

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-36204



**Energy Fuels Inc.**

(Exact Name of Registrant as Specified in its Charter)

Ontario

(State or other jurisdiction of incorporation or organization)

98-1067994

(I.R.S. Employer Identification No.)

**225 Union Blvd., Suite 600**

Lakewood, Colorado

(Address of Principal Executive Offices)

80228

(Zip Code)

(303) 974-2140

(Registrant's Telephone Number, including Area Code)

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "Accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date: 91,036,766 common shares, without par value, outstanding as of November 1, 2018.

**ENERGY FUELS INC.**  
**FORM 10-Q**  
**For the Quarter Ended September 30, 2018**  
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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report and the exhibits attached hereto (the “Quarterly Report”) contain “forward-looking statements” within the meaning of applicable US and Canadian securities laws. Such forward-looking statements concern Energy Fuels Inc.’s (the “Company” or “Energy Fuels”) anticipated results and progress of the Company’s operations in future periods, planned exploration, and, if warranted, development of its properties, plans related to its business, and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, schedules, assumptions, future events, or performance (often, but not always, using words or phrases such as “expects” or “does not expect,” “is expected,” “anticipates” or “does not anticipate,” “plans,” “estimates” or “intends,” or stating that certain actions, events or results “may,” “could,” “would,” “might,” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Energy Fuels believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct, and such forward-looking statements included in, or incorporated by reference into, this Quarterly Report should not be unduly relied upon. This information speaks only as of the date of this Quarterly Report.

Readers are cautioned that it would be unreasonable to rely on any such forward-looking statements and information as creating any legal rights, and that the statements and information are not guarantees and may involve known and unknown risks and uncertainties, and that actual results are likely to differ (and may differ materially) and objectives and strategies may differ or change from those expressed or implied in the forward-looking statements or information as a result of various factors. Such risks and uncertainties include risks generally encountered in the exploration, development, operation, and closure of mineral properties and processing facilities. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

- risks associated with mineral reserve and resource estimates, including the risk of errors in assumptions or methodologies;
- risks associated with estimating mineral extraction and recovery, forecasting future price levels necessary to support mineral extraction and recovery, and the Company’s ability to increase mineral extraction and recovery in response to any increases in commodity prices or other market conditions;
- uncertainties and liabilities inherent to conventional mineral extraction and recovery and/or in-situ uranium recovery operations;
- geological, technical and processing problems, including unanticipated metallurgical difficulties, less than expected recoveries, ground control problems, process upsets, and equipment malfunctions;
- risks associated with the depletion of existing mineral resources through mining or extraction, without replacement with comparable resources;
- risks associated with identifying and obtaining adequate quantities of alternate feed materials and other feed sources required for operation of the White Mesa Mill;
- risks associated with labor costs, labor disturbances, and unavailability of skilled labor;
- risks associated with the availability and/or fluctuations in the costs of raw materials and consumables used in the Company’s production processes;
- risks associated with environmental compliance and permitting, including those created by changes in environmental legislation and regulation, and delays in obtaining permits and licenses that could impact expected mineral extraction and recovery levels and costs;
- actions taken by regulatory authorities with respect to mineral extraction and recovery activities;
- risks associated with the Company’s dependence on third parties in the provision of transportation and other critical services;
- risks associated with the ability of the Company to extend or renew land tenure, including mineral leases and surface use agreements, on favorable terms or at all;
- risks associated with the ability of the Company to negotiate access rights on certain properties on favorable terms or at all;
- the adequacy of the Company's insurance coverage;
- uncertainty as to reclamation and decommissioning liabilities;

- the ability of the Company's bonding companies to require increases in the collateral required to secure reclamation obligations;
- the potential for, and outcome of, litigation and other legal proceedings, including potential injunctions pending the outcome of such litigation and proceedings;
- the ability of the Company to meet its obligations to its creditors;
- risks associated with paying off indebtedness at its maturity;
- risks associated with the Company's relationships with its business and joint venture partners;
- failure to obtain industry partner, government, and other third party consents and approvals, when required;
- competition for, among other things, capital, mineral properties, and skilled personnel;
- failure to complete proposed acquisitions and incorrect assessments of the value of completed acquisitions;
- risks posed by fluctuations in share price levels, exchange rates and interest rates, and general economic conditions;
- risks inherent in the Company's and industry analysts' forecasts or predictions of future uranium and vanadium price levels;
- fluctuations in the market prices of uranium, vanadium and copper, which are cyclical and subject to substantial price fluctuations;
- risks associated with the Company's existing long-term sales contracts expiring following the Company's 2018 deliveries, and all uranium sales after 2018 being required to be made at spot prices, unless the Company is able to enter into new long-term contracts at satisfactory prices in the future;
- failure to obtain suitable uranium sales terms at satisfactory prices in the future, including spot and term sale contracts;
- risks associated with asset impairment as a result of market conditions;
- risks associated with lack of access to markets and the ability to access capital;
- the market price of Energy Fuels' securities;
- public resistance to nuclear energy or uranium extraction and recovery;
- risks associated with inaccurate or nonobjective media coverage of the Company's activities and the impact such coverage may have on the public, the market for the Company's securities, government relations, permitting activities and legal challenges, as well as the costs to the Company of responding to such coverage;
- uranium industry competition, international trade restrictions and the impacts on world commodity prices of foreign state subsidized production;
- risks associated with the Company's involvement in industry petitions for trade remedies, including the costs of pursuing such remedies and the potential for negative responses or repercussions from various interest groups, consumers of uranium and participants in other phases of the nuclear fuel cycle;
- risks related to potentially higher than expected costs related to any of the Company's projects or facilities;
- risks associated with the Company's ability to recover vanadium from pond solutions at the White Mesa Mill, with potentially higher than expected costs for any such recoveries, and the Company's ability to sell any recovered vanadium at satisfactory price levels;
- risks related to the Company's ability to recover copper from our uranium project ores located south of Grand Canyon National Park in Arizona;
- risks related to securities regulations;
- risks related to stock price and volume volatility;
- risks related to our ability to maintain our listing on the NYSE American and Toronto Stock Exchanges;
- risks related to our ability to maintain our inclusion in various stock indices;
- risks related to dilution of currently outstanding shares, from additional share issuances, depletion of assets or otherwise;
- risks related to our lack of dividends;
- risks related to recent market events;
- risks related to our issuance of additional common shares under our At-the-Market ("ATM") program or otherwise to provide adequate liquidity in depressed commodity market circumstances;
- risks related to acquisition and integration issues;
- risks related to defects in title to our mineral properties;
- risks related to our outstanding debt; and
- risks related to our securities.

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the section heading: Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Quarterly Report. Although we have attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated, or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Except as required by law, we disclaim any obligation to subsequently revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. Statements relating to "Mineral Reserves" or "Mineral Resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the Mineral Reserves and Mineral Resources described may be profitably extracted in the future.

**We qualify all the forward-looking statements contained in this Quarterly Report by the foregoing cautionary statements.**

## Cautionary Note to United States Investors Concerning Disclosure of Mineral Resources

The Company is a U.S. Domestic Issuer for United States Securities and Exchange Commission ("SEC") purposes, most of its shareholders are U.S. residents and its primary trading market is the NYSE American. However, because the Company is incorporated in Canada and also listed on the Toronto Stock Exchange ("TSX"), this Quarterly Report contains certain disclosure that satisfies the additional requirements of Canadian securities laws, which differ from the requirements of United States' securities laws. Unless otherwise indicated, all reserve and resource estimates included in this Quarterly Report, and in the documents incorporated by reference herein, have been prepared in accordance with Canadian National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") classification system. NI 43-101 is a rule developed by the Canadian Securities Administrators (the "CSA") which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Canadian standards, including NI 43-101, differ significantly from the requirements of the SEC, and reserve and resource information contained herein, or incorporated by reference in this Quarterly Report, and in the documents incorporated by reference herein, may not be comparable to similar information disclosed by companies reporting under only United States standards. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserve" under SEC Industry Guide 7. Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves; the three-year historical average price, to the extent possible, is used in any reserve or cash flow analysis to designate reserves; and the primary environmental analysis or report must be filed with the appropriate governmental authority.

The SEC's disclosure standards under Industry Guide 7 normally do not permit the inclusion of information concerning "Measured Mineral Resources", "Indicated Mineral Resources" or "Inferred Mineral Resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by United States standards in documents filed with the SEC. United States investors should also understand that "Inferred Mineral Resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an "Inferred Mineral Resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "Inferred Mineral Resources" may not form the basis of feasibility or pre-feasibility studies. **United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into mineral reserves. Investors are cautioned not to assume that all or any part of an "Inferred Mineral Resource" exists or is economically or legally mineable.**

Disclosure of "contained pounds" or "contained ounces" in a resource estimate is permitted and typical disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in-place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported by the Company in compliance with NI 43-101 may not qualify as "reserves" under SEC Industry Guide 7 standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable to information made public by companies that report in accordance with United States standards.

**PART I**

**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.**

**ENERGY FUELS INC.**
**Condensed Consolidated Statements of Operations and Comprehensive Loss**
*(unaudited) (Expressed in thousands of US dollars, except per share amounts)*

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<b>Revenues</b>				
Uranium concentrates	\$ —	\$ 3,497	\$ 28,015	\$ 22,037
Alternate feed materials processing and other	451	2,002	663	5,101
<b>Total revenues</b>	<b>451</b>	<b>5,499</b>	<b>28,678</b>	<b>27,138</b>
<b>Costs and expenses applicable to revenues</b>				
Costs and expenses applicable to uranium concentrates	—	1,010	11,908	12,122
Costs and expenses applicable to alternate feed materials and other	—	1,694	—	3,724
<b>Total costs and expenses applicable to revenues</b>	<b>—</b>	<b>2,704</b>	<b>11,908</b>	<b>15,846</b>
<b>Other operating costs</b>				
Impairment of inventories	714	864	3,063	2,821
Development, permitting and land holding	4,971	2,471	7,569	6,980
Standby costs	1,296	743	5,194	2,978
Abandonment of mineral properties	—	—	—	287
Impairment of assets held for sale	—	200	—	3,799
Accretion of asset retirement obligation	459	345	1,376	1,036
Selling costs	33	32	121	147
Intangible asset amortization	—	205	2,502	3,297
General and administration	3,193	2,946	10,440	10,752
<b>Total operating loss</b>	<b>(10,215)</b>	<b>(5,011)</b>	<b>(13,495)</b>	<b>(20,805)</b>
Interest expense	(417)	(562)	(1,384)	(1,607)
Other (loss) income	(3,265)	689	(2,703)	2,452
<b>Net loss</b>	<b>(13,897)</b>	<b>(4,884)</b>	<b>(17,582)</b>	<b>(19,960)</b>
<b>Items that may be reclassified in the future to profit and loss</b>				
Foreign currency translation adjustment	895	(662)	657	(1,306)
Unrealized gain (loss) on available-for-sale assets	380	(115)	—	(223)
<b>Other comprehensive income (loss)</b>	<b>1,275</b>	<b>(777)</b>	<b>657</b>	<b>(1,529)</b>
<b>Comprehensive loss</b>	<b>\$ (12,622)</b>	<b>\$ (5,661)</b>	<b>\$ (16,925)</b>	<b>\$ (21,489)</b>
<b>Net loss attributable to:</b>				
Owners of the Company	\$ (13,812)	\$ (4,766)	\$ (17,485)	\$ (19,744)
Non-controlling interests	(85)	(118)	(97)	(216)
	<b>\$ (13,897)</b>	<b>\$ (4,884)</b>	<b>\$ (17,582)</b>	<b>\$ (19,960)</b>
<b>Comprehensive loss attributable to:</b>				
Owners of the Company	\$ (12,537)	\$ (5,543)	\$ (16,828)	\$ (21,273)
Non-controlling interests	(85)	(118)	(97)	(216)
	<b>\$ (12,622)</b>	<b>\$ (5,661)</b>	<b>\$ (16,925)</b>	<b>\$ (21,489)</b>
<b>Basic loss per share</b>	<b>\$ (0.16)</b>	<b>\$ (0.07)</b>	<b>\$ (0.20)</b>	<b>\$ (0.28)</b>

See accompanying notes to the condensed consolidated financial statements.

**ENERGY FUELS INC.**

**Condensed Consolidated Balance Sheets**

*(unaudited)(Expressed in thousands of US dollars, except share amounts)*

	September 30, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 14,775	\$ 18,574
Marketable securities	27,168	1,034
Trade and other receivables, net	962	1,253
Inventories, net	15,238	16,550
Prepaid expenses and other assets	1,105	780
Mineral properties held for sale	—	5,000
<b>Total current assets</b>	<b>59,248</b>	<b>43,191</b>
Investments accounted for at fair value	1,823	903
Plant and equipment, net	30,616	33,076
Mineral properties, net	83,539	83,539
Intangible assets, net	—	2,502
Restricted cash	21,555	22,127
<b>Total assets</b>	<b>\$ 196,781</b>	<b>\$ 185,338</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 5,516	\$ 6,449
Current portion of asset retirement obligation	32	32
Current portion of loans and borrowings	—	3,414
Deferred revenue	2,434	—
<b>Total current liabilities</b>	<b>7,982</b>	<b>9,895</b>
Warrant liabilities	7,396	3,376
Asset retirement obligation	19,399	18,248
Loans and borrowings	17,251	24,077
<b>Total liabilities</b>	<b>52,028</b>	<b>55,596</b>
<b>Equity</b>		
Share capital		
Common shares, without par value, unlimited shares authorized; shares issued and outstanding 89,529,624 at September 30, 2018 and 74,366,824 at December 31, 2017	462,319	430,383
Accumulated deficit	(324,298)	(306,813)
Accumulated other comprehensive income	2,946	2,289
<b>Total shareholders' equity</b>	<b>140,967</b>	<b>125,859</b>
Non-controlling interests	3,786	3,883
<b>Total equity</b>	<b>144,753</b>	<b>129,742</b>
<b>Total liabilities and equity</b>	<b>\$ 196,781</b>	<b>\$ 185,338</b>

Commitments and contingencies (Note 13)

See accompanying notes to the condensed consolidated financial statements.

**ENERGY FUELS INC.**
**Condensed Consolidated Statements of Changes in Equity**
*(unaudited)(Expressed in thousands of US dollars, except share amounts)*

	Common Stock		Deficit	Accumulated other comprehensive income	Total shareholders' equity	Non- controlling interests	Total equity
	Shares	Amount					
<b>Balance at December 31, 2017</b>	<b>74,366,824</b>	<b>\$ 430,383</b>	<b>\$ (306,813)</b>	<b>\$ 2,289</b>	<b>\$ 125,859</b>	<b>\$ 3,883</b>	<b>\$ 129,742</b>
Net loss	—	—	(17,485)	—	(17,485)	(97)	(17,582)
Other comprehensive loss	—	—	—	657	657	—	657
Shares issued for cash by at-the-market offering	12,573,674	26,295	—	—	26,295	—	26,295
Shares issued for acquisition of Royalties	1,102,840	3,739	—	—	3,739	—	3,739
Share issuance cost	—	(774)	—	—	(774)	—	(774)
Share-based compensation	—	2,241	—	—	2,241	—	2,241
Shares issued for exercise of stock options	290,210	619	—	—	619	—	619
Shares issued for exercise of warrants	111,270	366	—	—	366	—	366
Shares issued for the vesting of restricted stock units	899,192	—	—	—	—	—	—
Shares issued for consulting services	185,614	364	—	—	364	—	364
Cash paid to fund employee income tax withholding due upon vesting of restricted stock units	—	(914)	—	—	(914)	—	(914)
<b>Balance at September 30, 2018</b>	<b>89,529,624</b>	<b>462,319</b>	<b>(324,298)</b>	<b>2,946</b>	<b>140,967</b>	<b>3,786</b>	<b>144,753</b>

See accompanying notes to the condensed consolidated financial statements.

**ENERGY FUELS INC.**  
**Condensed Consolidated Statements of Cash Flows**  
(unaudited)(Expressed in thousands of US dollars)

	<b>For the nine months ended</b>	
	<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (17,582)	\$ (19,960)
Items not involving cash:		
Depletion, depreciation and amortization	3,480	4,306
Stock-based compensation	2,241	2,617
Change in value of convertible debentures	1,135	615
Change in value of warrant liabilities	3,802	(1,416)
Accretion of asset retirement obligation	1,376	1,036
Unrealized foreign exchange gains	447	(486)
Impairment of inventories	3,063	2,821
Abandonment of mineral properties		287
Impairment of mineral properties held for sale	—	3,799
Acquisition of Royalty interests, net of share issuance costs	3,622	—
Other non-cash expenses	392	1,435
Changes in assets and liabilities		
(Increase) Decrease in inventories	(214)	1,700
(Increase) Decrease in trade and other receivables	(145)	36
(Increase) Decrease in prepaid expenses and other assets	(760)	527
Decrease in accounts payable and accrued liabilities	(2,678)	(2,191)
Cash paid for reclamation and remediation activities	(225)	(732)
Changes in deferred revenue	2,434	135
	<b>388</b>	<b>(5,471)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of mineral properties and plant, property and equipment	(55)	—
Cash received in sale of marketable securities	2,565	—
Cash received from sale of Reno Creek	2,940	—
Purchase of available for sale investments	(25,525)	—
	<b>(20,075)</b>	<b>—</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares for cash, net of issuance cost	25,638	9,799
Cash paid to fund employee income tax withholding due upon vesting of restricted stock units	(914)	—
Repayment of loans and borrowings	(10,855)	(3,272)
Cash received from exercise of warrants	366	—
Cash received from exercise of stock option	619	—
Cash received for Notes Receivable	500	—
Cash received from non-controlling interest	—	365
	<b>15,354</b>	<b>6,892</b>
<b>CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH DURING THE PERIOD</b>		
	<b>(4,333)</b>	<b>1,421</b>
Effect of exchange rate fluctuations on cash held in foreign currencies	(38)	306
Cash, cash equivalents and restricted cash - beginning of period	40,701	40,076
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF PERIOD</b>	<b>\$ 36,330</b>	<b>\$ 41,803</b>
<b>Supplemental disclosure of cash flow information:</b>		
Net cash paid during the period for:		
Interest	\$ 1,008	\$ 1,230

See accompanying notes to the condensed consolidated financial statements.

**ENERGY FUELS INC.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018***(unaudited)(Tabular amounts expressed in thousands of US Dollars except share and per share amounts)***1. THE COMPANY AND DESCRIPTION OF BUSINESS**

Energy Fuels Inc. was incorporated under the laws of the Province of Alberta and was continued under the Business Corporations Act (Ontario).

Energy Fuels Inc. and its subsidiary companies (collectively “the Company” or “EFI”) are engaged in uranium extraction, recovery and sales of uranium from mineral properties and the recycling of uranium bearing materials generated by third parties. As a part of these activities the Company also acquires, explores, evaluates and, if warranted, permits uranium properties. The Company’s final uranium product, uranium oxide concentrates (“U<sub>3</sub>O<sub>8</sub>” or “uranium concentrates”), is sold to customers for further processing into fuel for nuclear reactors. The Company produces vanadium as a by-product of its uranium recovery from certain of its mines as market conditions warrant.

The Company is an exploration stage mining company as defined by the United States (“U.S.”) Securities and Exchange Commission (“SEC”) Industry Guide 7 (“SEC Industry Guide 7”) as it has not established the existence of proven or probable reserves on any of our properties.

**2. BASIS OF PRESENTATION**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”) and are presented in thousands of US dollars (“USD”) except per share amounts. Certain footnote disclosures have share prices which are presented in Canadian dollars (“Cdn\$”).

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the SEC. Certain information and note disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures included are adequate to make the information presented not misleading.

In management’s opinion, these unaudited condensed consolidated financial statements reflect all adjustments, consisting solely of normal recurring items, which are necessary for the fair presentation of the Company’s financial position, results of operations and cash flows on a basis consistent with that of the Company’s audited consolidated financial statements for the year ended December 31, 2017. However, the results of operations for the interim periods may not be indicative of results to be expected for the full fiscal year. Certain reclassifications have been made to the prior year financial statements to conform to the current presentation. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto and summary of significant accounting policies included in the Company’s annual report on Form 10-K for the year ended December 31, 2017.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company accounts and transactions have been eliminated.

**3. MARKETABLE SECURITIES**

The following tables summarize our marketable securities by significant investment categories as of September 30, 2018:

	<b>Cost Basis</b>	<b>Gross Unrealized losses</b>	<b>Gross Unrealized gains</b>	<b>Fair Value</b>
Marketable debt securities <sup>(1)</sup>	25,525	(38)	14	25,501
Marketable equity securities	1,062	(520)	1,125	1,667
<b>Marketable securities</b>	<b>\$ 26,587</b>	<b>\$ (558)</b>	<b>\$ 1,139</b>	<b>\$ 27,168</b>

(1) Marketable debt securities are comprised primarily of U.S. government notes, and also includes U.S. government agencies, and tradeable certificates of deposits.

The following tables summarize our marketable securities by significant investment categories as of December 31, 2017:

	Cost Basis	Gross Unrealized losses	Gross Unrealized gains	Fair Value
Marketable equity securities	\$ 1,062	—	\$ 378	\$ 1,034
<b>Marketable securities</b>	<b>\$ 1,062</b>	<b>—</b>	<b>\$ 378</b>	<b>\$ 1,034</b>

During the three and nine months ended September 30, 2017 and 2018, we did not recognize any significant other-than-temporary impairment losses. Losses on impairment are included as a component of other (loss) income in the Consolidated Statements of Operations.

The following table summarizes the estimated fair value of our investments in marketable debt securities with stated contractual maturity dates, accounted for as available-for-sale securities and classified by the contractual maturity date of the securities:

Due in less than 12 months	\$ 16,761
Due in 12 months to two years	7,860
Due in greater than two years	880
	<b>\$ 25,501</b>

#### 4. INVENTORIES

	September 30, 2018	December 31, 2017
Concentrates and work-in-progress	\$ 12,088	\$ 14,118
Raw materials and consumables	3,150	2,432
	<b>\$ 15,238</b>	<b>\$ 16,550</b>

#### 5. PLANT AND EQUIPMENT AND MINERAL PROPERTIES

The following is a summary of plant and equipment:

	September 30, 2018			December 31, 2017		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Plant and equipment						
Nichols Ranch	\$ 29,210	\$ (11,508)	\$ 17,702	\$ 29,210	\$ (9,971)	\$ 19,239
Alta Mesa	13,626	(2,086)	11,540	13,626	(1,388)	12,238
Equipment and other	13,416	(12,042)	1,374	13,367	(11,768)	1,599
Plant and equipment total	<b>\$ 56,252</b>	<b>\$ (25,636)</b>	<b>\$ 30,616</b>	<b>\$ 56,203</b>	<b>\$ (23,127)</b>	<b>\$ 33,076</b>

## Acquisition of Royalties

On August 14, 2018 the Company issued 1.10 million shares for consideration of \$3.74 million to acquire a 6% – 8% sliding-scale gross proceeds production royalty on its Nichols Ranch, Hank and Doughstick properties (Doughstick is a part of the Company's Jane Dough Project expansion area) and extinguished the royalty. This royalty also applied to the nearby Niles Ranch, Willow Creek, and Verna Ann properties, which are important pipeline uranium properties also owned by the Company. Acquisition of this royalty is expected to significantly decrease the Company's cost of production at Nichols Ranch. As the Company does not have any reserves as defined by SEC Industry Guide 7, the Company has expensed this as development, permitting and land holding costs in the statement of operations and comprehensive loss.

The following is a summary of mineral properties:

	September 30, 2018	December 31, 2017
<b>Mineral properties</b>		
Uranerz ISR properties (a)	\$ 25,974	\$ 25,974
Sheep Mountain	34,183	34,183
Roca Honda	22,095	22,095
Other	1,287	1,287
<b>Mineral properties total</b>	<b>\$ 83,539</b>	<b>\$ 83,539</b>

a) In the three and nine months ended September 30, 2017, the Company did not renew certain mineral leases and recorded abandonment expense of \$Nil and \$0.29 million, respectively, in the statement of operations.

## 6. ASSET RETIREMENT OBLIGATIONS AND RESTRICTED CASH

The following table summarizes the Company's asset retirement obligations:

	September 30, 2018	December 31, 2017
Asset retirement obligation, beginning of period	\$ 18,280	\$ 17,033
Revision of estimate	—	249
Accretion of liabilities	1,376	1,733
Settlements	(225)	(735)
Asset retirement obligation, end of period	\$ 19,431	\$ 18,280
Asset retirement obligation:		
Current	\$ 32	\$ 32
Non-current	19,399	18,248
Asset retirement obligation, end of period	\$ 19,431	\$ 18,280

The asset retirement obligations of the Company are subject to legal and regulatory requirements. Estimates of the costs of reclamation are reviewed periodically by the Company and the applicable regulatory authorities. The above provision represents the Company's best estimate of the present value of future reclamation costs, discounted using credit adjusted risk-free interest rates ranging from 9.5% to 11.5% and an inflation rate of 2.0%. The total undiscounted decommissioning liability at September 30, 2018 is \$43.17 million (December 31, 2017 - \$43.46 million).

The following table summarizes the Company's restricted cash:

	September 30, 2018	December 31, 2017
Restricted cash, beginning of period	\$ 22,127	\$ 23,175
Additional collateral posted	102	13,609
Refunds of collateral	(674)	(14,657)
Restricted cash, end of period	\$ 21,555	\$ 22,127

The Company has cash, cash equivalents and fixed income securities as collateral for various bonds posted in favor of the applicable state regulatory agencies in Arizona, Colorado, New Mexico, Texas, Utah and Wyoming, and the U.S. Bureau of Land Management and U.S. Forest Service for estimated reclamation costs associated with the White Mesa Mill, Nichols Ranch, Alta Mesa and other mining properties. Cash equivalents are short-term highly liquid investments with original maturities of three months or less. The restricted cash will be released when the Company has reclaimed a mineral property or restructured the surety and collateral arrangements. See Note 13 for a discussion of the Company's surety bond commitments.

Cash, cash equivalents and restricted cash are included in the following accounts at September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 14,775	\$ 18,574
Restricted cash included in other long-term assets	21,555	22,127
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 36,330</b>	<b>\$ 40,701</b>

## 7. LOANS AND BORROWINGS

The contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost, and the Company's convertible debentures which are measured at fair value, are as follows.

	September 30, 2018	December 31, 2017
Current portion of loans and borrowings:		
Wyoming Industrial Development Revenue Bond loan (b)	—	3,414
<b>Total current loans and borrowings</b>	<b>\$ —</b>	<b>\$ 3,414</b>
Long-term loans and borrowings:		
Convertible debentures (a)	\$ 17,251	\$ 16,636
Wyoming Industrial Development Revenue Bond loan (b)	—	7,441
<b>Total long-term loans and borrowings</b>	<b>\$ 17,251</b>	<b>\$ 24,077</b>

- (a) On July 24, 2012, the Company completed a bought deal public offering of 22,000 floating-rate convertible unsecured subordinated debentures originally maturing June 30, 2017 (the "Debentures") at a price of Cdn \$1,000 per Debenture for gross proceeds of Cdn\$21.55 million (the "Offering"). The Debentures are convertible into Common Shares at the option of the holder. Interest is paid in cash and in addition, unless an event of default has occurred and is continuing, the Company may elect, from time to time, subject to applicable regulatory approval, to satisfy its obligation to pay interest on the Debentures, on the date it is payable under the indenture: (i) in cash; (ii) by delivering sufficient common shares to the debenture trustee, for sale, to satisfy the interest obligations in accordance with the indenture in which event holders of the Debentures will be entitled to receive a cash payment equal to the proceeds of the sale of such common shares; or (iii) any combination of (i) and (ii).

On August 4, 2016, the Company, by a vote of the Debentureholders, extended the maturity date of the Debentures from June 30, 2017 to December 31, 2020, and reduced the conversion price of the Debentures from Cdn\$15.00 to Cdn\$4.15 per Common Share of the Company. In addition, a redemption provision was added that will enable the Company, upon giving not less than 30 days' notice to Debentureholders, to redeem the Debentures, for cash, in whole or in part at any time after June 30, 2019, but prior to maturity, at a price of 101% of the aggregate principal amount redeemed, plus accrued and unpaid interest (less any tax required by law to be deducted) on such Debentures up to but excluding the redemption date. A right (in favor of each Debentureholder) was also added which gave the Debentureholders the option to require the Company to purchase, for cash, on the previous maturity date of June 30, 2017, up to 20% of the Debentures held by the Debentureholders at a price equal to 100% of the principal amount purchased plus accrued and unpaid interest (less any tax required by law to be deducted). In the three months ended June 30, 2017, Debentureholders elected to redeem Cdn\$1.13 million (\$0.87 million) under this right. No additional purchases are allowed under this right. In addition, certain other amendments were made to the Indenture, as required by the U.S. Trust Indenture Act of 1939, as amended, and

with respect to the addition of a U.S. Trustee in compliance therewith, as well as to remove provisions of the Indenture that no longer apply, such as U.S. securities law restrictions.

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. 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, provided the volume weighted average trading price of the common shares of the Company on the Toronto Stock Exchange ("TSX") during the 20 consecutive trading days ending five days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price.

Upon redemption or at maturity, the Company will repay the indebtedness represented by the Debentures by paying to the debenture trustee in Canadian dollars an amount equal to the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured, as applicable, together with accrued and unpaid interest thereon.

Subject to any required regulatory approval and provided no event of default has occurred and is continuing, the Company has the option to satisfy its obligation to repay the Cdn\$1,000 principal amount of the Debentures, in whole or in part, due at redemption or maturity, upon at least 40 days' and not more than 60 days' prior notice, by delivering that number of common shares obtained by dividing the Cdn\$1,000 principal amount of the Debentures maturing or to be redeemed as applicable, by 95% of the volume-weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending five trading days preceding the date fixed for redemption or the maturity date, as the case may be.

In accordance with the revised terms approved on August 4, 2016, the Company had classified 20% of the principal amount of the Debenture as a current liability at December 31, 2016. Upon expiration of the option at June 30, 2017, the Company reclassified the amount not redeemed as a long term liability. The Debentures are classified as fair value through profit or loss where the Debentures are measured at fair value based on the closing price on the TSX (a Level 1 measurement) and changes are recognized in earnings. For the three and nine months ended September 30, 2018 the Company recorded a loss on revaluation of convertible Debentures of \$1.46 million and \$1.14 million (September 30, 2017 – gain of \$0.16 million and \$0.62 million loss for the three and nine months ended).

- (b) The Company, upon its acquisition of Uranerz in 2015, assumed a loan through the Wyoming Industrial Development Revenue Bond program (the "Loan"). The Loan had an annual interest rate of 5.75% and was repayable over seven years, maturing on October 15, 2020. The Loan originated on December 3, 2013 and required the payment of interest only for the first year, with the amortization of principal plus interest over the remaining six years. The Loan was secured by most of the assets of the Company's wholly owned subsidiary, Uranerz, including mineral properties, the processing facility, and equipment as well as an assignment of all of Uranerz' rights, title and interest in and to its product sales contracts and other agreements. Uranerz was also subject to dividend restrictions. Principal and interest were paid on a quarterly basis on the first day of January, April, July and October. In September 2018, the Company repaid and retired the entire outstanding balance of \$8.3 million of the loan and the mortgage on the Company's assets was released.

## **8. CAPITAL STOCK**

### ***Authorized capital stock***

The Company is authorized to issue an unlimited number of Common Shares without par value, unlimited Preferred Shares issuable in series, and unlimited Series A Preferred Shares. The Series A Preferred Shares issuable are non-redeemable, non-callable, non-voting and with no right to dividends. The Preferred Shares issuable in series will have the rights, privileges, restrictions and conditions assigned to the particular series upon the Board of Directors approving their issuance.

### ***Issued capital stock***

In the nine months ended September 30, 2018, the Company issued 12,573,674 Common Shares under the Company's "at-the-market" offering (the "ATM") for net proceeds of \$25.64 million.

On August 14, 2018 the Company issued 1.10 million shares for consideration of \$3.74 million to acquire production royalty on its Nichols Ranch, Hank and Doughstick properties.

### **Share Purchase Warrants**

The following table summarizes the Company's share purchase warrants denominated in US dollars. These warrants are accounted for as derivative liabilities as the functional currency of the entity issuing the warrants, Energy Fuels Inc., is Canadian dollars.

Month Issued	Expiry Date	Exercise Price USD\$	Warrants Outstanding	Fair value at September 30, 2018
March 2016 (a)	March 14, 2019	3.20	2,405,625	\$ 1,280
September 2016 (b)	September 20, 2021	2.45	4,167,480	6,116
				\$ 7,396

(a) The US dollar based warrants issued in March 2016 are classified as Level 2 under the fair value hierarchy (Note 16).

(b) The warrants issued in September 2016 are classified as Level 1 under the fair value hierarchy (Note 16).

In the three months ended September 30, 2018, 110,000 warrants issued in March 2016 were exercised with a fair value of \$0.61 million and 1,270 warrants issued in September 2016 were exercised with a fair value of less than \$0.1 million.

The following weighted average assumptions were used for the Black-Scholes option pricing model to calculate the \$1.28 million of fair value for the 2,405,625 warrants at September 30, 2018.

Risk-free rate	2.59%
Expected life	0.5 years
Expected volatility	36.86%
Expected dividend yield	0.00%

\* Expected volatility is measured based on the Company's historical share price volatility over the expected life of the warrants.

## 9. BASIC AND DILUTED LOSS PER COMMON SHARE

### Basic and diluted loss per share

The calculation of basic and diluted earnings per share after adjustment for the effects of all potential dilutive common shares, calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Income (loss) attributable to shareholders	\$ (13,812)	\$ (4,766)	\$ (17,485)	\$ (19,744)
Basic and diluted weighted average number of common shares outstanding	87,197,294	71,436,413	80,843,493	70,216,934
<b>Income (loss) per common share</b>	<b>\$ (0.16)</b>	<b>\$ (0.07)</b>	<b>\$ (0.20)</b>	<b>\$ (0.28)</b>

For the nine months ended September 30, 2018, 8.44 million (September 30, 2017 - 8.71 million) options and warrants and the potential conversion of the Debentures have been excluded from the calculation as their effect would have been anti-dilutive.

## 10. SHARE-BASED PAYMENTS

The Company, under the 2018 Omnibus Equity Incentive Compensation Plan (the "Compensation Plan"), maintains a stock incentive plan for directors, executives, eligible employees and consultants. Stock incentive awards include employee stock options and restricted stock units ("RSUs"). The Company issues new shares of common stock to satisfy exercises and vesting under all of its stock incentive awards. At September 30, 2018, a total of 8,952,962 Common Shares were authorized for stock incentive plan awards.

### Employee Stock Options

The Company, under the Compensation Plan may grant options to directors, executives, employees and consultants to purchase Common Shares of the Company. The exercise price of the options is set as the higher of the Company's closing share price on the day before the grant date or the five-day volume weighted average price. Stock options granted under the Compensation Plan generally vest over a period of two years or more and are generally exercisable over a period of five years from the grant date not

to exceed 10 years. The value of each option award is estimated at the grant date using the Black-Scholes Option Valuation Model. There were 0.42 million options granted in the nine months ended September 30, 2018 (nine months ended September 30, 2017 – 0.74 million options). At September 30, 2018, there were 1.87 million options outstanding with 1.54 million options exercisable, at a weighted average exercise price of \$3.76 and \$4.14 respectively, with a weighted average remaining contractual life of 3.54 years. The aggregate intrinsic value of the fully vested options was \$0.62 million.

The fair value of the options granted under the Compensation Plan for the nine months ended September 30, 2018 was estimated at the date of grant, using the Black-Scholes Option Valuation Model, with the following weighted-average assumptions:

Risk-free interest rate	2.840
Expected life	5.0 years
Expected volatility	59.0 *
Expected dividend yield	0.00%
Weighted-average expected life of option	5.00
Weighted-average grant date fair value	\$0.96

\* Expected volatility is measured based on the Company's historical share price volatility over a period equivalent to the expected life of the options.

The summary of the Company's stock options at September 30, 2018 and December 31, 2017, and the changes for the fiscal periods ending on those dates is presented below:

	Range of Exercise Prices \$	Weighted Average Exercise Price \$	Number of Options
<b>Balance, December 31, 2016</b>	<b>2.12 - 15.61</b>	5.69	2,045,143
Granted	1.77 - 2.35	2.34	738,893
Exercised	—	—	—
Forfeited	2.12 - 11.94	2.93	(316,289)
Expired	4.48 - 12.55	8.42	(438,900)
<b>Balance, December 31, 2017</b>	<b>1.77 - 15.61</b>	4.48	2,028,847
Granted	1.70	1.70	422,956
Exercised	1.70 - 2.55	2.13	(280,235)
Forfeited	2.12 - 6.99	5.09	(130,536)
Expired	6.18 - 10.36	8.37	(170,564)
<b>Balance, September 30, 2018</b>	<b>1.70 - 15.61</b>	<b>3.76</b>	<b>1,870,468</b>

A summary of the status and activity of non-vested stock options for the nine months ended September 30, 2018 is as follows:

	Number of shares	Weighted Average Grant-Date Fair Value
Non-vested December 31, 2017	365,180	\$ 1.20
Granted	422,956	0.91
Vested	(438,662)	1.07
Forfeited	(20,830)	0.64
Non-vested September 30, 2018	328,644	\$ 1.04

## Restricted Stock Units

The Company grants RSUs to executives and eligible employees. Awards are determined as a target percentage of base salary and generally vest over periods of three years. Prior to vesting, holders of restricted stock units do not have the right to vote the underlying shares. The RSUs are subject to forfeiture risk and other restrictions. Upon vesting, the employee is entitled to receive one share of the Company's common stock for each RSU for no additional payment. During the nine months ended September 30, 2018, the Company's Board of Directors approved the issuance of 1.19 million RSUs under the Compensation Plan (September 30, 2017 - 1.39 million).

A summary of the status and activity of non-vested RSUs at September 30, 2018 is as follows:

	RSU	
	Number of shares	Weighted Average Grant-Date Fair Value
Non-vested December 31, 2017	1,909,477	\$ 2.17
Granted	1,191,132	1.70
Vested	(1,486,126)	2.24
Forfeited	(34,296)	2.00
Non-vested September 30, 2018	1,580,187	\$ 1.99

The total intrinsic value and fair value of RSUs that vested and were settled for equity in the nine months ended September 30, 2018 was \$2.41 million (September 30, 2017 – \$1.64 million).

The share-based compensation recorded during the three and nine months ended September 30, 2018 was \$0.52 million and \$2.24 million (three and nine months ended September 30, 2017 - \$0.83 million and \$2.62 million, respectively).

At September 30, 2018, there were \$0.10 million and \$1.35 million of unrecognized compensation costs related to the unvested stock options and RSU awards, respectively. These costs are expected to be recognized over a period of approximately two years.

## 11. INCOME TAXES

As of September 30, 2018, the Company does not believe it is more likely than not that it will fully realize the benefit of the deferred tax assets. As such, the Company recognized a full valuation allowance against the net deferred tax assets as of September 30, 2018, and December 31, 2017. For the nine months ending September 30, 2018 the company anticipates having a taxable loss that will result in an increase to the valuation allowance of \$2.30 million.

## 12. SUPPLEMENTAL FINANCIAL INFORMATION

The components of other income (expense) are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Interest income	\$ 84	\$ 57	\$ 157	\$ 118
Change in value of investments accounted at fair value	1,127	(113)	1,570	505
Change in value of warrant liabilities	(2,722)	571	(3,802)	1,416
Change in value of convertible debentures	(1,455)	160	(1,135)	(615)
Sale of surplus assets	—	—	293	1,138
Foreign exchange gain (loss)	(170)	—	(60)	—
Gain on sale of assets held for sale	—	—	341	—
Other	(129)	14	(67)	(110)
<b>Other (expense) income</b>	<b>\$ (3,265)</b>	<b>\$ 689</b>	<b>\$ (2,703)</b>	<b>\$ 2,452</b>

### 13. COMMITMENTS AND CONTINGENCIES

#### ***General legal matters***

Other than routine litigation incidental to our business, or as described below, the Company is not currently a party to any material pending legal proceedings that management believes would be likely to have a material adverse effect on our financial position, results of operations or cash flows.

#### **White Mesa Mill**

In January 2013, the Ute Mountain Ute Tribe filed a Petition to Intervene and Request for Agency Action challenging the Corrective Action Plan approved by the State of Utah Department of Environmental Quality (“UDEQ”) relating to nitrate contamination in the shallow aquifer at the White Mesa Mill site. This challenge is currently being evaluated, and may involve the appointment of an administrative law judge to hear the matter. The Company does not consider this action to have any merit. If the petition is successful, the likely outcome would be a requirement to modify or replace the existing Corrective Action Plan. At this time, the Company does not believe any such modification or replacement would materially affect our financial position, results of operations or cash flows. However, the scope and costs of remediation under a revised or replacement Corrective Action Plan have not yet been determined and could be significant.

On January 19, 2018, UDEQ renewed, and on February 16, 2018 reissued with minor corrections, the Company’s White Mesa Mill license for another ten years, and Groundwater Discharge Permit for another five years, after which renewal periods further applications for renewal for the license and permit will need to be submitted. During the review period for each application for renewal, the Mill can continue to operate under its then existing license and permit until such time as the renewed license or permit is issued. In March 2018, the Grand Canyon Trust, Ute Mountain Ute Tribe and Uranium Watch served Petitions for Review challenging UDEQ’s renewal of the license and permit. Then, in May and June 2018, Uranium Watch, the Grand Canyon Trust and the Ute Mountain Ute Tribe filed with UDEQ Requests for Appointment of an Administrative Law Judge, which they subsequently agreed to suspend pursuant to a Stipulation and Agreement with UDEQ, effective June 4, 2018. The Company does not consider these challenges to have any merit and intends to participate with UDEQ in defending against the challenges. If the challenges are successful, the likely outcome would be a requirement to modify the renewed license and/or permit. At this time, the Company does not believe any such modification would materially affect our financial position, results of operations or cash flows.

#### **Canyon Project**

In March, 2013, the Center for Biological Diversity, the Grand Canyon Trust, the Sierra Club and the Havasupai Tribe (the “Canyon Plaintiffs”) filed a complaint in the U.S. District Court for the District of Arizona (the “District Court”) against the Forest Supervisor for the Kaibab National Forest and the U.S. Forest Services (“USFS”) seeking an order (a) declaring that the USFS failed to comply with environmental, mining, public land, and historic preservation laws in relation to our Canyon Project, (b) setting aside any approvals regarding exploration and mining operations at the Canyon Project, and (c) directing operations to cease at the Canyon Project and enjoining the USFS from allowing any further exploration or mining-related activities at the Canyon Project until the USFS fully complies with all applicable laws. In April 2013, the Plaintiffs filed a Motion for Preliminary Injunction, which was denied by the District Court in September, 2013. On April 7, 2015, the District Court issued its final ruling on the merits in favor of the Defendants and the Company and against the Canyon Plaintiffs on all counts. The Canyon Plaintiffs appealed the District Court’s ruling on the merits to the Ninth Circuit Court of Appeals, and filed motions for an injunction pending appeal with the District Court. Those motions for an injunction pending appeal were denied by the District Court on May 26, 2015. Thereafter, Plaintiffs filed urgent motions for an injunction pending appeal with the Ninth Circuit Court of Appeals, which were denied on June 30, 2015. The hearing on the merits at the Court of Appeals was held on December 15, 2016. On December 12, 2017, the Ninth Circuit Court of Appeals issued its ruling on the merits in favor of the Defendants and the Company and against the Canyon Plaintiffs on all counts. The Canyon Plaintiffs petitioned the Ninth Circuit Court of Appeals for a rehearing *en banc*. On October 25, 2018, the Ninth Circuit panel ruled on the petition for rehearing *en banc*. The panel withdrew its prior opinion and filed a new opinion, which affirmed with one exception the District Court’s decision. The one exception relates to Plaintiffs’ fourth claim, which was dismissed by the District Court for lack of standing. The Ninth Circuit panel reversed itself on its standing analysis, concluded that the Plaintiff’s have standing to assert this claim and remanded the claim back to the District Court to hear the merits of Plaintiffs’ claim. If the Canyon Plaintiffs are successful on this claim, the Company may be required to maintain the Canyon Project on standby pending resolution of the matter. Such a required prolonged stoppage of mining activities could have a significant impact on our future operations.

#### **Daneros Project**

On February 23, 2018, the U.S. Bureau of Land Management (“BLM”) issued its Environmental Assessment (“EA”), Decision Record, and Finding of No Significant Impact (“FONSI”) relating to the BLM-approved Mine Plan of Operations Modification (“MPOM”) for the expansion of the Company’s Daneros Mine, subject to certain specified requirements. The MPOM allows for expanded mining operations, the reclamation of historic mining disturbances, and the implementation of additional operational and emission controls. On March 29, 2018, the Southern Utah Wilderness Alliance and Grand Canyon Trust filed a Notice of Appeal with the Interior Board of Land Appeals (“IBLA”), challenging BLM’s Decision Record, FONSI, MPOM and EA. On April 12, 2018, the Company filed a Motion to Intervene with IBLA, requesting that the Company be allowed intervention as a full party to this appeal and, on May 1, 2018, the Company’s Motion to Intervene was granted by IBLA. On April 18, 2018, the United States Department of Interior (“DOI”) granted Appellants’ request for an extension of time to file a statement of reasons until 30 days from when the IBLA receives the complete Administrative Record (“AR”), which was received on April 26, 2018. On May 22, counsel for the BLM filed an Unopposed Motion to Suspend Briefing Schedule for inadvertently filing an incomplete AR and, on May 29, 2018, DOI granted BLM’s motion. On July 6, 2018, BLM filed its Motion to Replace Incomplete Version of Administrative Record with Complete Version, granted by DOI on July 30. On October 10, 2018, BLM filed an Unopposed Motion for Extension of Time to Answer Statement of Reasons and Proposed Modified Joint Briefing Schedule, which DOI granted on October 11. BLM may file an answer by November 13, 2018, and intervenors may file an answer within 30 days thereafter.

### **Surety Bonds**

The Company has indemnified third-party companies to provide surety bonds as collateral for the Company’s asset retirement obligation. The Company is obligated to replace this collateral in the event of a default, and is obligated to repay any reclamation or closure costs due. The Company currently has \$21.56 million posted against an undiscounted asset retirement obligation of \$43.17 million (December 31, 2017 - \$22.13 million posted against undiscounted asset retirement obligation of \$43.46 million).

## **14. RELATED PARTY TRANSACTIONS**

On May 17, 2017, the Board of Directors of the Company appointed Robert W. Kirkwood and Benjamin Eshleman III to the Board of Directors of the Company.

Mr. Kirkwood is a principal of the Kirkwood Companies, including Kirkwood Oil and Gas LLC, Wesco Operating, Inc., and United Nuclear LLC (“United Nuclear”). United Nuclear, owns a 19% interest in the Company’s Arkose Mining Venture while the Company owns the remaining 81%. The Company acts as manager of the Arkose Mining Venture and has management and control over operations carried out by the Arkose Mining Venture. The Arkose Mining Venture is a contractual joint venture governed by a venture agreement dated as of January 15, 2008 entered into by Uranerz Energy Corporation (a subsidiary of the Company) and United Nuclear (the “Venture Agreement”).

United Nuclear contributed \$nil to the expenses of the Arkose Joint Venture based on the approved budget for the nine months ended September 30, 2018.

Mr. Benjamin Eshleman III is President of Mesteña LLC, which became a shareholder of the Company through the Company’s acquisition of Mesteña Uranium, L.L.C (now EFR Alta Mesa LLC) in June 2016 through the issuance of 4,551,284 common shares of the Company to the direction of the Sellers (of which 4,324,465 common shares of the Company are currently held by the Sellers). In connection with the Purchase Agreement, one of the Acquired Companies, Leoncito Project, L.L.C. entered into an Amended and Restated Uranium Testing Permit and Lease Option Agreement with Mesteña Unproven, Ltd., Jones Ranch Minerals Unproven, Ltd and Mesteña Proven, Ltd. (collectively the “Grantors”), which requires Leoncito Project, L.L.C., to make a payment in the amount of \$0.60 million to the Grantors in June 2019 (of which up to 50% may be paid in common shares of the Company at the Company’s election). At September 30, 2018, the Company has accrued \$0.45 million of this liability on the balance sheet. The Grantors are managed by Mesteña LLC.

Pursuant to the Purchase Agreement, the Alta Mesa Properties held by the Acquired Companies are subject to a royalty of 3.125% of the value of the recovered U<sub>3</sub>O<sub>8</sub> from the Alta Mesa Properties sold at a price of \$65.00 per pound or less, 6.25% of the value of the recovered U<sub>3</sub>O<sub>8</sub> from the Alta Mesa Properties sold at a price greater than \$65.00 per pound and up to and including \$95.00 per pound, and 7.5% of the value of the recovered U<sub>3</sub>O<sub>8</sub> from the Alta Mesa Properties sold at a price greater than \$95.00 per pound. The royalties are held by the Sellers, and Mr. Eshleman and his extended family hold all of the ownership interests in the Sellers. In addition, Mr. Eshleman and certain members of his extended family are parties to surface use agreements that entitle them to surface use payments from the Acquired Companies in certain circumstances. The Alta Mesa Properties are currently being maintained on care and maintenance to enable the Company to restart operations as market conditions warrant. Due to the price of U<sub>3</sub>O<sub>8</sub>, the Company did not pay any royalty payments or surface use payments to the Sellers or to Mr. Eshleman or his immediate family members in the three months and nine months ended September 30, 2018 and does not anticipate paying any

royalty payments or surface use payments to the Sellers or to Mr. Eshleman or his immediate family members during the remainder of 2018. Pursuant to the Purchase Agreement, surface use payments from June 2016 through December 31, 2018 have been deferred until June 30, 2019 at which time the Company will pay \$1.35 million to settle this obligation. As of September 30, 2018, the Company has accrued \$1.22 million of this liability on the balance sheet.

## 15. REVENUE RECOGNITION AND CONTRACTS WITH CUSTOMERS

### Adoption

On January 1, 2018, the Company adopted new guidance on revenue from contracts with customers using the modified retrospective method applied to contracts that were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance.

We recorded a net decrease to opening accumulated deficit of \$2.47 million as of January 1, 2018, for the cumulative impact of adopting the new guidance. The impact primarily related to the change in accounting for alternate feed contracts, resulting in the recognition of \$2.47 million of deferred revenue.

	Balance at December 31, 2017	New Revenue Standard Adjustment	Balance at January 1, 2018
<b>Liabilities</b>			
Deferred revenue	\$ 2,474	\$ (2,474)	\$ —
<b>Equity</b>			
Accumulated deficit	\$ (309,287)	\$ 2,474	\$ (306,813)

Under the modified retrospective method of adoption, we are required to disclose the impact to revenues had we continued to follow our accounting policies under the previous revenue recognition guidance. We estimate that there would be no impact to revenues for the quarter ended September 30, 2018 as we did not receive any alternate feed material which would have been classified as deferred revenue in the period.

Refer to Recently Adopted Accounting Pronouncements in Management's Discussion and Analysis section for a summary of our significant policies for revenue recognition.

## 16. FAIR VALUE ACCOUNTING

### Assets and liabilities measured at fair value on a recurring basis

The following tables set forth the fair value of the Company's assets and liabilities measured at fair value on a recurring basis (at least annually) by level within the fair value hierarchy as at September 30, 2018. As required by accounting guidance, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

As of September 30, 2018, the fair values of cash and cash equivalents, restricted cash, short-term deposits, receivables, accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments.

	Level 1	Level 2	Level 3	Total
Investments at fair value	\$ 1,823	\$ —	\$ —	\$ 1,823
Marketable equity securities	1,667	—	—	1,667
Marketable debt securities	—	25,501	—	25,501
Warrant liabilities	(6,116)	(1,280)	—	(7,396)
Convertible debentures	(17,251)	—	—	(17,251)
	\$ (19,877)	\$ 24,221	\$ —	\$ 4,344

The Company's investments are marketable equity securities which are exchange traded, and are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the investments is calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

## **17. SUBSEQUENT EVENTS**

*Sale of shares in the Company's 'At-the-Market' program ("ATM").*

From October 1, 2018 through November 1, 2018, the Company issued 1.51 million common shares at an average price of \$3.45 for proceeds of \$5.06 million using the ATM.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

*The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements for the three and nine month periods ended September 30, 2018, and the related notes thereto, which have been prepared in accordance with U.S. GAAP. Additionally, the following discussion and analysis should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements included in Part II of our Annual Report on Form 10-K for the year ended December 31, 2017 filed on March 9, 2018. This discussion and analysis contains forward-looking statements and forward-looking information that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements and information as a result of many factors. See section "Cautionary Statement Regarding Forward-Looking Statements" above.*

*While the Company has uranium extraction and recovery activities and generates revenue, it is considered to be in the Exploration Stage (as defined by SEC Industry Guide 7) as it has no Proven or Probable Reserves within the meaning of SEC Industry Guide 7. Under US GAAP, for a property that has no Proven or Probable Reserves, the Company capitalizes the cost of acquiring the property (including mineral properties and rights) and expenses all costs related to the property incurred subsequent to the acquisition of such property. Acquisition costs of a property are depreciated over its estimated useful life for a revenue generating property or expensed if the property is sold or abandoned. Acquisition costs are subject to impairment if so indicated.*

*All dollar amounts stated herein are in U.S. dollars, except per share amounts and currency exchange rates unless specified otherwise. References to Cdn\$ refer to Canadian currency, and \$ to United States currency.*

### Overview

We provide the raw materials for generation of clean nuclear electricity. Our primary product is a uranium concentrate ("U<sub>3</sub>O<sub>8</sub>"), or yellowcake, which when further processed will become the fuel for nuclear energy. According to the Nuclear Energy Institute, nuclear energy provides nearly 20% of the total electricity, and 60% of the clean carbon-free energy, generated in the United States. The Company generates revenues from extracting and processing materials for our own account, as well as from toll processing for others.

Our uranium concentrate is produced from multiple sources:

- Conventional recovery operations at our White Mesa Mill (the "Mill") including:
  - Processing ore from uranium mines;
  - Recycling of uranium bearing materials that are not derived from conventional ore ("Alternate Feed Materials"); and
- In-situ recovery ("ISR") operations.

In addition, the Company has a long history of conventional vanadium recovery at the Mill, when vanadium prices support those activities. The Company is currently expecting to commence vanadium recovery from pond solutions at the Mill in the fourth quarter of 2018. The Company is also evaluating opportunities for copper recovery from our Canyon Project.

The Mill, located near Blanding Utah, processes ore mined from the Four Corners region of the United States as well as alternate feed materials that can originate worldwide. We have the only operating uranium mill in the United States, which is also the last operating facility left in the U.S. with the near-term ability to resume recovery of vanadium. The Mill is licensed to process an average of 2,000 tons of ore per day and to extract approximately 8.0 million pounds of U<sub>3</sub>O<sub>8</sub> per year. The Mill has separate circuits to process conventional uranium and vanadium ores as well as Alternate Feed Materials.

Currently, there are no mines operating in the vicinity of the Mill, due to low uranium prices. The Mill is currently processing alternate feed materials for the recovery of uranium, under multiple toll processing arrangements as well as alternate feed materials for our own account. Additionally, the Mill is recovering dissolved uranium from the Mill's tailings management system that was not fully recovered during the Mill's prior thirty-plus years of operations ("Pond Return"). The Company is actively pursuing additional toll and Alternate Feed Materials for processing at the Mill.

The Mill also continues to pursue additional sources of feed materials. For example, a significant opportunity has arisen for the Company to potentially participate in the clean-up of abandoned uranium mines in the Four Corners Region of the U.S. Recently, the U.S. Justice Department and Environmental Protection Agency announced settlements in various forms in excess of \$1.5 billion to fund certain clean-up activities on the Navajo Nation. Additional settlements with other parties are also pending. Our Mill is within close trucking distance and is uniquely positioned in this region to receive uranium-bearing materials from these

cleanups and thus recycle the contained  $U_3O_8$ , while at the same time permanently disposing of the cleanup materials outside the boundaries of the Navajo Nation. There are no other facilities in the U.S capable of providing this service. Consequently, the Company is actively pursuing these types of opportunities.

The Company's ISR operations consist of our currently producing Nichols Ranch Project and our standby operation at Alta Mesa. At our Nichols Ranch Project, the Company placed its ninth header house into production in March 2017. In order to save cash and resources, the Company is deferring additional wellfield development until uranium prices recover. The Alta Mesa Project will remain on standby in the current uranium price environment.

We believe the current spot price of uranium does not support production for the majority of global uranium producers and, accordingly, we believe that prices will recover at some point in the future. In addition, as discussed below, on July 18, 2018 upon petition by the Company (and Ur-Energy), the U.S. Department of Commerce ("DOC") initiated an investigation into the effects of uranium imports on U.S. national security. This DOC investigation has the potential to result in trade remedies, including import quotas, which may generate higher prices for U.S. uranium. In anticipation of potential price recoveries, we continue to maintain and advance our resource portfolio. Once prices recover, we stand ready to resume wellfield construction at our Nichols Ranch Project, develop wellfields and resume production at our Alta Mesa facility, as well as mine and process resources from our Canyon Project, Daneros Project, La Sal Project and Whirlwind Project. The Company believes we could start bringing this new production to the market within approximately six to twelve months of a positive production decision. Longer term, we expect to resume production at our conventional mines on standby and develop our large conventional mines at Roca Honda and Henry Mountains.

### **Uranium Market Update**

According to monthly price data from TradeTech LLC ("TradeTech"), uranium spot prices rose 22% during Q3-2018 from \$22.75 per pound on July 1, 2018 to \$27.65 per pound on September 30, 2018, reaching a high of \$27.65 per pound during the week of September 21, 2018 and at the end of the quarter. TradeTech price data also indicate that long-term  $U_3O_8$  prices rose by 14%, beginning the quarter at \$28.00 per pound and ending the quarter at \$32.00 per pound. On October 31, 2018, TradeTech reported a spot price of \$28.00 per pound and a long-term price of \$31.00 per pound. According to TradeTech, the July 2018 market experienced "increased buyer interest" due to news of a prolonged suspension of production at Cameco's McArthur River Mine and Key Lake Mill, along with the initiation of the 232 investigation into uranium imports into the U.S. This market strength continued into August, which, according to TradeTech, saw "increased trading activity, coupled with purchases by primary producers." TradeTech noted in their September 2018 Nuclear Market Review that August activity was a "record breaking 8.4 million pounds  $U_3O_8$  equivalent reported in the spot market." While activity in the uranium spot market dropped off from this record-breaking pace in September 2018, the spot price of uranium continued to increase, driven by "strong demand and buying activity across the producer, utility, and financial sectors ... coupled with significant discretionary purchases from end-users and financial entities."

Several positive developments supported the uranium market during the three-month period ended September 30, 2018. On July 6, 2018, Kazatomprom made its first delivery of 8.1 million pounds of  $U_3O_8$  to Yellow Cake plc (World Nuclear News, July 9, 2018). Yellow Cake plc further announced the purchase of an additional 350,000 pounds of  $U_3O_8$  in August (Proactive Investors, August 10, 2018). On July 25, 2018, Cameco announced that it would extend the suspension of operations at its McArthur River Mine and Key Lake Mill for an "indefinite duration". Furthermore, Cameco announced that it would purchase 8.0 to 9.0 million pounds of  $U_3O_8$  in 2018 and likely more in 2019 (TradeTech NMR, July 27, 2018). On July 18, 2018, the U.S. Department of Commerce ("DOC") initiated an investigation into U.S. uranium imports (TradeTech NMR, July 27, 2018). Kazakhstan announced that uranium production was 6% lower in the first half of 2018 compared to the same period in 2017 (TradeTech NMR, August 17, 2018).

The Company believes that certain uranium supply and demand fundamentals are pointing to higher prices in the future, including significant production cuts and increased demand from utilities, financial entities, traders, and producers. However, the Company also believes that while uranium market conditions have improved in 2018, they still remain weak primarily as a result of excess uranium supplies caused by large quantities of secondary uranium supplies, excess inventories, and thus far insufficient primary production cut-backs. The Company also continues to believe that the Company's joint filing of the "Section 232 Petition," discussed below, has injected uncertainty into the market, causing utilities and other market participants to be less aggressive in their buying and selling activities at this time.

### **Vanadium Market Update**

According to weekly price data from Metal Bulletin, mid-point vanadium spot prices were \$22.88 per pound of  $V_2O_5$  on September 30, 2018. During the quarter, weekly mid-point spot prices for  $V_2O_5$  as reported by Metal Bulletin rose by approximately 33%

from \$17.25 per pound at the end of June 2018 to \$22.88 per pound at the end of the quarter. The October 31, 2018 weekly spot price for vanadium as reported by Metal Bulletin was \$26.25 per pound.

The Company believes that global production cutbacks have caused supply to fall well below demand, creating a deficit in the market, which has led to significant price increases. In addition, as steel production accounts for about 90% of vanadium consumption, vanadium demand has strengthened due to increased steel production and a revision of rebar standards in China which require more vanadium content and which are scheduled to take effect on November 1, 2018 (Metal Bulletin). There is also considerable interest in the vanadium battery market, though this accounts for only a small portion of vanadium demand at this time. The Company believes vanadium demand for batteries could rise significantly in the coming years.

### **Operations Update and Outlook for year ending December 31, 2018**

The Company plans to recover uranium and/or vanadium from the following sources for the remainder of 2018 (each of which is more fully described below):

- Nichols Ranch Project
- Alternate Feed Materials
- Pond Return at the White Mesa Mill

#### Uranium Recovery Activities

The Company expects to recover a total of 460,000 to 520,000 pounds of  $U_3O_8$  in the year ending December 31, 2018, of which 328,000 pounds of  $U_3O_8$  were produced in the first nine months of the year. Both ISR and conventional uranium recovery are being maintained at reduced levels until such time as market conditions improve sufficiently. The Company intends to publish its guidance for 2019 after Board approval of the Company's 2019 budget, which is expected to occur in December 2018.

#### *ISR Operations*

We expect Nichols Ranch to recover a total of 140,000 to 160,000 pounds of  $U_3O_8$  in the year ending December 31, 2018, of which we recovered 115,000 pounds during the nine months ended September 30, 2018. At September 30, 2018, the Nichols Ranch wellfields had nine header houses extracting uranium. Until such time that improvement in uranium market conditions is observed, or suitable sales contracts can be entered into, the Company intends to continue to defer further development of wellfields at its Nichols Ranch Project and to keep its Alta Mesa Project on standby through 2018.

#### *Conventional Operations*

We expect to recover 320,000 to 360,000 pounds of  $U_3O_8$  at the White Mesa Mill during the year ending December 31, 2018 for our own account, of which 213,000 pounds were recovered during the nine months ended September 30, 2018. Of this material, approximately 130,000 pounds of  $U_3O_8$  are expected to be recovered from Alternate Feed Materials and the remainder from Pond Return. In addition to the 130,000 pounds of uranium expected to be recovered from Alternate Feed Materials (valued at \$3.5 million), the Company expects to receive an additional \$3.6 million in cash from processing fees, for total expected value from alternate feed materials of \$7.1 million during 2018, of which \$3.1 million of revenue and deferred revenue was recognized during the nine months ended September 30, 2018. The Company is continuing to pursue other alternate feed material opportunities, including the processing of low-grade ore from third parties in connection with various uranium clean-up requirements, some of which may result in additional value to the Company in 2018 and/or 2019. Successful results from these uranium related activities, along with the vanadium recovery activities discussed below, are expected to allow the Mill to operate for the remainder of 2018 and through 2019.

Successful results from these uranium related activities, along with the vanadium recovery activities discussed below, are expected to allow the Mill to operate for the remainder of 2018 and through 2019. However, in the event we are unable at any time to secure sufficient feed sources to justify full operation of the Mill, or if vanadium production ceases for any reason, including a weakening of vanadium market conditions, the Company would expect to place activities at the Mill on standby, until sufficient mill feed becomes available. While on standby, the Mill would continue to dry and package material from the Nichols Ranch Plant and continue to receive and stockpile alternate feed materials for future milling campaigns. Each future milling campaign would be subject to receipt of sufficient cash flow that would allow the Company to operate the Mill on a profitable basis or that would result in all or a portion of the Mill's standby costs being recovered.

At the Canyon Project, the Company plans to continue to carry out engineering, procurement and construction management activities for the remainder of 2018 and into 2019, including additional bench and pilot plant scale metallurgical test work of the

uranium/copper mineralization, as well as pursue any additional permitting actions that may be required to recover copper at the White Mesa Mill. The timing of our plans to extract and process mineralized material from this project will be based on the results of this additional evaluation work, along with market conditions, available financing, and sales requirements.

The Company continues to selectively advance certain permits at its other major conventional uranium projects. The Company plans to continue the licensing and permitting of its Roca Honda Project, a large, high-grade conventional project in New Mexico, with the Record of Decision currently scheduled to be completed in 2019. The Company will also continue to evaluate the Bullfrog Property at its Henry Mountains Project. Expenditures for certain of these projects have been adjusted to coincide with expected dates of price recoveries based on our forecasts. All of these projects serve as important pipeline assets for the Company's future conventional production capabilities, as market conditions warrant.

In addition, a number of the Company's conventional uranium mines also have substantial vanadium resources. These mines are discussed in the vanadium section below.

### *Uranium Trade Petition*

In January 2018, the Company participated in the filing of a Petition for Relief with the U.S. Department of Commerce ("DOC") under Section 232 of the Trade Expansion Act of 1962 (as amended) From Imports of Uranium Products that Threaten U.S. National Security (the "Petition"). The Petition describes how uranium and nuclear fuel from state-owned and state-subsidized enterprises in Russia, Kazakhstan, Uzbekistan, and China potentially represent a threat to U.S. national security. The Petition seeks a remedy which will set a quota to limit imports of uranium into the U.S., effectively reserving 25% of the U.S. nuclear market for U.S. uranium production. Additionally, the Petition suggests implementation of a requirement for U.S. federal utilities and agencies to buy U.S. uranium in accordance with the President's Buy American Policy. The remedies, if granted, would be expected to strengthen the U.S. uranium mining industry, bolster national defense, and improve supply diversification for U.S. utilities and their customers. The Company intends to continue its support of this action for the remainder of 2018 and during 2019.

On July 18, 2018, the DOC initiated its investigation. Pursuant to Section 232 of the Trade Expansion Act, starting on July 18, 2018, the Secretary of the DOC has 270 days to prepare a report to the President of the United States. Following receipt of the Secretary's report, the President then has 90 days to act on the Secretary's recommendations, and if necessary take action to "adjust the imports of an article and its derivatives" and/or pursue other lawful non-trade related actions to address the threat. It should be noted, however, that there can be no certainty of the outcome of the Petition, and therefore the outcome of this process is uncertain.

### Vanadium Recovery Activities

Beginning in November 2018, the Company expects to commence recovering vanadium from existing tailings pond solutions, which result from past mineral processing operations, at the White Mesa Mill in a manner similar to the way the Company has recovered uranium from those same solutions. Based on bench scale analyses, the Company believes it may be able to recover up to 4.0 million pounds of solubilized vanadium from the Mill's tailings and evaporation ponds at a potential rate of 200,000 to 225,000 pounds of  $V_2O_5$  per month. This recovery of vanadium, assuming a successful ramp-up to commercial-scale production, would be expected to continue through 2019 and into 2020, given favorable costs, recoveries, and then-prevailing market conditions. The Company expects to be able to provide 2019 guidance for  $V_2O_5$  production later this year, after the program has commenced and the Company has obtained more information on costs, recoveries and expected market conditions. The Company will continue to provide the market with updates as production continues.

The Company is also currently engaged in a test-mining program at its La Sal Complex to evaluate different approaches that selectively target high-grade vanadium zones, thereby potentially increasing productivity and mined grades for vanadium and decreasing mining costs per pound of  $V_2O_5$  and  $U_3O_8$  recovered. This test mining campaign is expected to continue through the remainder of 2018 and into 2019 for as long as useful information continues to be developed and/or market conditions warrant. The early results of this test mining are very encouraging. The Company intends to maintain its other fully permitted uranium/vanadium mines on standby, including the Whirlwind and Rim mines, but could commence mining operations relatively quickly at those mines as market conditions may warrant.

The Company is also reviewing the economics of processing certain previously mined uranium/vanadium ore stockpiles, as well as the recovery of vanadium alone or in combination with uranium from other potential vanadium-bearing streams, as market conditions may warrant.

## Uranium Readiness Activities

In addition to these substantial vanadium recovery activities, the Company is also evaluating various uranium-readiness activities it can undertake at this time to enhance its position to benefit from expected improvements in uranium market conditions, as a result of what the Company believes to be positive uranium market fundamentals or as a result of potential remedies from the Company's Section 232 Petition. These activities may include: improvements in the flow rates at the Company's Nichols Ranch project, to allow for increased maximum production levels at that facility; exploration drilling at the Company's Alta Mesa project to further delineate resources in currently licensed areas, which would allow for more pounds to be included in near-term wellfield development; and accelerated permitting and development activities at certain of the Company's other uranium and uranium/vanadium mines. The Company expects to be able to provide further details on these potential activities in December 2018, following the Board's approval of the Company's 2019 budget.

### **Sales and other revenue update and outlook year ending December 31, 2018**

While no deliveries of  $U_3O_8$  occurred during Q3-2018, in the nine months ended September 30, 2018, the Company completed a total of 550,000 pounds of  $U_3O_8$  sales at a weighted average price of \$53.19 per pound.

In the final three months of the year, the Company expects to complete one delivery of 100,000 pounds of  $U_3O_8$  under a contract where the price is based on the average spot price per pound of uranium for the five weeks prior to the date of delivery. It should be noted that all of the Company's existing long-term sales contracts expire following the Company's 2018 deliveries.

All of the Company's current uranium production is 100% unhedged, and all uranium sales in 2019 and beyond will be made on the spot market or pursuant to new long-term contracts to the extent such contracts may be available on satisfactory terms. While the Company does not currently forecast the need to complete any spot sales in 2019 for cash generation purposes, uranium inventories, along with expected uranium production in 2019, are expected to provide the Company with the flexibility to complete spot sales in 2019 if market conditions warrant.

## Results of Operations

The following table summarizes the results of operations for the three and nine months ended September 30, 2018 and 2017 (in thousands of US dollars):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
<b>Revenues</b>				
Uranium concentrates	\$ —	\$ 3,497	\$ 28,015	\$ 22,037
Alternate feed materials processing and other	451	2,002	663	5,101
<b>Total revenues</b>	<b>451</b>	<b>5,499</b>	<b>28,678</b>	<b>27,138</b>
<b>Costs and expenses applicable to revenue</b>				
Costs and expenses applicable to uranium concentrates	—	1,010	11,908	12,122
Costs and expenses applicable to alternate feed materials and other	—	1,694	—	3,724
<b>Total costs and expenses applicable to revenue</b>	<b>—</b>	<b>2,704</b>	<b>11,908</b>	<b>15,846</b>
Impairment of inventories	714	864	3,063	2,821
<b>Gross profit</b>	<b>(263)</b>	<b>1,931</b>	<b>13,707</b>	<b>8,471</b>
<b>Other operating costs and expenses</b>				
Development, permitting and land holding	4,971	2,471	7,569	6,980
Standby costs	1,296	743	5,194	2,978
Abandonment of mineral properties	—	—	—	287
Impairment of assets held for sale	—	200	—	3,799
Accretion of asset retirement obligation	459	345	1,376	1,036
<b>Total other operating costs and expenses</b>	<b>6,726</b>	<b>3,759</b>	<b>14,139</b>	<b>15,080</b>
<b>Selling, general &amp; administration</b>				
Selling costs	33	32	121	147
Intangible asset amortization	—	205	2,502	3,297
General and administration	3,193	2,946	10,440	10,752
<b>Total selling, general &amp; administration</b>	<b>3,226</b>	<b>3,183</b>	<b>13,063</b>	<b>14,196</b>
<b>Total Operating Income (Loss)</b>	<b>(10,215)</b>	<b>(5,011)</b>	<b>(13,495)</b>	<b>(20,805)</b>
Interest expense	(417)	(562)	(1,384)	(1,607)
Other (loss) income	(3,265)	689	(2,703)	2,452
<b>Net loss</b>	<b>\$ (13,897)</b>	<b>\$ (4,884)</b>	<b>\$ (17,582)</b>	<b>\$ (19,960)</b>
<b>Basic loss per share</b>	<b>\$ (0.16)</b>	<b>\$ (0.07)</b>	<b>\$ (0.20)</b>	<b>\$ (0.28)</b>

## Revenues

The Company's revenues from uranium are largely based on delivery schedules under long-term contracts, which can vary from quarter to quarter.

Revenues for the three months ended September 30, 2018 totaled \$0.45 million compared with \$5.50 million in the three months ended September 30, 2017.

Of the revenues for the three months ended September 30, 2018, all were related to processing of alternate feed materials.

Revenues for the three months ended September 30, 2017 totaled \$5.50 million, of which \$3.50 million were from sales of 60,000 pounds of U<sub>3</sub>O<sub>8</sub>, pursuant to term contracts at an average price of \$58.28 per pound and \$2.00 million related to processing of alternate feed materials.

Revenues for the nine months ended September 30, 2018 totaled \$28.68 million, which included sales of 400,000 pounds of U<sub>3</sub>O<sub>8</sub> pursuant to a term contract at an average price of \$61.30, sales of 50,000 pounds of U<sub>3</sub>O<sub>8</sub> at a price of \$24.75 per pound and sales of 100,000 pounds pursuant to a contract where the price is based on the spot market at a price of \$22.57 per pound and alternate feed processing revenue of \$0.66 million.

Revenues for the nine months ended September 30, 2017 totaled \$27.14 million, of which \$22.04 million consisted of sales of 320,000 pounds of U<sub>3</sub>O<sub>8</sub>, pursuant to term contracts at an average price of \$62.72 per pound, 100,000 pounds of U<sub>3</sub>O<sub>8</sub> pursuant to a contract where the price is based on the spot market at a price of \$19.67 per pound and \$5.10 million related to toll processing of uranium concentrates.

## Operating Expenses

### *Uranium recovered and costs and expenses applicable to revenue*

In the three months ended September 30, 2018, the Company recovered 33,000 pounds of U<sub>3</sub>O<sub>8</sub> from ISR recovery activities for the Company's own account, and 128,000 pounds from the Company's alternate feed sources. In the three months ended September 30, 2017, the Company recovered 66,000 pounds of U<sub>3</sub>O<sub>8</sub> from the Nichols Ranch Project and 104,000 pounds of U<sub>3</sub>O<sub>8</sub> from the Company's alternate feed sources. In addition, the Company recovered 295,000 pounds for the account of a third party under a tolling agreement.

Costs and expenses applicable to revenue for the three months ended September 30, 2018 were nil, compared with \$2.70 million for the three months ended September 30, 2017. Included in cost and expenses applicable to revenue is \$1.69 million related to toll processing for the three months ended September 30, 2017. Costs of goods sold averaged \$16.83 per pound in the three months ended September 30, 2017.

In the nine months ended September 30, 2018, the Company recovered 115,000 pounds of U<sub>3</sub>O<sub>8</sub> from the Nichols Ranch Project and 213,000 pounds from the Company's alternate feed sources. In the nine months ended September 30, 2017, the Company recovered 204,000 pounds of U<sub>3</sub>O<sub>8</sub> from the Nichols Ranch Project and 170,000 pounds of U<sub>3</sub>O<sub>8</sub> from the Company's alternate feed sources. In addition, the Company recovered 761,000 pounds for the account of a third party under a tolling agreement.

Costs and expenses applicable to revenue for the nine months ended September 30, 2018 totaled \$11.91 million, compared with \$15.85 million for the nine months ended September 30, 2017. Included in cost and expenses applicable to revenue is \$3.72 million related to toll processing for the nine months ended September 30, 2017. Costs of goods sold averaged \$21.65 per pound and \$28.86 per pound in the nine months ended September 30, 2018 and 2017, respectively.

The decrease in the cost of sales was primarily attributable to a decrease in the quantity of U<sub>3</sub>O<sub>8</sub> sold year over year as discussed above as well as a decrease in toll processing and other revenues.

## **Other Operating Costs and Expenses**

### *Development, permitting and land holding*

For the three months ended September 30, 2018, the Company spent \$4.97 million for development of the Company's properties. This is primarily due to the 1.10 million shares issued (\$3.74 million) to acquire a 6% - 8% sliding-scale gross proceeds production royalty on its Nichols Ranch, Hank and Doughstick properties (Doughstick is a part of the Company's Jane Dough Project expansion area). This royalty also applies to the nearby Niles Ranch, Willow Creek, and Verna Ann properties, which are important pipeline uranium properties also owned by the Company. Acquisition of this royalty is expected to significantly decrease the Company's cost of production at Nichols Ranch. Other development activities occurred at the Canyon Project, the V<sub>2</sub>O<sub>5</sub> Test Mining Project as well as permitting and land holding costs related to this and other projects. For the three months ended September 30, 2017, the Company spent \$2.47 million for development, permitting, and land holding including completing the sinking of the shaft, completing evaluation drilling and finalizing development of the Canyon Project as well as the annual land payments for other properties. While we expect the amounts relative to the items listed above have added future value to the Company, we expense these amounts as we do not have proven or probable reserves at any of the Company's projects under SEC Industry Guide 7.

For the nine months ended September 30, 2018, the Company spent \$7.57 million for development, permitting and land holding, comprised of the acquisition of royalties as discussed above as well as the development of the Canyon Project and permitting and land holding costs related to this and other projects. For the nine months ended September 30, 2017, the Company spent \$6.98 million for development, permitting, and land holding of which \$4.80 million was spent at the Canyon Project completing the

sinking of the shaft, completing evaluation drilling and finalizing development of the site. Additionally, the Company spent \$0.70 million completing and putting into production its ninth wellfield at Nichols Ranch, completing the permitting on the Jane Dough Project and the Sheep Mountain Project and for other permitting activities and land holding costs in the nine months ended September 30, 2017

#### *Standby expense*

The Company's La Sal and Daneros Projects were placed on standby in 2012, as a result of market conditions. In February 2014, the Company placed its Arizona 1 Project on standby. In 2015 and 2016, the White Mesa Mill was operated at lower levels of uranium recovery, including prolonged periods of standby. Costs related to the care and maintenance of the standby mines, along with standby costs incurred while the White Mesa Mill was operating at low levels of uranium recovery or on standby, are expensed.

For the three months ended September 30, 2018, standby costs totaled \$1.30 million compared with \$0.74 million in the prior year. For the nine months ended September 30, 2018, standby costs totaled \$5.19 million compared with \$2.98 million in the prior year. The increase is primarily related to decreased alternate feed materials processing and toll milling activities at the White Mesa Mill causing the Mill to operate at lower levels of uranium recovery with excess costs being expensed to standby for the three months and nine months ended September 30, 2018.

#### *Abandonment of mineral properties*

The Company has allocated value to mineral properties upon their acquisition. From time to time, the Company may choose to abandon these mineral properties by not paying the required renewal fees. For the three and nine months ended September 30, 2018, the Company did not renew certain mineral leases and recorded abandonment expense of \$Nil. For the three and nine months ended September 30, 2017, the Company recorded abandonment expense of \$Nil and \$0.29 million, respectively.

#### *Accretion*

Accretion related to the asset retirement obligation for the Company's properties increased for the three and nine months ended September 30, 2018, which were \$0.46 million and \$1.38 million compared with the prior year three and nine months ended of \$0.35 million and \$1.04 million, respectively. This increase is primarily due to normal accretion activity.

#### *General and Administrative*

General and administrative expenses include costs associated with marketing uranium, corporate and general and administrative costs. General and administrative expenses consist primarily of payroll and related expenses for personnel, contract and professional services, stock-based compensation expense and other overhead expenditures. General and administrative expenses totaled \$3.19 million and \$10.44 million for the three and nine months ended September 30, 2018 compared to \$2.95 million and \$10.75 million for the three and nine ended September 30, 2017. The year to date decrease is due primarily due to a lower head count in 2018.

#### **Impairment of Inventories**

For the three and nine months ended September 30, 2018, the Company recognized \$0.71 million and \$3.06 million in impairment charges related to inventory. For the three and nine months ended September 30, 2017, the Company recognized \$0.86 million and \$2.82 million inventory impairment. The impairment of inventories is due to continued lower Uranium prices versus our cost to produce at the Nichols Ranch project.

#### **Interest Expense and Other Income and Expenses**

##### *Interest Expense*

Interest expense for the three months ended September 30, 2018, was \$0.42 million compared with \$0.56 million for the three months ended September 30, 2017. Interest expense for the nine months ended September 30, 2018, was \$1.38 million compared with \$1.61 million for the nine months ended September 30, 2017. This decrease was due to the payoff of the Wyoming revenue bond loan and the put option conversion of the convertible debentures.

##### *Other income and expense*

For the three months ended September 30, 2018, other income and expense totaled \$3.27 million expense, net. These amounts primarily consist of a loss on the change in the mark-to-market values of the Company's Convertible Debentures (the "Debentures") of \$1.46 million, loss on the decrease in warrant liabilities of \$2.72 million, and other expense of \$0.13 million, foreign exchange loss of \$0.17 million offset by \$1.13 million gain in investments accounted for at fair value and interest income of \$0.08 million.

For the three months ended September 30, 2017, other income and expense totaled \$0.69 million of income. These amounts primarily consist of a gain on the increase in warrant liabilities of \$0.57 million, a gain on the change in the mark-to-market values

of the Debentures of \$0.16 million, a loss on investments accounted for at fair value of \$0.11 million and interest income of \$0.06 million.

For the nine months ended September 30, 2018, other income and expense totaled \$2.70 million expense, net. These amounts primarily consist of a loss on the change in the mark-to-market values of the Debentures of \$1.14 million, loss on the decrease in warrant liabilities of \$3.80 million, and other expense of \$0.07 million, foreign exchange loss of \$0.06 million, offset by \$1.57 million gain in investments accounted for at fair value and interest income of \$0.16 million, income of \$0.29 million from the sale of surplus assets and gain of \$0.34 million on assets held for sale.

For the nine months ended September 30, 2017, other income and expense totaled \$2.45 million of income. These amounts mainly consist of a gain on warrant liabilities of \$1.42 million, \$0.51 million gain in fair value of investments, gain on sale of surplus assets of \$1.14 million and interest income of \$0.12 million partially offset by a loss on the change in the mark-to-market values of the Debentures of \$0.62 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Funding of major business and property acquisitions**

Over the past six years the Company has funded major business and property acquisitions with capital provided by the issuance of its common shares. In 2012 we acquired Titan Uranium Inc. and the US Mining Division of Denison, in 2013 we acquired Strathmore Minerals Corp, in 2015 we acquired Uranerz and in 2016 we acquired Mesteña, each in exchange for newly issued shares.

We intend to continue to acquire assets utilizing common shares when we can do so under attractive terms.

### **Shares issued for cash**

On December 23, 2016, the Company filed a prospectus supplement in both Canada and the United States to its Canadian base shelf prospectus and U.S. registration statement on Form S-3 which enabled the Company, at its discretion from time to time, to sell up to \$20 million worth of Common Shares by way of an “at-the-market” offering (the “ATM”). On December 29, 2017, the Company filed a prospectus supplement to its U.S. registration statement, qualifying for distribution up to an additional \$30 million in additional common shares under the ATM.

From January 1, 2017 to November 1, 2018, a total of 21,283,295 Common Shares have been sold under the ATM, for net proceeds to the Company of \$44.89 million.

### **Working capital at September 30, 2018 and future requirements for funds**

At September 30, 2018, the Company had working capital of \$51.27 million, including \$14.78 million in cash, \$27.17 million of investments available for sale and 385,000 pounds of finished goods inventory. The Company believes it has sufficient cash and resources to carry out its business plan for at least the next twelve months.

During the three months ended September 30, 2018 the Company began to invest excess cash in debt securities issued by the U.S. government and its agencies as well as certificates of deposits. The Company determines the appropriate classification of our investments at the time of purchase and reevaluates such designation at each balance sheet date. The Company has classified and accounted for our investments as available-for-sale.

After consideration of our risk versus reward objectives, as well as our liquidity requirements, we may sell these securities prior to their stated maturities. As we view these securities as available to support current operations, we classify highly liquid securities with maturities beyond 12 months as current assets under the caption investments available for sale in the Consolidated Balance Sheets. We carry these securities at fair value, and report the unrealized gains and losses, net of taxes, as a component of stockholders' equity, except for unrealized losses determined to be other-than-temporary, which we record within other income (expense). We determine any realized gains or losses on the sale of investments available for sale and we record such gains and losses as a component of other income (expense).

The Company is actively focused on its forward looking liquidity needs, especially in light of the current depressed uranium markets. The Company is evaluating its ongoing fixed cost structure as well as decisions related to project retention, advancement and development. If current uranium prices persist for any extended period of time, the Company will likely be required to raise capital or take other measures to fund its ongoing operations. Significant development activities, if warranted, will require that we arrange for financing in advance of planned expenditures. In addition, we expect to continue to augment our current financial resources with external financing as our long term business needs require.

The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities, current portion of notes payable and current taxes payable are due within the current operating year.

## Cash and cash flows

### *Nine months ended September 30, 2018*

Cash, cash equivalents and restricted cash were \$36.33 million at September 30, 2018, compared to \$40.70 million at December 31, 2017. The decrease of \$4.37 million was due primarily to cash provided by financing activities of \$15.35 million, cash provided by operating activities of \$0.39 million offset by cash used in investing activities of \$20.08 million and loss on foreign exchange on cash held in foreign currencies of \$0.04 million.

Net cash provided by operating activities of \$0.39 million is comprised of the net loss of \$17.58 million for the period adjusted for non-cash items and for changes in working capital items. Significant items not involving cash were \$3.48 million of depreciation and amortization of property, plant and equipment, \$3.62 million related to acquisition of Royalty interests, net of share issuance costs, \$3.06 million impairment on inventory, stock based compensation expense of \$2.24 million, accretion of ARO of \$1.38 million, \$3.80 million change in warrant liabilities, \$1.14 million change in value of convertible debentures, other non-cash expenses of \$0.39 million, changes in deferred revenue of \$2.43 million offset by an increase in trade and other receivables of \$0.15 million, an increase in inventories of \$0.21 million, an increase in prepaid expenses and other assets of \$0.76 million, a decrease in accounts payable and accrued liabilities of \$2.68 million and \$0.23 million in cash paid for reclamation activities.

Net cash provided by financing activities totaled \$15.35 million consisting primarily of \$25.64 million proceeds from the issuance of stock using the Company's ATM offering, \$0.37 million cash received from exercise of warrants, \$0.62 million cash received from exercise of stock options and \$0.50 million cash received for Notes Receivable offset by \$10.86 million to repay loans and borrowings including repaying and retiring the Wyoming Industrial Revenue Bond and \$0.91 million cash paid for tax withholding.

Net cash used in investing activities was \$20.08 million, of which \$2.94 million related to cash received for the sale of the Company's Reno Creek property, \$2.57 million related to cash received from the sale of marketable securities offset by \$25.53 million cash used for the purchase of available for sale investments and \$0.06 million of cash used for the purchase of mineral properties, plant, property and equipment.

### *Nine months ended September 30, 2017*

Cash and cash equivalents were \$19.45 million at September 30, 2017, compared to \$16.90 million at December 31, 2016. The increase of \$2.55 million was due primarily to cash provided by financing activities of \$6.89 million, cash provided by investing activities of \$0.82 million and gain on foreign exchange on cash held in foreign currencies of \$0.31 million partially offset by cash used in operations of \$5.47 million.

Net cash provided by financing activities totaled \$6.89 million consisting primarily of \$9.80 million proceeds from the issuance of stock in the ATM Offering and \$0.37 million in cash received from non-controlling interest partially offset by \$3.27 million to repay loans and borrowings.

Net cash provided by investing activities of \$0.82 million consisted of \$14.44 million release of collateral offset by \$13.62 million of additional collateral posted. This refund was a result of the Company's restructuring of surety providers.

Net cash used in operating activities of \$5.47 million is comprised of the net loss of \$19.96 million for the period adjusted for non-cash items and for changes in working capital items. Significant items not involving cash were \$4.31 million of depreciation and amortization of property, plant and equipment, \$2.62 million of stock-based compensation, \$2.82 million impairment in inventories, \$3.80 million impairment of assets held for sale, a change in the value of the convertible debentures of \$0.62 million, a \$1.44 million miscellaneous non-cash expense, \$1.04 million accretion of asset retirement obligation, \$0.29 abandonment of mineral properties, a \$1.70 million decrease in inventories, a \$0.53 million decrease in prepaid expenses and other assets and changes in deferred revenue of \$0.14 offset by a \$0.04 million increase in trade and other receivables and a \$2.19 million decrease in accounts payable and accrued liabilities, a gain on the change in value of the warrant liabilities of \$1.42 million, an unrealized foreign exchange loss of \$0.49 million and \$0.73 million in cash paid for reclamation and remediation activities.

## Critical accounting estimates and judgments

The preparation of these consolidated financial statements in accordance with US GAAP requires the use of certain critical accounting estimates and judgments that affect the amounts reported. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience. Although the Company regularly reviews the estimates and judgments made that affect these financial statements, actual results may be materially different.

Significant estimates made by management include:

### *a. Exploration Stage*

SEC Industry Guide 7 defines a reserve as “that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination”. The classification of a reserve must be evidenced by a bankable feasibility study using the latest three-year price average. While the Company has established the existence of mineral resources and has successfully extracted and recovered saleable uranium from certain of these resources, the Company has not established proven or probable reserves, as defined under SEC Industry Guide 7, for these operations or any of its uranium projects. As a result, the Company is in the Exploration Stage as defined under Industry Guide 7. Furthermore, the Company has no plans to establish proven or probable reserves for any of its uranium projects.

While in the Exploration Stage, among other things, the Company must expense all amounts that would normally be capitalized and subsequently depreciated or depleted over the life of the mining operation on properties that have proven or probable reserves.

Items such as the construction of wellfields and related header houses, additions to our recovery facilities and advancement of properties will all be expensed in the period incurred. As a result, the Company’s consolidated financial statements may not be directly comparable to the financial statements of mining companies in the development or production stages.

*b. Resource estimates utilized*

The Company utilizes estimates of its mineral resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of the deposits requires complex geological judgments to interpret the data. The estimation of future cash flows related to resources is based upon factors such as estimates of future uranium prices, future construction and operating costs along with geological assumptions and judgments made in estimating the size and grade of the resource. Changes in the mineral resource estimates may impact the carrying value of mining and recovery assets, goodwill, reclamation and remediation obligations and depreciation and impairment.

*d. . Depreciation of mining and recovery assets acquired*

For mining and recovery assets actively extracting and recovering uranium we depreciate the acquisition costs of the mining and recovery assets on a straight line basis over our estimated lives of the mining and recovery assets. The process of estimating the useful life of the mining and recovery assets requires significant judgment in evaluating and assessing available geological, geophysical, engineering and economic data, projected rates of extraction and recovery, estimated commodity price forecasts and the timing of future expenditures, all of which are, by their very nature, subject to interpretation and uncertainty.

Changes in these estimates may materially impact the carrying value of the Company’s mining and recovery assets and the recorded amount of depreciation.

*e. Impairment testing of mining and recovery assets*

The Company undertakes a review of the carrying values of its mining and recovery assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and net cash flows. An impairment loss is recognized when the carrying value of a mining or recovery asset is not recoverable based on this analysis. In undertaking this review, the management of the Company is required to make significant estimates of, among other things, future production and sale volumes, forecast commodity prices, future operating and capital costs and reclamation costs to the end of the mining asset’s life. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of mining and recovery assets.

*f. Asset retirement obligations*

Asset retirement obligations are recorded as a liability when an asset that will require reclamation and remediation is initially acquired. For disturbances created on a property owned that will require future reclamation and remediation the Company records asset retirement obligations for such disturbance when occurred. The Company has accrued its best estimate of its share of the cost to decommission its mining and milling properties in accordance with existing laws, contracts and other policies. The estimate of future costs involves a number of estimates relating to timing, type of costs, mine closure plans, and review of potential methods and technical advancements. Furthermore, due to uncertainties concerning environmental remediation, the ultimate cost of the Company’s decommissioning liability could differ from amounts provided. The estimate of the Company’s obligation is subject to change due to amendments to applicable laws and regulations and as new information concerning the Company’s operations becomes available. The Company is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future. Additionally, the expected cash flows in the future are discounted at the Company’s estimated cost of capital based on the periods the Company expects to complete the reclamation and remediation activities. Differences in the expected periods of reclamation or in the discount rates used could have a material difference in the actual settlement of the obligations compared with the amounts provided.

## **Recently Adopted Accounting Pronouncements**

### ***Investments***

In January 2016, ASU No. 2016-01 was issued related to financial instruments. The new guidance requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. This new guidance also updates certain disclosure requirements for these investments. This update is effective in fiscal years, including interim periods, beginning after December 15, 2017, and early adoption is not permitted. Adoption of this standard has no impact on the Company's financial statements as the Company had previously elected to account for these investments using the fair value option.

#### ***Revenue recognition***

In May 2014, the FASB issued ASU No. 2014-09, as amended by ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606)," which requires revenue to be recognized based on the amount an entity is expected to be entitled to for promised goods or services provided to customers. The standard also requires expanded disclosures regarding contracts with customers. The guidance in this standard supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition," and most industry-specific guidance. Adoption of the standard may be applied retrospectively to each prior period presented (full retrospective method) or retrospectively with the cumulative effect recognized as of the date of initial application (modified retrospective method). The Company adopted this guidance effective January 1, 2018 and applied the modified retrospective method with prior periods presented as if revenue were recognized under Topic 606. See FN 14 for further discussion.

#### **Recently Issued Accounting Pronouncements Not Yet Adopted**

The FASB has issued the following standards which are not yet effective:

##### ***Leases***

In February 2016, the FASB issued ASU 2016-02 which core principle is that a lessee should recognize the assets and the liabilities that arise from leases, including operating leases. Under the new requirements, a lessee will recognize in the balance sheet a liability to make lease payments (the lease liability) and the right-of-use asset representing the right to the underlying asset for the lease term. For leases with a term of twelve months or less, the lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from the previous GAAP. The standard is effective for fiscal years beginning after December 15, 2018, including interim periods within such fiscal year, with early adoption permitted.

The ASU requires a modified retrospective transition method with the option to elect a package of practical expedients. The Company is evaluating the effect of this amendment and the impact it will have on the Company's financial statements.

##### ***Nonemployee Share-Based Payment***

In June 2018, the FASB issued ASU 2018-07, which more closely aligns the accounting for employee and nonemployee share-based payments. This standard more closely aligns the accounting for nonemployee share-based payment transactions to the guidance for awards to employees except for specific guidance on certain inputs to an option-pricing model and the attribution of cost. This standard is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2018. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

The Company is exposed to risks associated with commodity prices, interest rates, foreign currency exchange rates and credit. Commodity price risk is defined as the potential loss that we may incur as a result of changes in the market value of uranium or vanadium. Interest rate risk results from our debt and equity instruments that we issue to provide financing and liquidity for our business. The foreign currency exchange risk relates to the risk that the value of financial commitments, recognized assets or liabilities will fluctuate due to changes in foreign currency rates. Credit risk arises from the extension of credit throughout all aspects of our business. Industry-wide risks can also affect our general ability to finance exploration, and development of exploitable resources; such effects are not predictable or quantifiable. Market risk is the risk to the Company of adverse financial impact due to change in the fair value or future cash flows of financial instruments as a result of fluctuations in interest rates and foreign currency exchange rates. The success of the Company's campaign to recover V<sub>2</sub>O<sub>5</sub> from existing pond solutions at the White Mesa Mill will depend, in large part, on the Company's ability to sell V<sub>2</sub>O<sub>5</sub> at satisfactory prices in the future. The Company currently does not have any contracts in place for the sale of vanadium.

#### **Commodity Price Risk**

The Company is subject to market risk related to the market price of U<sub>3</sub>O<sub>8</sub> and V<sub>2</sub>O<sub>5</sub>. The Company's existing long term contracts have expired, following the Company's April 2018 deliveries, and all uranium sales will now be required to be made at spot prices until the Company enters into new long-term contracts at satisfactory prices in the future. Future revenue beyond our current contracts will be affected by both spot and long-term U<sub>3</sub>O<sub>8</sub> price fluctuations which are affected by factors beyond our control, including: the demand for nuclear power; political and economic conditions; governmental legislation in uranium producing and

consuming countries; and production levels and costs of production of other producing companies. The Company continuously monitors the market to determine its level of extraction and recovery of uranium in the future.

### Interest Rate Risk

The Company is exposed to interest rate risk on its cash equivalents, deposits, restricted cash, and debt. Our interest earned is not material; thus not subject to significant risk. The Company is exposed to an interest rate risk associated with its Debentures, which is based on the spot market price of U<sub>3</sub>O<sub>8</sub>. These Debentures mature in December 2020. The Company does not currently expect the spot market price of U<sub>3</sub>O<sub>8</sub> to exceed \$54.99 per pound prior to the Debentures' maturity and, accordingly, does not believe there is any significant interest rate risk related to these Debentures. The Company does not use derivatives to manage interest rate risk. The following chart displays the interest rate applicable to our Debentures at various U<sub>3</sub>O<sub>8</sub> per pound price levels.

UxC U <sub>3</sub> O <sub>8</sub> Weekly Indicator Price	Annual Interest Rate
Up to \$54.99	8.5%
\$55.00–\$59.99	9%
\$60.00–\$64.99	9.5%
\$65.00–\$69.99	10%
\$70.00–\$74.99	10.5%
\$75.00–\$79.99	11%
\$80.00–\$84.99	11.5%
\$85.00–\$89.99	12%
\$90.00–\$94.99	12.5%
\$95.00–\$99.99	13%
\$100 and above	13.5%

### Currency Risk

The foreign exchange risk relates to the risk that the value of financial commitments, recognized assets or liabilities will fluctuate due to changes in foreign currency rates. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates. As the US Dollar is the functional currency of our U.S. operations, the currency risk has been reduced. We maintain a nominal balance in foreign currency, resulting in a low currency risk relative to our cash balances. Our Debentures are denominated in Canadian Dollars and, accordingly, are exposed to currency risk.

The following table summarizes, in United States dollar equivalents, the Company's major foreign currency (Cdn\$) exposures as of September 30, 2018 (\$000):

Cash and cash equivalents	\$ 955
Accounts payable and accrued liabilities	(697)
Loans and borrowings	(17,251)
<b>Total</b>	<b>\$ (16,993)</b>

The table below summarizes a sensitivity analysis for significant unsettled currency risk exposure with respect to our financial instruments as at September 30, 2018 with all other variables held constant. It shows how net income would have been affected by changes in the relevant risk variables that were reasonably possible at that date.

('000s)	Change for Sensitivity Analysis	Increase (decrease) in other comprehensive income
	+1% change in U.S. dollar	
Strengthening net earnings	\$	(220)
	-1% change in U.S. dollar	
Weakening net earnings	\$	220

## **Credit Risk**

Credit risk relates to cash and cash equivalents, investments available for sale, trade, and other receivables that arise from the possibility that any counterparty to an instrument fails to perform. The Company only transacts with highly-rated counterparties and a limit on contingent exposure has been established for any counterparty based on that counterparty's credit rating. The Company's sales are attributable mainly to multinational utilities. As at September 30, 2018, the Company's maximum exposure to credit risk was the carrying value of cash and cash equivalents, investments available for sale, trade receivables and taxes recoverable.

## **ITEM 4. CONTROLS AND PROCEDURES.**

### **Disclosure Controls and Procedures.**

At the end of the period covered by this quarterly report on Form 10-Q for the period ended September 30, 2018, an evaluation was carried out under the supervision of and with the participation of our management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operations of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on that evaluation, the CEO and the CFO have concluded that as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective in ensuring that: (i) information required to be disclosed by us in reports that we file or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

### **Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting during the quarter ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### ITEM 1. LEGAL PROCEEDINGS.

We are not aware of any material pending or threatened litigation or of any proceedings known to be contemplated by governmental authorities that are, or would be, likely to have a material adverse effect upon us or our operations, taken as a whole that was not disclosed in the Company's Form 10-K for the year ended December 31, 2017, as filed with the SEC dated March 9, 2018, except that on October 25, 2018, the Ninth Circuit Court of Appeals panel ruled on the petition for rehearing en banc of the Court's ruling in favor of the District Court on the challenges relating to the Company's Canyon Project, that had been filed by the plaintiffs earlier this year. The panel withdrew its prior opinion and filed a new opinion, which affirmed with one exception the District Court's decision. The one exception relates to the plaintiffs' fourth claim, which was dismissed by the District Court for lack of standing. The Ninth Circuit panel reversed itself on its standing analysis, concluded that the plaintiff's have standing to assert this claim and remanded the claim back to the District Court to hear the merits of plaintiffs' claim. If the plaintiffs are successful on this claim, the Company may be required to maintain the Canyon Project on standby pending resolution of the matter. Such a required prolonged stoppage of mining activities could have a significant impact on our future operations.

### ITEM 1A. RISK FACTORS.

There have been no material changes from the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2017 as filed with the SEC dated March 9, 2018.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

### ITEM 4. MINE SAFETY DISCLOSURE.

The mine safety disclosures required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K are included in Exhibit 95.1 of this Quarterly Report, which is incorporated by reference into this Item 4.

### ITEM 5. OTHER INFORMATION.

None.

### ITEM 6. EXHIBITS.

#### *Exhibits*

The following exhibits are filed as part of this report:

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#">Articles of Continuance dated September 2, 2005 (1)</a>
3.2	<a href="#">Articles of Amendment dated May 26, 2006 (2)</a>
3.3	<a href="#">Bylaws (3)</a>
4.1	<a href="#">The Amended and Restated Convertible Debenture Indenture dated August 4, 2016 between Energy Fuels Inc., BNY Trust Company of Canada and the Bank of New York Mellon providing for the issuance of debentures (4)</a>
4.2	<a href="#">Financing Agreement between Johnson County, Wyoming and Uranerz Energy Corporation dated November 26, 2013 (5)</a>
4.3	<a href="#">Bond Purchase Agreement among the State of Wyoming, Johnson County and Uranerz Energy Corporation dated November 12, 2013 (6)</a>

4.4	<a href="#">Promissory Note among the State of Wyoming, Johnson County and Uranerz Energy Corporation dated November 26, 2013 (7)</a>
4.5	<a href="#">Mortgage, Assignment of Revenues, Security Agreement, Fixture Filing and Financing Statement between Uranerz Energy Corporation and UMB Bank, n.a., as Trustee and Mortgagee dated November 26, 2013 (8)</a>
4.6	<a href="#">Shareholder Rights Plan between Energy Fuels Inc. and CIBC Mellon Trust Company dated February 3, 2009 (9)</a>
4.7	<a href="#">Warrant Indenture between Energy Fuels Inc. and CST Trust Co. providing for the issue of common share purchase warrants dated March 14, 2016 (10)</a>
4.8	<a href="#">First Supplemental Indenture among Energy Fuels Inc., CST Trust Company and American Stock Transfer &amp; Trust Company, LLC dated April 14, 2016 (11)</a>
4.9	<a href="#">Warrant Indenture between Energy Fuels Inc., CST Trust Company and American Stock Transfer &amp; Trust Company, LLC dated September 20, 2016 (12)</a>
4.10	<a href="#">Consulting Agreement between Energy Fuels Inc. and Liviakis Financial Communications, Inc. dated March 29, 2018 and effective October 1, 2017 (13)</a>
4.11	<a href="#">Consent, Waiver and Release Agreement and Amendment to Financing Agreement among Uranerz Energy Corp., Johnson County, WY, the State of Wyoming acting by and through the Wyoming State Treasurer, Energy Fuels Holdings Corp., and UMB Bank, n.a., dated March 14, 2018 and Effective May 1, 2018 (14)</a>
4.12	<a href="#">Energy Fuels Inc. Omnibus Compensation Plan dated January 28, 2015 (15)</a>
4.13	<a href="#">Amended and Restated Shareholder Rights Plan Agreement between Energy Fuels Inc. and AST Trust Company, dated March 29, 2018 and effective as of May 30, 2018 by shareholder vote (16)</a>
4.14	<a href="#">2018 Omnibus Equity Incentive Compensation Plan, as amended and restated as of March 29, 2018 (17)</a>
4.15	<a href="#">Release of Mortgage, Assignment of Revenues, Security Agreement, Fixture Filing and Financing Statement, dated September 11, 2018</a>
4.16	<a href="#">October 2018 Amended and Restated Consulting Agreement dated and effective as of October 1, 2018 between Energy Fuels Inc. and Liviakis Financial Communications, Inc.</a>
23.1	<a href="#">Consent of Mark S. Chalmers</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended</a>
32.1	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
95.1	<a href="#">Mine Safety Disclosure</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension – Schema
101.CAL	XBRL Taxonomy Extension – Calculations
101.DEF	XBRL Taxonomy Extension – Definitions
101.LAB	XBRL Taxonomy Extension – Labels
101.PRE	XBRL Taxonomy Extension – Presentations

- (1) Incorporated by reference to Exhibit 3.1 of Energy Fuels' Form F-4 filed with the SEC on May 8, 2015.
- (2) Incorporated by reference to Exhibit 3.2 of Energy Fuels' Form F-4 filed with the SEC on May 8, 2015.
- (3) Incorporated by reference to Exhibit 3.3 of Energy Fuels' Form F-4 filed with the SEC on May 8, 2015.
- (4) Incorporated by reference to Exhibit 4.1 of Energy Fuels' Form 10-Q filed with the SEC on August 5, 2016.
- (5) Incorporated by reference to Exhibit 4.1 to the Form 8-K filed on December 3, 2013 by Uranerz Energy Corporation.
- (6) Incorporated by reference to Exhibit 4.2 to the Form 8-K filed on December 3, 2013 by Uranerz Energy Corporation.
- (7) Incorporated by reference to Exhibit 4.3 to the Form 8-K filed on December 3, 2013 by Uranerz Energy Corporation.
- (8) Incorporated by reference to Exhibit 4.4 to the Form 8-K filed on December 3, 2013 by Uranerz Energy Corporation.
- (9) Incorporated by reference to Exhibit 10.9 to Energy Fuels' Form F-4 filed on May 8, 2015.
- (10) Incorporated by reference to Exhibit 4.1 to Energy Fuels' Form 8-K filed on March 14, 2016.
- (11) Incorporated by reference to Exhibit 4.1 to Energy Fuels' Form 8-K filed on April 20, 2016.
- (12) Incorporated by reference to Exhibit 4.1 to Energy Fuels' Form 8-K filed on September 20, 2016.
- (13) Incorporated by reference to Exhibit 4.10 to Energy Fuels' Form 8-K filed on April 3, 2018.
- (14) Incorporated by reference to Exhibit 4.11 to Energy Fuels' Form 8-K filed on May 3, 2018.
- (15) Incorporated by reference to Exhibit 4.12 to Energy Fuels' Form S-8 filed on June 24, 2015.
- (16) Incorporated by reference to Schedule B to Energy Fuels' Schedule 14A filed on April 11, 2018.
- (17) Incorporated by reference to Schedule C to Energy Fuels' Schedule 14A filed on April 11, 2018.

#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the *Securities Exchange Act of 1934*, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ENERGY FUELS INC.**  
(Registrant)

Dated: November 2, 2018

By:           /s/ Mark S. Chalmers            
Mark S. Chalmers  
President & Chief Executive Officer

Dated: November 2, 2018

By:           /s/ David C. Frydenlund            
David C. Frydenlund  
Chief Financial Officer