183,536.3	153,718.8	0.076%	0.0	110.3	61.9	172.2	\$1.07	\$0.89
Paladin Energy Ltd (ASX:PDN)*	Production	0.11	182,480.7	474,504.2	0.079%	174.3	193.6	153.8	521.7	\$0.35	\$0.91
Peninsula Energy Ltd. (ASX:PEN)*	Production	0.61	122,607.4	144,441.0	0.050%	0.0	17.2	30.2	47.4	\$2.59	\$3.05
Uranium Energy Corp. (NYSE:UEC)*	Production	1.31	238,490.8	258,912.1	0.062%	0.0	32.4	36.3	68.7	\$3.47	\$3.77
UR-Energy Inc. (TSX:URE)	Production	0.92	133,967.0	122,661.7	0.080%	0.0	34.5	10.3	44.9	\$2.98	\$2.73
Producer Average			\$1,116,503.6	\$1,360,897.3		98.5	143.2	89.3	331.0	\$2.60	\$2.92

*Market Cap and Enterprise value for Paladin Energy, Peninsula Energy and Uranium Energy Corp. has been converted to \$CAD at the prevailing \$AUD/\$CAD or \$USD/\$CAD market exchange rates, P/NAV for **Performance in local currency

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	0.86	465,021.2	333,038.8	2.29%	102.0	97.6	199.7	\$2.33	\$1.67
Fission Uranium Corp. (TSX:FCU)	Exploration	0.81	392,192.3	341,943.9	1.51%	79.6	25.9	105.5	\$3.72	\$3.24
NexGen Energy (TSX:NXE)	Exploration	3.30	1,011,115.4	1,012,390.5	2.54%	179.5	122.1	301.6	\$3.35	\$3.36
Kivalliq Energy Corp. (TSXV:KIV)	Exploration	0.13	30,843.3	30,069.1	0.69%	0.0	43.3	43.3	\$0.71	\$0.69
UEX Corp. (TSX:UEX)	Exploration	0.34	100,823.2	92,899.8	0.84%	68.2	16.5	84.7	\$1.19	\$1.10
Azarga Uranium (TSX:AZZ)	Development	0.43	31,775.6	25,516.3	0.17%	18.1	5.7	23.8	\$1.34	\$1.07
Average			\$383,715.9	\$345,299.8		\$66.4	\$50.3	\$116.7	\$3.42	\$3.02

Source: Cantor Fitzgerald Canada

Exhibit 5. Comparable Valuation



Source: Cantor Fitzgerald Canada

DISCLAIMERS AND DISCLOSURES

Disclaimers

The opinions, estimates and projections contained in this report are those of Cantor Fitzgerald Canada Corporation (“CFCC”) as of the date hereof and are subject to change without notice. CFCC makes every effort to ensure that the contents have been compiled or derived from sources believed to be reliable and that contain information and opinions that are accurate and complete; however, CFCC makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions which may be contained herein and accepts no liability whatsoever for any loss arising from any use of or reliance on this report or its contents. Information may be available to Cantor that is not herein.

This report is provided, for informational purposes only, to institutional investor clients of CFCC, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This report is issued and approved for distribution in Canada, CFCC, a member of the Investment Industry Regulatory Organization of Canada (“IIROC”), the Toronto Stock Exchange, the TSX Venture Exchange and the CIPF. This report is has not been reviewed or approved by Cantor Fitzgerald USA., a member of FINRA. This report is intended for distribution in the United States only to Major Institutional Investors (as such term is defined in SEC 15a-6 and Section 15 of the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Major Institutional Investors receiving this report should effect transactions in securities discussed in the report through Cantor Fitzgerald USA.

Non US Broker Dealer 15a-6 disclosure: This report is being distributed by (CF Canada/CF Europe/CF Hong Kong) in the United States and is intended for distribution in the United States solely to “major U.S. institutional investors” (as such term is defined in Rule 15a-6 of the U.S. Securities Exchange Act of 1934 and applicable interpretations relating thereto) and is not intended for the use of any person or entity that is not a major institutional investor. This material is intended solely for institutional investors and investors who CFCC reasonably believes are institutional investors. It is prohibited for distribution to non-institutional clients including retail clients, private clients and individual investors. Major Institutional Investors receiving this report should effect transactions in securities discussed in this report through CFCC. This report has been prepared in whole or in part by research analysts employed by non-US affiliates of Cantor Fitzgerald & Co that are not registered as broker-dealers in the United States. These non-US research analysts are not registered as associated persons of Cantor Fitzgerald & Co. and are not licensed or qualified as research analysts with FINRA or any other US regulatory authority and, accordingly, may not be subject (among other things) to FINRA’s restrictions regarding communications by a research analyst with a subject company, public appearances by research analysts, and trading securities held by a research analyst account.

Potential conflicts of interest

The author of this report is compensated based in part on the overall revenues of CFCC, a portion of which are generated by investment banking activities. Cantor may have had, or seek to have, an investment banking relationship with companies mentioned in this report. CFCC and/or its officers, directors and employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent. Although CFCC makes every effort possible to avoid conflicts of interest, readers should assume that a conflict might exist, and therefore not rely solely on this report when evaluating whether or not to buy or sell the securities of subject companies.

Disclosures as of March 10, 2017

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.

Analyst certification

The research analyst whose name appears on this report hereby certifies that the opinions and recommendations expressed herein accurately reflect his personal views about the securities, issuers or industries discussed herein.

Definitions of recommendations

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.

Member-Canadian Investor Protection Fund.

Customers' accounts are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available upon request.