

**Conservation Colorado • Earthworks • INFORM**  
**San Juan Citizens Alliance • Sheep Mountain Alliance**

June 23, 2017

The Colorado Mined Land Reclamation Board  
Colorado Division of Reclamation, Mining & Safety  
1313 Sherman Street  
Denver, Colorado 80203  
Via email to: Ginny.Brannon@state.co.us, Jeff.Fugate@state.co.us,  
Dustin.Czapla@state.co.us, Russ.Means@state.co.us, camille.mojar@state.co.us

Re: Objection to Request for Extension of Temporary Cessation Status, Van 4 Mine,  
Permit No. M-1997-032

Dear Members of the Mined Land Reclamation Board,

The Information Network for Responsible Mining, Conservation Colorado, Earthworks, San Juan Citizens Alliance and Sheep Mountain Alliance file this objection to Piñon Ridge Mining LLC's request to extend temporary cessation status on the Van 4 Mine, permit no. M-1997-032, for a second five-year period. The staff and members of these organizations are directly and adversely affected parties as defined by Rules 1.1(38.1) and 1.13.6 and take a direct interest in the operations and final reclamation of the Van 4 mine site. The staff and members of these organizations regularly use and enjoy the public lands at and surrounding the Van 4 Mine. We appreciate the opportunity to provide these comments and request that a hearing to review the status of the Van 4 Mine be held before the Mined Land Reclamation Board.

For consideration by the Board, we have the following comments:

*1. The Van 4 Mine has avoided final reclamation for years in violation of Colorado law.*

The Colorado Mined Land Reclamation Act states unequivocally that a mine must be reclaimed after a decade of inactivity. The law says: “In no case shall temporary cessation of production be continued for more than ten years without terminating the operation and fully complying with the reclamation requirements of this article.”<sup>1</sup>

Throughout its history, the Van 4 Mine has been minimally active and has not produced any substantive amount of ore since its permit was issued in 1997; its permit boundaries were carved from the former Thunderbolt Group (permit no. M-1977-287), where activity ceased in the early 1980s. This extended period of nearly four decades of non-production and token activity at the Van 4 Mine without any effort to complete reclamation is simply unlawful. Denial of the second Notice of Temporary Cessation is consistent with Colorado law and will help bring this mine into prompt compliance.



Van 4 Mine, Montrose County

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<sup>1</sup> Please see C.R.S. § 34-32-103(6) (a)(III)

<sup>2</sup> See Nov. 15, 2013, Notice of Temporary Cessation dated by Energy Fuels Inc., available in permit file at: <http://drmsweblink.state.co.us/drmsweblink/0/doc/1008220/Page1.aspx?searchid=3e08dc85-97b6-4d35->

The Mined Land Reclamation Act (MLRA) speaks unambiguously of the production of ore as a requirement for retaining a reclamation permit at C.R.S. § 34-32-103(6)(a)(I) by specifically requiring that an operator “engage in the extraction of minerals” in order for a reclamation permit to remain in effect. The only exceptions to this requirement are for a mine to either be in full reclamation or to be in an approved period of temporary cessation, limited to two five-year periods. Because the Van 4 Mine has not “produced” as required by the Act, the mine is ineligible for a second five-year period of temporary cessation and it must be required to begin final reclamation.

As the public records of the Division of Reclamation, Mining and Safety show, the Van 4 has had no significant or meaningful mining activity throughout the entire history of its permit, issued in 1997, nor has it had any significant activity since the uranium market collapsed in the 1980s and the Thunderbolt group of mines ceased operating. Shortly after transfer of the mine permit from Denison Mines (USA) Corp. to former owner Energy Fuels Inc., Energy Fuels filed notice of temporary cessation for the Van 4 on June 13, 2012,<sup>2</sup> but for all intents and purposes the Van 4 has been shut down for far longer. The only major activity involving the Van 4 appears to have been the transferal of permits among subsidiaries of Canadian-based corporations.

According to the Van 4 mining plan on file with the Division, the Van 4 shaft was constructed in 1979 and produced some ore after opening. Initial production continued no later than 1984, however, when former owner Union Carbide shut down all of its operations in western Colorado. Some production resumed at the mine between 1989 and 1990.<sup>3</sup> In 1997, as the rest of the Thunderbolt complex was reclaimed and released from permitting, a new permit for the Van 4 was issued by the Division. Two years later, a Division inspection report noted the continuing lack of activity at the site: “At this time [1999], there are no uncorrected problems, other than the long period of inactivity

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<sup>2</sup> See Nov. 15, 2013, Notice of Temporary Cessation dated by Energy Fuels Inc., available in permit file at: <http://drmsweblink.state.co.us/drmsweblink/0/doc/1008220/Page1.aspx?searchid=3e08dc85-97b6-4d35-9774-b5022e4aa0ef>. Energy Fuels notified the Division that the mine had gone on temporary cessation status 17 months prior to the submission of the notice.

<sup>3</sup> See Exhibit C, p. 1, Mining Plan, in November 2007 permit application, available in permit file at: <http://drmsweblink.state.co.us/drmsweblink/0/doc/809078/Page1.aspx?searchid=464a01be-7cc8-4d3d-be36-b16ad4d9905c>

without reclamation occurring, and a possibly insufficient bond.”<sup>4</sup>

The record shows that nothing has significantly changed with that situation in the intervening years. In 2001, the operator was again reminded of the temporary cessation requirements in a Division inspection report, which documented the dilapidation of the site’s buildings caused by neglect, vandalism and an infestation of rodents. The bond had to be updated in order to consider the costs of preventing exposure of hantavirus to workers.<sup>5</sup> Inexplicably, the Van 4 was not formally placed on temporary cessation status for another 11 years, although the cessation of production had in fact long since occurred.



Van 4 hoist house left open to the elements

During those years, so-called mining activities at the Van 4 consisted of regular maintenance and occasional statements that the mine would be redeveloped for the future,

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<sup>4</sup> Jan. 13, 1999, inspection report, located in permit file at <http://drmsweblink.state.co.us/drmsweblink/0/doc/347882/Page1.aspx?searchid=464a01be-7cc8-4d3d-be36-b16ad4d9905c>

<sup>5</sup> June 4, 2001, inspection report for the Van 4, in permit file at <http://drmsweblink.state.co.us/drmsweblink/0/doc/325984/Page1.aspx?searchid=3e08dc85-97b6-4d35-9774-b5022e4aa0ef>

as made in numerous and virtually identical annual reports to the Division. A high point of activity was the reopening of a vent hole in 2007 and the realization that the vent was unusable and therefore needed to be reclaimed, requiring the planting of seeds on less than one acre of land.<sup>6</sup> In 2009, the most significant activity was the cleanup of transformer oil spilled on the ground by thieves who had stripped the mine's buildings of electrical wiring.<sup>7</sup> Later that year, the mine's environmental protection plan (EPP) summarized site conditions this way: "The mine is not currently producing, and access into the underground workings is not possible as a result of the existing condition of the headframe and shaft infrastructure."<sup>8</sup> Even then, the mine was not placed on temporary cessation, purportedly because the operator had to make improvements to a stormwater ditch, required by the implementation of the EPP, a task that took the next three years to achieve but does not meet the statutory and regulatory definitions of an "active" mine.



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<sup>6</sup> Annual report filed by Denison Mines on Nov. 3, 2009, available in permit file at <http://drmsweblink.state.co.us/drmsweblink/0/doc/898791/Page1.aspx?searchid=3e08dc85-97b6-4d35-9774-b5022e4aa0ef>

<sup>7</sup> April 7, 2009, correspondence from Denison Mines to Bureau of Land Management, in permit file at <http://drmsweblink.state.co.us/drmsweblink/0/doc/882156/Page1.aspx?searchid=3e08dc85-97b6-4d35-9774-b5022e4aa0ef>

<sup>8</sup> See p 1-1 of Attachment H (p. 32 of PDF) in the Hydrological Evaluation of the Van 4 Mine, submitted with EPP on June 8, 2009, available in permit file at <http://drmsweblink.state.co.us/drmsweblink/0/doc/887378/Page1.aspx?searchid=3e08dc85-97b6-4d35-9774-b5022e4aa0ef>



Significantly, there has been no ore mining at the Van 4. This has been the situation since its permit was issued in 1997 until it was officially granted temporary cessation status in 2012, as well as during the two decades prior to current permitting. Based on facts established in the mine files, the Van 4 is not eligible for an additional period of temporary cessation because, as previously noted, the MLRA requires “the extraction of minerals” for a permit to remain in effect.<sup>9</sup> The permittees have not reported any mineral extraction at the Van 4 since at least 1997, and the extraction of minerals is extremely unlikely to occur in the future despite continuing promises of a price revival from hopeful speculators. It is past time for final reclamation to begin.

*2. The Division should take steps to ensure that reclamation promptly occurs and that cleanup costs do not fall on taxpayers.*

Reclamation of the Van 4 Mine does not pose a significant financial burden to Piñon Ridge Mining LLC, which purchased the mine for a token amount in 2012<sup>10</sup> with the knowledge that it was on temporary cessation and that final reclamation was imminent under state law. Reclamation and final cleanup of the Van 4 mine should begin as soon as possible. The reclamation requirements for the mine are minimal, and the cost of implementing the reclamation requirements are estimated at \$75,057, the current bond amount.<sup>11</sup> Under the reclamation plan, Piñon Ridge Mining is required to revegetate the surface area, including the waste rock area, backfill the mine shaft, remove the nonfunctioning headframe, and demolish the two dilapidated maintenance buildings, which will be buried onsite.<sup>12</sup>

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<sup>9</sup> See C.R.S. § 34-32-103(6)(a)(I)

<sup>10</sup> See “Energy Fuels to sell Piñon Ridge Uranium Mill for \$2.05 million,” The Denver Post, July 8, 2014. The deal included the state-issued license for a uranium processing mill, the five mines of the Sunday Complex, and the Van 4 Mine for just a small fraction of the value of the properties if the market were actually viable. Online at <http://www.denverpost.com/2014/07/08/energy-fuels-to-sell-pion-ridge-uranium-mill-mines-for-2-05-million/>

<sup>11</sup> The Division’s 2012 requirement and cost calculations are available in the permit file at <http://drmsweblink.state.co.us/drmsweblink/0/doc/954982/Electronic.aspx?searchid=464a01be-7cc8-4d3d-be36-b16ad4d9905c>

<sup>12</sup> The final reclamation map is available in the permit file at <http://drmsweblink.state.co.us/drmsweblink/0/doc/887380/Page1.aspx?searchid=464a01be-7cc8-4d3d-be36-b16ad4d9905c>. Details of building demolition and onsite burials are at p 3 in reclamation costs calculations, in permit file at

Even with just a modest list of reclamation tasks to be considered, the Division should take care to adequately estimate the true current costs of reclaiming the Van 4 Mine and undertake any additional analysis necessary to ensure that the mine's radioactive materials and waste rock are handled so that public health and the environment are protected. The onsite burial of the buildings should also be reconsidered. Because of the request to extend temporary cessation, the MLRA and implementing regulations require the applicant to demonstrate -- and the Division to verify -- the adequacy of the final bond amount after the Division conducts a new inspection of the mine site. The inspection report and any bond recalculation documents should be made available as soon as possible to help inform public participation in this proceeding.



**The Van 4 Mine from Google Earth, showing disturbed areas and prominent waste rock area.**

We believe the Board's and the Division's careful scrutiny of the applicant's bonding estimate and reclamation plans is of special importance in this case because of the recent actions of Western Uranium Corporation, the corporate owner of Piñon Ridge Mining LLC. According to the management analysis document filed with the Canadian securities exchange by Western Uranium Corporation on March 31, 2017, the company deliberately walked away from a \$210,510 bond for a coal mine in Alaska after pulling out of the project. As the report noted:

During the second quarter of 2016, the Company initiated actions to cancel its coal mining leases in Alaska. In connection therewith, the Company notified the state of Alaska of its intent to forfeit the posted bond in satisfaction of the reclamation liabilities at the site. In response to the Company's notification, the Company received notification that the state of Alaska was initiating forfeiture of the Company's performance bond for reclamation. However, the notice indicated an additional surety bond of \$150,000 in excess of the \$210,500 cash bond, which had been posted by the Company upon purchase of the property. **The Company and its advisors do not believe that it is obligated for this additional amount of claimed reclamation obligation.** *[Emphasis added.]* The Company is working with its legal counsel and the State of Alaska to resolve this matter. The Company has not recorded an additional \$150,000 obligation as the Company does not expect, based on the advice of legal counsel, to be obligated to an amount greater than that presently reflected in the reclamation liability. During the year ended December 31, 2016, the Company adjusted the fair value of its reclamation obligation and for the Alaska mine, accreted \$183,510 to bring its reclamation liability to face value. The portion of the reclamation liability related to the Alaska mine, and its related restricted cash are included in current liabilities, and current assets, respectively, at a value of \$215,976 and \$215,976. On January 20, 2017, the State of Alaska notified the Company that its reclamation bond had been forfeited to be used to satisfy the reclamation obligation. However, no amount had yet been determined in respect to the final cost of the reclamation obligation.<sup>13</sup>

Considering the willingness of the parent corporation to walk away from its mining liabilities in Alaska, the Division and Board should do everything reasonable to hold Piñon Ridge Mining and Western Uranium Corporation accountable for cleaning up the Van 4 and prevent Coloradans from being saddled with the costs of covering those

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<sup>13</sup> Western Uranium Corporation, Management Discussion & Analysis, p. 5, filed March 31, 2017, Available for download at <http://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00026200>  
Copy attached.



obligations.

*3. The reclamation and environmental protection plans should be updated to consider existing conditions.*

The MLRA and the Rules require the final reclamation of the Van 4 to be protective of the environment. The Van 4 Mine submitted an Environmental Protection Plan in 2012 as a requirement of a 2008 legislative confirmation that all Colorado uranium mines meet the MLRA definition of “designated mining operations.” Review of the existing EPP confirms that additional analysis and information for the site are needed in order to achieve a final closure that truly returns the land “to a use beneficial to the people of this state” as required under the MLRA.<sup>14</sup>

In 2014, the Gunnison Sage Grouse was protected as a threatened species under the federal Endangered Species Act. The Van 4 Mine is located in designated critical habitat for the grouse, which has a total breeding population of approximately 4,700 birds throughout its entire range. The Van 4 Mine is located in the upland portion of the critical habitat for the San Miguel Basin subpopulation, which is on the verge of extirpation with an estimated 206 birds left.<sup>15</sup> During the federal listing process for the Gunnison Sage Grouse, mineral development was identified as a contributing factor to the decline of the species. Beginning in 2000, when the grouse became a candidate species, the Colorado Department of Natural Resources began actively engaging in private-public efforts to restore habitat and developed a rangewide species conservation plan, indicating the importance and prioritization of state policy to recover the grouse.<sup>16</sup> However, the reclamation and environmental protection plans for the Van 4 Mine did not take into consideration the importance of recovering grouse at the time they were approved. The

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<sup>14</sup> See C.R.S. § 34-32-102(1).

<sup>15</sup> Population estimates documented in the final rule for the listing of the Gunnison Sage Grouse in the Federal Register, Vol. 79, No. 224 at 69196, Nov. 20, 2014, <https://www.gpo.gov/fdsys/pkg/FR-2014-11-20/pdf/2014-27109.pdf>. Critical habitat designations for the Gunnison Sage Grouse were identified in the Federal Register, Vol. 79, No. 224, on Nov. 20, 2014; in particular, the San Miguel Basin habitat is mapped at p 69359; available online at [https://www.fws.gov/mountain-prairie/species/birds/gunnisonsagegrouse/GuSGCriticalHabitat\\_11202014.pdf](https://www.fws.gov/mountain-prairie/species/birds/gunnisonsagegrouse/GuSGCriticalHabitat_11202014.pdf)

<sup>16</sup> See Colorado’s rangewide conservation plan and background information at <http://cpw.state.co.us/learn/Pages/GunnisonSagegrouseConservationPlan.aspx>

natural sage brush cover of the site has been significantly disturbed through the decades and is in poor condition overall.<sup>17</sup> Because of the need to restore habitat for the Gunnison Sage Grouse, the Division should consider any necessary improvements to the reclamation plan for the Van 4 to support state and federal species conservation goals. The Board and the Division should also take care to avoid approving activities that could cause a prohibited take of the protected species and/or its habitat.<sup>18</sup>

The Van 4 mine is actively grazed by cattle, including on areas constructed out of waste rock with undocumented levels of radioactivity. Even though other uranium mines in the area have conducted and submitted overland gamma surveys that indicated extensive radiological contamination inside mine permit boundaries as well as outside the



Livestock grazing at the Van 4 Mine

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<sup>17</sup> The Van 4 Mine is located within the BLM “Mesa Creek” grazing allotment (ID CO17014). The Mesa Creek allotment, and the majority of surrounding allotments, do not meet BLM rangeland health standards, with the impacts of mining identified as a contributing factor in 2013 analysis. See BLM rangeland conditions mapping at <http://bit.ly/2szL1m5>

<sup>18</sup> See also enclosed map locating the Van 4 Mine in designated critical habitat for the Gunnison Sage Grouse.

boundaries on access roads and adjacent lands, no equivalent survey has been conducted for the Van 4. Considering the presence of cattle and wildlife as well as the fact that the adjacent public lands are used extensively for recreation, the Division should require such surveys of the Van 4 and consider the best management practices for reclaiming radioactive areas during its current bond review. The Division should require the reclamation plan to be updated to specifically address the site's radioactivity with the goal of returning it to background levels in order to protect livestock, wildlife and public health.

*4. The Van 4 Mine does not meet the requirements of the Rules to qualify for an additional five-year period of temporary cessation.*

Rule 1.13.1 specifies that mine permits remain in effect only so long as the “operator continues to engage in the extraction of minerals.” The Van 4 does not meet this requirement.

Rule 1.13.5(a) requires that the notice for a second period of temporary cessation shall include a demonstration that the financial warranty is adequate to cover the liability. The Van 4 did not meet this requirement because Piñon Ridge Mining did not make any attempt to update the existing bond calculations or make adjustments for inflation. The current bond amount was set by the Division on May 10, 2012.

The operator also failed to meet the requirements of Rule 1.13.5(c) which requires the “demonstration of continued commitment to conduct mining operations at the site” within the next five years because it relies on speculative analysis of the spot uranium market that has scant connection to the likelihood that the Van 4 would actually produce ore in the future. Piñon Ridge Mining also relies on overly optimistic assessments of the viability of the unproven technology of ablation processing to assert that the Van 4 Mine will reopen.

*5. Speculative market projections do not accurately reflect the economic outlook for uranium mines in western Colorado.*

Since the Van 4 Mine finally and officially entered temporary cessation in 2012, the

market price of uranium has dropped roughly in half yet Piñon Ridge Mining continues to rely on claims of a swift turnaround fueled by a resurgence in nuclear power production as the plan to resume production that is required by Rule 1.13.5(c). In particular, Piñon Ridge Mining cites price forecasts from Cantor Fitzgerald, Haywood Securities, RBC Capital Markets and TD Securities, which are all consistently and eagerly bullish to the exclusive advantage of junior mining companies that are luring investors to support companies that are in the business to mine them rather than uranium.

The Wall Street Journal, the leading business journal, provided quite a different outlook for uranium – and a realistic one – in September 2016:

“There is too much of nearly every commodity. Then there is uranium. The outlook for the element that powers nuclear reactors may be worse than for any other, and there is almost no prospect for improvement soon. Unlike other commodities, low prices won’t stimulate demand. No commodity faces the unique pressure that uranium and nuclear fuel do and there is little prospect of a near-term recovery.”<sup>19</sup>

In its discussion of future mining plans at the Van 4, Piñon Ridge Mining says that it has “confidence” prices will rise high enough to support sustainable operations as well as the assertion that a new uranium mill will be built and ready to open its doors for business in Paradox Valley in 2019, providing a processing location for ore from the Van 4. This is an unsupportable assumption. In reality, the Piñon Ridge Mill cannot be constructed because the license has been suspended while ongoing litigation between the state and Sheep Mountain Alliance is pending in court. It also makes a particularly unattractive investment opportunity due to its extremely poor economics, excess milling capacity from competitors, and the consistent low prices for uranium that have existed since the market collapsed in the years following the Three Mile Island incident in 1979.

As stated in filings required by Canadian security laws, Energy Fuels Corporation (the former Van 4 owner) continues to suspend uranium mining and milling operations in the current market conditions, as are other uranium producers worldwide. Moreover, Energy

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<sup>19</sup> Spencer Jakab, 18 Sept. 2016, 'Uranium Investments Grow Radioactive', Wall Street Journal. <https://www.wsj.com/articles/why-uranium-investments-will-remain-radioactive-1474225882>  
Copy with original headline enclosed.

Fuels reported that although the \$20-per-pound “spot prices have recovered somewhat from their late-2016 lows, the market remains weak and oversupplied. The Company continues to believe that the continued weak uranium markets are primarily the result of excess uranium supplies caused by large quantities of secondary uranium extraction, excess inventories, and thus far insufficient production cut-backs.” The report also confirms that Energy Fuels “does not expect the spot market price of U3O8 to exceed \$54.99 prior to December 2020.”<sup>20</sup> Indeed, the futures market has priced uranium yellowcake in the \$20 range out until March 2020.<sup>21</sup> These prices exceed the production costs, and are the likely business reason Energy Fuels transferred the Van 4 assets to Piñon Ridge Mining in 2014.

Piñon Ridge Mining also says that it considers the Van 4 to be a “near-term producer” and that it could commence production quickly at the mine when and if the day of high uranium prices arrives. However, its parent company focuses on other mines and prospects in investment presentations and marketing materials and rarely mentions the Van 4 publicly. Western Uranium Corporation has also not bothered to verify the actual quantity or economic reserves of uranium and vanadium at the Van 4 mine based on the cost of production methodology required by the Canadian regulators; any assumptions of the value of ore bodies or the potential to produce ore are based on historic estimates only.<sup>22</sup> To date, neither Western Uranium nor any of the Van 4’s preceding owners have taken steps to produce a Preliminary Economic Analysis (a PEA) for the Van 4 or to verify resources in a NI 43-101 Technical Report, which any mining company must prepare in order to comply with Canadian regulations applicable to mineral estimates. By contrast, Western has produced a NI 43-101 PEA for the majority of its other mines,

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<sup>20</sup> Energy Fuels Inc., For 10-Q quarterly report to the SEC, March 31, 2017. See p. 18 of the attached report for discussion of poor market outlook and p. 32 for 2020 price prediction.

<sup>21</sup> See projected price quotes for uranium at <http://data.tradingcharts.com/futures/quotes/ux.html>

<sup>22</sup> An examination of Western Uranium Corporation’s investor materials from March 2017 reveals that the primary emphasis of the company’s current business model is to promote the ablation processing technology at the Sunday mines in advance of development of all its other properties: [http://www.blackrangeminerals.com/corporate-presentation/WUC\\_CorporatePresentation\\_March\\_2017.pdf](http://www.blackrangeminerals.com/corporate-presentation/WUC_CorporatePresentation_March_2017.pdf). Note that the Van 4 is not specifically mentioned in a list of asset properties by Western Uranium on its website at <http://www.blackrangeminerals.com/mines-projects.html>, and note the use of historic resource estimates that are not verifiable.



advancing them toward production ahead of the Van 4. Without verified resources or a PEA, and considering the physical state of the mine's infrastructure, the Van 4 is simply not a serious candidate for mineral production in the foreseeable future, even by the minimalist standards of the Canadian-based junior mining sector.

Piñon Ridge Mining has done nothing to actively advance actual mining and ore production at the Van 4. There is simply no reason to allow the Van 4 to remain on temporary cessation for another five years.



*6. It is not reasonable to rely on an unproven technology to support the resumption of operations at the Van 4 Mine.*

In its informal plan to resume mining at the Van 4, Piñon Ridge Mining says that the ablation processing technology will be deployed at the Van 4 Mine, which will enable operations to restart because costs will be significantly reduced. This scenario lacks the data, veracity, and rigor required of claims made by Canadian mining corporations and

incorrectly relies on the assumption that the 11(e)(2) byproduct waste created by ablation processing will be backfilled in the underground workings of the Van 4 as a means of final disposal.

This rosy scenario fails to consider the 2016 determinations of both the Colorado Department of Public Health & Environment and the U.S. Nuclear Regulatory Commission that ablation processing is a uranium milling activity which, in Colorado, requires a full uranium milling Part 18 license authorized under the Atomic Energy Act and that the 11(e)(2) byproduct must be disposed in a tailings impoundment at a licensed and operating uranium mill. There is no means to authorize disposal of ablation waste in the underground workings of mines or anywhere else other than at the impoundments at Energy Fuels' White Mesa Mill near Blanding, Utah. There is no indication that Energy Fuels has the capacity or commercial willingness to accept wastes from Van 4, regardless of price. Colorado's Radiation Control Act and implementing regulations do not allow for the unlicensed possession or the alternate disposal of ablation waste.<sup>23</sup> Piñon Ridge Mining's assertion that it will backfill mine workings with this waste is unrealistic and prohibited by Colorado law.<sup>24</sup>

Ablation processing has only been conducted so far at a pilot scale and has never been subject to commercial-scale testing or deployed as a commercial activity. This lack of proven viability for ablation processing further erodes the validity of Piñon Ridge's plan to resume operations at the Van 4. The additional promises of greatly lowering production costs are also unproven. The company's recent analysis of the costs of ablation processing estimate a reduction between 33 and 44 percent<sup>25</sup>, which is not enough to sustain conventional uranium mining and is not certain. In a recent interview, Piñon Ridge Mining CEO George Glasier estimated the costs of ablating existing stockpiles at mines – which did not include the costs of mining new reserves of ore – to

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<sup>23</sup> See C.R.S. § 25-11-107(1)(a); accord C.R.S. § 25-11-203(1)(b)(I); accord 42 U.S.C. § 2111; see also 10 C.F.R. §§30.3; 40.3. No person may lawfully own or possess uranium mill tailings without a Colorado Department of Public Health and Environment ("CDPHE") approved "byproduct material" license under C.R.S. § 25-11-203, 6 CCR 1007-1 Part 18.

<sup>24</sup> See Colorado's standards for byproduct material licensing at 6 CCR 1007-1 Part 18 Appendix A.

<sup>25</sup> See discussion at p. 6 of Western Uranium Corporation's annual report for the 2016 fiscal year, filed with the SEC and available online at [https://www.sec.gov/Archives/edgar/data/1621906/000121390017003160/f10k2016\\_westernuranium.htm](https://www.sec.gov/Archives/edgar/data/1621906/000121390017003160/f10k2016_westernuranium.htm)

be roughly \$40 per pound.<sup>26</sup>

There are no significantly large waste piles located at the Van 4 Mine, mainly due to the fact that there has been no significant mining there over the past four decades, and thus no stockpile of material ready for ablation or to be “cleaned up” with the experimental technology. The price estimates in Piñon Ridge Mining’s plan to resume operations at the Van 4 simply do not take into the consideration the high costs of extracting uranium ore in underground mines on the Western Slope. Nevertheless, the bare assertion that a viable business model can be developed from using ablation processing has become the focal selling point of Western Uranium’s investor pitches and, now that it is time to apply for temporary cessation again, is being proposed as the economic solution for the Van 4.

Irony is absent from these pitches, which also trumpet ablation processing as a “cleanup” technology. It is clear from Western Uranium Corporation’s formal reports to the U.S. Securities Exchange Commission that reclamation – not mining – is the business model that it strives for:

Ablation mining technology can be used on legacy uranium stockpiles in the Western United States. WUC would ablate these stockpiles, removing 85-90% of the uranium. This is an application through which ablation mining technology could positively contribute to the 'greening of the environment'. According to a study there are approximately 4,225 legacy uranium mines from the 1940-1970 period throughout the Western United States, most of which have waste stockpiles.<sup>27</sup>

In this regard, the Board should hold Western Uranium Corporation and Piñon Ridge Mining LLC to their statements. We are in complete agreement that it is time to allow them to proceed with cleaning up a uranium mine and to contribute positively to the “greening of the environment.” The economic realities of the uranium market demonstrate that the only viable economic benefit to the local community lies in the work and employment associated with reclamation activities, rather than speculative future

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<sup>26</sup> WUC CEO George Glasier discussed in detail his predictions of cost-savings for the ablation technology in a Jan. 12, 2017, interview with Palisade Radio, available online at <http://palisaderadio.com/george-glasier-a-real-market-shift-in-uranium-is-in-play/>.

<sup>27</sup> Western Uranium Corporation, 2016annual report to SEC, p. 6, available online at [https://www.sec.gov/Archives/edgar/data/1621906/000121390017003160/f10k2016\\_westernuranium.htm](https://www.sec.gov/Archives/edgar/data/1621906/000121390017003160/f10k2016_westernuranium.htm)

mining plans or unsupported technologies.

Toward these shared goals of actual cleanup, we ask the Board to deny the company's request for a second five-year period of temporary cessation for the Van 4 Mine, instruct the Division staff to confirm the reclamation cost estimate, and proceed with final reclamation of the site.

Respectfully submitted,

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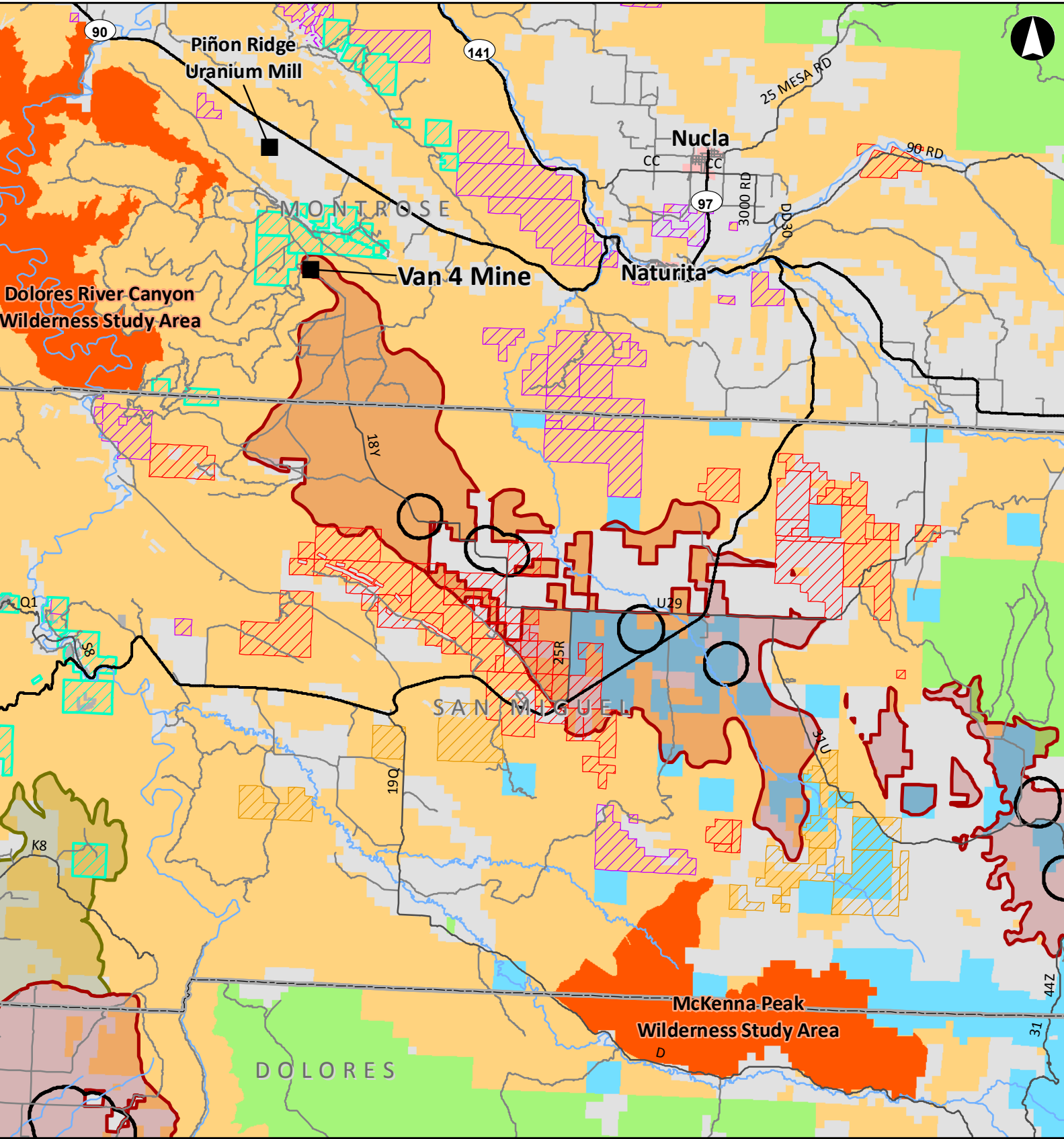
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# Van 4 Mine, Uranium and Oil & Gas Leasing, and Gunnison Sage-Grouse



**Legend**

- County
- Highway
- Other Road
- River

**Uranium Lease Tracts**

- Held by Production
- Not Held by Production
- Pending

**Federal Oil/Gas Lease**

- Held by Production
- Not Held by Production
- Pending

**Gunnison Sage-Grouse**

- Critical Habitat Occupied
- Critical Habitat Potential
- Gu Sage-Grouse Lek Site
- Wilderness Study Area

**Land Ownership**

- BLM
- USFS
- State
- Other Public
- Private/Tribe

**Data Sources:** BLM, CDOT, COGCC, COMaPv10, DOE, USFWS  
**Map Prepared by:** Alison Gallensky  
Rocky Mountain Wild  
6/15/2017 17-079 v2

Wall Street Journal  
Sept. 18, 2016

# Why Uranium Investments Will Remain Radioactive

No commodity faces the unique pressure that uranium and nuclear fuel do and there is little prospect of a near-term recovery



An open-air uranium mine in Niger *PHOTO: REUTERS*

By **SPENCER JAKAB**

Sept. 18, 2016 3:11 p.m. ET

There is too much of nearly every commodity in the world today. Then there is uranium.

The outlook for the element that powers nuclear reactors may be worse than for any other, and there is almost no prospect for improvement soon. Unlike other commodities, low prices won't stimulate demand.

There are several reasons for the weakness, some obvious, others surprising. The result has been the price of triuranium octoxide, which surged 1,400% in the five years through June 2007 to \$136 a pound, is now about \$25. And the price of fuel processing has dropped by nearly two-thirds since 2010.

The obvious reasons are [the shutdown of nuclear power plants](#) after the 2011 nuclear accident at Fukushima, Japan. Plants also shut down in Germany, Sweden, and elsewhere, while Belgium and Taiwan may be next. Even China, the leading growth market for nukes, enacted a delay in plant approvals. Meanwhile, the fracking revolution made some planned and existing U.S. plants uneconomical.

In 2010, Ux Consulting predicted the world's nuclear power plants would be able to generate 535 gigawatts of electricity in 2020. Now the prediction is just 408 gigawatts.

The surprising reasons range from the peculiar economics of nuclear fuel processing to unwanted inventories at dormant reactors and China's plans for a massive new mine in Africa.

The end of a U.S.-Russia deal to convert old Soviet warheads in 2013 took the equivalent of 20 million tons of triuranium octoxide ore, or 10% of annual supply off the market. That should have been good news for prices. But in anticipation of the end of the deal,

processors that turn their ore into fuel built arrays of expensive centrifuges.

Once built, these centrifuges must be run constantly. This has encouraged processors to engage in “underfeeding”—using less ore but enriching it more intensely to create extra fuel. It is the equivalent of mining about 15 million pounds a year of extra ore says Jonathan Hinze, executive vice president at Ux Consulting. U.S. stockpiles of all types of ore and fuel combined have risen by a third in four years, according to the U.S. Energy Information Administration.

Miners are partially cushioned by fixed long-term contracts with many customers. Canadian miner [Cameco](#) reported a cash cost of mining of over \$27 a pound in the first half of 2016 but expects to realize an average price above \$40 this year. Its capacity isn’t all needed, but shutting down uranium mines is expensive and difficult to reverse.

One bright spot for the nuclear-fuel market is China, which is building roughly one-third of the 66 reactors under construction worldwide. But China’s famous resource insecurity is creating problems too. China General Nuclear Power Holding Corp is ramping up [a huge mine in Namibia](#) that should produce 15 million pounds of ore annually.

Cameco, which has seen its share price drop by 84% since its 2007 peak, is one of the few pieces of the supply chain reacting to the dismal outlook. The miner [shut down its Rabbit Lake mine](#), the longest-operating uranium mine in North America, this summer.

But such painful cuts alone won’t bring the market into balance for what feels to investors like a lifetime—or at least a half-life.

**WESTERN URANIUM CORPORATION**  
**Management's Discussion and Analysis**  
**For the years ended December 31, 2016 and 2015**  
**(Stated in \$USD)**

**Dated March 31, 2017**

**INTRODUCTION**

Western Uranium Corporation (the "Company" or "Western") is the issuer. This Management's Discussion and Analysis ("MD&A") provides a review of corporate developments, results of operations and financial position as of December 31, 2016 and 2015 and for the years then ended. The MD&A is intended to supplement the consolidated financial statements and notes thereto (the "Statements") of Western for the above-noted periods.

All amounts included in the MD&A are presented in US dollars, unless otherwise specified. This report is dated March 31, 2017, and the Company's filings can be reviewed on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the CSE website at [www.cnsx.ca](http://www.cnsx.ca)

**FORWARD-LOOKING STATEMENTS**

This MD&A contains forward-looking statements. Forward-looking statements can often be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the ability of the Company to obtain necessary financing, the economy generally, anticipated and unanticipated costs and other risks and uncertainties referred to elsewhere in this MD&A. Such statements could also be materially affected by environmental regulation, taxation policies, competition, the lack of available and qualified personnel or management, stock market volatility and the ability to access sufficient capital from internal or external sources. Actual results, performance or achievement could differ materially from those expressed herein. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements, except as required by applicable law. These forward-looking statements should not be relied upon Western Uranium Corporation, as representing the Company's views as of any date subsequent to the date of this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company. Additional factors are noted in this MD&A under "Risk Factors".

**ABOUT THE COMPANY**

Western was incorporated in December, 2006 under the Ontario Business Corporations Act. During 2014, the Company acquired 100% of the issued and outstanding shares of PRM, a Delaware limited liability company. The transaction constituted a reverse takeover of Western by PRM. After obtaining appropriate shareholder approvals, the Company subsequently reconstituted its Board of Director and senior management team and changed its name to Western Uranium Corporation.

On September 16, 2015, Western completed its acquisition of Black Range, an Australian company that was listed on the Australian Securities Exchange ("ASX") until the acquisition was completed. Western and Black Range entered into a definitive Merger Implementation Agreement, pursuant to which Western agreed to acquire all of the issued and outstanding shares of Black Range.



Western has registered offices at 700-10 King Street East, Toronto, Ontario, Canada M5C 1C3 and its common shares are listed on the CSE under the symbol "WUC" and trade on the United States OTCQX Best Market under the ticker symbol "WSTRF." Its principal business activity is the acquisition and development of uranium resource properties principally in the states of Utah and Colorado, in the United States of America.

## **GOING CONCERN**

The accompanying condensed consolidated financial statements have been prepared using United States Generally Accepted Accounting Principles ("US GAAP") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. In this circumstance, the Company would be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

The Company has a working capital deficit of \$55,461 as of December 31, 2016 and has incurred net losses for the years ended December 31, 2016 and December 31, 2015 of \$2,174,291 and \$1,587,959, respectively. The Company will require additional financing in order to pursue its business plans and discharge its liabilities as they come due. Despite the significant reduction of the working capital deficit during 2016, these conditions indicate the existence of material uncertainties that cast substantial doubt upon the Company's ability to continue as a going concern.

## **HIGHLIGHTS AND SIGNIFICANT EVENTS**

### ***December 2015 Private Placement***

On January 4, 2016, the Company completed a private placement raising gross proceeds of CAD \$300,000 through the subscription for 101,009 common shares at a price of CAD \$2.97 (USD \$2.14) per common share, and warrants to purchase an aggregate of 101,009 common shares at an exercise price of CAD \$3.50. The warrants are exercisable immediately upon issuance and have a term of five years. Of the total amount received, CAD \$275,000 (USD \$198,298) was received in December of 2015 while the remainder CAD \$25,000 (USD \$18,236) was received in the three months ended March 31, 2016. As of December 31, 2015, the Company accounted for the proceeds of \$198,298 as subscriptions payable.

### ***April 2016 Private Placement***

During April 2016, the Company initiated a private placement offering for the sale of units of its securities for a price per unit of CAD \$1.70 (USD \$1.34). Each unit consists of one share of the Company's common stock and one warrant to purchase a share of common stock at CAD \$2.60 per share, with a term of five years. During April and May 2016 the Company raised gross and net proceeds of CAD \$791,090 (USD \$622,174) through the issuance of 465,347 units.

### ***September 2016 Private Placement***

On September 2, 2016, the Company completed a private placement issuing 1,078,458 units at CAD \$1.70 (USD \$1.32) per unit for total gross proceeds of CAD \$1,850,537 (USD \$1,423,618) and net proceeds of CAD \$1,830,029 (USD \$1,407,841). Each unit consists of one common share of the Company and one warrant at an exercise price of CAD \$2.80 which expire five years after the date of issuance.

### ***December 2016 Private Placement***

During December 2016, the Company completed a private placement and issued 1,010,950 units at CAD \$1.20 (USD \$0.90) per unit for total gross proceeds of CAD \$1,213,140 (USD \$909,855) and total net proceeds of CAD \$1,129,922 (USD \$842,018). Each unit consists of one common share of the Company and one warrant at an exercise price of CAD \$2.80 which expires five years after the date of issuance.

### ***March 2017 Private Placement***

On March 31, 2017, the Company completed a private placement of 634,424 units at a price of CAD \$1.75 (USD \$1.35) per unit for gross proceeds of CAD \$1,110,263 (USD \$835,805). Each unit consists of one share of the

Company's common stock and a warrant for the purchase of one share of the Company's common stock. Each warrant is immediately exercisable at a price of CAD \$3.25 and expires five years from the date of issuance.

### ***Extension of Short Term Loans***

On December 16, 2015, the Company and the lender agreed to extend the maturity of the Siebels Note until June 16, 2016. In consideration for the extension of the repayment, the accrued interest at the time of extension of \$8,333 was reclassified to principal, bringing the principal of the Siebels Note to \$258,423. Also in consideration for such extension the interest rate was increased to 18% per annum. The Company did not repay the note upon its maturity on June 16, 2016. On July 29, 2016, a partial principal payment in the amount of \$100,000 was made and on September 9, 2016, a partial principal payment in the amount of \$50,000 was made. After the remittance of the aforementioned principal payments, the balance remaining outstanding was \$108,423. On December 29, 2016, the Company repaid the Siebels Note in full.

On February 22, 2016, the Company entered into a second note payable with Siebels for \$100,000. The note bore interest at a rate of 18.0% per annum and matured on April 22, 2016. On April 28, 2016, the Company repaid this note in full.

On February 8, 2016, the Company and the lender agreed to further extend the maturity of the Nueco Note to June 2016. In consideration for the extension the Company increased the principal amount by 10% (or \$25,384), increased the interest rate to 6% per annum and paid a \$5,000 fee that did not reduce the interest or principal. On June 20, 2016, the Company further extended the maturity of the Nueco Note to July 31, 2016. In consideration for the extension, the Company paid a \$5,000 fee that did not reduce the interest or principal on the Nueco Note.

On August 8, 2016, accrued interest was paid in the amount of \$13,477. On August 16, 2016, the Company further extended the maturity of the Nueco Note to November 16, 2016. In consideration for the extension, the Company paid a fee of \$10,000 which did not reduce the interest or principal on the Nueco Note. Further, a principal payment of \$90,000 was made on August 23, 2016, which reduced the outstanding principal amount to \$185,564. The August 16, 2016 extension was accounted for as a modification, and as such, the extension fees were accounted for as additional debt discount and were amortized over the remaining extended term of the note.

On November 29, 2016, the Company and the lender agreed to further extend the maturity of the Nueco Note to January 31, 2017. In consideration for the extension, the Company paid a \$5,000 fee that did not reduce the principal or interest on the Nueco Note. The Company also made a payment of \$5,155, which represented interest on the Nueco Note through January 31, 2017.

On February 1, 2017, the Company and lender agreed to further extend the maturity of the Nueco Note to the earlier of (a) five days after the next closing of a private placement; or (b) April 15, 2017. In consideration for the extension, the Company paid to the lender a payment in the amount of \$100,000 which represented (i) a principal reduction of \$85,564; (ii) \$1,186 for a prepayment of interest through April 15, 2017; and (iii) a payment of \$13,250 which is a fee which does not reduce the principal or interest on the Nueco note.

On March 31, 2017, the Company repaid the Nueco Note in full.

### ***Dual Market for Shares in the United States***

On May 23, 2016, Western Uranium shares began trading on the OTCQX Best Market under the symbol "WSTRF". On June 28, 2016, the Company's Form 10 registration statement became effective and Western became a U.S. reporting issuer. Thereafter, the Company was approved for DTC eligibility through the Depository Trust and Clearing Corporation (DTCC), which facilitates electronic book-entry delivery, settlement and depository services for shares in the United States. By having established dual trading markets for the Company's shares in both Canada and the United States, Western now has comprehensive access to the large and sophisticated North American natural resource investor markets.

### ***Sale of Mortgage through Equal Exchange***

In connection with the acquisition of Black Range, Western assumed a mortgage secured by land, building and improvements at 1450 North 7 Mile Road, Casper, Wyoming, with interest payable at 8.00% and payable in monthly payments of \$11,085 with the final balance of \$1,044,015 due as a balloon payment on January 16, 2016. The Company did not make the final balloon payment as scheduled. On May 26, 2016, the Company executed

agreements with the mortgage holder whereby in an equal exchange the mortgage was exchanged for the land, building and improvements with which it was secured, and pursuant to which no future financial consideration is required.

### ***Ablation Licensing***

During 2016, Western submitted documentation to the CDPHE for a determination ruling regarding the type of license which may be required for the application of Ablation at the Sunday Mine Complex within the state of Colorado. During May and June of 2016, CDPHE held four public meetings in several cities in Colorado as part of the process. On July 22, 2016 CDPHE closed the comment period. In connection with this matter, the CDPHE consulted with the United States Nuclear Regulatory Commission ("NRC"). In response, the CDPHE received an advisory opinion dated October 16, 2016, which did not contain support for the NRC's opinion and with which Western's regulatory counsel does not agree. NRC's advisory opinion recommends that Ablation should be regulated as a milling operation, but did recognize that there may be exemptions to certain milling regulatory requirements due to the benign nature of the non-uranium bearing sands produced after Ablation is completed on uranium-bearing ores. On December 1, 2016, the CDPHE issued a determination that the proposed ablation operations at the Sunday Mine must be regulated by the CDPHE through a milling license. Consequently in 2017, Western plans to pursue further regulatory determinations from the CDPHE and/or the NRC with respect to the regulation of Ablation.

### ***Letter Of Intent with Pinon Ridge Mill***

The Company has entered into a letter of intent with Pinon Ridge Corporation for use of its Ablation at the permitted uranium recovery facilities at the Pinon Ridge Mill site. The letter of intent provides for the processing of all of Western's ore produced by its mines in the region at the mill site to produce U308 and vanadium utilizing both the application of Ablation mining technology and traditional milling techniques, at a cost to be determined in a definitive agreement. The Pinon Ridge Mill license is held by Pinon Ridge Resources Corporation, a wholly owned subsidiary of Pinon Ridge Corporation, which is owned by Mr. George Glasier, our Chief Executive Officer and Mr. Russell Fryer, one of our directors. The letter of intent is subject to the signing of a definitive agreement between the parties, which will be completed on or before April 30, 2017. The Pinon Ridge Mill is permitted, but at the pre-development stage.

### ***Production Timing Factors***

The following represents forward-looking information with respect to the commencement of production of uranium and/or vanadium and serves as an update to previously disclosed expectations. Production may commence at a different time than anticipated herein by management. As conditions and expectations change, Western will continue to provide updates. Western continues to position itself for flexibility with the goal of beginning production as expeditiously as possible once market conditions for production of U308 and/or vanadium are favorable. Currently, before committing resources to a production approach, resources have been and are continuing to be committed toward identifying the optimal regulatory and developmental approach to deploying Ablation. Subsequently, to commence production, management will be required to raise capital for production start-up costs. In order to minimize these costs, the Company plans to commence production at the Sunday Mine Complex where there exists in place substantial mining infrastructure from years of previous production. Further, the Company will use a contract mining approach utilizing a previous contractor who mined the properties for a former owner. However, permitting and preparation costs will be driven by the approach to the application of Ablation and relevant regulatory requirements.

Company management believes the key production determinant will be in the use and application of Ablation. In December 2016, the issuance of a decision letter by the CDPHE enabled the use of Ablation at the Sunday Mine Complex in the state of Colorado under milling license regulations which also recognized the appropriateness of exemptions to certain milling regulatory requirements. Further, the Company's attorneys are not fully in agreement with aspects of the decision letter from the CDPHE, thus the Company expects to pursue additional regulatory clarifications which the Company's management believes would make the application of Ablation potentially more economically advantageous. While resource prices are below target levels, the Company is focusing on improving the regulatory regime which governs the application of Ablation with the goal of minimizing future production costs.

### ***Disposal of Mining Properties***

In July and October 2016, the Company elected not to renew leases relating to four projects that were obtained through either the August 2014 acquisition from Energy Fuels Holding Corp. or the acquisition of Black Range Minerals. The decision to not renew the four leases was based upon a number of factors, the most significant of which were the location of the projects, the development stage of each product, and the amount of uranium and vanadium resources within each project. The forfeiture of these leases has no material adverse impact on the fair value of the Company's mining assets.

### ***Canceling Alaska Coal Mine Leases***

During the second quarter of 2016, the Company initiated actions to cancel its coal mining leases in Alaska. In connection therewith, the Company notified the state of Alaska of its intent to forfeit the posted bond in satisfaction of the reclamation liabilities at the site. In response to the Company's notification, the Company received notification that the state of Alaska was initiating forfeiture of the Company's performance bond for reclamation. However, the notice indicated an additional surety bond of \$150,000 in excess of the \$210,500 cash bond, which had been posted by the Company upon purchase of the property. The Company and its advisors do not believe that it is obligated for this additional amount of claimed reclamation obligation. The Company is working with its legal counsel and the State of Alaska to resolve this matter. The Company has not recorded an additional \$150,000 obligation as the Company does not expect, based on the advice of legal counsel, to be obligated to an amount greater than that presently reflected in the reclamation liability. During the year ended December 31, 2016, the Company adjusted the fair value of its reclamation obligation and for the Alaska mine, accreted \$183,510 to bring its reclamation liability to face value. The portion of the reclamation liability related to the Alaska mine, and its related restricted cash are included in current liabilities, and current assets, respectively, at a value of \$215,976 and \$215,976. On January 20, 2017, the State of Alaska notified the Company that its reclamation bond had been forfeited to be used to satisfy the reclamation obligation. However, no amount had yet been determined in respect to the final cost of the reclamation obligation.

### ***African Ore Update***

During the first quarter of 2016, the Company received a shipment of African ore for testing to determine how the Ablation process can improve the recovery economics of a large fully developed deposit in Africa. In the second quarter of 2016, the African ore was characterized, logged, ablated and relogged. Subsequently, testing was completed and the results provided on a confidential basis to the owner of the African deposit. The Company has not received any comments back from the owner of the African deposit.

### ***Incentive Stock Option Plan***

The Company maintains the Plan which permits the granting of stock options as incentive compensation. Shareholders of the Company approved the Plan on June 30, 2008 and amendments to the Plan on June 20, 2013, and the Board of Directors approved additional changes to the Plan on September 12, 2015.

The purpose of the Plan is to attract, retain and motivate directors, management, staff and consultants by providing them with the opportunity, through stock options, to acquire a proprietary interest in the Company and benefit from its growth.

The Plan provides that the aggregate number of common shares for which stock options may be granted will not exceed 10% of the issued and outstanding common shares at the time stock options are granted. At December 31, 2016, a total of 18,886,497 common shares were outstanding, and at that date the maximum number of stock options eligible for issue under the Plan was 1,888,650. At December 31, 2015, a total of 16,230,733 common shares were outstanding, and at that date the maximum number of stock options eligible for issue under the Plan was 1,623,073 (10% of the issued and outstanding common shares).

A stock option exercise price shall not be less than the most recent share issuance price. The maximum term is five years. There are no specific vesting provisions under the Plan. Options are non-assignable and non-transferable except that stock options may be transferred to the spouse of an optionee or to the registered retirement savings plan or registered pension plan of an optionee.

The Plan provides if the optionee's employment is terminated for any reason, or if the service of a director, senior executive or consultant of the Company who is an optionee is terminated, any vested stock option of such optionee may be exercised during a period of ninety (90) days following the date of termination of such employment or service, as the case may be. In the case of an optionee's death, any vested stock option of such optionee at the time of death may be exercised by his or her heirs or legatees or their liquidator during a period of one year following such optionee's death.

The total number of common shares issuable to any one person during a 12-month period may not exceed ten percent (10%) of the total number of common shares issued and outstanding. Options granted to consultants providing investor relations activities must vest over 12 months in stages of no more than 25% in any three-month period. Also, in any 12-month period, no options exercisable for more than 2% of the Company's issued and outstanding shares may be awarded to consultants or employees conducting investor relations activities. The Plan provides that where options are cancelled or lapse under the Plan, the associated common shares become available again and new options may be granted in respect thereof in accordance with the provisions of the Plan.

The Board may make any amendment to the Plan, without shareholder approval, except an increase in the number of common shares reserved for issue under the Plan or a reduction of an option exercise price. The terms of any existing option may not be altered, suspended or discontinued without the consent in writing of the Optionee.

#### ***Grant of Stock Options***

On October 4, 2016, the Company granted an aggregate of 1,075,000 options for the purchase of common shares to ten officers, consultants, directors and employees of the Company under the Company's Plan. The options shall have an exercise price of CAD \$2.50 vesting equally commencing initially on the effective date of grant of October 4, 2016 and thereafter on October 31, 2016 and March 31, 2017 with a five-year term from the date of grant.

#### ***Appointment of Chief Financial Officer***

On October 19, 2016, Robert Klein was appointed to serve as Chief Financial Officer of the Company, replacing Andrew Wilder. Mr. Wilder will continue to serve as a director of the Company.

#### ***Appointment of Vice President – Operations***

On October 24, 2016, Western appointed Michael Rutter as Vice President Operations for the Company. Mr. Rutter has specific experience in the oversight of the construction, mechanics, electrical and operation of the Ablation production units. Previously, Mr. Rutter was superintendent for Energy Fuels' Utah, Colorado and Arizona uranium production locations.



## Results of Operations

### Summary

	For the Year Ended December 31,	
	2016	2015
<b>Expenses</b>		
Mining expenditures	\$ 389,832	\$ 457,212
Professional fees	704,837	379,093
General and administrative	546,607	403,993
Consulting fees	359,026	233,022
Unrealized foreign exchange gain	(128,000)	-
<b>Loss from operations</b>	(1,872,302)	(1,473,320)
Accretion and interest expense	301,989	114,639
<b>Net loss</b>	(2,174,291)	(1,587,959)
<b>Other Comprehensive loss</b>		
Foreign exchange gain (loss)	(34,916)	70,830
<b>Comprehensive Loss</b>	<u>\$ (2,209,207)</u>	<u>\$ (1,517,129)</u>
<b>Net loss per share - basic and diluted</b>	<u>\$ (0.13)</u>	<u>\$ (0.12)</u>

Our consolidated net loss for the year ended December 31, 2016 and 2015 was \$2,174,291 and \$1,587,959 or \$0.13 and \$0.12 per share, respectively. The principal components of these year over year changes are discussed below.

Our comprehensive loss for the years ended December 31, 2016 and 2015 was \$2,209,207 and \$1,517,129, respectively.

### Year Ended December 31, 2016 as Compared to the Year Ended December 31, 2015

1. Mining expenditures for the year ended December 31, 2016 were \$389,832 as compared to \$457,212 for the year ended December 31, 2015. The decrease in mining expenditures of \$67,380, or 15% was principally attributable to the marginal 2015 expense of having opened the Sunday Mine in the summer of 2015 as well as a decrease in the permitting costs of its mines due to mines that were relinquished.
2. Professional fees for the year ended December 31, 2016 were \$704,837 as compared to \$379,093 for the year ended December 31, 2015. The increase in professional fees of \$325,744, or 86% was principally due to costs enabling share trading on the OTCQX Best Market, the DTC clearing of shares in the U.S., and costs of registration and compliance with U.S. SEC reporting issuer requirements during 2016, which resulted in an increase in professional fees, particularly as they applied to accounting and investor relations which increased by \$89,333 and \$31,530, respectively.
3. General and administrative expenses for the year ended December 31, 2016 were \$546,607 as compared to \$403,993 for the year ended December 31, 2015. The increase in general and administrative expense of \$142,614, or 35% primarily due to an increase in stock based compensation expense of \$152,322, offset by a decrease in office expenses.
4. Consulting fees for the year ended December 31, 2016 were \$359,026 as compared to \$233,022 for the year ended December 31, 2015. The increase in consulting fees of \$126,004, or 54% was principally

related to our consulting agreement with Baobab Asset Management LLC (“Baobab”), for which we incurred \$149,244.

5. Accretion and interest expense for the year ended December 31, 2016 was \$301,989 as compared to \$114,639 for the year ended December 31, 2015. The increase of accretion and interest expense of \$187,350, or 163% was mainly attributable additional loans obtained during 2016 and \$174,412 incurred in order to bring the Alaska coal mine reclamation liability to its fair value.
6. Foreign exchange (loss) gain for the year ended December 31, 2016 was \$(34,916) as compared to \$70,830 for the year ended December 31, 2015. The decrease of the foreign exchange gain of \$105,746 is primarily due to the U.S. Dollar strengthening against the Canadian Dollar in 2016 while the U.S. Dollar weakened against the Canadian Dollar in 2015.

## **Financial Position**

### ***Operating Activities***

Net cash used in operating activities was \$1,938,021 for the year ended December 31, 2016, as compared with net cash used of \$1,199,308 for the year ended December 31, 2015. The increase of \$738,713 in net cash used is mainly due to the Company having increased net loss by \$586,332 in 2016 due to increased costs from the Black Range acquisition and new U.S. capital market and regulatory costs.

### ***Investing Activities***

Net cash used in investing activities was \$0 for the year ended December 31, 2016, as compared to \$378,694 for the year ended December 31, 2015. The cash used in investing activities in 2015 consisted primarily of the advance to Black Range under the credit facility, for which there were no such activities in 2016.

### ***Financing Activities***

Net cash provided by financing activities for the year ended December 31, 2016 was \$2,550,269 as compared to \$1,548,745 for the year ended December 31, 2015. For 2016, the cash provided by financing activities consisted principally of the proceeds from four private placements for an aggregate 2,655,764 shares which brought in aggregate proceeds of \$2,890,269. This was offset by payments made on the Siebel's Note Payable and Nueco Note payable as the Company paid down notes payable balances

## **Liquidity and Capital Resources**

The Company's cash balance as of December 31, 2016 was \$791,814. The Company's cash position is highly dependent on its ability to raise capital through the issuance of debt and equity and its management of expenditures for mining development and for fulfillment of its public reporting responsibilities. The Company expects to require additional capital in order to continue the development of Ablation. Management believes that in order to finance the development of the mining properties and Ablation, the Company will be required to raise significant additional capital by way of debt and/or equity. This outlook is based on the Company's current financial position and is subject to change if opportunities become available based on current exploration program results and/or external opportunities.

During the year ended December 31, 2016, the Company raised USD \$3,088,567 in net proceeds from the issuance of 2,655,764 units in private placements. Each unit contains one common share and a warrant for the purchase of one common share with exercise prices ranging from CAD \$2.80 to CAD \$3.50.

### ***Going Concern***

The Company has a working capital deficit of \$55,461 as of December 31, 2016 and has incurred net losses for the years ended December 31, 2016 and December 31, 2015 of \$2,174,291 and \$1,587,959, respectively. The Company will require additional financing in order to pursue its business plans and discharge its liabilities as they come due.

Despite the significant reduction of the working capital deficit during 2016, these conditions indicate the existence of material uncertainties that cast substantial doubt upon the Company's ability to continue as a going concern. The accompanying condensed consolidated financial statements have been prepared using United States Generally Accepted Accounting Principles ("US GAAP") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. In this circumstance, the Company would be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As at December 31, 2016, there were no off-balance sheet transactions. The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk.

## **Critical Accounting Estimates and Policies**

The preparation of these condensed consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of expenses during the reporting period.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, include, but are not limited to, the following:

### ***Property, Plant and Equipment***

We review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows or upon an estimate of fair value that may be received in an exchange transaction. Future cash flows are estimated based on estimated quantities of recoverable minerals, expected U3O8 prices (considering current and historical prices, trends and related factors), production levels, operating costs of production and capital and restoration and reclamation costs, based upon the projected remaining future uranium production from each project. The Company's mineral assets were acquired during the end of 2014 and in 2015 in an arms-length transactions. The Company determined that there were not sufficient changes in the market value of uranium on the spot market to justify an impairment. Estimates and assumptions used to assess recoverability of our long-lived assets and measure fair value of our uranium properties are subject to risk uncertainty. Changes in these estimates and assumptions could result in the impairment of our long-lived assets. Events that could result in the impairment of our long-lived assets include, but are not limited to, decreases in the future U3O8 prices, decreases in the estimated recoverable minerals and any event that might otherwise have a material adverse effect on our costs. Existing proven and probable reserves and value beyond proven and probable reserves, including mineralization that is not part of the measured, indicated or inferred resource base, are included when determining the fair value of uranium properties upon acquisition and, subsequently, in determining whether the assets are impaired. The term "recoverable minerals" refers to the estimated amount of uranium that will be obtained after taking into account losses during processing and treatment. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups.

### ***Restoration and Remediation Costs (Asset Retirement Obligations)***

Various federal and state mining laws and regulations require the Company to reclaim the surface areas and restore underground water quality for its mine projects to the pre-existing mine area average quality after the completion of mining.

Future reclamation and remediation costs, which include extraction equipment removal and environmental remediation, are accrued at the end of each period based on management's best estimate of the costs expected to be

incurred for each project. Such estimates are determined by the Company's engineering studies which consider the costs of future surface and groundwater activities, current regulations, actual expenses incurred, and technology and industry standards.

In accordance with ASC 410, Asset Retirement and Environmental Obligations, the Company capitalizes the measured fair value of asset retirement obligations to mineral properties. The asset retirement obligations are accreted to an undiscounted value until the time at which they are expected to be settled. The accretion expense is charged to earnings and the actual retirement costs are recorded against the asset retirement obligations when incurred. Any difference between the recorded asset retirement obligations and the actual retirement costs incurred will be recorded as a gain or loss in the period of settlement.

At each reporting period, the Company reviews the assumptions used to estimate the expected cash flows required to settle the asset retirement obligations, including changes in estimated probabilities, amounts and timing of the settlement of the asset retirement obligations, as well as changes in the legal obligation requirements at each of its mineral properties. Changes in any one or more of these assumptions may cause revision of asset retirement obligations for the corresponding assets.

### Summary of Quarterly Results

The table below reflects a summary of certain key financial results for each of the company's year ended December 31, 2016:

Description	December, 2016 \$	September, 2016 \$	June, 2016 \$	March, 2016 \$
<b>Balance sheet</b>				
Cash	791,814	474,681	22,163	70,595
Mineral properties	11,645,218	11,645,218	11,645,218	11,645,218
Ablation intellectual property	9,488,051	9,488,051	9,488,051	9,488,051
Land, buildings and improvements	0	0	0	1,031,000
Accounts payable	769,907	759,190	998,473	1,079,668
Mortgage payable	0	0	0	1,051,000
Shareholders' equity	16,806,804	16,434,565	15,581,630	15,732,736
<b>Income statement</b>				
Mining expenditures	389,832	119,711	118,737	93,350
Professional fees	704,837	200,734	290,985	35,107
Comprehensive loss	(2,209,207)	(554,906)	(773,280)	(258,920)

### LIQUIDITY AND CAPITAL RESOURCES

The Company's cash balance as of December 31, 2016 was \$791,814. The Company's cash position is highly dependent on its ability to raise capital through the issuance of debt and equity and its management of expenditures for mining development and for fulfillment of its public reporting responsibilities. The Company expects to require additional capital in order to continue the development of Ablation. Management believes that in order to finance the development of the mining properties and Ablation, the Company will be required to raise significant additional capital by way of debt and/or equity. This outlook is based on the Company's current financial position and is subject to change if opportunities become available based on current exploration program results and/or external opportunities.

During the year ended December 31, 2016, the Company raised USD \$3,088,567 in net proceeds from the issuance of 2,655,764 units in private placements. Each unit contains one common share and a warrant for the purchase of one common share with exercise prices ranging from CAD \$2.80 to CAD \$3.50

## **RELATED PARTY TRANSACTIONS**

The Company has transacted with related parties pursuant to service arrangements in the ordinary course of business, as follows:

Entities controlled by a member of the Board of Directors earned consulting fees totaling \$44,640 and \$49,192 for the years ended December 31, 2016 and 2015, respectively. The same director earned director fees totaling \$3,021 and \$6,325 during the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, the Company has \$5,074 and \$0, respectively, in accounts payable and accrued liabilities owing to this director.

Pursuant to a consulting agreement, a United States limited liability company owned by a person who is a director and until October 19, 2016, was the Company's CFO, entered into a contract with the Company effective January 1, 2015 ("January 2015 Agreement") to provide financial and consulting services at an annual consultant fee of \$100,000. The contract had a term of one year. On October 21, 2015, the Company entered into an additional agreement with this same company to provide additional services to the Company, for the term of October through December 2015 for a monthly fee of \$6,500. On January 1, 2016, the Company entered into an agreement with a different United States limited liability company owned by the same director ("January 2016 Agreement") to provide financial and other consulting services at \$8,333 per month. Pursuant to a consulting agreement, the January 2016 Agreement was cancelled and a new agreement was entered into between the Company, a United States limited liability company owned by the same director as the January 2016 Agreement and Robert Klein ("October 2016 Agreement") to provide financial operating services and to have Mr. Klein serve as the Chief Financial Officer. The term of the October 2016 Agreement runs through July 31, 2017 and has an annual fee of \$162,000 payable monthly, starting on October 1, 2016. On March 26, 2017, the Company provided notice that it would be cancelling the October 2016 Agreement, effective April 30, 2017. During the years ended December 31, 2016 and 2015, the Company incurred fees of \$94,351 and \$119,500, respectively, to these companies. At December 31, 2016 and 2015, the Company had \$0 and \$14,833, respectively, included in accounts payable and accrued liabilities payable to these companies.

In connection with the acquisition of Black Range on September 16, 2015, Western assumed an obligation in the amount of AUS \$500,000 (USD \$372,000) payable to Western's CEO and director contingent upon the commercialization of the Ablation technology. As of December 31, 2016, the obligation of USD \$372,000 is included in deferred contingent consideration on the consolidated balance sheet. During the year ended December 31, 2016, the Company recorded a gain \$128,000, on the translation of the obligation and such gain, was reflected within the "unrealized foreign exchange gain" in the statement of operations and comprehensive loss.

Pursuant to a consulting agreement, a US limited liability company owned by a person who is a director entered into a consulting contract with the Company effective April 1, 2016 to provide financial, advisory, and consulting services, including representing the Company to a variety of stakeholders for a six month term ending on September 30, 2016. On October 1, 2016, this agreement was extended to January 31, 2017. Professional fees for the year ended December 31, 2016 were \$149,244, related to this agreement. As of December 31, 2016 and December 31, 2015, the Company had \$0 and \$0, respectively, included in accounts payable and accrued expenses payable to this entity.

## **RISKS**

There are a number of factors that could negatively affect the Company's business and the value of its securities, including the factors listed below. The following information pertains to the outlook and conditions currently known to Western that could have a material impact on the financial condition of Western. Other factors may arise in the future that are currently not foreseen by management of the Company that may present additional risks in the future. Current and prospective security holders of the Company should carefully consider these risk factors.

### **Uranium and Vanadium Price Fluctuations**

The Company's activities are significantly affected by the market price of uranium and vanadium, which is cyclical and subject to substantial fluctuations. The Company's earnings and operating cash flow are and will be particularly sensitive to the change in the long and short term market price of uranium and vanadium. Among other factors, these prices also affect the value of the Company's resources, reserves and inventories, as well as the market price of the Company's common shares.



Market prices are affected by numerous factors beyond the Company's control. With respect to uranium, such factors include, among others: demand for nuclear power; political and economic conditions in uranium producing and consuming countries; public and political response to a nuclear incident; reprocessing of used reactor fuel, the re-enrichment of depleted uranium tails and the enricher practice of underfeeding; sales of excess civilian and military inventories (including from the dismantling of nuclear weapons; the premature decommissioning of nuclear power plants; and from the build-up of Japanese utility uranium inventories as a result of the Fukushima incident) by governments and industry participants; uranium supply, including the supply from other secondary sources; and production levels and costs of production. With respect to vanadium, such factors include, among others: demand for steel; the potential for vanadium to be used in advanced battery technologies; political and economic conditions in vanadium producing and consuming countries; world production levels; and costs of production. Other factors relating to both the price of uranium include: levels of supply and demand for a broad range of industrial products; substitution of new or different products in critical applications for the Company's existing products; expectations with respect to the rate of inflation; the relative strength of the US dollar and of certain other currencies; interest rates; global or regional political or economic crises; regional and global economic conditions; and sales of uranium by holders in response to such factors. In the event the Company concludes that a significant deterioration in expected future uranium prices has occurred, the Company will assess whether an impairment allowance is necessary which, if required, could be material.

The recent fluctuations in the price of many commodities is an example of a situation over which the Company has no control and which could materially adversely affect the Company in a manner for which it may not be able to compensate. There can be no assurance that the price of any minerals that could be extracted from the Company's properties will be such that any deposits can be mined at a profit.

### **Global Economic Conditions**

In the event of a general economic downturn or a recession, there can be no assurance that the business, financial condition and results of operations of the Company would not be materially adversely affected. During the past several years, the global economy faced a number of challenges. During the global financial crisis of 2007-2008, economic problems in the United States and Eurozone caused a deterioration in the global economy, as numerous commercial and financial enterprises either went into bankruptcy or creditor protection or had to be rescued by governmental authorities. Access to public financing was negatively impacted by sub-prime mortgage defaults in the United States, the liquidity crisis affecting the asset-backed commercial paper and collateralized debt obligation markets, and massive investment losses by banks with resultant recapitalization efforts. Although economic conditions have shown improvement in recent years, the global recovery from the recession has been slow and uneven. The effects of the global financial crisis continue to limit growth. In addition, increasing levels of government debt, slowing economic growth in certain key regions including China, the threat of sovereign defaults including Greece, and political instability in Eastern Europe continue to weigh on markets. These factors continue to impact commodity prices, including uranium, as well as currencies and global debt and stock markets.

These factors may impact the Company's ability to obtain equity, debt or bank financing on terms commercially reasonable to the Company, or at all. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If these increased levels of volatility and market turmoil continue, or there is a material deterioration in general business and economic conditions, the Company's operations could be adversely impacted and the trading price of the Company's securities could continue to be adversely affected.

### **Market Price of Shares**

Securities of mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic conditions in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Company's securities is also likely to be significantly affected by short-term changes in the uranium spot price, changes in industry forecasts of uranium prices, other mineral prices, currency exchange fluctuation, or in its financial condition or results of operations as reflected in its periodic earnings reports. Other factors unrelated to the performance of the Company that may have an effect on the price of the securities of the Company include the following: the extent of analytical coverage available to investors concerning the business of the

Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of securities of the Company; the size of the Company's public float and its inclusion in market indices may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the securities of the Company that persists for a significant period of time could cause the Company's securities to be delisted from an exchange, further reducing market liquidity. If an active market for the securities of the Company does not continue, the liquidity of an investor's investment may be limited and the price of the securities of the Company may decline. If an active market does not exist, investors may lose their entire investment in the Company. As a result of any of these factors, the market price of the securities of the Company at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies in periods of volatility in the market price of their securities, and following major corporate transactions or mergers and acquisitions. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

### **Governmental Regulation and Policy Risks**

Exploration, development, mining and milling of minerals and the transportation and handling of the products produced are subject to extensive federal, state and local laws and regulations governing, among other things: acquisition of the mining interests; maintenance of claims; tenure; expropriation; prospecting; exploration; development; mining; milling and production; price controls; exports; imports; taxes and royalties; labor standards; occupational health; waste disposal; toxic substances; water use; land use; Native American land claims; environmental protection and remediation; endangered and protected species; mine and mill decommissioning and reclamation; mine safety; transportation safety and emergency response; and other matters. Compliance with such laws and regulations has increased the costs of exploring, drilling, developing, constructing, operating and closing the Company's mines. It is possible that, in the future, the costs, delays and other effects associated with such laws and regulations may impact the Company's decision as to whether to proceed with exploration or development, or that such laws and regulations may result in the Company incurring significant costs to remediate or decommission properties that do not comply with applicable environmental standards at such time. The Company expends significant financial and managerial resources to comply with such laws and regulations. The Company anticipates it will have to continue to do so as the historic trend toward stricter government regulation may continue. There can be no assurance that future changes in applicable laws and regulations will not adversely affect the operations or financial condition of the Company. New laws and regulations, amendments to existing laws and regulations or more stringent implementation of existing laws and regulations, including through stricter license and permit conditions, could have a material adverse impact on the Company, increase costs, cause a reduction in levels of, or suspension of, production and/or delay or prevent the development of new mining properties.

Mining is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration, mining and production. Environmental liability may result from mining activities conducted by others prior to the Company's ownership of a property. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions. These actions may result in orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Companies engaged in uranium exploration operations may be required to compensate others who suffer loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Should the Company be unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy, which could have a material adverse effect on the Company. To the extent that the Company is subject to uninsured environmental liabilities, the payment of such liabilities would reduce otherwise available earnings and could have a material adverse effect on the Company. In addition, the Company does not have coverage for certain environmental losses and other risks as such coverage cannot be purchased at a commercially reasonable cost. Compliance with applicable environmental laws and regulations requires significant expenditures and increases mine development and operating costs.

Worldwide demand for uranium is directly tied to the demand for electricity produced by the nuclear power industry, which is also subject to extensive government regulation and policies. The development of mines and related facilities is contingent upon governmental approvals that are complex and time consuming to

obtain and which, depending upon the location of the project, involve multiple governmental agencies. The duration and success of such approvals are subject to many variables outside the Company's control. Any significant delays in obtaining or renewing such permits or licenses in the future could have a material adverse effect on the Company. In addition, the international marketing of uranium is subject to governmental policies and certain trade restrictions, such as those imposed by the suspension agreement between the United States and Russia. Changes in these policies and restrictions may adversely impact the Company's business.

### **Public Acceptance of Nuclear Energy and Competition from Other Energy Sources**

Growth of the uranium and nuclear industry will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. Because of unique political, technological and environmental factors that affect the nuclear industry, including the risk of a nuclear incident, the industry is subject to public opinion risks that could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry. Nuclear energy competes with other sources of energy, including oil, natural gas, coal, hydro-electricity and renewable energy sources. These other energy sources are to some extent interchangeable with nuclear energy, particularly over the longer term. Sustained lower prices of oil, natural gas, coal and hydroelectricity may result in lower demand for uranium concentrates. Technical advancements in renewable and other alternate forms of energy, such as wind and solar power, could make these forms of energy more commercially viable and put additional pressure on the demand for uranium concentrates.

### **Uranium Industry Competition and International Trade Restrictions**

The international uranium industry, including the supply of uranium concentrates, is competitive. The Company's market for uranium is in direct competition with supplies available from a relatively small number of uranium mining companies, from nationalized uranium companies, from uranium produced as a byproduct of other mining operations, from excess inventories, including inventories made available from decommissioning of nuclear weapons, from reprocessed uranium and plutonium, from used reactor fuel, and from the use of excess Russian enrichment capacity to re-enrich depleted uranium tails held by European enrichers in the form of UF<sub>6</sub>. A large quantity of current world production is inelastic, in that uranium market prices have little effect on the quantity supplied. The supply of uranium from Russia and from certain republics of the former Soviet Union is, to some extent, impeded by a number of international trade agreements and policies. These agreements and any similar future agreements, governmental policies or trade restrictions are beyond the control of the Company and may affect the supply of uranium available in the United States and Europe.

### **Ability to Maintain Obligations Under Notes Payable and Other Debt**

The Company may from time to time enter into arrangements to borrow money in order to fund its operations and expansion plans, and such arrangements may include covenants that restrict its business in some way. Events may occur in the future, including events out of the Company's control that would cause the Company to fail to satisfy its obligations under its existing notes payable or other debt instruments. In such circumstances, or if the Company were to default on its obligations under debentures or other debt instruments, the amounts drawn under the Company's debt agreements may become due and payable before the agreed maturity date, and the Company may not have the financial resources to repay such amounts when due.

Further, although most, but not all, of the Company's reclamation obligations are bonded, and cash and other assets of the Company have been reserved to secure a portion but not all of this bonded amount, to the extent the bonded amounts are not fully collateralized, the Company will be required to come up with additional cash to perform its reclamation obligations when they occur. In addition, the bonding companies have the right to require increases in collateral at any time upon 30-days' notice to the Company, failure of which would constitute a default under the bonds. In such circumstances, the Company may not have the financial resources to perform such reclamation obligations or to increase such collateral when due.

### **Additional Funding Requirements**

The Company may need additional financing in connection with the implementation of its business and strategic plans from time to time. The exploration and development of mineral properties and the ongoing operation of mines, requires a substantial amount of capital and may depend on the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. The Company may accordingly need

further capital in order to take advantage of further opportunities or acquisitions. The Company's financial condition, general market conditions, volatile uranium markets, volatile interest rates, a claim against the Company, a significant disruption to the Company's business or operations or other factors may make it difficult to secure financing necessary for the expansion of mining activities or to take advantage of opportunities for acquisitions. Further, continuing volatility in the credit markets may increase costs associated with debt instruments due to increased spreads over relevant interest rate benchmarks, or may affect the ability of the Company, or third parties it seeks to do business with, to access those markets. There is no assurance that the Company will be successful in obtaining required financing as and when needed on acceptable terms, if at all.

### **Dilution from Further Equity Financing**

If the Company raises additional funding by issuing additional equity securities or securities convertible, exercisable or exchangeable for equity securities, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

### **Nature of Exploration and Development, Expansion Projects and Restarting Projects**

The exploration and development of mineral deposits, the expansion of projects and restarting projects involves significant financial risks. The exploration and development of mineral deposits involve significant financial risks over an extended period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mine may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral resources and mineral reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed programs on the Company's mineral resource properties will result in a profitable commercial mining operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, which include, among other things: the accuracy of reserve estimates; the particular attributes of the deposit, such as its size and grade; ability to economically recover commercial quantities of the minerals; proximity to infrastructure; financing costs and governmental regulations, including regulations relating to prices, taxes, royalties; infrastructure; land use; importing and exporting and environmental protection. The development, expansion and restarting of projects are also subject to the successful completion of engineering studies, the issuance of necessary governmental permits, the availability of adequate financing, that the correct estimation of engineering and construction timetables and capital costs for the Company's development and expansion projects, including restarting projects on standby, and such construction timetables and capital costs not being affected by unforeseen circumstances. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

It is possible that actual costs and economic returns of current and new mining operations may differ materially from the Company's best estimates. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase, take much longer than originally anticipated to bring into a producing phase, and to require more capital than anticipated.

### **The Company's Mineral Reserves and Resources Are Estimates**

Mineral reserves and resources are statistical estimates of mineral content, based on limited information acquired through drilling and other sampling methods, and require judgmental interpretations of geology. Successful extraction requires safe and efficient mining and processing. The Company's mineral reserves and resources are estimates, and no assurance can be given that the estimated reserves and resources are accurate or that the indicated level of uranium or vanadium will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. Further, it may take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a discovery may change.

Mineral reserve and resource estimates for properties that have not commenced production are based, in many instances, on limited and widely spaced drill-hole information, which is not necessarily indicative of the conditions between and around drill holes. Accordingly, such mineral resource estimates may require revision as more drilling information becomes available or as actual production experience is gained. It should not be assumed that all or any part of the Company's mineral resources constitute or will be converted into reserves. Market

price fluctuations of uranium or vanadium as applicable, as well as increased production and capital costs or reduced recovery rates, may render the Company's proven and probable reserves unprofitable to develop at a particular site or sites for periods of time or may render mineral reserves containing relatively lower grade mineralization uneconomic.

### **Environmental Regulatory Requirements and Risk**

The Company is required to comply with environmental protection laws and regulations and permitting requirements promulgated by federal agencies and various states and counties in which the Company operates, in connection with mining and milling operations. The uranium industry is subject not only to the worker health and safety and environmental risks associated with all mining businesses, but also to additional risks uniquely associated with uranium mining and milling. The Company expends significant resources, both financial and managerial, to comply with these laws and regulations. The possibility of more stringent regulations exists in the areas of worker health and safety, storage of hazardous materials, standards for heavy equipment used in mining or milling, the disposition of wastes, the decommissioning and reclamation of exploration, mining, milling and in-situ sites, climate change and other environmental matters, each of which could have a material adverse effect on the cost or the viability of a particular project.

The Company cannot predict what environmental legislation, regulations or policies will be enacted or adopted in the future or how future laws and regulations will be administered or interpreted. The recent trend in environmental legislation and regulation is generally toward stricter standards, and this trend is likely to continue in the future. This recent trend includes, without limitation, laws and regulations relating to air and water quality, mine reclamation, waste handling and disposal, the protection of certain species and the preservation of certain lands. These regulations may require the acquisition of permits or other authorizations for certain activities. These laws and regulations may also limit or prohibit activities on certain lands. Compliance with more stringent laws and regulations, as well as potentially more vigorous enforcement policies, stricter interpretation of existing laws and stricter permit and license conditions, may necessitate significant capital outlays, may materially affect the Company's results of operations and business or may cause material changes or delays in the Company's intended activities. There can be no assurance of the Company's continued compliance or ability to meet stricter environmental laws and regulations and permit or license conditions. Delays in obtaining permits and licenses could impact expected production levels or increases in expected production levels.

The Company's operations may require additional analysis in the future, including environmental, cultural and social impact and other related studies. Certain activities require the submission and approval of environmental impact assessments. The Company cannot provide assurance that it will be able to obtain or maintain all necessary permits that may be required to continue operations or exploration and development of its properties or, if feasible, to commence construction or operation of mining facilities at such properties on terms that enable operations to be conducted at economically justifiable costs. If the Company is unable to obtain or maintain, licenses, permits or other rights for development of its properties, or otherwise fails to manage adequately future environmental issues, its operations could be materially and adversely affected.

### **Opposition to Mining May Disrupt Business Activity**

In recent years, governmental and non-governmental agencies, individuals, communities and courts have become more vocal and active with respect to their opposition of certain mining and business activities. This opposition may take on forms such as road blockades, applications for injunctions seeking work stoppages, refusals to grant access to lands or to sell lands on commercially viable terms, lawsuits for damages or to revoke or modify licenses and permits, issuances of unfavorable laws and regulations, and other rulings contrary to the Company's interest. These actions can occur in response to current activities or in respect of mines that are decades old. In addition, these actions can occur in response to activities of the Company or the activities of other unrelated entities. Opposition to the Company's activities may also result from general opposition to nuclear energy. Opposition to the Company's business activities are beyond the Company's control. Any opposition to the Company's business activities may cause a disruption to the Company's business activities and may result in increased costs and this could have a material adverse effect on the Company's business and financial condition.



### **Competition for Properties and Experienced Employees**

The Company competes with other mining companies and individuals for capital, mining interests on exploration properties and undeveloped lands, acquisitions of mineral resources and reserves and other mining assets, which may increase its cost of acquiring suitable claims, properties and assets, and the Company also competes with other mining companies to attract and retain key executives and employees.

### **Competition for Properties and Experienced Employees - Continued**

There can be no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties and assets or in attracting and retaining skilled and experienced employees. The mining industry has been impacted by increased worldwide demand for critical resources such as input commodities, drilling equipment, tires and skilled labor, and these shortages have caused unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules.

### **Litigation and Other Legal Proceedings**

The Company is not subject to any litigation, potential claims or other legal proceedings. The causes of potential future litigation and legal proceedings cannot be known and may arise from, among other things, business activities, environmental laws, permitting and licensing activities, volatility in stock prices or failure to comply with disclosure obligations. The results of litigation and proceedings cannot be predicted with certainty, and may include potential injunctions pending the outcome of such litigation and proceedings. If the Company is unable to resolve these disputes favorably, it may have a material adverse impact on the Company's financial performance, cash flow and results of operations.

### **Decommissioning and Reclamation**

As owner and operator of numerous uranium mines located in the United States and certain exploration properties, and for so long as the Company remains an owner thereof, the Company is obligated to eventually reclaim or participate in the reclamation of such properties. Most, but not all, of the Company's reclamation obligations are bonded, and cash and other assets of the Company have been reserved to secure a portion but not all of this bonded amount. Although the Company's financial statements will record a liability for the asset retirement obligation, and the bonding requirements are generally periodically reviewed by applicable regulatory authorities, there can be no assurance or guarantee that the ultimate cost of such reclamation obligations will not exceed the estimated liability to be provided on the Company's financial statements. Further, to the extent the bonded amounts are not fully collateralized, the Company will be required to come up with additional cash to perform its reclamation obligations when they occur.

Decommissioning plans for the Company's properties have been filed with applicable regulatory authorities. These regulatory authorities have accepted the decommissioning plans in concept, not upon a detailed performance forecast, which has not yet been generated. As the Company's properties approach or go into decommissioning, further regulatory review of the decommissioning plans may result in additional decommissioning requirements, associated costs and the requirement to provide additional financial assurances. It is not possible to predict what level of decommissioning and reclamation (and financial assurances relating thereto) may be required in the future by regulatory authorities.

### **Technical Innovation and Obsolescence**

Requirements for the Company's products and services may be affected by technological changes in nuclear reactors, enrichment and used uranium fuel reprocessing. These technological changes could reduce the demand for uranium. In addition, the Company's competitors may adopt technological advancements that give them an advantage over the Company.

### **Property Title Risk**

The Company has investigated its rights to explore and exploit all of its properties and, to the best of its knowledge, those rights are in good standing. However, no assurance can be given that such rights will not be revoked, or significantly altered, to the Company's detriment. There can also be no assurance that the Company's rights will not be challenged or impugned by third parties, including by local governments.

The validity of unpatented mining claims on US public lands is sometimes difficult to confirm and may be contested. Due to the extensive requirements and associated expense required to obtain and maintain mining rights on US public lands, the Company's US properties are subject to various title uncertainties which are common to the industry or the geographic location of such claims, with the attendant risk that there may be defects in its title.

### **Foreign Currency Risks**

The Company's operations are subject to foreign currency fluctuations. The Company's operating expenses and revenues are primarily incurred in US dollars, while some of its cash balances and expenses are measured in Canadian dollars. The fluctuation of the Canadian dollar in relation to the US dollar will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets and shareholders' equity.

### **Post-Acquisition Success**

The success of the Company following the acquisition of Black Range will depend in large part on the success of the Company's management in integrating the Black Range assets into the Company. The failure of the Company to achieve such integration and to mine or advance such assets could result in the failure of the Company to realize the anticipated benefits of the Black Range assets and could impair the results of operations, profitability and financial results of the Company.

### **Dependence on Issuance of Mine Licenses and Permits**

The Company maintains regulatory mine licenses and permits, all of which are subject to renewal from time to time and are required in order for the Company to operate in compliance with applicable laws and regulations. In addition, depending on the Company's business requirements, it may be necessary or desirable to seek amendments to one or more of its licenses or permits from time to time. While the Company has been successful in renewing its licenses and permits on a timely basis in the past and in obtaining such amendments as have been necessary or desirable, there can be no assurance that such license and permit renewals and amendments will be issued by applicable regulatory authorities on a timely basis or at all in the future.

### **Mining, Milling and Insurance**

The current and future operations of the Company are subject to all of the hazards and risks normally incidental to exploration, development and mining of mineral properties, and milling, including: environmental hazards; industrial accidents; labor disputes, disturbances and unavailability of skilled labor; encountering unusual or unexpected geologic formations; rock bursts, pressures, cave-ins, and flooding; periodic interruptions due to inclement or hazardous weather conditions; technological and processing problems, including unanticipated metallurgical difficulties, ground control problems, process upsets and equipment malfunctions; the availability and/or fluctuations in the costs of raw materials and consumables used in the Company's production processes; the ability to procure mining equipment and operating supplies in sufficient quantities and on a timely basis; and other mining, milling and processing risks, as well as risks associated with the Company's dependence on third parties in the provision of transportation and other critical services. Many of the foregoing risks and hazards could result in damage to, or destruction of, the Company's mineral properties or processing facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of production from the Company's mines or processing facilities or in its exploration or development activities, delay in or inability to receive regulatory approvals to transport its uranium concentrates, or costs, monetary losses and potential legal liability and adverse governmental action. In addition, due to the radioactive nature of the materials handled in uranium mining and processing, additional costs and risks are incurred by the Company on a regular and ongoing basis.

While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure.

The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings, financial position and competitive position of the Company. No assurance can be given that such insurance will continue to be available or will be available at economically feasible premiums or that it will provide sufficient coverage for losses related to these or other risks and hazards. This lack of insurance coverage could result in material economic harm to the Company.

### **Credit Risk**

The Company's sales of uranium and vanadium products expose the Company to the risk of non-payment. The Company manages this risk by monitoring the credit worthiness of its customers and requiring pre-payment or other forms of payment security from customers with an unacceptable level of credit risk.

### **Dependence on Key Personnel and Qualified and Experienced Employees**

The Company's success will largely depend on the efforts and abilities of certain senior officers and key employees, some of which are approaching retirement. Certain of these individuals have significant experience in the uranium industry. The number of individuals with significant experience in this industry is small. While the Company does not foresee any reason why such officers and key employees will not remain with the Company if for any reason they do not, the Company may be adversely affected. The Company has not purchased key man life insurance for any of these individuals.

The Company's success will also depend on the availability of qualified and experienced employees to work in the Company's operations and the Company's ability to attract and retain such employees. The number of individuals with relevant mining and operational experience in this industry is small.

### **Conflicts of Interest**

For so long as one or more of the Company's directors is also a director of other companies engaged in the business of acquiring, exploring and developing natural resource properties such associations may give rise to conflicts of interest from time to time. In particular, one of the consequences will be that corporate opportunities presented to a director of the Company may be offered to another company or companies with which the director is associated, and may not be presented or made available to the Company. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company, to disclose any interest which they may have in any project or opportunity of the Company, and to abstain from voting on such matter. Conflicts of interest that arise will be subject to and governed by the procedures prescribed in the Company's Code of Ethics and by the Business Corporations Act (Ontario).

### **Labor Relations**

None of the Company's operations directly employ unionized workers who work under collective agreements. However, there can be no assurance that employees of the Company or its contractors do not become unionized in the future, which may impact mill and mining operations. Any lengthy work stoppages may have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

## **Infrastructure**

Mining, processing, development and exploration activities depend, to a substantial degree, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants affecting capital and operating costs. The Company considers the existing infrastructure to be adequate to support its proposed operations. However, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of the Company.

**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 March 31, 2017

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) 389-4130

(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:  
70,426,455 common shares, without par value, outstanding as of May 4, 2017.



**ENERGY FUELS INC.**  
**FORM 10-Q**  
**For the Quarter Ended March 31, 2017**  
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## Cautionary Statement Regarding Forward-Looking Information

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 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 and vanadium, which are cyclical and subject to substantial price fluctuations;
- failure to obtain suitable uranium sales terms, 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;
- uranium industry competition and international trade restrictions;
- risks related to higher than expected costs related to our Nichols Ranch Project and Canyon Project;
- 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 MKT 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;
- risks related to our lack of dividends;
- risks related to recent market events;
- risks related to our issuance of additional common shares;
- 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 headings: Item 1A. Risk Factors; and 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**

This Quarterly Report contains certain disclosure that has been prepared in accordance with the 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. As a company incorporated in Canada, we estimate and report our resources and our current reserves according to the definitions set forth in NI 43-101.

Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission (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 prefeasibility 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 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.

Stephen P. Antony, P.E., President & CEO of Energy Fuels, is a Qualified Person as defined by Canadian National Instrument 43-101 and has reviewed and approved the technical disclosure contained in this news release, including sampling, analytical, and test data underlying such disclosure.

**PART I**

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

**ENERGY FUELS INC.**

**Consolidated Statements of Operations and Comprehensive Loss**

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

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenue</b>	<b>\$ 3,756</b>	<b>\$ 17,996</b>
Costs and expenses applicable to revenue	2,071	12,143
Development, permitting and land holding	3,323	7,442
Standby costs	1,206	2,166
Abandonment of mineral properties	245	—
Accretion of asset retirement obligation	345	175
Selling costs	70	74
Intangible asset amortization	205	219
General and administration	4,428	3,828
Costs directly attributable to acquisitions	—	326
<b>Total operating loss</b>	<b>(8,137)</b>	<b>(8,377)</b>
Interest expense	(542)	(576)
Other income (expense)	(1,917)	88
<b>Net loss</b>	<b>(10,596)</b>	<b>(8,865)</b>
<b>Items that may be reclassified in the future to profit and loss</b>		
Foreign currency translation adjustment	(196)	(801)
Unrealized gain on available-for-sale assets	440	83
<b>Other comprehensive income (loss)</b>	<b>244</b>	<b>(718)</b>
<b>Comprehensive loss</b>	<b>\$ (10,352)</b>	<b>\$ (9,583)</b>
<b>Net loss attributable to:</b>		
Owners of the Company	<b>\$ (10,508)</b>	<b>\$ (8,808)</b>
Non-controlling interests	(88)	(57)
	<b>\$ (10,596)</b>	<b>\$ (8,865)</b>
<b>Comprehensive loss attributable to:</b>		
Owners of the Company	<b>\$ (10,264)</b>	<b>\$ (9,526)</b>
Non-controlling interests	(88)	(57)
	<b>\$ (10,352)</b>	<b>\$ (9,583)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.15)</b>	<b>\$ (0.19)</b>

See accompanying notes to the consolidated financial statements.



**ENERGY FUELS INC.****Consolidated Balance Sheets***(unaudited)(Expressed in thousands of US dollars, except share amounts)*

	As of	
	March 31, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 12,164	\$ 16,901
Trade and other receivables	498	364
Inventories	20,332	16,761
Prepaid expenses and other assets	2,609	2,104
<b>Total current assets</b>	<b>35,603</b>	<b>36,130</b>
Notes receivable and other	1,663	1,146
Plant and equipment	36,126	37,582
Mineral properties	92,380	92,625
Intangible assets	5,594	5,799
Restricted cash	25,089	23,175
<b>Total assets</b>	<b>\$ 196,455</b>	<b>\$ 196,457</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 5,177	\$ 5,756
Current portion of asset retirement obligation	32	32
Current portion of loans and borrowings	6,573	6,319
<b>Total current liabilities</b>	<b>11,782</b>	<b>12,107</b>
Warrant liabilities	6,122	3,912
Deferred revenue	2,339	2,339
Asset retirement obligation	17,249	17,001
Loans and borrowings	23,230	23,235
<b>Total liabilities</b>	<b>60,722</b>	<b>58,594</b>
<b>Equity</b>		
Share capital		
Common shares, without par value, unlimited shares authorized; shares issued and outstanding		
70,219,864 at March 31, 2017 and 66,205,153 at December 31, 2016	420,556	412,334
Accumulated deficit	(292,029)	(281,521)
Accumulated other comprehensive income	3,552	3,308
<b>Total shareholders' equity</b>	<b>132,079</b>	<b>134,121</b>
Non-controlling interests	3,654	3,742
<b>Total equity</b>	<b>135,733</b>	<b>137,863</b>
<b>Total liabilities and equity</b>	<b>\$ 196,455</b>	<b>\$ 196,457</b>

Commitments and contingencies (Note 12)

See accompanying notes to the consolidated financial statements.

# ENERGY FUELS INC.

## Consolidated Statements of Changes in Equity

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

	Common Stock			Accumulated other comprehensive income	Total shareholders' equity	Non- controlling interests	Total equity
	Shares	Amount	Deficit				
<b>Balance at December 31, 2016</b>	<b>66,205,153</b>	<b>\$ 412,334</b>	<b>\$ (281,521)</b>	<b>\$ 3,308</b>	<b>\$ 134,121</b>	<b>\$ 3,742</b>	<b>\$ 137,863</b>
Net loss	—	—	(10,508)	—	(10,508)	(88)	(10,596)
Other comprehensive income	—	—	—	244	244	—	244
Shares issued for cash by at-the-market offering	3,158,825	7,175	—	—	7,175	—	7,175
Share issuance cost	—	(210)	—	—	(210)	—	(210)
Share-based compensation	—	1,041	—	—	1,041	—	1,041
Shares issued for the vesting of restricted stock units	752,580	—	—	—	—	—	—
Shares issued for consulting services	103,306	216	—	—	216	—	216
<b>Balance at March 31, 2017</b>	<b>70,219,864</b>	<b>\$ 420,556</b>	<b>\$ (292,029)</b>	<b>\$ 3,552</b>	<b>\$ 132,079</b>	<b>\$ 3,654</b>	<b>\$ 135,733</b>

See accompanying notes to the consolidated financial statements.

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

	For the three months ended March 31,	
	2017	2016
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (10,596)	\$ (8,865)
Items not involving cash:		
Depletion, depreciation and amortization	508	318
Stock-based compensation	1,041	666
Change in value of convertible debentures	922	561
Change in value of warrant liabilities	2,193	(253)
Accretion of asset retirement obligation	345	175
Unrealized foreign exchange gains (losses)	296	(207)
Abandonment of mineral properties	245	—
Other non- cash (income) expenses	242	(482)
Changes in assets and liabilities		
(Increase) decrease in inventories	(2,420)	8,736
Increase in trade and other receivables	(134)	(6,501)
(Increase) decrease in prepaid expenses and other assets	(505)	370
Decrease in accounts payable and accrued liabilities	(1,119)	(3,205)
Changes in deferred revenue	—	232
Cash paid for reclamation and remediation activities	(97)	(248)
	<b>(9,079)</b>	<b>(8,703)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	—	(93)
Change in cash deposited with regulatory agencies for asset retirement obligations	(1,913)	—
Sale of mineral properties held for sale	—	845
	<b>(1,913)</b>	<b>752</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares for cash	6,965	11,503
Option and warrant exercises	—	3
Repayment of loans and borrowings	(789)	(808)
	<b>6,176</b>	<b>10,698</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>	<b>(4,816)</b>	<b>2,747</b>
Effect of exchange rate fluctuations on cash held in foreign currencies	79	791
Cash and cash equivalents - beginning of period	16,901	12,965
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<b>\$ 12,164</b>	<b>\$ 16,503</b>
<b>Supplemental disclosure of cash flow information:</b>		
Net cash paid during the period for:		
Interest	\$ 202	\$ 246

See accompanying notes to the consolidated financial statements.

**ENERGY FUELS INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2017**

*(Tabular amounts expressed in thousands of US Dollars except share and per share amounts)*

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**1. THE COMPANY AND DESCRIPTION OF BUSINESS**

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

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 is an exploration stage mining company as defined by the SEC in Industry Guide 7 (“SEC Industry Guide 7”) as it has not established the existence of proven or probable reserves on any of its 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 interim 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 interim 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, 2016. However, the results of operations for the interim periods may not be indicative of results to be expected for the full fiscal year. Therefore these unaudited interim 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, 2016.

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

**3. INVENTORIES**

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	March 31, 2017	December 31, 2016
Concentrates and work-in-progress	\$ 17,637	\$ 13,788
Raw materials and consumables	2,695	2,973
	<b>\$ 20,332</b>	<b>\$ 16,761</b>

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**4. PLANT AND EQUIPMENT AND MINERAL PROPERTIES**

The following is a summary of plant and equipment:

	March 31, 2017			December 31, 2016		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Plant and equipment						
Nichols Ranch	\$ 29,210	\$ (7,915)	\$ 21,295	\$ 29,210	\$ (6,804)	\$ 22,406
Alta Mesa	13,626	(690)	12,936	13,626	(456)	13,170
Equipment and other	13,367	(11,472)	1,895	13,367	(11,361)	2,006
Plant and equipment total	\$ 56,203	\$ (20,077)	\$ 36,126	\$ 56,203	\$ (18,621)	\$ 37,582

The following is a summary of mineral properties:

	March 31, 2017	December 31, 2016
<b>Mineral properties</b>		
<b>In-situ recovery ("ISR")</b>		
Uranerz ISR properties (a)	\$ 34,815	\$ 35,060
<b>In-situ recovery total</b>	\$ 34,815	\$ 35,060
<b>Conventional</b>		
Sheep Mountain	34,183	34,183
Roca Honda	22,095	22,095
Other	1,287	1,287
<b>Conventional total</b>	57,565	57,565
<b>Mineral properties total</b>	\$ 92,380	\$ 92,625

- a) In the three months ended March 31, 2017, the Company did not renew certain mineral leases and recorded abandonment expense of \$0.25 million in the statement of operations (March 31, 2016 - \$Nil).

## 5. ASSET RETIREMENT OBLIGATIONS AND RESTRICTED CASH

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

	March 31, 2017	December 31, 2016
Asset retirement obligation, beginning of period	\$ 17,033	\$ 8,573
Revision of estimate	—	4,186
Acquired in asset acquisitions or business combinations	—	5,454
Accretion of liabilities	345	906
Settlements	(97)	(2,086)
Asset retirement obligation, end of period	\$ 17,281	\$ 17,033
Asset retirement obligation:		
Current	\$ 32	\$ 32
Non-current	17,249	17,001
Asset retirement obligation, end of period	\$ 17,281	\$ 17,033

Revision of estimates is as a result of a change in estimates of the amount or timing of cash flows to settle asset retirement obligations. Changes to the asset retirement obligations are recorded in profit and loss.

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% (December 31, 2016 – 2.0%). The total undiscounted decommissioning liability at March 31, 2017 is \$43.00 million (December 31, 2016 - \$43.00 million). Reclamation costs are expected to be incurred between 2017 and 2039 in the following manner: 2017 – 2021 - \$8.21 million, 2022 – 2026 - \$11.22 million, 2027 – 2031 - \$3.65 million, 2032 – 2036 - \$11.95 million, 2037 – 2039 - \$7.97 million.

The following table summarizes the Company's restricted cash:

	March 31, 2017	December 31, 2016
Restricted cash, beginning of period	\$ 23,175	\$ 12,980
Restricted cash from acquisitions	—	4,532
Additional collateral posted	—	5,663
Release of collateral related to change in surety agents	(10,811)	—
Posting of collateral with new surety agents	12,725	—
Restricted cash, end of period	\$ 25,089	\$ 23,175

The Company has cash, cash equivalents and fixed income securities as collateral for various bonds posted in favor of the State of Utah, the State of Wyoming, the applicable state regulatory agencies in Colorado and Arizona and the U.S. Bureau of Land Management for estimated reclamation costs associated with the White Mesa Mill, Nichols Ranch, Alta Mesa and 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 12 for a discussion of the Company's surety bond commitments.

## 6. 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.

	March 31, 2017	December 31, 2016
Current portion of loans and borrowings:		
Convertible debentures (a)	\$ 3,303	\$ 3,095
Wyoming Industrial Development Revenue Bond loan (b)	3,270	3,224
<b>Total current loans and borrowings</b>	<b>\$ 6,573</b>	<b>\$ 6,319</b>
Long-term loans and borrowings:		
Convertible debentures (a)	\$ 13,211	\$ 12,381
Wyoming Industrial Development Revenue Bond loan (b)	10,019	10,854
<b>Total long-term loans and borrowings</b>	<b>\$ 23,230</b>	<b>\$ 23,235</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 to give 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 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 has classified 20% of the principal amount of the debenture as a current 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 months ended March 31, 2017 the Company recorded a loss on revaluation of convertible debentures of \$0.92 million (March 31, 2016 – \$0.56 million).

- (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 has an annual interest rate of 5.75% and is 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 can be repaid earlier than its maturity date if the Company so chooses without penalty or premium. The Loan is 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 is also subject to dividend restrictions. Principal and interest are paid on a quarterly basis on the first day of January, April, July and October. At March 31, 2017 the loan had an outstanding balance of \$13.29 million of which the current portion of the note was \$3.27 million.

## **7. 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***

The significant transactions relating to capital stock issued for the three months ended March 31, 2017 are:

- a) In the three months ended March 31, 2017, The Company issued 3,158,825 Common Shares under the Company's "at-the-market" offering (the "ATM") for net proceeds of \$6.97 million.

### Share Purchase Warrants

The Company has share purchase warrants denominated in Canadian dollars and US dollars.

The following table summarizes the Company's share purchase warrants denominated in Canadian dollars:

Month Issued	Expiry Date	Exercise Price Cdn\$	Warrants Outstanding
June 2012(1)	June 22, 2017	13.25	351,025
June 2013(1)	June 15, 2017	9.50	456,948

- (1) The expiration date for these warrants was extended by one year on March 24, 2016.

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 is Canadian dollars.

Month Issued	Expiry Date	Exercise Price USD\$	Warrants Outstanding	Fair value at March 31, 2017
March 2016 (a)	March 14, 2019	3.20	2,515,625	1,459
September 2016	September 20, 2021	2.45	4,168,750	4,663
				\$ 6,122

- (a) The US dollar based warrants issued in March 2016 are classified as Level 2 under the fair value hierarchy (Note 14).

The following weighted average assumptions were used for the Black-Scholes option pricing model to calculate the \$1.46 million of fair value for the 2,515,625 warrants at March 31, 2017.

Risk-free rate	1.27%
Expected life	2.0 years
Expected volatility	98.01%*
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.

## 8. BASIC AND DILUTED LOSS PER COMMON SHARE

### Basic and diluted loss per share

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

	Three months ended March 31,	
	2017	2016
Loss attributable to shareholders	\$ (10,508)	\$ (8,808)
Basic and diluted weighted average number of common shares outstanding	68,761,350	47,660,414
<b>Loss per common share</b>	<b>\$ (0.15)</b>	<b>\$ (0.19)</b>

For the three months ended March 31, 2017, 10.17 million (March 31, 2016 - 6.99 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.

## 9. SHARE-BASED PAYMENTS

The Company, under the 2015 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 March 31, 2017, a total of 4,504,598 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 0.73 million options granted in the three months ended March 31, 2017 (three months ended March 31, 2016 – 0.42 million options). At March 31, 2017, there were 2.68 million options outstanding with 2.21 million options exercisable, at a weighted average exercise price of \$4.67 and \$5.16 respectively, with a weighted average remaining contractual life of 3.81 years. The aggregate intrinsic value of the fully vested options was \$nil.

The fair value of the options granted under the Compensation Plan for the three months ended March 31, 2017 was estimated at the date of grant, using the Black-Scholes Option Valuation Model, with the following weighted-average assumptions:

Risk-free interest rate	1.93%
Expected life	5.0 years *
Expected volatility	62.95%
Expected dividend yield	0.00%
Weighted-average expected life of option	5.00
Weighted-average grant date fair value	\$1.19

\* 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 March 31, 2017 and December 31, 2016, 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, 2015</b>	2.55 - 32.10	6.54	2,122,897
Granted	2.12 - 2.22	2.13	449,537
Exercised	2.12	2.12	(8,369)
Forfeited	2.12 - 18.99	5.52	(317,960)
Expired	2.95 - 32.03	8.03	(200,962)
<b>Balance, December 31, 2016</b>	2.12 - 15.61	5.69	2,045,143
Granted	2.35	2.35	732,328
Exercised	—	—	—
Forfeited	2.12 - 8.63	3.39	(30,283)
Expired	11.63 - 12.55	11.69	(66,725)
<b>Balance, March 31, 2017</b>	<b>2.12 - 15.61</b>	<b>4.67</b>	<b>2,680,463</b>

A summary of the status and activity of non-vested stock options for the three months ended March 31, 2017 is as follows:

	Number of shares	Weighted Average Grant- Date Fair Value
Non-vested December 31, 2016	227,178	\$ 1.48
Granted	732,328	1.19
Vested	(483,104)	1.31
Forfeited	(9,258)	1.47
Non-vested March 31, 2017	467,144	\$ 1.21

### ***Restricted Stock Units***

The Company grants restricted stock units ("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 restricted stock units 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 restricted stock unit for no additional payment. During the three months ended March 31, 2017, the Company's Board of Directors approved the issuance of 1.13 million RSUs under the Compensation Plan (March 31, 2016 – 0.95 million).

A summary of the status and activity of non-vested RSUs at March 31, 2017 is as follows:

	Number of shares	Weighted Average Grant- Date Fair Value
Non-vested December 31, 2016	1,330,469	\$ 2.37
Granted	1,131,760	2.51
Vested	(752,580)	2.35
Forfeited	(33,019)	2.12
Non-vested March 31, 2017	1,676,630	\$ 2.48

The total intrinsic value and fair value of RSUs that vested and were settled for equity in the three months ended March 31, 2017 was \$1.64 million (March 31, 2016 – \$0.30 million).

The share-based compensation recorded during the three months ended March 31, 2017 was \$1.04 million (March 31, 2016 - \$0.67 million).

At March 31, 2017, there was \$0.41 million and \$3.10 million of unrecognized compensation costs related to the unvested stock options and RSU awards, respectively. This cost is expected to be recognized over a period of approximately two years.

## **10. INCOME TAXES**

As of March 31, 2017, the Company does not believe it is more likely than not that the Company will fully realize the benefit of the deferred tax assets. As such, the Company increased the valuation allowance related to the deferred tax assets by \$3.58 million for the three months ended March 31, 2017. The Company recognized a full valuation allowance against the net deferred tax assets as of March 31, 2017, and December 31, 2016.

## **11. SUPPLEMENTAL FINANCIAL INFORMATION**

The components of revenues are as follows:

	Three months ended March 31,	
	2017	2016
Uranium concentrates	\$ 3,497	\$ 17,978
Alternate feed materials processing and other	259	18
<b>Revenues</b>	<b>\$ 3,756</b>	<b>\$ 17,996</b>

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

	Three months ended March 31,	
	2017	2016
Interest income	\$ 29	\$ 20
Change in value of investments accounted at fair value	499	69
Change in value of warrant liabilities	(2,193)	253
Change in value of convertible debentures	(922)	(561)
Sale of surplus assets	793	—
Other	(123)	307
<b>Other income (expense)</b>	<b>\$ (1,917)</b>	<b>\$ 88</b>

## 12. COMMITMENTS AND CONTINGENCIES

### *General legal matters*

#### **White Mesa Mill**

In November 2012, the Company was served with a Plaintiff's Original Petition and Jury Demand in the District Court of Harris County, Texas, claiming unspecified damages from the disease and injuries resulting from mesothelioma from exposure to asbestos, which the Plaintiff claims was contributed to by being exposed to asbestos products and dust while working at the White Mesa Mill. The Company does not consider this claim to have any merit, and therefore does not believe it will materially affect our financial position, results of operations or cash flows. In January, 2013, the Company filed a Special Appearance challenging jurisdiction and certain other procedural matters relating to this claim. No other activity involving the Company on this matter has occurred since that date.

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.

In April 2014, the Grand Canyon Trust filed a citizen suit in federal District Court for alleged violations of the Clean Air Act at the White Mesa Mill. In October 2014, the plaintiffs were granted leave by the Court to add further purported violations to their April 2014 suit. The Complaint, as amended, alleges that radon from one of the Mill's tailings impoundments exceeded the standard; that the mill is in violation of a requirement that only two tailings impoundments may be in operation at any one time; and that certain other violations related to the manner of measuring and reporting radon results from one of the tailings impoundments occurred in 2013. The Complaint asks the Court to impose injunctive relief, civil penalties of up to \$38,000 per day per violation, costs of litigation including attorneys' fees, and other relief. The Company believes the issues raised in the Complaint are being addressed through the proper regulatory channels and that we are currently in compliance with all applicable regulatory requirements relating to those matters. The Company intends to defend against all issues raised in the Complaint. Cross motions for summary judgment were heard by the District Court on November 17, 2016, and the parties are awaiting the Court's decision.

## **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 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 and the parties are awaiting the Court’s decision. If the Canyon Plaintiffs are successful on their appeal on the merits, 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.

## ***Surety bonds***

The Company has indemnified third-party companies to provide surety bonds as collateral for the Company’s ARO. 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 \$25.09 million posted against an undiscounted ARO of \$43.00 million (December 31, 2016 - \$23.18 million posted against undiscounted asset retirement obligation of \$43.00 million).

## **13. SEGMENT INFORMATION**

The Company is 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 primary mining activities are in the United States.

The reportable segments are those operations whose operating results are reviewed by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance provided those operations pass certain quantitative thresholds. Operations whose revenues, earnings or losses or assets exceed 10% of the total consolidated revenue, earnings or losses or assets are reportable segments. Information about assets and liabilities of the segment has not been provided because the information is not used to assess performance.

In order to determine reportable operating segments, management reviewed various factors, including geographical location and managerial structure. It was determined by management that a reportable operating segment generally consists of an individual property managed by a single general manager and management team. Finance income (expense), other income (expenses) are managed on a consolidated basis and are not allocated to operating segments.

The Company has two operating segments, the conventional uranium recovery segment (the “Conventional Uranium Segment”) and the in-situ uranium recovery segment (the “ISR Uranium Segment”).

Non-mining activities and other operations are reported in Corporate and other.

### ***The Conventional Uranium Segment***

The Conventional Uranium Segment consists of a standalone conventional uranium recovery facility (the “White Mesa Mill”), conventional mining projects in the vicinity of the White Mesa Mill located in the Colorado Plateau, Henry Mountains, Arizona Strip, and the Roca Honda Project (“Roca Honda”) in New Mexico, and the Sheep Mountain Project (“Sheep Mountain”) in Wyoming. At March 31, 2017 the conventional mining projects in the vicinity of the White Mesa Mill are on standby, being upgraded and evaluated for continued mining activities and/or in process of being permitted. The White Mesa Mill also processes third party uranium-bearing mineralized materials from mining and recycling activities.

### ***The ISR Uranium Segment***

The ISR Uranium Segment consists of an operating uranium recovery facility to recover concentrated uranium from wellfields of the Nichols Ranch Project located in Wyoming and a uranium recovery facility and wellfields maintained on standby as part of



the Alta Mesa Project in Texas. The Nichols Ranch Project also includes the Jane Dough property and the Hank Project. Additionally, the segment includes other mineral properties in the vicinity of the Nichols Ranch Project and the Alta Mesa Project. The Nichols Ranch Project and surrounding assets were acquired as part of the Company's 2015 acquisition of Uranerz Energy Corporation and the Alta Mesa Project was acquired in June of 2016.

The following tables set forth operating results by reportable segment for the three months ended March 31, 2017:

	<u>Operating Segments</u>		<u>Non-Operating Segments</u>	
Three months ended March 31, 2017	Conventional	ISR	Corporate & Other	Total
<b>Revenue</b>	<b>\$ 3,756</b>	<b>\$ —</b>	<b>\$ —</b>	<b>3,756</b>
Costs and expenses applicable to revenue	2,071	—	—	2,071
Impairment of inventories	—	—	—	—
Development, permitting and land holding	2,912	411	—	3,323
Standby costs	429	777	—	1,206
Abandonment of mineral properties	—	245	—	245
Accretion of asset retirement obligation	170	175	—	345
Selling costs	70	—	—	70
Intangible asset amortization	205	—	—	205
General and administration	775	228	3,425	4,428
<b>Total operating loss</b>	<b>(2,876)</b>	<b>(1,836)</b>	<b>(3,425)</b>	<b>(8,137)</b>
Interest expense	—	—	(542)	(542)
Other expense	—	—	(1,917)	(1,917)
<b>Net loss</b>	<b>\$ (2,876)</b>	<b>\$ (1,836)</b>	<b>\$ (5,884)</b>	<b>\$ (10,596)</b>
<b>Attributable to shareholders</b>	<b>\$ (2,876)</b>	<b>\$ (1,748)</b>	<b>\$ (5,884)</b>	<b>\$ (10,508)</b>
Non-controlling interests	—	(88)	—	(88)
<b>Net loss for the period</b>	<b>\$ (2,876)</b>	<b>\$ (1,836)</b>	<b>\$ (5,884)</b>	<b>\$ (10,596)</b>

#### 14. 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 March 31, 2017. 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 March 31, 2017, 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	\$ 2,279	\$ —	\$ —	\$ 2,279
Warrant liabilities	(4,663)	(1,459)	—	(6,122)
Convertible debentures	(16,514)	—	—	(16,514)
	\$ (18,898)	\$ (1,459)	\$ —	\$ (20,357)

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. Investments are located within prepaid expenses and other current assets and notes receivable and other non-current assets as part of the

consolidated balance sheet. Convertible debentures are within current and non-current loans and borrowings as part of the consolidated balance sheet.

## 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 month period ended March 31, 2017, 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, 2016 filed on March 9, 2017. 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, known as 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, and is evaluating opportunities for copper recovery from our Canyon project.

The Mill, which is 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/vanadium mill in the United States. The Mill is licensed to process an average of 2,000 tons of ore per day and to extract approximately 8.00 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 uneconomic prices. The Mill is currently processing alternate feed materials under a toll processing arrangement 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 recovered in previous processing. 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 potential clean-up of abandoned uranium mines on the Navajo Nation that is located in northeastern Arizona as well as parts of Utah and New Mexico and other abandoned uranium mines in the vicinity that are not on the Navajo Nation. Recently, the Justice Department and EPA announced settlements in excess of \$1.5 billion to fund these clean-up activities. 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<sub>3</sub>O<sub>8</sub>, while at the same time removing such material from the land. There are no other facilities 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 uranium producers and, accordingly, we believe that prices will recover. In anticipation of 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 and mine, as well as mine and process ore from our Canyon Project. The Company believes we could start bringing this new production to the market within approximately six 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.

In addition to resources controlled by Energy Fuels, there are substantial conventional uranium/vanadium mines/projects in the vicinity of our Mill, which as stated above, is the only operating mill in the United States. We expect that as these mines are brought into production we will be able to generate profitable toll milling contracts to process this third party ore.

### **Uranium Market Update**

According to monthly price data from TradeTech LLC (“TradeTech”), uranium spot prices increased from \$20.25 per pound on December 31, 2016 to \$23.25 per pound on March 31, 2017, or 15% for the year-to-date. Weekly spot prices reported by TradeTech reached a high of \$26.50 per pound on February 10, 2017, and were at \$22.45 on May 4, 2017. According to TradeTech’s March 31, 2017 Nuclear Market Review (“NMR”), the uranium spot price has exhibited volatility during 2017 with “sporadic activity” defining the market, including a greater number of transactions, but lower volumes of material, compared to the same period in 2016. According to data from TradeTech, most spot market activity in 2016 and 2017 has involved traders and intermediaries, with utility spot demand being described as “extremely weak” (NMR, April 7, 2017). TradeTech price data also indicate that long-term  $U_3O_8$  prices, which began 2017 at \$30.00 per pound, increased to \$35.00 per pound by March 31, 2017.

The year-to-date rise in uranium prices is believed to have been primarily caused by the announcement that Kazakhstan, the World’s leading producer of uranium, expects to cut production by 10% in 2017, and the potential for further reductions in production from Cameco and other uranium supply during 2017. In addition on March 28, 2017, a high court in Japan lifted an injunction preventing the restart of the Takahama 3 and 4 reactors clearing the way for these units to restart in May and June. And, on April 26, 2017, the U.S. Department of Energy announced that it was reducing uranium transfers from stockpiles by 1.1 million pounds for each of 2017 and 2018. On March 29, 2017, Toshiba’s Westinghouse nuclear division filed for Chapter 11 protection, creating some uncertainty about the four nuclear reactors currently under construction in the U.S. While spot prices have recovered somewhat from their late-2016 lows, the market remains weak and oversupplied. The Company continues to believe that the continued weak uranium markets are primarily the result of excess uranium supplies caused by large quantities of secondary uranium extraction, excess inventories, and thus far insufficient production cut-backs.

### **Operations Update and Outlook**

The Company plans to extract and/or recover uranium from the following sources in 2017 (each of which is more fully described below):

- 1) Nichols Ranch ISR Project;
- 2) Alternate feed materials and pond returns at the Mill.

Our planned operations are expected to produce finished uranium in excess of our existing requirements under our sales contracts.

#### Extraction and Recovery Activities - Overview

The Company expects to produce 675,000 pounds in the year ending December 31, 2017 of which 92,000 pounds  $U_3O_8$  were produced in the first three months of the year. We had previously forecasted total production for the year ending December 31, 2017 of 800,000 pounds of  $U_3O_8$ . The lower production amount is due to expected lower initial recoveries of pond returns of 25,000 pounds  $U_3O_8$ , a delay in receipt of certain alternate feed materials of 50,000 pounds  $U_3O_8$ , which are now expected to be received in 2018, and lower than expected recoveries at our Nichols Ranch Project.

The Company currently has finished goods inventory and uranium extraction and recovery capabilities that exceed the commitments contained in our existing sales contracts. As a result, both ISR and conventional uranium extraction and/or recovery have been, and are expected to continue to be, maintained at conservative levels until such time as market conditions improve sufficiently.

#### Extraction and Recovery - ISR Uranium Operations

We expect to extract and recover approximately 300,000 pounds of  $U_3O_8$  from our Nichols Ranch Project for the year ending December 31, 2017 of which 58,000 pounds were recovered in the first three months of the year.

At March 31, 2017, the Nichols Ranch wellfields had nine header houses extracting uranium. The ninth header house began extracting uranium in March 2017. Until such time that improvement in uranium market conditions is observed or suitable sales contracts can be entered into, the Company intends to defer development of further header houses at its Nichols Ranch project.

#### Extraction and Recovery - Milling Operations

The Company expects to recover approximately 375,000 pounds of  $U_3O_8$  during the year ending December 31, 2017 at the Mill, including approximately 275,000 pounds of  $U_3O_8$  from dissolved uranium not recovered from previous processing in the mill tailings management system ("Pond Return") and approximately 100,000 pounds of  $U_3O_8$  from alternate feed sources. In the first three months of the year the Mill recovered 34,000 pounds of these amounts.

In addition, during 2017, the Company expects to earn a fee for processing approximately 1.0 million pounds of  $U_3O_8$  contained in alternate feed materials at the Mill, returning all finished uranium product to the generator of the feed material. During the three months ended March 31, 2017 the Company began the recovery process and completed processing of 39,000 pounds of this material.

The Mill has historically operated on a campaign basis, whereby uranium recovery is scheduled as mill feed, cash needs, contract requirements, and/or market conditions may warrant. The Company is actively pursuing opportunities to process new and additional alternate feed sources, low grade ore from third parties in connection with various uranium clean-up requirements and further recovery of Pond Return. Successful results from these activities would allow the Mill to extend the current campaign into 2018 and beyond.

In the event we are unable to secure sufficient ore or other feed sources for the Mill into the future, the Company would expect to place uranium recovery 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 mill feed that would allow the Company to operate the Mill on a profitable basis and/or recover a portion of its standby costs.

#### Shaft sinking and evaluation of the Canyon Project

The Company substantially completed shaft sinking and underground evaluation drilling activities in March 2017 at the Canyon Project which has resulted in a reduction in the workforce at this project at this time.

The Company is actively processing and reviewing the drilling results in order to define the mineralization, develop mine plans and evaluate the Mill's ability to recover a salable copper product from the significant copper mineralization the Company has identified. Through evaluation activities completed to date, the Company has identified zones of high-grade uranium and copper mineralization within the deposit. The best uranium intercepts include 6.0-feet of mineralization with an average grade of 16.99%  $eU_3O_8$ , 46.0-feet of mineralization with an average grade of 1.37%  $eU_3O_8$ , and 41-feet of mineralization with an average grade of 1.00%  $eU_3O_8$ . Nineteen core holes with a total intercept length of 645-feet have averaged 6.63% Cu, with several intercepts over 20% Cu. The Company is evaluating the potential for recovering copper at its White Mesa Mill as a value-added byproduct along with the recovery of uranium. The Company plans to issue an updated NI 43-101 compliant technical report in the second half of 2017, which will address its resource estimation.

The timing of the Company's plans to extract and process mineralized materials from the Canyon Project will be based on the results of this additional evaluation work, along with market conditions and available financing.

#### Other operational activities

Permitting of the Jane Dough Property, which is adjacent to Nichols Ranch, was completed in March 2017.

In January 2017, the Company obtained the necessary permits to mine the open pit and underground resources of its Sheep Mountain Project in Wyoming.

The Company is continuing to pursue cost cutting initiatives, including the potential sale or abandonment of certain non-core properties and the sale of excess mining equipment and other assets.

#### **Sales and other revenue update and outlook**

In 2017, the Company expects to complete deliveries of 520,000 pounds of  $U_3O_8$  under four contracts, including 320,000 pounds under three long-term contracts and 200,000 pounds under a contract where the price is based on the average spot price per pound of uranium for the five weeks prior to the dates of delivery. Of these deliveries, 120,000 pounds represent the final deliveries under

one of these contracts. The Company is currently monitoring market conditions for additional sales opportunities. Selective additional spot sales may be made as necessary to generate cash for operations and development activities.

During the three months ended March 31, 2017, 60,000 pounds of the above amounts were delivered to a customer under one of the long-term contracts.

During the year ending December 31, 2017, the Company expects to earn approximately \$6.5 million in toll revenue for processing certain alternate feed materials for a third party of which \$0.26 million was earned in the first three months of 2017. The Company also continues to pursue new sources of revenue, including additional alternate feed materials, toll processing of alternate feed materials and other sources of feed for the Mill.

## Results of Operations

The following table summarizes the results of operations for the three months ended March 31, 2017 and 2016 (in thousands of US dollars):

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenue</b>	<b>\$ 3,756</b>	<b>\$ 17,996</b>
<b>Costs and expenses applicable to revenue</b>	<b>2,071</b>	<b>12,143</b>
<b>Gross Profit</b>	<b>1,685</b>	<b>5,853</b>
<b>Other operating costs and expenses</b>		
Development, permitting and land holding	3,323	7,442
Standby costs	1,206	2,166
Abandonment of mineral properties	245	—
Accretion of asset retirement obligation	345	175
<b>Total other operating costs and expenses</b>	<b>5,119</b>	<b>9,783</b>
<b>Selling, general &amp; administration</b>		
Selling costs	70	74
Intangible asset amortization	205	219
General and administration	4,428	3,828
Costs directly attributable to acquisitions	—	326
<b>Total selling, general &amp; administration</b>	<b>4,703</b>	<b>4,447</b>
<b>Total Operating Loss</b>	<b>(8,137)</b>	<b>(8,377)</b>
Interest expense	(542)	(576)
Other (expense) income	(1,917)	88
<b>Net loss</b>	<b>\$ (10,596)</b>	<b>\$ (8,865)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.15)</b>	<b>\$ (0.19)</b>

## Revenues

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

Revenues for the three months ended March 31, 2017 totaled \$3.76 million, of which \$3.50 million were sales related to the conventional segment, 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 \$0.26 million related to tolling processing of uranium concentrates.

Revenues for the three months ended March 31, 2016 totaled \$18.00 million, of which \$17.98 million were sales of 350,000 pounds of U<sub>3</sub>O<sub>8</sub>. The 350,000 pounds of U<sub>3</sub>O<sub>8</sub> included the sale of 300,000 pounds of U<sub>3</sub>O<sub>8</sub> pursuant to term contracts at an



average price of \$54.19 per pound and the sale of 50,000 pounds of U<sub>3</sub>O<sub>8</sub> on the spot market at a price of \$34.40 per pound. For the three months ended March 31, 2016 all of the sales were related to the Conventional Uranium Segment.

### *Operating Expenses*

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

In the three months ended March 31, 2017, the Company recovered 58,000 pounds of U<sub>3</sub>O<sub>8</sub> from its ISR Uranium Segment and 34,000 pounds of U<sub>3</sub>O<sub>8</sub> from the Company's conventional operations from alternate feed sources. In addition, the Company recovered 107,000 pounds for the account of a third party under a tolling agreement. In the three months ended March 31, 2016, the Company recovered 85,000 pounds of U<sub>3</sub>O<sub>8</sub> from its ISR Uranium Segment. As the Company operates its Conventional Uranium Segment on a campaign basis no uranium concentrates were recovered.

Costs and expenses applicable to revenue for the three months ended March 31, 2017 totaled \$2.07 million, compared with \$12.14 million for the three months ended March 31, 2016. The decrease in the cost of sales was primarily attributable to the decrease in the quantity of U<sub>3</sub>O<sub>8</sub> sold year over year as discussed above. Costs of goods sold averaged \$34.52 per pound and \$34.69 per pound for the three months ended March 31, 2017 and 2016, respectively.

#### *Other operating costs and expenses*

#### Development, permitting and land holding

For the three months ended March 31, 2017, the Company spent \$3.32 million for development, permitting, and land holding of which \$2.80 million was spent at the Canyon Project completing the sinking of the shaft and completing evaluation drilling. While we believe the amounts expensed will add value to the Company, we expense these amounts as we do not have proven or probable reserves at the Nichols Ranch Project or the White Mesa asset group under SEC Industry Guide 7. The Company expects a similar amount of spending at the Canyon Project in the second quarter as the Company is in the process of completing the evaluation of the mine, and repairing and upgrading the hoist and water handling systems. In the second half of the year the Company expects its expenditures for development, permitting and land holding costs will decrease substantially as these activities are completed.

Additionally, in the three months ended March 31, 2017, the Company spent \$0.52 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.

For the three months ended March 31, 2016, we spent \$7.44 million of which \$4.56 million was related to wellfield construction and partial construction of the elution circuit at the Nichols Ranch Project, \$1.32 million was related to the replacement of five leach tanks at the White Mesa Mill in preparation for the upcoming campaign and \$1.49 million was related to the sinking of the shaft at the Canyon Project.

#### Standby expense

The Company's La Sal and Daneros Projects were placed on standby in the last quarter of calendar year 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 March 31, 2017, standby costs totaled \$1.21 million compared with \$2.17 million in 2016. The decrease is primarily related to decreased standby costs at the White Mesa Mill as it was operating at a level above the threshold for standby costs to be incurred.

#### Accretion

Accretion related to the asset retirement obligation for the Company's properties increased for the three months ended March 31, 2017 to \$0.35 million compared with \$0.18 million in 2016. This is primarily due to the increase in the amount of the asset retirement obligation added in connection with the Mestefia transaction.

#### *General and Administrative*

General and administrative expense includes 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 \$4.43 million for the three months ended March 31, 2017 compared to \$3.83 million for the three months ended March 31, 2016. The

increase is due to an increase of stock-based compensation to \$1.04 million from \$0.67 million in 2016 and severance expense of \$0.59 million compared with \$0.19 million in 2016.

#### *Intangible asset amortization*

Intangible asset amortization are non-cash costs of amortization of above-market sales contract value associated with the acquisition of Denison's US Mining Division in June 2012 and the Uranerz acquisition in June 2015. During the three months ended March 31, 2017 intangible asset amortization totaled \$0.21 million compared with \$0.22 million for the three months ended March 31, 2016. This decrease was due to a timing of contracted sales as discussed above.

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

##### Interest Expense

Interest expense for the three months ended March 31, 2017 was \$0.54 million compared with \$0.58 million in the prior year.

##### Other income and expense

For the three months ended March 31, 2017, other income and expense totaled \$1.92 million of expense. These amounts primarily consist of a loss on the increase in warrant liabilities of \$2.19 million, a loss on the change in the mark-to-market values of the Company's Convertible Debentures (the "Debentures") of \$0.92 million and losses on miscellaneous items of \$0.12 million offset by a gain on the sale of surplus assets of \$0.79 million, a gain on investments accounted for at fair value of \$0.50 million and interest income of \$0.03 million.

For the three months ended March 31, 2016, other income and expense totaled \$0.09 million of income. These amounts consist of a gain on a decrease in warrant liabilities of \$0.25 million and gains in other miscellaneous items of \$0.39 million, partially offset by a loss on the change in the mark-to-market values of the Company's Debentures of \$0.56 million.

#### **Liquidity and Capital Resources**

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

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

In October 2013, the Company acquired a 60% interest in Roca Honda. On May 27, 2016, the Company completed the purchase of the remaining 40% interest in Roca Honda from Sumitomo, which is now 100% owned and controlled by the Company. As consideration for the 40% interest, the Company issued 1.21 million shares as well as an additional \$4.5 million of cash payable upon first commencement of commercial mining extraction.

Additionally, on June 16, 2016, the Company completed the asset acquisition of Alta Mesa through the issuance of 4.55 million shares. The total transaction costs incurred through June 30, 2016 by the Company were \$1.29 million, which were capitalized as part of acquiring the asset.

The Company intends to continue to acquire assets utilizing Common Shares when it can be done under attractive terms.

##### *Cash proceeds received for shares and warrants*

In the three months ended March 31, 2017, the Company issued 3.16 million shares for net proceeds of \$6.97 million under the Company's ATM Offering.

##### *Working capital at March 31, 2017 and future requirements for funds*

At March 31, 2017, the Company had working capital of \$23.82 million, including \$12.16 million in cash and cash equivalents and approximately 550,000 pounds of finished goods inventory. The Company believes it has sufficient cash and resources to carry out its base business plan beyond March 31, 2018.

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.

#### *Debenture Maturity*

The Company currently has 22,000 floating-rate convertible unsecured subordinated debentures originally maturing June 30, 2017 (the “Debentures”) (each Debenture having a principal amount of Cdn\$1,000). On August 4, 2016, the following amendments were made to the Debentures:

- the maturity date of the Debentures was extended from June 30, 2017 to December 31, 2020;
- the conversion price of the Debentures was reduced from Cdn\$15.00 to Cdn\$4.15 per Common Share of the Company;
- a redemption provision was added that enables the Company to redeem the Debentures, in 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;
- a right in favor of each Debentureholder was added to enable the Debentureholder to require the Company to purchase, for cash, on June 30, 2017 (the original maturity date) up to 20% of the Debentures held by the Debentureholder at a price equal to 100% of the principal amount tendered; and
- certain other amendments were made to the Debenture Indenture as required by the U.S. Trust Indenture Act of 1939, along with certain other amendments to remove provisions of the Indenture that no longer apply.

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 Debentures, in whole or in part, at 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 principal amount of the Debentures maturing 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 maturity date.

#### *Cash and cash flows*

##### Three months ended March 31, 2017

Cash and cash equivalents were \$12.16 million at March 31, 2017, compared to \$16.90 million at December 31, 2016. The decrease of \$4.74 million was due primarily to cash provided by financing activities of \$6.18 million offset by cash used by investing activities of \$1.91 million and cash used in operations of \$9.08 million and gain on foreign exchange on cash held in foreign currencies of \$0.08 million.

Net cash provided by financing activities totaled \$6.18 million consisting primarily of \$6.97 million proceeds from the issuance of stock in the ATM Offering partially offset by \$0.79 million to repay loans and borrowings.

Net cash used by investing activities was \$1.91 million and was due to cash expenditures related to additional cash deposited with regulatory agencies of \$1.91 million. This increase is due to the timing of cash inflows and outflow related to the Company's decision to change surety providers. When the change is complete the Company expects to receive additional refunds of approximately \$2.00 million.

Net cash used in operating activities of \$9.08 million is comprised of the net loss of \$10.60 million for the period adjusted for non-cash items and for changes in working capital items. Significant items not involving cash were \$0.51 million of depreciation and amortization of property, plant and equipment, \$1.04 million of stock-based compensation, a change in the value of the convertible debentures of \$0.92 million, a change in the value of the warrant liabilities of \$2.19 million, a \$0.24 million miscellaneous non-cash expense offset by a \$2.42 million decrease in inventories, \$0.13 million decrease in trade and other receivables and a \$1.12 million decrease in accounts payable and accrued liabilities.

##### Three months ended March 31, 2016

Cash and cash equivalents were \$16.50 million at March 31, 2016, compared to \$12.97 million at December 31, 2015. The increase of \$3.53 million was due primarily to cash provided by financing activities of \$10.70 million, cash provided by investing activities of \$0.75 million partially offset by cash used in operations of \$8.70 million and gain on foreign exchange on cash held in foreign currencies of \$0.79 million.

Net cash provided by financing activities totaled \$10.70 million consisting primarily of \$11.50 million proceeds from the issuance of stock in the March 2016 public offering and the ATM Offering partially offset by \$0.81 million to repay loans and borrowings.

Net cash provided by investing activities was \$0.75 million, which was primarily related to cash received from the sale of mineral properties held for sale of \$0.85 million partially offset by expenditures for mineral properties and property, plant and equipment of \$0.09 million.

Net cash used in operating activities of \$8.70 million is comprised of the net loss of \$8.87 million for the period adjusted for non-cash items and for changes in working capital items.

### **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*

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 ore body 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.

*c. Valuation of mining and recovery assets in a business combination*

We value assets in a business combination based on our estimates of the fair value of the mining and recovery assets acquired.

For mining and recovery assets actively extracting and recovering uranium as well as those assets that we expect to extract uranium from, we value the assets based on the income approach. As we have not acquired proven or probable reserves, as defined by SEC Industry Guide 7, in our business combinations, the value ascribed to these assets is based on our estimates of value beyond proven and probable reserves. The value is calculated based, in part, on technical reports prepared under NI 43-101. Our estimates of extraction and recovery activities and related timing of extraction and recovery as well as the costs involved are demonstrated by at least a preliminary economic assessment. We then adjust the results of the technical reports to include the effects of anticipated fluctuations in the future market price of uranium consistent with what we believe to be the expectations of other market participants as well as any expected operational or cost changes that we expect in the future operations of these mining assets. These cash flow estimates include the estimated cash outflows to develop, extract and recover the estimated saleable U<sub>3</sub>O<sub>8</sub> from these operations.

For mining assets that will be held for further evaluation or for sale, we use the market approach utilizing implied transaction multiples from historical uranium transactions.

*d. Valuation of mining assets acquired other than in a business combination*

The costs of mining assets that are acquired in an asset purchase transaction are recorded as plant and equipment on the date of purchase based on the consideration given up for the assets. If multiple assets are involved in a transaction, the consideration is allocated based on the relative values of the properties acquired.

*e. 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.

*f. Business combinations*

Management uses judgment in applying the acquisition method of accounting for business combinations and in determining fair values of the identifiable assets and liabilities acquired. The value placed on the acquired assets and liabilities, including identifiable intangible assets, will have an effect on the amount of goodwill or bargain purchase gain that the Company may record on an acquisition. Changes in economic conditions, commodity prices and other factors between the date that an acquisition is announced and when it finally is consummated can have a material difference on the allocation used to record a preliminary purchase price allocation versus the final purchase price allocation which can take up to one year after acquisition to complete. See *b.* above for information related to the valuation of mining and recovery assets in this process.

*g. 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.

*h. 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.

*i. Determination whether an acquisition represents a business combination or asset purchase*

Management determines whether an acquisition represent a business combination or asset purchase by considering the stage of exploration and development and status of an acquired operation. Consideration is given to whether the acquired properties include mineral reserves or mineral resources, in addition to the permitting required and results of economic assessments.

## **Recently Adopted Accounting Pronouncements**

### ***Fair value measurement***

In May 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-07 related to investments for which fair value is measured, or are eligible to be measured, using the net asset value per share practical expedient. This update removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendment also removes certain disclosure requirements for these investments. This

update was effective in fiscal years, including interim periods, beginning after December 15, 2015. Adoption of this guidance effective January 1, 2016 had no impact on the Consolidated Financial Statements.

#### ***Debt issuance costs***

In April 2015, ASU No. 2015-03 was issued related to debt issuance costs. This update simplifies the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability. The update was effective in fiscal years, including interim periods, beginning after December 15, 2015. Adoption of this guidance effective January 1, 2016 had no impact on the Consolidated Financial Statements.

#### ***Consolidations***

In February 2015, ASU No. 2015-02 was issued related to consolidations. This update makes some targeted changes to current consolidation guidance and impacts both the voting and the variable interest consolidation models. In particular, the update changes how companies determine whether limited partnerships or similar entities are variable interest entities. The update was effective in fiscal years, including interim periods, beginning after December 15, 2015. The adoption of this guidance effective January 1, 2016 had no impact on the Consolidated Financial Statements or disclosures.

#### ***Going Concern***

In August 2014, ASU No. 2014-15 was issued related to management's going concern assumption. This update provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. The update is effective for the annual period ending after December 15, 2016. Adoption of this guidance, effective December 31, 2016, had no impact on the Consolidated Financial Statements or disclosures.

#### ***Inventory***

In July 2015, ASU 2015-11 was issued related to inventory which simplifies the subsequent measurement of inventories by replacing the lower of cost or market test with a lower of cost and net realizable value test. The update is effective in fiscal years, including interim periods, beginning after December 15, 2016, and early adoption is permitted. Adoption of this guidance, effective October 1, 2016, had no impact on the Consolidated Financial Statements or disclosures.

#### ***Stock-based compensation***

In March 2016, ASU No. 2016-09 was issued related to stock-based compensation. The new guidance simplifies the accounting for stock-based compensation transactions, including income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This update is effective in fiscal years, including interim periods, beginning after December 15, 2016 and early adoption is permitted. Adoption of this guidance, effective October 1, 2016 had no impact on the Consolidated Financial Statements or disclosures.

#### ***Employee benefit plan accounting***

In July 2015, ASU 2015-12 was issued related to defined benefit pension plans, defined contribution pension plans, and health and welfare benefit plans. This update designates contract value as the only required measure for fully benefit-responsive investment contracts, simplifies and makes more effective the investment disclosure requirements for employee benefit plans, and provides a simplified method for determining the measurement date for employee benefit plans. Adoption of this guidance, effective January 1, 2016 had no impact on the Consolidated Financial Statements or disclosures.

#### ***Business combinations***

In September 2015, ASU 2015-16 was issued related to accounting for measurement-period adjustments in a business combination. This update simplifies the measurement-period adjustments by requiring that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, and not retrospectively. This update also requires the separate presentation on the face of the statement of income, or disclosure in the notes to the financial statements, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. Adoption of this guidance, effective January 1, 2016 had no impact on the Consolidated Financial Statements or disclosures.

#### **Recently Issued Accounting Pronouncements not yet adopted**

In addition to the new and revised standards and amendments issued prior to 2017 for which the Company is evaluating implementation effects, as disclosed in our annual Consolidated financial statements, the FASB issued the following new and revised standards and amendments, which are not yet effective which may have future applicability to the Company:



### ***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. The Company is currently evaluating this guidance and the impact it will have on the financial statements.

### ***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.

### ***Financial instruments***

In January 2016, ASU 2016-01 was issued related to financial instruments. The update intends to enhance the reporting model for financial instruments to provide users of financial instruments with more decision-useful information and addresses certain aspects of the recognition, measurement, presentation, and disclosure of financial instruments. The update is effective in fiscal years, including interim periods beginning on or after December 15, 2017. The Company is currently evaluating this guidance and the impact it will have on the financial statements.

### ***Revenue recognition***

In May 2014, ASU 2014-09 was issued related to revenue from contracts with customers. The new standard 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. The update is effective in fiscal years, including interim periods beginning on or after December 15, 2017, and will be applied retrospectively. We are analyzing our sales contracts in order to evaluate the impact on the financial statements.

### ***Deferred Income Taxes***

In November 2015, the ASU 2015-17 related to the presentation of deferred income taxes in the statement of financial position by requiring that deferred tax liabilities and assets be classified as noncurrent. The update is effective in fiscal years, including interim periods beginning on or after December 15, 2016. The Company does not expect the updated guidance to have an impact on the Company's financial statements.

### ***Business combinations***

In January 2017, ASU No. 2017-01 was issued related to business combinations. The new guidance requires entities to go through a "screen" when determining whether an integrated set of assets and activities constitutes a business. The screen requires entities to compare the fair value of gross assets acquired to the fair value of a single identifiable asset or group of similar identifiable assets. If substantially all of the fair value of the gross assets acquired is concentrated in the single identifiable assets or group of similar identifiable assets, the integrated set of assets and activities is not a business. This update is effective in fiscal years, including interim periods, beginning after December 15, 2017, and early adoption is not permitted. The Company is currently evaluating this guidance and the impact it will have on the financial statements.

### ***Restricted Cash***

In November 2016, ASU No. 2016-18 was issued related to the inclusion of restricted cash in the statement of cash flows. This new guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. This update is effective in fiscal years, including interim periods, beginning after December 15, 2017 and early adoption is permitted. The adoption of this guidance will result in the inclusion of the restricted cash balances within the overall cash balance and removal of the changes in restricted cash activity, which are currently recognized in Other financing activities, on the Statements of Consolidated Cash Flows. Furthermore, an additional reconciliation will be required to reconcile Cash and cash equivalents and restricted cash reported within the

Consolidated Balance Sheets to sum to the total shown in the Statements of Consolidated Cash Flows. The Company is currently evaluating this guidance and the impact it will have on the financial statements.

### **Statement of Cash Flows**

In August 2016, ASU No. 2016-15 was issued related to the statement of cash flows. This new guidance addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update is effective in fiscal years, including interim periods, beginning after December 15, 2017 and early adoption is permitted. The Company is currently evaluating this guidance and the impact it will have on the financial statements.

## **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. 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.

### **Commodity Price Risk**

The Company is subject to market risk related to the market price of U<sub>3</sub>O<sub>8</sub>. Our four long-term supply contracts contain favorable pricing above current spot prices; however, these long term prices cover only a portion of our planned uranium recovery. Additionally final deliveries under one of the contracts was completed in the quarter ending December 31, 2016 and one other contract will be completed in 2017. 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. Our Wyoming Industrial Development Revenue Bond has a fixed interest rate over its remaining four-year life, removing variability. The Company is exposed to an interest rate risk associated with its convertible debentures (the “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 expect the spot market price of U<sub>3</sub>O<sub>8</sub> to exceed \$54.99 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> price levels.

<b>UxC U<sub>3</sub>O<sub>8</sub> Weekly Indicator Price</b>	<b>Annual Interest Rate</b>
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 March 31, 2017 (\$000):

Cash and cash equivalents	\$	7,495
Accounts payable and accrued liabilities		(738)
Loans and borrowings		(16,514)
Total	\$	(9,757)

The table below summarizes a sensitivity analysis for significant unsettled currency risk exposure with respect to our financial instruments as at March 31, 2017 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			(130)
		-1% change in U.S. dollar	\$
Weakening net earnings			130

### Credit Risk

Credit risk relates to cash and cash equivalents, 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 March 31, 2017, the Company's maximum exposure to credit risk was the carrying value of cash and cash equivalents, 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 March 31, 2017, 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 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 March 31, 2017 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, 2016, as filed with the SEC dated March 9, 2017.

### **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, 2016 as filed with the SEC dated March 9, 2017.

### **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	Articles of Continuance dated September 2, 2005 (1)
3.2	Articles of Amendment dated May 26, 2006 (2)
3.3	Bylaws (3)
4.1	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)
4.2	Financing Agreement between Uranerz Energy Corp. and Johnson County dated November 26, 2013 (5)
4.3	Bond Purchase Agreement among the State of Wyoming, Johnson County and Uranerz Energy Corp. dated November 12, 2013 (6)
4.4	Promissory Note dated November 26, 2013 (7)
4.5	Mortgage and Security Agreement and Assignment between Uranerz Energy Corp. and the Trustee dated November 26, 2013 (8)
4.6	Shareholder Rights Plan (9)
4.7	Warrant Indenture between Energy Fuels Inc. and CST Trust Co. providing for the issue of common share purchase warrants dated March 14, 2016 (10)
4.8	First Supplemental Indenture among Energy Fuels Inc., CST Trust Company and American Stock Transfer & Trust Company, LLC dated April 14, 2016 (11)
4.9	Warrant Indenture between Energy Fuels Inc., CST Trust Company and American Stock Transfer & Trust Company, LLC dated September 20, 2016 (12)
10.1	Professional Services Agreement between Energy Fuels Inc. and Harold R. Roberts dated February 1, 2017(13)
21.1	Subsidiaries of the Registrant (14)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)) under the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended
32.1	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
32.2	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
95.1	Mine Safety Disclosure
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 10.11 of Energy Fuels' Form 10-K filed with the SEC on March 9, 2017.
- (14) Incorporated by reference to Exhibit 99.1 to Energy Fuels' Form T-3 filed with the SEC on July 11, 2016.

#### 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: May 5, 2017

By: /s/ Stephen P. Antony  
Stephen P. Antony  
Chief Executive Officer

Dated: May 5, 2017

By: /s/ Daniel G. Zang  
Daniel G. Zang  
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

I, Stephen P. Antony, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Energy Fuels Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2017

/s/ Stephen P. Antony  
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Stephen P. Antony  
Chief Executive Officer  
(Principal Executive Officer)

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**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

I, Daniel G. Zang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Energy Fuels Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2017

/s/ Daniel G. Zang

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Daniel G. Zang

*Chief Financial Officer*

(Principal Financial Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. §1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Energy Fuels Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen P. Antony, Chief Executive Officer, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Stephen P. Antony

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Stephen P. Antony

*Chief Executive Officer*

(Principal Executive Officer)

Date: May 5, 2017

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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**CERTIFICATION PURSUANT TO  
18 U.S.C. §1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Energy Fuels Inc. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel G. Zang, Chief Financial Officer, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel G. Zang

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Daniel G. Zang

*Chief Financial Officer*

(Principal Financial Officer)

Date: May 5, 2017

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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### Mine Safety Disclosure

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States, and that is subject to regulation by the Federal Mine Safety and Health Administration under the Mine Safety and Health Act of 1977 (“Mine Safety Act”), are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities.

The following table sets out the information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd Frank Wall Street Reform and Consumer Protection Act for the period January 1, 2017 through March 31, 2017 covered by this report:

Property	Section 104 (a) S&S Citations <sup>2</sup> (#)	Section 104(b) Orders <sup>3</sup> (#)	Section 104 (d) Citations and Orders <sup>4</sup> (#)	Section 110 (b)(2) Violations <sup>5</sup> (#)	Section 107(a) Orders <sup>6</sup> (#)	Total Dollar Value of MSHA Assessments Proposed <sup>7</sup> (\$)	Total Number of Mining Related Fatalities (#)	Received Notice of Pattern of Violations or Potential Thereof Under Section 104 (e) <sup>8</sup> (yes/no)	Legal Actions Pending as of Last Day of Period <sup>9</sup> (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
Arizona 1 <sup>1</sup>	Nil	Nil	Nil	Nil	Nil	\$0.00	Nil	No	Nil	Nil	Nil
Beaver/La Sal <sup>1</sup>	Nil	Nil	Nil	Nil	Nil	\$0.00	Nil	No	Nil	Nil	Nil
Canyon	1	Nil	Nil	Nil	Nil	\$464.00	Nil	No	Nil	Nil	Nil
Daneros <sup>1</sup>	Nil	Nil	Nil	Nil	Nil	\$0.00	Nil	No	Nil	Nil	Nil
Energy Queen <sup>1</sup>	Nil	Nil	Nil	Nil	Nil	\$0.00	Nil	No	Nil	Nil	Nil
Pandora <sup>1</sup>	Nil	Nil	Nil	Nil	Nil	\$0.00	Nil	No	Nil	Nil	Nil
Pinenut <sup>1</sup>	Nil	Nil	Nil	Nil	Nil	\$0.00	Nil	No	Nil	Nil	Nil
Rim <sup>1</sup>	Nil	Nil	Nil	Nil	Nil	\$0.00	Nil	No	Nil	Nil	Nil
Tony M <sup>1</sup>	Nil	Nil	Nil	Nil	Nil	\$0.00	Nil	No	Nil	Nil	Nil
Whirlwind <sup>1</sup>	Nil	Nil	Nil	Nil	Nil	\$0.00	Nil	No	Nil	Nil	Nil

1. The Company’s Arizona 1, Beaver/La Sal Property, Daneros Project, Energy Queen Property, Pandora Property, Pinenut, Rim Project, Tony M Property and Whirlwind Project were each on standby and were not mined during the period.
2. Citations and Orders are issued under Section 104 of the Federal Mine Safety and Health Act of 1977 (30 U.S.C. 814) (the “Act”) for violations of the Act or any mandatory health or safety standard, rule, order or regulation promulgated under the Act. A Section 104(a) “Significant and Substantial” or “S&S” citation is considered more severe than a non-S&S citation and generally is issued in a situation where the conditions created by the violation do not cause imminent danger, but the violation is of such a nature as could significantly and substantially contribute to the cause and effect of a mine safety or health hazard. It should be noted that, for purposes of this table, S&S citations that are included in another column, such as Section 104(d) citations, are not also included as Section 104(a) S&S citations in this column.
3. A Section 104(b) withdrawal order is issued if, upon a follow up inspection, an MSHA inspector finds that a violation has not been abated within the period of time as originally fixed in the violation and determines that the period of time for the abatement should not be extended. Under a withdrawal order, all persons, other than those required to abate the violation and certain others, are required to be withdrawn from and prohibited from entering the affected area of the mine until the inspector determines that the violation has been abated.
4. A citation is issued under Section 104(d) where there is an S&S violation and the inspector finds the violation to be caused by an unwarrantable failure of the operator to comply with a mandatory health or safety standard. Unwarrantable failure is a special negligence finding that is made by an MSHA inspector and that focuses on the operator’s conduct. If during the same inspection or any subsequent inspection of the mine within 90 days after issuance of the citation, the MSHA inspector finds another violation caused by an unwarrantable failure of the operator to comply, a withdrawal

order is issued, under which all persons, other than those required to abate the violation and certain others, are required to be withdrawn from and prohibited from entering the affected area until the inspector determines that the violation has been abated.

5. A flagrant violation under Section 110(b)(2) is a violation that results from a reckless or repeated failure to make reasonable efforts to eliminate a known violation of a mandatory health or safety standard that substantially and proximately caused, or reasonable could have been expected to cause, death or serious bodily injury.
6. An imminent danger order under Section 107(a) is issued when an MSHA inspector finds that an imminent danger exists in a mine. An imminent danger is the existence of any condition or practice which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated. Under an imminent danger order, all persons, other than those required to abate the condition or practice and certain others, are required to be withdrawn from and are prohibited from entering the affected area until the inspector determines that such imminent danger and the conditions or practices which caused the imminent danger no longer exist.
7. These dollar amounts include the total amount of all proposed assessments from MSHA under the Act relating to any type of violation during the period, including proposed assessments for non-S&S citations that are not specifically identified in this exhibit, regardless of whether the Company has challenged or appealed the assessment.
8. A Notice is given under Section 104(e) if an operator has a pattern of S&S violations. If upon any inspection of the mine within 90 days after issuance of the notice, or at any time after a withdrawal notice has been given under Section 104(e), an MSHA inspector finds another S&S violation, an order is issued, under which all persons, other than those required to abate the violation and certain others, are required to be withdrawn from and prohibited from entering the affected area until the inspector determines that the violation has been abated.
9. There were no legal actions pending before the Federal Mine Safety and Health Review Commission as of the last day of the period covered by this report. In addition, there were no pending actions that are (a) contests of citations and orders referenced in Subpart B of 29 CFR Part 2700; (b) complaints for compensation referenced in subpart D of 29 CFR Part 2700; (c) complaints of discharge, discrimination or interference referenced in Subpart E of 29 CFR Part 2700; (d) applications for temporary relief referenced in Subpart F of 29 CFR Part 2700; or (e) appeals of judges' decisions or orders to the Federal Mine Safety and Health Review Commission referenced in Subpart H of 29 CFR Part 2700.