

## Energy Fuels Inc. (TSX:EFR)

## Corporate Update

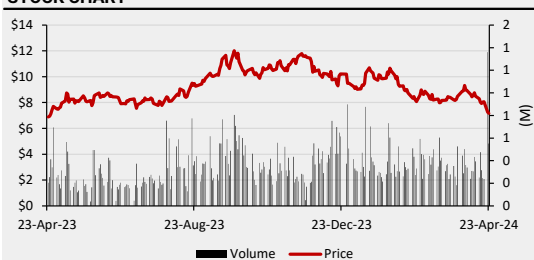
April 24, 2024

# Major Heavy Minerals Acquisition to Secure Monazite Feed for White Mesa

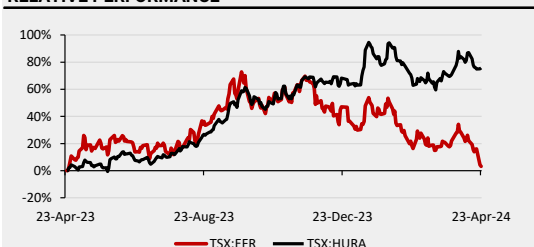
(Currency is US\$ unless noted otherwise)

Closing Price (C\$/sh)	\$7.17		
Rating	BUY		
Target (C\$/sh)	\$16.50		
Return to Target	130%		
52 Week Low / High (C\$/sh)	\$6.75 / \$12.17		
CAPITALIZATION			
	Basic	Diluted	
Shares Outstanding (M)	162.7	163.2	
Market Capitalization (C\$M)	\$1,166.3		
Enterprise Value (C\$M)	\$1,089.7		
Cash and Cash Equivalents (C\$M)	\$76.6		
Total Debt (C\$M)	\$0.0		
FYE: DEC 31	2023A	2024E	2025E
REE produced (t)	798.3	960.5	4,400.0
Uranium produced (000 lb)	136	1,382	2,666
Revenue (US\$M)	\$37.93	\$102.02	\$379.54
Net Earnings (US\$M)	\$99.76	\$50.27	\$294.51
EBITDA (US\$M)	\$(31.18)	\$50.27	\$294.51
EPS	\$0.63	\$0.41	\$2.41
CFPS	\$(0.12)	\$0.31	\$1.81

### STOCK CHART



### RELATIVE PERFORMANCE



NET ASSET VALUE	C\$M	C\$/sh
Project NAV	3,684	19.04
Corporate NAV	3,537	18.28

RELATIVE VALUATION	US\$ EV/lb U <sub>3</sub> O <sub>8</sub>	P/NAV
Energy Fuels Inc.	7.95	0.39x
Peers *	13.55	0.80x

\* S&P Capital IQ Pro

### MAJOR SHAREHOLDERS

Management (5%), ALPS Advisors, Inc. (5.84%), BlackRock, Inc. (5.52%), Mirae Asset Global Investments Co., (5.32%)

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 U<sub>3</sub>O<sub>8</sub> 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 two of America's key uranium production centers: the White Mesa mill in Utah, and the Nichols Ranch in-situ recovery ("ISR") project in Wyoming.

### Impact: Positive

Energy Fuels has agreed to acquire Base Resources (ASX:BSE, Not Rated) for consideration of ~A\$375 in cash and shares. Base owns the Kwale heavy mineral sands mine in Kenya, but more importantly the Toliara heavy mineral sands development project in Madagascar. An updated DFS outlined a 38-year LOM to produce ilmenite, rutile and zircon (Il-Ru-Zi), and when combined with a recent PFS that contemplates 21.1ktpa monazite by-product production, the post-tax NPV<sub>10%</sub> is \$2.0B. Separately, a Phase 2 PFS for REE separation at the White Mesa mill was announced, contemplating tripling of monazite processing to 30ktpa to produce NdPr at \$348M initial Capex. **Phase 2 PFS appears in line with expectations, and the Toliara acquisition appears beneficial for both companies. NPV of a combined heavy mineral sand with monazite operation doubles NPV to \$2B. EFR has use for the monazite, something that Base could not have achieved on its own without finding elusive buyers. We see this as an important acquisition as it should put to rest whether adequate monazite feed for White Mesa's REE production capability can be found. Furthermore, it brings extensive mineral sands development and production expertise in-house. The Phase 2 PFS should also help investors value the growing REE value within EFR.** Management believes this should help attract federal investment or funding aid from US Gov't. EFR remains focused on uranium, but it is that capability that allows REE to work.

- **0.026 EFR shares and A\$0.065 cash offered for each Base share**, for a ~A\$0.30/sh implied price, representing a 173% premium to its 20-day VWAP. Post-deal, EFR and Base shareholders will own 84% and 16% of EFR. The deal is subject to various approvals. Base Resources' board unanimously recommends the deal and two key shareholders who collectively own 51.3% are locked up. The deal is expected to close in Q3/24.
- **Advanced world-class 100%-owned Toliara is the real gem.** It has a long life, high-value and low-cost heavy mineral stream (NPV of \$1 B on \$520M Capex) supplemented by a by-product monazite stream (additional NPV of \$1 B on \$71M Capex). The 21.1ktpa average monazite production should substantially secure long-term feed for White Mesa's Phase 2 capacity expansion to process 30kt pa monazite for NdPr oxide + U<sub>3</sub>O<sub>8</sub> production.
- **Win-win deal.** EFR gains an African heavy mineral sands operations and development team, who can also help in developing its Bahia (BRA) and Donald (AUS) mineral sands projects, while Base shareholders gain access to the only mill in the USA currently capable of processing Toliara's monazite into REE. EFR considers itself better placed to secure financing and Madagascar Gov't approvals, potentially with US Gov't support.

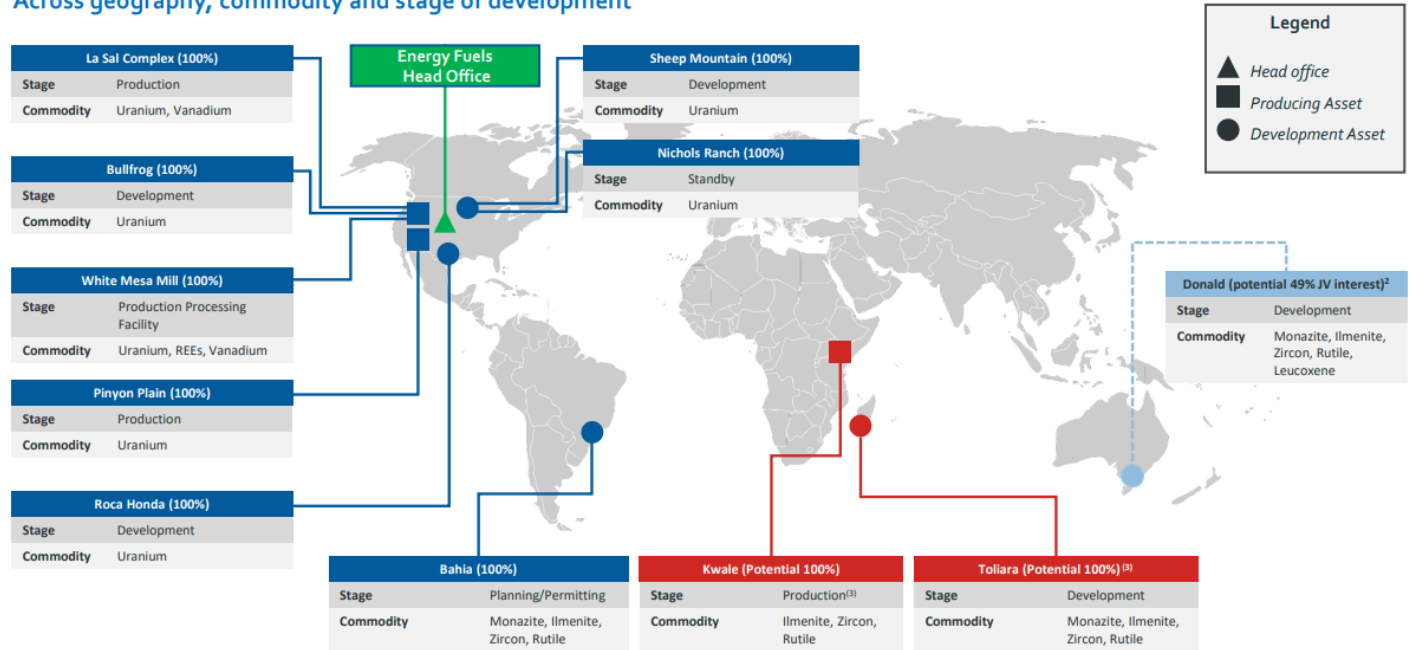
**We maintain our BUY rating and increase our target to C\$16.50/sh (was C\$15.00/sh).** We use DCF to derive an NPV<sub>8%</sub> for White Mesa, Nichols Ranch, Hank, Jane Dough and an NPV<sub>10%</sub> for Toliara. Bahia/others are valued at book or based on in-situ resources. We lower our target multiple to 0.90x NAVPS (was 1.20x) as development projects contribute significantly to NAV. **Catalysts:** 1) Phase 1 REE production (Q2/24), 2) Phase 3 REE Studies, 3) Acquisition of Base Resources (Q3/24), 4) Bahia drill results, MRE (2024-25)....**cont'd on pg 2.**

- **Original 38-year LOM was for stand-alone Il-Ru-Zi production**, for which an updated Sep/21 DFS estimated US\$1B post-tax NPV<sub>10%</sub>, 23.8% IRR and initial capex of \$520M based on ore reserves of 904Mt at 6.1% heavy minerals. Forecasted production is 1.3Mtpa ilmenite, rutile and zircon. A Final Investment Decision (FID) is expected within 11 months, followed by an estimated 29 months for construction.
- **Additional Monazite by-product through simple bolt on circuit.** Combined economics of the Dec/23 PFS and Sep/21 PFS provides Toliara with a \$2B post-tax NPV<sub>10%</sub>, 32% IRR, \$10.7B LOM FCF over 38 years, with an incremental capex to double the NPV<sub>10%</sub> of just \$71M, for a total initial capex of \$591M. Average monazite production of 21.1ktpa will be suitable for producing REE oxides and other products, including U<sub>3</sub>O<sub>8</sub> of ~75k lbs pa at an incremental cost of ~\$8/lb at EFR's White Mesa mill in UT.
- **Stage 2 REE PFS sets the stage for White Mesa expansion.** The USA's only operating uranium mill can already produce REE carbonates, and is currently commissioning a Phase 1 REE oxide separation facility within its existing solvent extraction building that can process 10ktpa Monazite for 1ktpa NdPr oxide. Phase 2 REE oxide separation infrastructure expansion should allow expansion to allow processing of 30ktpa monazite for production of 3ktpa NdPr oxides at Opex of \$29.88/kg and Capex of \$348M. Further study will consider optimizing Phase 2 (call this Phase 3) via production of 4k-6k NdPr oxides, 150-225t Dy oxide, and 50-75t Tb oxide. Management estimates that this may supply magnet REE oxides for 3-6M EVs/year.
- **EFR share price pull-back is unjustified in our opinion.** The share price fell after the deal was announced, closing ~8% lower on April 22<sup>nd</sup> at C\$7.25/sh. We don't believe this expanded REE capacity comes at expense of uranium production as even the newly expanded REE processing requirements would utilize <5% of White Mesa's capacity. The mill already runs in batch mode with ample downtime, jumping between uranium ore sources, toll milling, alternate feed, liquid tailings and now REE carbonate or oxide production. We anticipate additional uranium production to ramp up later in 2024. While a 178% premium to Base's 20-day VWAP may seem high, its shares were probably discounted due to doubts regarding its ability to permit and finance Toliara while existing production was to end by YE24. This is less of a concern for EFR. The premium may have been necessary to bring two key shareholders, who collectively own 51.3% of Base, on board. We believe the deal is accretive on a NAVPS basis - our estimated NAVPS rose ~26% from C\$12.80 pre-announcement to C\$17.47 when considering cash and share payment terms, C\$70M Kwale mine closure liability and our conservative C\$1,325M (\$979M) NPV<sub>10%</sub> for Toliara. We view EFR paying ~ \$226M for a \$979M project.
- **Model updated with Bahia, Toliara and White Mesa Phase 2.** Bahia is now included at book value of C\$38.84M. Toliara is valued using DCF analysis and price assumptions based on current economic studies. We forecast production to commence in Q1/28. Reserves of 904Mt grading 6.1% heavy minerals support average production of 1,016kt pa Il-Ru-Zi and 22kt pa monazite over 38 years. Initial Capex of \$591M and Opex of \$1,089/t monazite and \$88/t Il-Ru-Zi produced was used. If monazite production is added to the mining lease, changing project economics may require a new ore reserve statement/DFS being published in a more detailed NI 43-101 format, at which time we'd review our model. We also estimate EFR to begin processing 30kt pa monazite at White Mesa in Q1/28, after a \$348M initial Capex.

Figure 1: Energy Fuels' expanded portfolio would include Kwale and Tliara if the deal closes

## Diversified Asset Portfolio

Across geography, commodity and stage of development



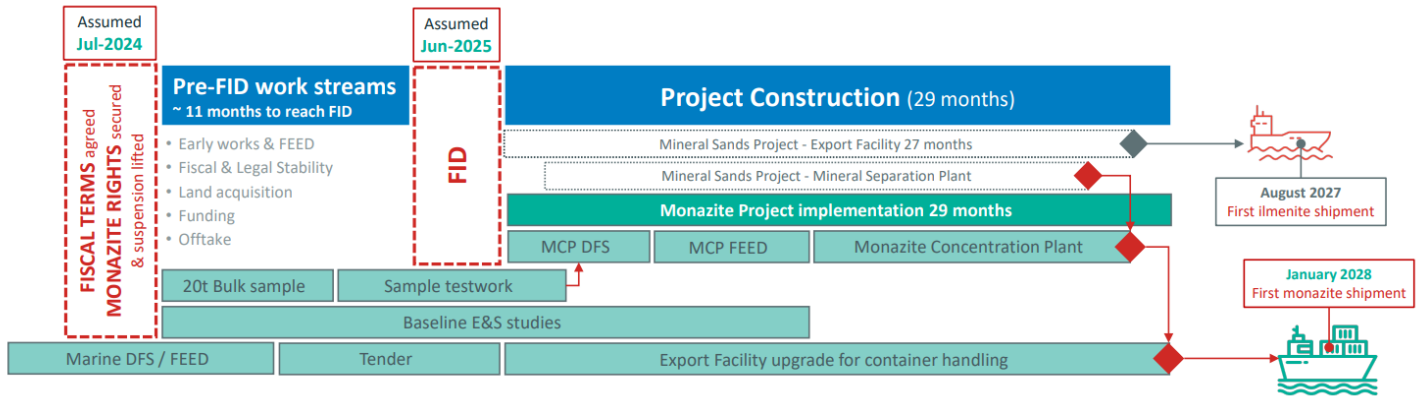
Source: Company Reports

Figure 2: Toliara project location



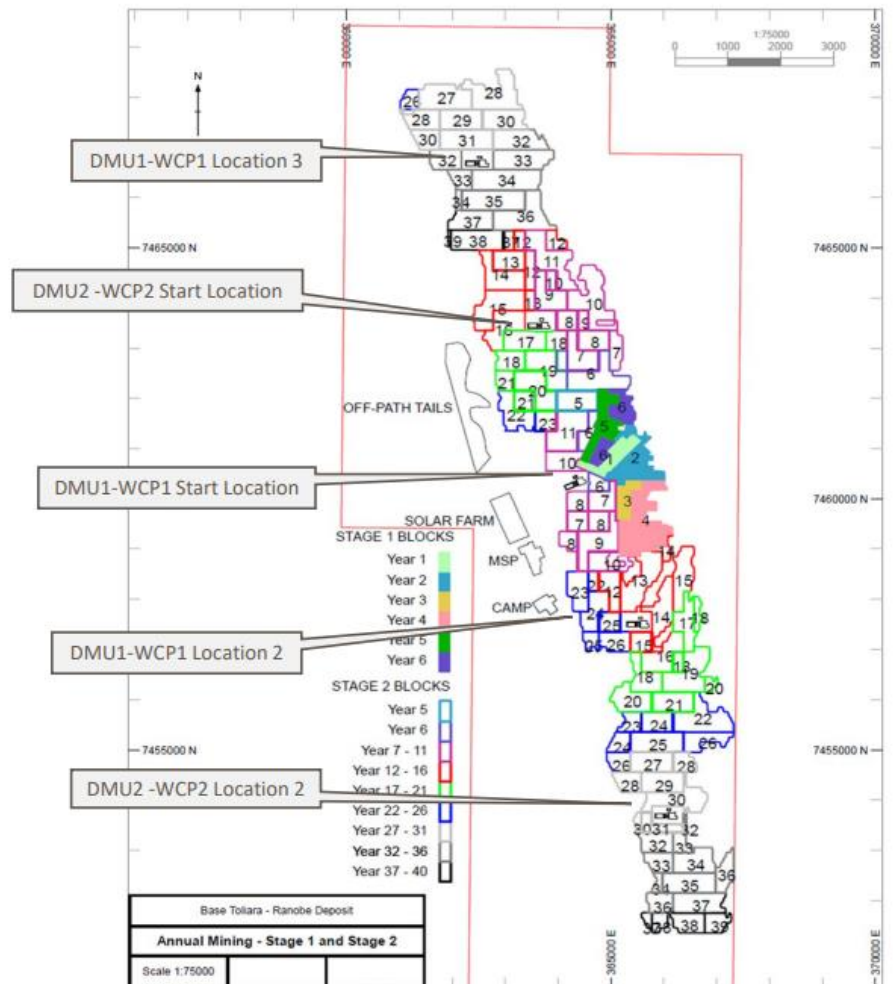
Source: Base Resources Ltd.

**Figure 3: Project development timeline (as defined in Dec/23)**



Source: Base Resources Ltd.

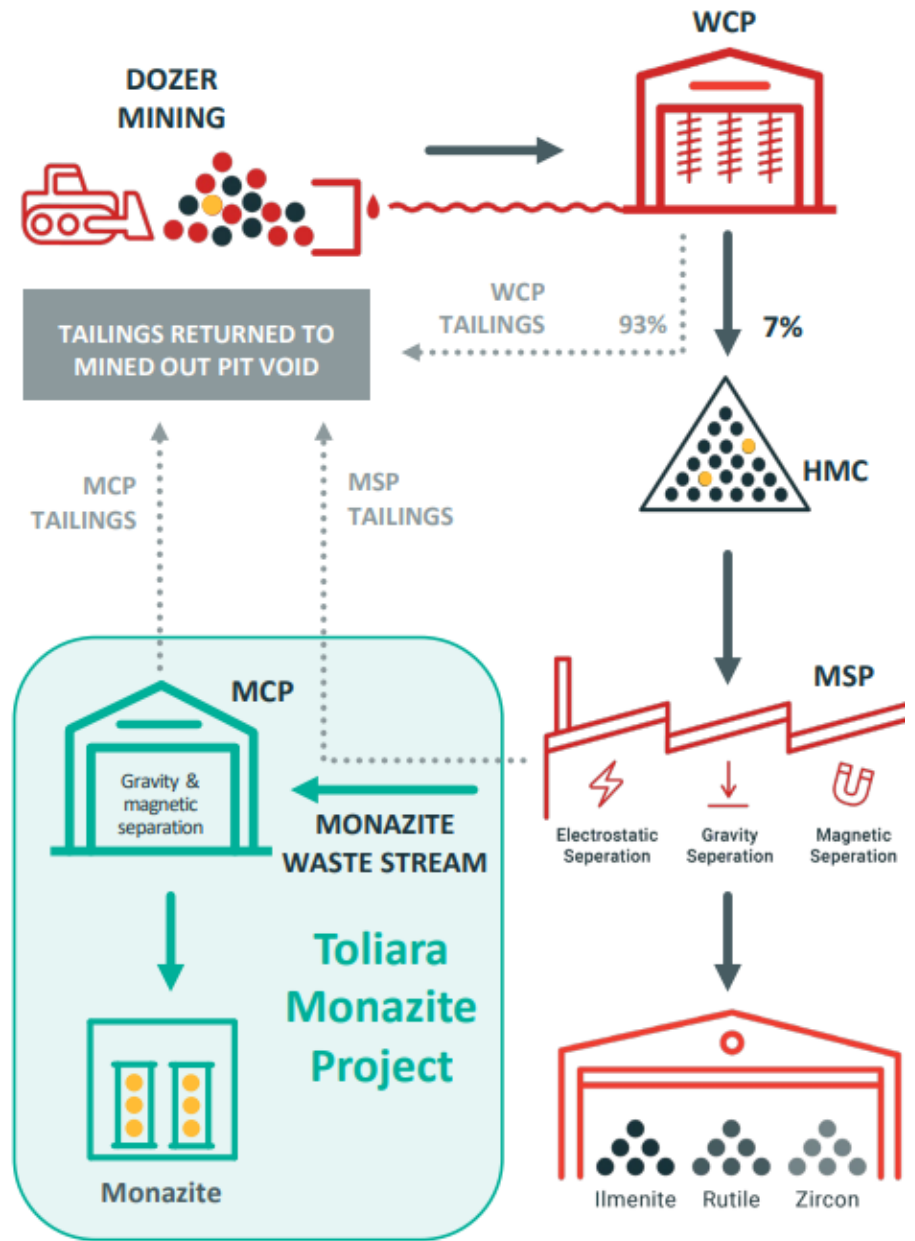
**Figure 4: Mine schedule**



Source: Base Resources Ltd.



Figure 5: Toliara conceptual flowsheet



Source: Base Resources Ltd.

**Figure 6: Valuation summary**

Asset	Status	Resource (M lb U <sub>3</sub> O <sub>8</sub> e)	Valuation Method	Fair Value Estimate		%	Resource (M lb V <sub>2</sub> O <sub>5</sub> e)
				C\$ M	C\$/sh		
White Mesa REE (100%-owned)	Processing monazite ore	NA	DCF at 8%	947.07	4.89	27%	NA
White Mesa uranium (100%-owned) <sup>1</sup>	Producing	25.85	DCF at 8%	796.40	4.12	23%	155.10
Nichols Ranch, Hank & Jane Dough (100%-owned)	Standby	7.87	DCF at 8%	352.99	1.82	10%	47.21
Toliara Heavy Mineral Sands (100%-owned)	Development		DCF at 10%	1,274.09	6.58	36%	NA
Bahia Mineral Sands (100%)	Development	NA	Book Value	38.84	0.20	1%	NA
Sheep Mountain (100%-owned) <sup>2</sup>	Development	30.29	In-situ - US\$2.80/lb U3O8	113.06	0.58	3%	181.71
Roca Honda (100%-owned)	Development	25.77	In-situ - US\$2.80/lb U3O8	96.21	0.50	3%	154.62
Standby mines <sup>3</sup>	Standby	4.78	In-situ - US\$2.80/lb U3O8	17.84	0.09	1%	28.67
Other projects <sup>4</sup>	Development	12.73	In-situ - US\$2.80/lb U3O8	47.53	0.25	1%	76.39
<b>Project NAV</b>		<b>107.28</b>		<b>3,684.03</b>	<b>19.04</b>		<b>643.70</b>
<b>Corporate adjustments:</b>							
Cash <sup>5</sup>				115.19	0.60	3%	
Debt				0.00	0.00	0%	
Kwale Rehabilitation and Closure Liability				(70.09)	(0.36)	-2%	
Inventory <sup>6</sup>				60.61	0.31	2%	
G&A				(284.35)	(1.47)	-8%	
Equity Investments <sup>7</sup>				32.31	0.17	1%	
<b>Corporate NAV</b>				<b>3,537.70</b>	<b>18.28</b>	<b>100%</b>	
Target NAV Multiple						0.90x	
<b>NAVPS x Target Multiple</b>						<b>16.50</b>	

<sup>1</sup> Includes Pinyon Plain, Henry Mountain and La Sal Complex (comprises La Sal, Pandora, Energy Queen and Redd Block)

<sup>2</sup> Sheep Mountain has 30.285M in resources which includes 18.365M in probable reserves

<sup>3</sup> Standby mines include the Whirlwind project

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

<sup>5</sup> Includes ~C\$67M cash payment to Base Resources Shareholders and ~C\$105 of Cash less debt from Base's balance sheet

<sup>6</sup> Inventory includes 685k lb U<sub>3</sub>O<sub>8</sub> valued at US\$60.00/lb and 436k lb V<sub>2</sub>O<sub>5</sub> valued at US\$10.00/lb

<sup>7</sup> Equity investments includes 5% of IsoEnergy Ltd."

Source: RCS Estimates

**Figure 7: Comparison between RCS' and Base Resources' studies' estimates for a combined operation**

Item	Base Resources Studies		RCS Estimates	
	LOM	Annual Average	LOM	Annual Average
Ore mined (Mt)	904	23.9	904	23.8
Total Mineral Sands production (kt)	38,866	1,033	38,591	1,016
Total Monazite production (kt)	810	21.1	842	22
Revenue – Total (US\$M)	\$18,925	\$494	\$16,454	\$433
Operating Costs - Total (US\$M)	\$4,448	\$115	\$4,313	\$113
EBITDA (US\$M)	\$14,164	\$371	\$12,141	\$320
Free Cash Flow (US\$M)	\$10,655	\$306	\$7,989	\$210
Mineral Sands Revenue per tonne final product produced (US\$)	\$301	\$301		
Monazite Revenue per tonne final product produced (US\$)	\$8,648	\$8,649	\$8,648	
Operating Costs – per tonne mined (incl. royalties) (US\$)	\$4.92	\$4.83	\$4.77	
Operating Costs – per tonne produced (incl. royalties) (US\$)	\$112	\$111		
Revenue : Cost of sales ratio	4.3	4.3	3.8	3.8
NPV10%, post tax, real (US\$M)	\$2,006		\$979	
Initial (Stage 1) capex US\$M	591		591	
Construction period (Stage 1) Months	27		27	
Stage 2 capex US\$M	137		137	
Construction period (Stage 2) Months	21		30	
LOM Years	38		38	

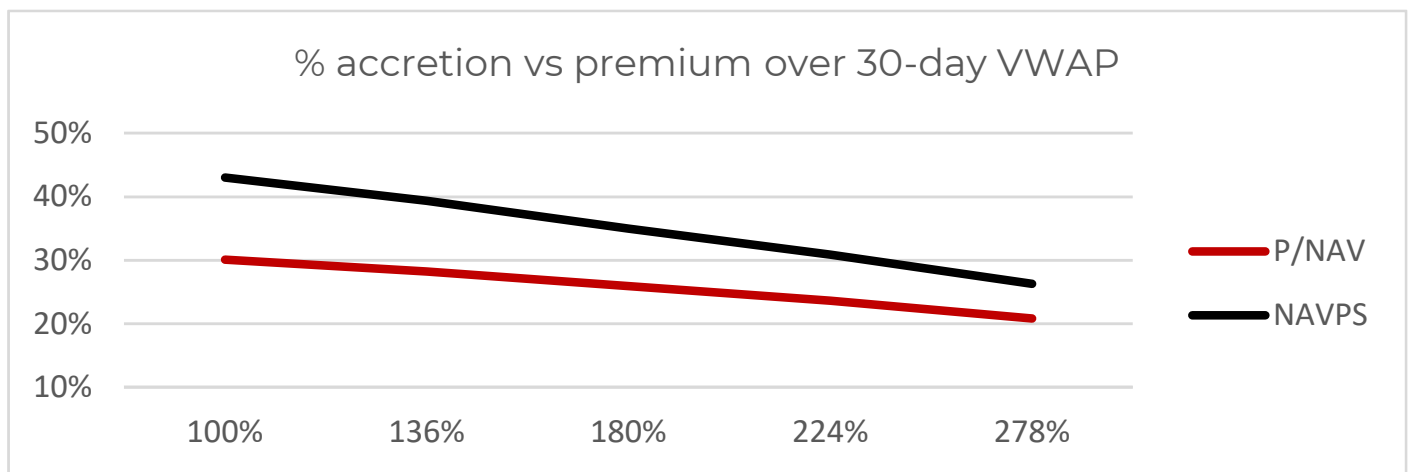
Source: Base Resources Ltd., RCS Estimates

**Figure 8: Standalone effect of the acquisition (before other model updates) on our valuation for EFR**

Merge Co	Unit	Value	Source
Base Resources Limited Project NAV	CAD million	\$1,325	RCS Estimate for Toliara Project
Energy Fuels Inc. NAV	CAD million	\$2,095	RCS Estimates, pre-announcement
Base Resources Limited Corp. Adjustments	CAD million	\$106	Last reported cash - debt
Less: Cash Offered to Base Resources Limited Shareholders	CAD million	-\$67	PR - C\$0.06 per Base share
Less: Kwale Mine Closure and Rehabilitation liability	CAD million	-\$70	
Total NAV	CAD million	\$3,389	
Est. no. of shares	Nos. million	194	
NAVPS	CAD	\$17.47	

Source: RCS Estimates

**Figure 9: % P/NAV and NAVPS accretion vs premium over Base's 30-day VWAP (before other model updates)**



Source: RCS Estimates

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Disclosure Statement  
 Updated April 23, 2024

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target	Status	%
2021-09-07	BUY	10.25	BUY	71%
2022-04-14	BUY	15.45	BUY (S)	28%
2022-05-18	BUY	15.10	HOLD	0%
2022-05-20	BUY	16.25	TENDER	0%
2022-06-27	BUY	16.25	NA	1%
2022-11-14	BUY	16.25	UNDER REVIEW	0%
2022-12-07	BUY	15.60		
2022-12-16	BUY	15.60		
2023-03-06	BUY	15.60		
2023-03-10	BUY	13.50		
2023-06-02	BUY	13.50		
2023-07-17	BUY	13.50		
2023-08-09	BUY	13.50		
2023-11-06	BUY	13.50		
2023-11-10	BUY	13.50		
2023-12-11	BUY	13.50		
2023-12-22	BUY	13.50		
2024-02-12	BUY	15.00		
2024-02-26	BUY	15.00		
2024-03-04	BUY	15.00		
2024-04-24	BUY	16.50		

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Company Specific Disclosure Details

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

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