

**Ticker:** EFR CN**PF Cash:** US\$204m**Project:** White Mesa / Bahia**Market cap:** C\$1,280m**Price:** C\$8.12/sh**Country:** USA (Utah) / Brazil

REC. (unc): BUY

TARGET (unc): C\$16.50/sh

RISK RATING (unc): HIGH

*Our main takeaway from Energy Fuel's Q1 update is good progress towards the year-end target of commercial rare earth oxide separation. We think it's an important and under-appreciated achievement to produce high purity MREC from monazite feed indicating that EFR is able to leach monazite ores into solution, precipitate the impurities and dispose of radionuclides. This is not an easy feat as evidenced by Lynas's two-year ramp up period in Malaysia and the current effort to ramp up its Kalgoorlie facility, and we think Energy Fuels has even more strategic value as a domestic US facility with US-based senior management. As such, **we maintain our BUY rating and our C\$16.50/sh price target based on target based on 1.0xNAV<sup>7%</sup> PT-LT \$150/kg NdPr+US\$60/lb U<sub>3</sub>O<sub>8</sub> and a US\$50m nominal valuation for the Bahia REE project.** Taking a step back, Lynas's operating permit challenges in Malaysia this year only further highlight the strategic value of White Mesa – the ability to treat radionuclide bearing ores, dispose of the radionuclides in a licensed facility with a long history, and recover rare earths is something no one else in the US has. We think stage 1 separated oxides plus a pathway to its own production at Bahia will remove any last doubts about what EFR is building. It's hard to quantify now, as EFR is securing the monazite volumes needed, but we think this has potential to be a US\$150-200m FCF/year business making a margin of US\$10/kg on 15-20ktpa of rare earth production.*

### 1Q23 REE production hit 115t TREO; maintain 800-1,000tpa separated NdPr oxides by 2024

**Operations:** Uranium: During 1Q23 Energy Fuels sold 300klbs of U<sub>3</sub>O<sub>8</sub> to the U.S. Uranium Reserve @ US\$61.6/lb (58% margin), while the same period the company purchased 120klbs of U<sub>3</sub>O<sub>8</sub> @ US\$50.3/lb. Rare Earths: Quarterly production of 250 metric tonnes of high-purity partially separated mixed RE carbonate containing 115 metric tonnes of TREO was achieved. Vanadium: Reported sales of 79.3klbs @ US\$10.98/lb (37% margin) of V<sub>2</sub>O<sub>5</sub> from the existing inventory.

**Income statement:** Reported 1Q23 net income of US\$114.3m, with revenues from (i) US\$10.8m net gain from uranium sales (300klbs @ US\$50.3/lb) and (ii) US\$116.5m net gain on the sale of the Alta Mesa Uranium project in Texas to encore.

**Quarterly cash flow:** Net cash used in operating activities decreased to US\$2.6m for 1Q23, representing a US\$17.7m decrease QoQ mainly due to the sale of uranium concentrates. Net cash used in investing activities was US\$19m, driven by the acquisition of the Bahia project (US\$21.6m), and the receipt of US\$53.8m from the sale of the Alta Mesa ISR project and its convertible marketable securities note related to this sale.

**Balance sheet:** Energy Fuels ended the first quarter of 2023 with US\$43.8m in cash and zero debt. Current assets less current liabilities total US\$143.6m. Total assets have increased by 37%, driven by the acquisition of the Bahia project and the receipt of the convertible note of US\$59.3m related to the sale of the Alta Mesa ISR project.

**2023 Guidance:** Energy Fuels expects to sell another 200-260klbs of U<sub>3</sub>O<sub>8</sub> @ US\$54-58/lb resulting to an estimated 46%-50% margin. Currently there are additional 65-115 metric tonnes of RE carbonate containing 35-55 metric tonnes of TREO, volumes that are expected to be sold in 2Q23.

**Growth:** Rare Earths: Energy Fuels is proceeding with the modification of its existing mill infrastructure in Phase 1, to expand its separation facilities and be able to produce commercial quantities of NdPr by early 2024, with necessary components already ordered. During Phase 1, a production profile of 800-1,000tpa of NdPr oxides is envisioned. Phase 2, including a dedicated monazite crack and leach circuit, and separation capacity expansion to 15-30 of monazite into 7.5-15ktpa TREO (1.5-3.0tpa NdPr) is guided for 2026 completion. Phase 3, adding heavy REE separation, including 100-300tpa of Dy and Tb is guided for 2027 completion. During the 1Q23 the company also completed the acquisition of the Bahia heavy-

mineral-sands project, to secure a 3-10ktpa of monazite sand to feed the mill and produce high-purity REE oxides. During 1Q23, the company completed 2,266m of drilling at the Bahia project to confirm and delineate the rare earth/titanium/zirconium mineralization. Sonic drilling is expected to start in 3Q23 to feed a maiden S-K 1300 complaint MRE and NI 43-101 Technical Report. Uranium: The company reported progress on rehabilitation work, surface development and underground infrastructure to its uranium mines at the La Sal Complex in UT, the Whirlwind mine in CO and the Pinyon Plain in AZ, with plans to restart production in one or more assets by 2024, depending on the market conditions and secured contracts.

### Why we like Energy Fuels

1. Radionuclide disposal permits that can be used for rare earths and uranium
2. Opportunity to produce up to 3ktpa of NdPr oxides = up to 3m EV motors per year
3. 2<sup>nd</sup> largest US uranium producer in past 20 years = trusted counterparty to power utilities

### Catalysts

- 2023: Maiden MRE and scoping study on Bahia monazite sands project
- 4Q23/1Q24: Completion of Phase 1 LREE separation (4-5ktpa TREO incl 0.8-1.0ktpa NdPr)
- 2026: Completion of Phase 2 LREE separation (7.5-15ktpa TREO incl 1.-3.0ktpa NdPr)
- 2027: Phase 3 HREE separation incl 100-300tpa Dy and Tb

### Research

**Justin Chan** (London) m +44 7554 784 688 [jchan@scp-rf.com](mailto:jchan@scp-rf.com)

**Eleanor Magdzinski** (Toronto) m +1 705 669 7456 [emagdzinski@scp-rf.com](mailto:emagdzinski@scp-rf.com)

**Konstantinos Kormpis** (Toronto) m +1 778 957 3623 [kkormpis@scp-rf.com](mailto:kkormpis@scp-rf.com)

|                                                                             |                       |                  |                             |                      |          |                                |                                 |                   |        |            |         |            |  |
|-----------------------------------------------------------------------------|-----------------------|------------------|-----------------------------|----------------------|----------|--------------------------------|---------------------------------|-------------------|--------|------------|---------|------------|--|
| Ticker:                                                                     | EFR CN / UUUU US      | Price / mkt cap: |                             | C\$8.12/sh, C\$1280m |          | Market P/NAV:                  |                                 | 0.34x             |        | Assets:    |         | White Mesa |  |
| Author:                                                                     | J Chan / E Magdzinski | Rec / PT:        |                             | BUY / C\$16.50       |          | 1xNAV FD:                      |                                 | C\$17.94/sh       |        | Country:   |         | Utah, USA  |  |
| Group-level SOTP valuation                                                  |                       | 3Q22             | 4Q22                        |                      |          | Resource / Reserve             |                                 | Mlbs U308         | % U308 | EV/lb U308 | Mlbs Cu | Mlbs V205  |  |
|                                                                             |                       | US\$m            | O/ship                      | NAVx                 | C\$/sh   | Measured, ind. & inf.          |                                 | 85                | 0.20%  | 9.2        | 11      | 18         |  |
| White Mesa REE Hydromet NPV 7% 4Q22                                         |                       | 888              | 100%                        | 1.00x                | 7.33     | Commodity price                |                                 | 2022              | 2023   | 2024       | 2025    | 2026       |  |
| White Mesa REE Separation NPV7% 4Q22                                        |                       | 738              | 100%                        | 1.00x                | 6.09     | NdPr price (US\$/kg)           |                                 | 110               | 128    | 150        | 150     | 150        |  |
| Brazil REE + exploration                                                    |                       | 50               | 100%                        | 1.00x                | 0.41     | U308 price (US\$/lb)           |                                 | 51                | 60     | 60         | 60      | 60         |  |
| Uranium portfolio @ US\$5/lb                                                |                       | 419              | 100%                        | 1.00x                | 3.46     | Share data                     |                                 |                   |        |            |         |            |  |
| Central SG&A & fin costs 4Q22                                               |                       | (180)            | -                           | 1.00x                | (1.48)   | Basic shares (m): 157.6        |                                 | FD + options (m): |        | 161.5      | FD/FF   | 191.1      |  |
| Cash and securities pro-forma asset sales 3Q22                              |                       | 204              | -                           | 1.00x                | 1.68     | Ratio analysis                 |                                 | 2022              | 2023   | 2024       | 2025    | 2026       |  |
| Physical inventories - U308 and V205, plus contracts                        |                       | 54               | -                           | 1.00x                | 0.44     | FD shares out (m)              |                                 | 158               | 158    | 187        | 187     | 187        |  |
| Debt 3Q22                                                                   |                       | (0)              | -                           | 1.00x                | (0.00)   | EPS (US\$/sh)                  |                                 | (0.50)            | (0.22) | 0.03       | (0.05)  | 0.14       |  |
| 1xNAV7% spot fully diluted, pre-funded                                      |                       | 2,172            |                             |                      | 17.94    | CFPS before w/c (US\$/sh)      |                                 | (0.32)            | (0.06) | (0.06)     | (0.04)  | 0.12       |  |
| Assumed equity raised                                                       |                       | 200              |                             | 1.00x                | 1.05     | FCFPS pre growth (US\$/sh)     |                                 | (0.33)            | (0.22) | (0.01)     | 0.06    | (0.60)     |  |
| 1xNAV7% spot fully funded                                                   |                       | 2,372            |                             |                      | 16.55    | FCF/sh (US\$/sh)               |                                 | (0.33)            | (0.22) | (0.28)     | (0.20)  | (0.60)     |  |
| 1x fully funded NAVPS sensitivity to NdPr price and discount / NAV multiple |                       |                  |                             |                      |          | FCF yield pre growth (US\$/sh) |                                 | (4%)              | (3%)   | (0%)       | 1%      | (7%)       |  |
| Valuation (C\$/sh)                                                          |                       | \$130/kg         | \$140/kg                    | \$150/kg             | \$160/kg | \$170/kg                       | FCF yield (%)                   |                   | (4%)   | (3%)       | (3%)    | (7%)       |  |
| 9% discount                                                                 |                       | 11.92            | 12.82                       | 13.71                | 14.59    | 15.48                          | EBITDA margin (%)               |                   | (359%) | (60%)      | 6%      | 2%         |  |
| 8% discount                                                                 |                       | 12.99            | 13.99                       | 15.00                | 16.00    | 17.00                          | FCF margin (%)                  |                   | (413%) | (65%)      | (45%)   | (29%)      |  |
| 7% discount                                                                 |                       | 14.27            | 15.41                       | 16.55                | 17.69    | 18.82                          | ROA (%)                         |                   | (23%)  | (8%)       | 1%      | (1%)       |  |
| 6% discount                                                                 |                       | 15.82            | 17.12                       | 18.43                | 19.73    | 21.03                          | ROE (%)                         |                   | (26%)  | (8%)       | 2%      | (2%)       |  |
| 5% discount                                                                 |                       | 17.71            | 19.22                       | 20.72                | 22.22    | 23.72                          | ROCE (%)                        |                   | (23%)  | (9%)       | (0%)    | (1%)       |  |
| WM REE Crack / Leach NPV7% (US\$m)                                          |                       | \$130/kg         | \$140/kg                    | \$150/kg             | \$160/kg | \$170/kg                       | PER (x)                         |                   | (16x)  | (38x)      | 217x    | (175x)     |  |
| 9% discount                                                                 |                       | 550              | 614                         | 678                  | 743      | 807                            | P/CF (x)                        |                   | (135x) | (35x)      | 82x     | 1,279x     |  |
| 8% discount                                                                 |                       | 629              | 702                         | 774                  | 846      | 918                            | Fwd EV/EBITDA (x)               |                   | (140x) | (25x)      | 135x    | 384x       |  |
| 7% discount                                                                 |                       | 724              | 806                         | 888                  | 969      | 1,051                          | Income statement                |                   | 2022   | 2023       | 2024    | 2025       |  |
| 6% discount                                                                 |                       | 839              | 932                         | 1,025                | 1,117    | 1,210                          | Revenue (US\$m)                 |                   | 13     | 54         | 114     | 134        |  |
| 5% discount                                                                 |                       | 977              | 1,084                       | 1,190                | 1,297    | 1,403                          | COGS (US\$m)                    |                   | (8)    | (51)       | (71)    | (95)       |  |
| WM REE Separation NPV7% (US\$m)                                             |                       | \$130/kg         | \$140/kg                    | \$150/kg             | \$160/kg | \$170/kg                       | Gross profit (US\$m)            |                   | 5      | 3          | 43      | 38         |  |
| 9% discount                                                                 |                       | 423              | 479                         | 536                  | 592      | 648                            | Expenses (US\$m)                |                   | --     | (42)       | (26)    | (37)       |  |
| 8% discount                                                                 |                       | 501              | 564                         | 628                  | 691      | 754                            | Impairment & other (US\$m)      |                   | (15)   | --         | --      | --         |  |
| 7% discount                                                                 |                       | 594              | 666                         | 738                  | 809      | 881                            | Net finance costs (US\$m)       |                   | (4)    | 5          | 7       | (2)        |  |
| 6% discount                                                                 |                       | 708              | 789                         | 871                  | 953      | 1,034                          | Tax (US\$m)                     |                   | --     | --         | (0)     | --         |  |
| 5% discount                                                                 |                       | 846              | 939                         | 1,033                | 1,127    | 1,221                          | Minority interest (US\$m)       |                   | 0      | --         | --      | --         |  |
| Valuation over time                                                         |                       | Today            | Dec '22                     | Dec '23              | Dec '24  | Dec '25                        | Net income attr. (US\$m)        |                   | (14)   | (35)       | 23      | (0)        |  |
| REE Crack and Leach (US\$m)                                                 |                       | 887.7            | 861.6                       | 935.4                | 1,003.4  | 1,081.7                        | EBITDA (US\$m)                  |                   | (45)   | (32)       | 7       | 3          |  |
| REE Separation (US\$m)                                                      |                       | 737.8            | 716.3                       | 777.1                | 841.6    | 892.6                          | Cash flow                       |                   | 2022   | 2023       | 2024    | 2025       |  |
| Uranium in-situ valuation + Brazil REE                                      |                       | 522.9            | 469.4                       | 469.4                | 469.4    | 469.4                          | Profit/(loss) after tax (US\$m) |                   | (64)   | (34)       | 6       | (9)        |  |
| Cntrl G&A & fin costs (US\$m)                                               |                       | (179.8)          | (180.0)                     | (179.5)              | (144.5)  | (113.7)                        | Add non-cash items (US\$m)      |                   | 17     | 6          | 7       | 10         |  |
| Net cash at 1Q (C\$m)                                                       |                       | 203.6            | 62.8                        | 227.8                | 236.3    | 198.1                          | Less wkg cap / other (US\$m)    |                   | (3)    | 18         | (24)    | (8)        |  |
| 1xNAV (US\$m)                                                               |                       | 2,172            | 1,930                       | 2,230                | 2,406    | 2,528                          | Cash flow ops (US\$m)           |                   | (50)   | (10)       | (11)    | (7)        |  |
| P/NAV (x):                                                                  |                       | 0.45x            | 0.50x                       | 0.47x                | 0.47x    | 0.45x                          | PP&E (US\$m)                    |                   | (2)    | (25)       | (41)    | (31)       |  |
| 1xNAV share px FD (C\$/sh)                                                  |                       | 17.97            | 16.35                       | 17.27                | 17.15    | 18.02                          | Other (US\$m)                   |                   | (5)    | --         | 60      | --         |  |
| ROI to equity holder (% pa)                                                 |                       | 121%             | 42%                         | 29%                  | 21%      | 17%                            | Cash flow inv. (US\$m)          |                   | (7)    | (25)       | 19      | (31)       |  |
| Sources and uses of cash                                                    |                       |                  |                             |                      |          |                                | Debt draw (repayment) (US\$m)   |                   | --     | --         | 100     | 100        |  |
| SCPe MREC capex (US\$150m)                                                  |                       | US\$150m         | SCPe current cash + options |                      | US\$257m |                                | Equity issuance (US\$m)         |                   | 9      | 200        | --      | --         |  |
| SCPe separation capex                                                       |                       | US\$200m         | Debt package                |                      | US\$250m |                                | Other (US\$m)                   |                   | (1)    | --         | --      | --         |  |
| SCPe G&A + working cap pre-positive FCF                                     |                       | US\$77m          | Equity Raised               |                      | US\$200m |                                | Cash flow fin. (US\$m)          |                   | 8      | 200        | 100     | 100        |  |
| Contingency                                                                 |                       | US\$280m         |                             |                      |          |                                | Net change post forex (US\$m)   |                   | (49)   | 165        | 108     | 62         |  |
| Total uses                                                                  |                       | US\$707m         | Total proceeds              |                      | US\$707m |                                | FCF (US\$m)                     |                   | (52)   | (35)       | (52)    | (38)       |  |
| Production (100%)                                                           |                       | Dec '24          | Dec '25                     | Dec '26              | Dec '27  | Dec '28                        | Balance sheet                   |                   | 2022   | 2023       | 2024    | 2025       |  |
| Crack/leach throughput (k metric tonnes)                                    |                       | 4.5              | 5.0                         | 10.0                 | 10.0     | 20.0                           | Cash (US\$m)                    |                   | 80     | 245        | 354     | 416        |  |
| Production (kt REE in MREC)                                                 |                       | 2.4              | 2.6                         | 5.2                  | 5.0      | 10.1                           | Accounts receivable (US\$m)     |                   | 1      | 1          | 28      | 22         |  |
| NdPr in MREC (kt)                                                           |                       | 0.5              | 0.6                         | 1.2                  | 1.2      | 2.3                            | Inventories (US\$m)             |                   | 38     | 21         | 19      | 36         |  |
| DyTb in MREC (t)                                                            |                       | 33               | 37                          | 73                   | 70       | 141                            | PPE & exploration (US\$m)       |                   | 116    | 134        | 108     | 129        |  |
| MREC revenue (US\$/kg REE)                                                  |                       | 32.3             | 32.3                        | 32.3                 | 32.3     | 32.3                           | Other (US\$m)                   |                   | 39     | 39         | 39      | 39         |  |
| MREC cash cost (US\$/kg REE)                                                |                       | 23.9             | 27.3                        | 23.5                 | 23.6     | 22.6                           | Total assets (US\$m)            |                   | 274    | 440        | 548     | 643        |  |
| MREC AISC (US\$/REE)                                                        |                       | 27.3             | 30.4                        | 25.0                 | 25.2     | 23.4                           | Debt (US\$m)                    |                   | --     | --         | 100     | 200        |  |
| Separation TREO produced                                                    |                       | 1.7              | 3.0                         | 5.0                  | 4.8      | 9.5                            | Other liabilities (US\$m)       |                   | 30     | 30         | 31      | 34         |  |
| NdPr produced (kt)                                                          |                       | 0.4              | 0.7                         | 1.1                  | 1.1      | 2.2                            | Shareholders equity (US\$m)     |                   | 698    | 898        | 898     | 898        |  |
| DyTb produced (t)                                                           |                       | 24               | 43                          | 69                   | 67       | 134                            | Retained earnings (US\$m)       |                   | (458)  | (492)      | (486)   | (494)      |  |
| REE Separation revenue (US\$/kg REE)                                        |                       | 42.9             | 42.9                        | 42.9                 | 42.8     | 42.9                           | Minority int. & other (US\$m)   |                   | 4      | 4          | 4       | 4          |  |
| REE Separation cash cost (US\$/kg REE)                                      |                       | 36.6             | 36.6                        | 36.6                 | 34.4     | 33.4                           | Liabilities+equity (US\$m)      |                   | 274    | 440        | 548     | 643        |  |
| REE Separation AISC (US\$/REE)                                              |                       | 41.3             | 39.2                        | 38.2                 | 36.0     | 34.2                           | Net cash (US\$m)                |                   | 63     | 228        | 236     | 198        |  |
| Capex (US\$m)                                                               |                       | (2)              | (25)                        | (41)                 | (31)     | (136)                          | Net debt to NTM EBITDA (x)      |                   | 1.9x   | (31.8x)    | (91.2x) | (4.2x)     |  |
|                                                                             |                       |                  |                             |                      |          |                                |                                 |                   |        |            |         | (1.3x)     |  |

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**SELL:** The stocks total returns are expected to be materially lower than the overall market

**TENDER:** The analyst recommends tendering shares to a formal tender offering

**UNDER REVIEW:** The stock will be placed under review when there is a significant material event with further information pending; and/or when the research analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

**NOT RATED ((N/R):** The stock is not currently rated

| Research Disclosure |                                                                                                                                                                                                                                                                    | Response |
|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 1                   | SCP collectively beneficially owns 1% or more of any class of the issuer's equity securities <sup>1</sup>                                                                                                                                                          | NO       |
| 2                   | The analyst or any associate of the analyst responsible for the report or recommendation or any individual directly involved in the preparation of the report holds or is short any of the issuer's securities directly or through derivatives                     | NO       |
| 3                   | An SCP partner, director, officer or analyst involved in the preparation of a report on the issuer, has during the preceding 12 months provided services to the issuer for remuneration other than normal course investment advisory or trading execution services | NO       |
| 4                   | SCP has provided investment banking services for the issuer during the 12 months preceding the date of issuance of the research report or recommendation                                                                                                           | NO       |
| 5                   | Name of any director, officer, employee or agent of SCP who is an officer, director or employee of the issuer, or who serves in an advisory capacity to the issuer                                                                                                 | NO       |
| 6                   | SCP is making a market in an equity or equity related security of the issuer                                                                                                                                                                                       | NO       |
| 7                   | The analyst preparing this report received compensation based upon SCP's investment banking revenue for the issuer                                                                                                                                                 | NO       |
| 8                   | The analyst has conducted a site visit and has viewed a major facility or operation of the issuer                                                                                                                                                                  | YES      |
| 9                   | The analyst has been reimbursed for travel expenses for a site visit by the issuer                                                                                                                                                                                 | NO       |

**SCP Resource Finance Equity Research Ratings:**

| Summary of Recommendations as of May 2023 |    |
|-------------------------------------------|----|
| BUY:                                      | 54 |
| HOLD:                                     | 1  |
| SELL:                                     | 0  |
| UNDER REVIEW:                             | 1  |
| TENDER:                                   | 1  |
| NOT RATED:                                | 0  |
| TOTAL                                     | 57 |

<sup>1</sup> As at the end of the month immediately 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