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January 22, 2015

Mr. David Henderson
U.S. Department of Energy
Office of Nuclear Energy
Mail Stop NE-52
19901 Germantown Rd.
Germantown, MD 20874-1290

Re: Energy Fuels Resources (USA) Inc.
Response to DOE RFI; Excess Uranium Management: Effects of DOE Transfers of Excess Uranium on Domestic Uranium Mining, Conversion, and Enrichment Industries

Dear Mr. Henderson:

Energy Fuels Resources ("EFR") is pleased to submit the following information in response to the Request for Information ("ROI") issued by the Department of Energy ("DOE") as published in the Federal Register, Vol. 79, No. 235, on Monday, December 8, 2014. EFR is a publicly owned company whose shares are traded on the New York and Toronto stock exchanges. The company's corporate offices are located in Lakewood, Colorado and the company also has offices and operations in Blanding, Utah, Fredonia, Utah, Santa Fe, New Mexico, Egnar, Colorado, and Riverton, Wyoming. EFR is the owner of the only operating conventional uranium mill remaining in the United States, which is located near Blanding, Utah. The company currently has a total of 120 employees and also employs dozens of additional independent contractors. In 2014, EFR produced about 770,000 pounds of U3O8, and delivered 450,000 pounds to US utilities under long-term delivery contracts. In 2013, EFR produced about 1.2 million pounds of U_3O_8.

This response to the DOE is focused on three issues that have a dramatic impact on the market price of uranium and which EFR believes the DOE has not adequately considered in its previous Secretarial Determinations. These are:

1) There is a significant difference between the spot market and the term market for uranium, with the vast majority of uranium being sold pursuant to term contracts. At the same time, however, the spot price is most often used as the indicator of the "market price" even though far more uranium is sold under term contracts and generally not pursuant to the spot price. Because the spot market for uranium is so small, any sale of additional material into this market can, and often does, have a material adverse impact on the domestic uranium industry.
2) The DOE has never agreed to any specific limit on the quantity of uranium it can sell into the market in any given year. This has created great uncertainty among industry investors and analysts about how much excess uranium might possibly enter the market from the DOE, thereby making it significantly more difficult for the domestic industry to attract and hold investors, who constantly worry that the DOE has the ability to literally flood the spot market with uranium without warning.
3) Since the accident at the Fukushima Daichi nuclear power plants in Japan in March 2011 the spot price of uranium has been on a more or less continual downward slide and is currently $36.00 per pound. This is more than a 50% decline from the more than $70.00 per pound spot price that prevailed in the market immediately prior to the accident at Fukushima. Currently all of Japan's remaining 48 reactors remain off line and there is no clear indication when they will be brought back into service, even though two units (Sendai Unit 1 and Unit 2) were approved for restart last year. In such a market, with the uranium price now well below the level at which any US producer can break even, let alone make a profit, any additional sale of material into the spot market that results in a further decrease in price can be deemed to have an adverse material impact on the domestic uranium industry.

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1. Difference between spot and term markets.

Even though the spot market price of uranium is most often used as the "price indicator," only a relatively small portion of the total uranium purchased by commercial owners and operators of commercial nuclear reactors ("COO's") is delivered under spot contracts. According to the 2013 Uranium Report issued by the Energy Information Administration ("EIA"), COO's in the United States took delivery of a total of 57 million pounds of U_3O_8 (equivalent), of which only 20% (11.4 million pounds) were purchased under spot contracts. The weighted average price paid for these spot deliveries was $43.83 per pound, while the weighted average price paid by US COO's under their long-term

contracts was $54.00 per pound. The Euratom Supply Agency ("ESA") Annual Uranium Report for 2013 reported that deliveries to European COO's in 2013 were even more heavily weighted to long-term contracts, with only 7.1% (3.156 million pounds U_3O_8 equivalent) being delivered under spot contracts in that year, while 92.8% of deliveries (41 million pounds) were delivered pursuant to long-term contracts in the same year. The weighted average price of spot deliveries to European COO's in 2013 was $39.97 per pound, while the weighted average price for material delivered under long-term contracts that year was $43.52 per pound.

In 2012, US COO's purchased a total of 58 million pounds U_3O_8 (equivalent) with only 14% of these deliveries being made under spot contracts (8.12 million pounds) at a weighted average price of $51.04. The remaining nearly 86% of deliveries to US COO's in 2012 were made under long-term contracts at a weighted average price of $55.65. In Europe during 2012, only 3.8% of the total 48.5 million pounds of U_3O_8 (equivalent) delivered to COO's there were pursuant to spot contracts, at a weighted average price of $48.33 per pound. The remaining 46.6 million pounds of delivered material were sold under long-term contracts, at a weighted average price of $44.40 per pound.

Both the EIA and the ESA Annual Uranium Reports define spot sales as thoe deliveries that within 12 months of the contract execution, while long-term contracts are those in which deliveries occur more than 12 months after contract execution.

Historically the DOE has referred to the total US uranium market when arguing that its sales of uranium into this market represented only a small percentage of the total amount of material being sold. This reasoning is flawed, however, since the vast majority of DOE material has always been sold under spot contracts, and as the figures above demonstrate, this market is significantly smaller than the total market in both the United States and Europe. Because DOE sales are essentially only competing with other pounds being sold on the spot market, even an annual quantity of 5 million pounds coming from the DOE would still have represented nearly a 50% increase in total US spot market sales for 2013 and would have represented more than a 60% increase in US spot market sales in 2012. (Indeed, these percentages would actually be even higher, since the quantity of spot sale material indicated in the EIA reports for both 2012 and 2013 already included a significant amount of material that had been sold by the DOE. Had the DOE not sold any material in those years, the total spot market sales in the US would have been dramatically smaller.)

There is a clear distinction between the spot market and the long-term market, and spot prices in the US have historically lower than prices under long-term contracts. Given that the vast majority of

DOE material has and will continue to be sold pursuant to spot sales, or pursuant to long-term contracts that reference the spot price at time of sale, any reference or comparison by the DOE to the "total US market" should be only to the volume and prices in the US ***spot market***, not the long-term market and certainly not the total market. And because this spot market is such a small percentage of the total market, the DOE sales into this market have had a much more significant impact on spot prices than would otherwise have been the case.

2. Absence of any clear or predictable limit on DOE sales.

Like all publicly traded companies, EFR relies on the equity and debt markets for its capital needs. These markets, in turn, rely on analysts who follow the uranium industry and who generally construct their own models of supply and demand. Based on these models, analysts will make their best recommendation possible as to where uranium prices will be in the future, and based on these recommendations investors will decide whether or not to invest in the industry in general or a specific company in particular.

DOE inventory sales are categorized as "secondary supply" and have been one of the most difficult supply sources for analysts to evaluate. Because the DOE holds enormous potential inventories of uranium, and because the DOE has steadfastly refused to agree to a specific limit of uranium sales in any year, analysts have been forced to admit that they are uncertain as to how much uranium the DOE will in fact sell from year to year. The DOE's most recent Secretarial Determination issued in 2014 exacerbated this dilemma when Secretary Moniz specifically rejected what had been the DOE's previous "informal" limit on annual sales of 5 million pounds, a number that had been agreed to by the Uranium Producers of America as well as US utilities and other participants in the uranium industry.

It is this uncertainty, as much as any other aspect of the DOE's sales of uranium, that has frightened both industry analysts as well as investors, thereby making it significantly more difficult for companies such as EFR to raise money for their operations. In the current weak market, it is fair to say that the majority of US uranium production is now uneconomic, i.e., total costs of production are higher than what companies can now sell their uranium for at the current spot market price. In such circumstances, the ability to raise money either through the sale of stock or the issuance of debt becomes a critically important part of a company's survival plan, yet the absence of any limit on the DOE's possible sales of uranium greatly reduces the number of potential investors and lenders for uranium producers. Under any circumstances this would be a problem in any industry; in the current uranium

market, this uncertainty and the increased difficulty it creates for uranium producers to raise money clearly has an adverse material impact on the domestic uranium industry.

3. ***Any*** **further sales into in the current depressed uranium will necessarily have an adverse material impact on the domestic industry.**

The accident at the Fukushima Daichi nuclear power plant has resulted in Japan shutting down its entire fleet of reactors. Prior to the accident, annual Japanese uranium demand was approximately 20 to 25 million pounds U_3O_8, or approximately 13% to 15% of total world requirements. As a result of the Japanese government's decision to shut down the country's entire nuclear fleet, however, Japan's uranium demand simply disappeared. Even more damaging to the uranium market, however, has been the disappearance of Japanese demand for enrichment services. Because virtually al the world's commercial suppliers of enrichment services are now centrifuge based, these suppliers are unable to decrease their output of SWU's. As a result of lower enrichment demand, they must find another way to use their existing output of SWU's, and in the current market this has been accomplished almost exclusively underfeeding. (Although the Russian enrichment facilities are rumored to use some of their enrichment capacity for re-enriching depleted uranium, this would represent only a very small portion of the world's excess enrichment supply. The majority of this excess supply is obviously therefore being used for underfeeding.) This has reduced demand for natural uranium even further, since at lower tails assays of enrichment, less natural uranium is needed to produce the same amount of enriched uranium product.

The result is reflected in both the average spot market price as well as the average long-term market price. Since the Fukishima accident, the spot market price of uranium has gone from about $70 per pound down to about $36 per pound currently. Last summer, it dropped as low as $28 per pound.

Conclusion:

As previously noted, the current spot market price is now lower than the break-even point for all US uranium producers. In the case of EFR, this has resulted in the company being forced to lay off 114 employees between June 2012 and December 2014. Many additional contractors have been laid off as well. **Indeed, as a result of the drop in uranium markets, Energy Fuels workforce has nearly been cut in half**. And, many additional job losses potentially loom if markets do not improve.

We ask that you please consider the points made above as you undertake your current analysis. We believe it is very clear that DOE transfers have had a dramatic effect on domestic uranium producers, including Energy Fuels. If you should have any questions, please do not hesitate to call me at 303-974-2154. Thank you for your consideration.

Sincerely,

Energy Fuels Resources (USA) Inc.

By: 

Curtis H. Moore
Director of Marketing & Corporate Development