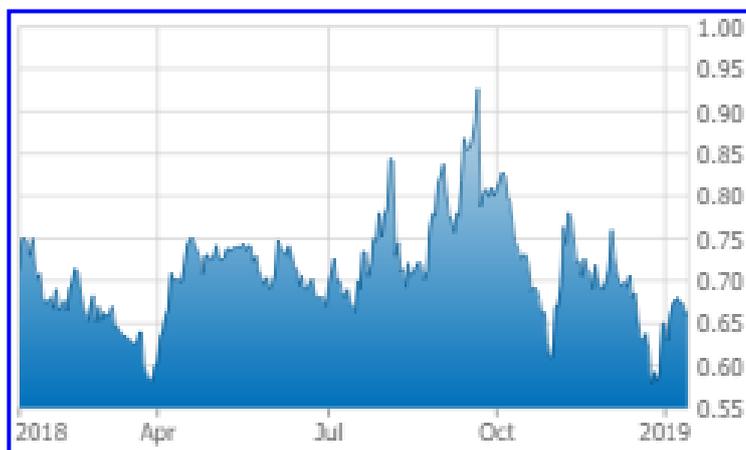


# Uraniumletter INTERNATIONAL

*the international independent information and advice bulletin for uranium resource investments*

**INVESTMENT ALERT – February 8, 2019**

[www.ur-energy.com](http://www.ur-energy.com)



## Ur-Energy Inc. (US\$ 0.73)

NYSE American	: URG
TSX	: URE
H+L prices (12 months)	: US\$ 0.93 – 0.54
Issued shares	: 159.1 million
Fully diluted	: 176.7 million
Market capitalization	: US\$ 116.7 million

**2019 price target: US\$ 1.00**

## INVESTMENT ALERT

**Ur-Energy expects to deliver 500,000 pounds of U3O8 in 2019 into its long-term contracts at an average price of approximately \$ 49 per pound**

**Ur-Energy** is engaged in uranium mining recovery and processing activities, including the acquisition, exploration, development and operation of uranium mineral properties in **Wyoming, USA**. It is operating the **Lost Creek** in-situ recovery uranium facility in south-central Wyoming and has produced, packaged and shipped approximately 2.5 million pounds U3O8 from Lost Creek since the beginning of operations in 2013.

Applications are under review by various agencies to incorporate the **LC East project area** into the Lost Creek permits and to construct and operate the **Shirley Basin Project**, also in Wyoming.

In 2018, the **Ur-Energy's** sales totalled \$ 23.5 million from 480,000 pounds sold. The overall price per pound U3O8 sold averaged \$ 48.86. There was one small, tax driven, spot sale of 10,000 pounds in 2018 from Lost Creek production. The Company delivered 470,000 purchased pounds U3O8 into contractual obligations at an average price of \$ 49.40. Purchases for the deliveries average \$ 24.42 per pound.

**Gross profits** from contractual sales were \$ 11.7 million, representing a gross profit margin in excess of 50%.

Of the 2.7 million pounds U3O8 captured through the end of 2018, **Ur-Energy** delivered approximately 2.2 million pounds of **Lost Creek** production to its customers, as well as another 1.2 million of purchased pounds for a total of 3.4 million pounds sold.

To date, **Ur-Energy's** first mine unit ("MU1") has recovered over 91% of the estimated under pattern resource, based upon revised and updated **Lost Creek Preliminary Economic Assessment ("PEA")**. This is compared to an accepted industry standard of 70% to 80% recovery under-pattern resource. As well, project economics in the PEA were based on an 80% recovery.

In addition, the operating patterns in the Company's second mine unit ("MU2") have recovered nearly 65% of their estimated under-pattern resources with the bulk of those operating less than a year.

## Ur-Energy At A Glance

### ▪ Lost Creek ISR Uranium Facility

- *5+ years of consistent production*
- *Produced ~2.7M lbs. U<sub>3</sub>O<sub>8</sub> through 2018*
- *Controlled production at market-appropriate levels*
- *Lowest-cost producer among publicly-traded companies*



### ▪ Flexibility and value realized through higher-priced term contracts

- *2013-2018: 2.2Mlbs Lost Creek production + 1.2Mlbs purchased product delivered to customers*
- *Consistency of cashflow - best profit margins (2019 projected at \$11.5M in gross profits)*
- *Growing inventory in rising market – all current production going into finished product inventory; current inventory of finished product carries value of ~\$11M at today's spot pricing*

### ▪ Forging a path forward for the U.S. domestic uranium industry

- *Determination and remedy on Section 232 investigation into effects of uranium imports on national security could dramatically affect the future of U.S. uranium production*
- *URG has maintained operational readiness to react to changing market fundamentals; Q3 equity financing facilitates that readiness to ramp up*

## ► Guidance for 2019

It should be noted that the only reason **Ur-Energy** reduced production levels beginning in 2016 was in response to a persistently weak uranium market. Nevertheless, the Company remained operationally ready to increase production to pre-2016 levels or higher, when market conditions warrant the further development of its fully-permitted MU2 at **Lost Creek**.

The remainder of MU1 and MU2 still hold nearly 4.5 million pounds U3O8 of an estimated mineral resource.

**Lost Creek** operations could increase production rates in as little as six months following a go decision simply by developing additional header houses within MU2.

Development expenses during this time are estimated to be less than \$ 14 million and are almost entirely related to MU2 drilling and header house construction costs.

**Lost Creek** does not require any significant capital expenditures in order to increase production. The plant has been very well maintained and is fully ready to receive additional flows for increased production when warranted.

Currently, **Ur-Energy** is working with the State to advance the process for its **Shirley Basin Project** to secure the licences and permits necessary to begin staged construction and development of the project in 2019, with full operation as early as mid-2020.

## ► Second operation at the Shirley Basin Project

Meanwhile, **Ur-Energy** continues to pursue the permitting and licence of its second operation at the **Shirley Basin**, also in **Wyoming**. The **Preliminary Economic Assessment** (“PEA”) for this project was completed in 2015 and since then the Company monitored with great interest the **State of Wyoming’s** pursuit and development of its **Uranium Recovery Program**, which was stood up in September 2018.

## ► Delivery outlook for 2019

In 2019, **Ur-Energy** expects to deliver 500,000 pounds of U3O8 into its term contracts at an average price of approximately \$ 49 per pound U3O8. The Company has corresponding purchase contracts in place for 500,000 pounds U3O8 at an average cost of \$ 26 per pound, thereby offering a gross margin of \$ 23 per pound.

Gross profits are expected to generate approximately \$ 11.5 million from the sale of purchased product. 97,500 pounds are scheduled to be sold in Q1 2019.

**Ur-Energy** currently has over 375,000 pounds U3O8 of finished, ready-to-sell, product inventory in storage at the conversion facility. The value of the product at today’s spot price is approximately \$ 10.7 million. However, the Company intends to hold and modestly build up this inventory during the year in order to satisfy its remaining contractual sales obligations of 415,000 pounds U3O8 at an average sales price of \$ 47 per pound, the majority of which will be sold in 2020.

The inventoried pounds, or the in-the-money contracts themselves, can readily be converted to cash on an as-needed basis.

## URG’s Wyoming Projects: Remaining a “Pipeline Producer”



*Target larger scalable projects*

*Real pounds = Real production*

- **Lost Creek Property**
  - Six project areas
- **Shirley Basin**
- **Lost Soldier Project**
- North Hadsell, RS and Red Rider

***Exploration projects in the Great Divide Basin will supplement Lost Creek and Pathfinder (Shirley Basin and Gas Hills) into the future***

# Low Anticipated Ramp Up Costs

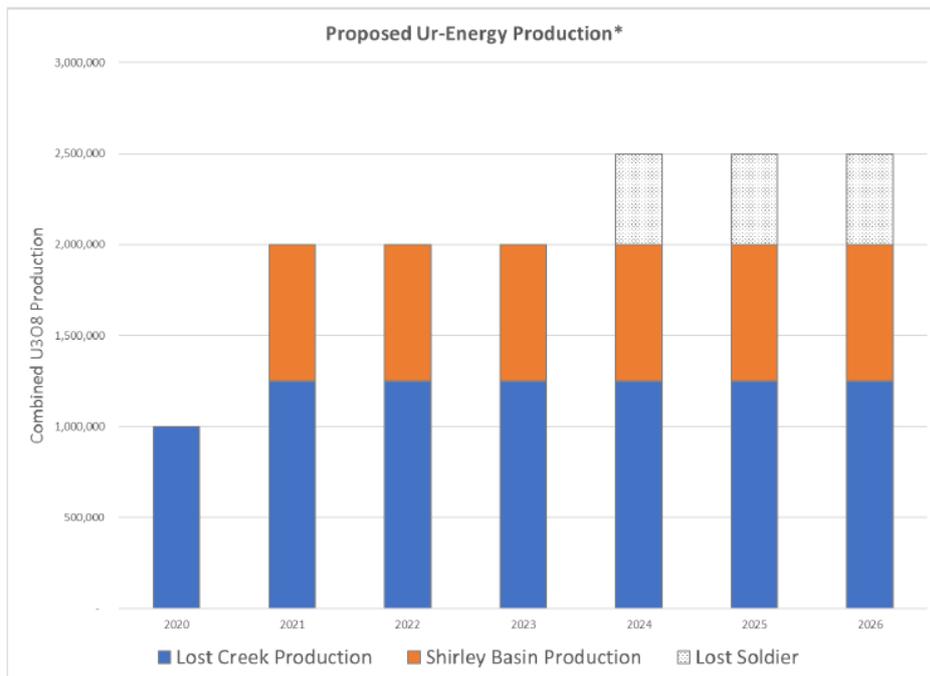
## ■ Lost Creek

- 2019 – \$15.4 million for mine development (\$14.9m) and CapEx (\$0.5m) to reach 1.0 million pound rate in 2020
- **2020 – Revenues should cover further development activities**

## ■ Shirley Basin

- 2019 – \$4.5 million for mine development (\$3.9m) and CapEx (\$0.6m)
- 2020 – \$21.7 million for mine development (\$5.2m) and CapEx (\$16.5m) to reach 0.5 million pound rate in 2021
- **2021 – Revenues should cover further development activities**

# Operational Leverage Fuels Ramp Up



→  
*Production into future years to be supported through exploration and development of Ur-Energy's portfolio of properties.*

\*Assumes July 2019 initiation of ramp-up

## Ur-Energy In Situ Uranium Mineral Resource Table

Project	Measured			Indicated			Inferred		
	AVG GRADE % eU <sub>3</sub> O <sub>8</sub>	SHORT TONS (X 1000)	POUNDS (X 1000)	AVG GRADE % eU <sub>3</sub> O <sub>8</sub>	SHORT TONS (X 1000)	POUNDS (X 1000)	AVG GRADE % eU <sub>3</sub> O <sub>8</sub>	SHORT TONS (X 1000)	POUNDS (X 1000)
*LOST CREEK <sup>(1)</sup>	0.048	8,316	8,028	0.044	5,942	5,223	0.044	7,368	6,439
**SHIRLEY BASIN	0.275	1,367	7,521	0.118	549	1,295			
***LOST SOLDIER	0.064	3,900	5,000	0.065	5,500	7,200	0.055	1,600	1,800
<b>GRAND TOTAL</b>			<b>MEASURED + INDICATED = 34,267,000 pounds</b>					<b>INFERRED 8,239,000 pounds</b>	

(1) Measured resources not reduced by production since inception of operations (2013)

Does not include 1996 historic resource estimate at **Gas Hills (Lucky Mc)** of ~4.7Mlbs, based upon PMC [AREVA] historic estimates (which a qualified person has not done sufficient work to verify as a mineral resource, and URG does not treat as current NI 43-101 mineral resources)

\*Amended Preliminary Economic Assessment for the Lost Creek Property, Sweetwater County, Wyoming, 2.6.2016 (filed on SEDAR)

\*\*Preliminary Economic Assessment Shirley Basin Uranium Project, Carbon County, Wyoming 1.27.2015 (filed on SEDAR).

\*\*\*NI 43-101 Technical Report on the Lost Soldier Project, Wyoming 7.10.2006 (filed on SEDAR)

### Finance

On September 25, 2018, **Ur-Energy** closed the \$10 million underwritten public offering of 12.95 million common shares and accompanying warrants to purchase up to approximately 6.1 million common shares at a combined public offering price of \$0.82 per common share and accompanying warrant. Each whole warrant will have an exercise price of \$1.00 and will expire three years from the date of issuance.

### Investment comments:

**Lost Creek** celebrated its 5<sup>th</sup> anniversary in August 2018 and after more than 5 continuous years of operation its production now stands at 2.7 million pounds captured through the end of 2018.

In 2019, **Ur-Energy** expects to deliver 500,000 pounds into its term contracts at an average price of approximately \$ 49 per pound and has corresponding purchase contracts in place for 500,000 pounds at an average cost of \$ 26 per pound.

As a result, the Company is expected to further strengthen its operational cash flow.

The Company currently has over 375,000 pounds of finished, ready-to-sell product inventory in storage at the conversion facility. Remaining contract sales obligations in 2020-2021 are 415,000 pounds at an average price of \$ 47 per pound U3O8.

A positive outcome of the Section 232 trade action could give a boost to US uranium production, including **Ur-Energy** as one of the country's only three producers.

While **Ur-Energy** is offering a high investment leverage potential, supported by a consistent positive cash flow, its future growth potential remains dependent on U3O8 pricing in the open market, which is controlled by Kazakhstan being in a position to fully satisfy growing uranium demand from China and Russia.

My 2019 price target is US\$ 1.00.



## United States dominate global energy markets

The **USA** is the world's largest producer of nuclear power, **accounting for more than 30% of worldwide nuclear generation of electricity.**

The country's nuclear reactors produced 805 billion kWh in 2017, **20% of total electricity output.**

Following a 30-year period in which few new reactors were built, it is expected that 2 more units will come online after 2020, these resulting from 16 licence applications made since mid-2017 to build 24 new reactors.

The September closing of New Jersey's Oyster Creek Nuclear Generation Station left 98 operable nuclear units in the United States. Twelve additional reactors have announced planned retirements within the next seven years.

Given the nuclear retirements outlook, U.S. plant operators in competitive markets have curtailed plans for future uranium purchases.

In 2017, **US electricity generation was 4,015 TWh** (billion kWh) net, **1,275 TWh (32%)** of it from **gas**, **1,208 TWh (30%)** from **coal fired plant**, **805 TWh (20%)** from **nuclear**, **300 TWh (7.4%)** from **hydro** and **387 TWh (9.6%)** from **other renewables** (US Energy information data)

**Annual electricity demand is projected to increase to 5,000 TWh in 2030**, though in the short term it is depressed and has not exceeded the 2007 level.

### ► **U.S uranium imports continue as domestic production remains at historical lows**

During 2017, owners and operators of U.S. nuclear power plants purchased **40 million pounds of uranium** from foreign suppliers. Canada, Australia, Russia, Kazakhstan and Uzbekistan represented the top 5 countries of origin and together accounted for 84% of total U.S. uranium production purchased in 2017.

A little more than half of these purchases originated from Canada and Australia, which provided 14 million pounds and 8 million pounds of uranium, respectively.

The **United States** supplied 3 million pounds or 7% of total uranium purchased by U.S. power plants.

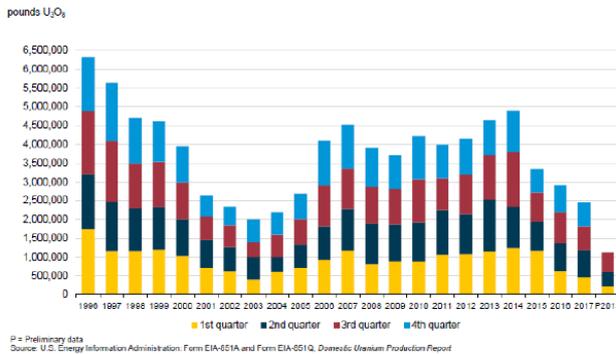
In 2017, U.S. commercial nuclear power reactors purchased 43 million pounds of U3O8. Purchases were 15% lower than in 2016 (a total of 50.6 million pounds) and were the lowest amount since 1998 when 42.7 million pounds of U3O8 was purchased.

US uranium imports continue as domestic production remains at historic low - Today in Energy – U.S. Energy Information Administration amount purchased varies from year to year, increasing unit retirements and rising uranium inventories held by owners and operators of nuclear power plants, both exert on downward pressure on purchases.

## The U.S. Uranium Market

- U.S. demand is dependent on foreign imports
  - Imports of 50M lbs annually for seven of last eight years
  - U.S. mined production: **2018 projected at <1Mlbs U<sub>3</sub>O<sub>8</sub>**
- Ur-Energy is well positioned to capitalize on this opportunity

Figure 1. Uranium concentrate production in the United States, 1996–3rd quarter of 2018



*Cheap Russian, Kazakh, and Uzbek imports only possible because of state-subsidies, devalued currency and lax environmental constraints*

***Not a level playing field  
Result: Section 232 filing***

Source: Industry guidance; U.S. EIA Information 2018



**Ur-Energy and Energy Fuels hold pioneer role in revitalizing U.S. uranium production**



On November 27, 2018, **Energy Fuels** and **Ur-Energy** announced that they recently hosted a team of U.S. Department of Commerce (DOC) Section 232 investigators at 4 uranium mines and mills in Utah and Wyoming. The tour was part of DOC's investigation into today's high levels of uranium imports into the US and the resulting threat posed to national security.

The tour included stops in Utah at **Energy Fuels' White Mesa Mill**, which is the only operating uranium mill in the U.S. and the **La Sal Complex**, which is one of only two underground uranium mines currently operating in North America. The tour also included visits to two operating in-situ uranium recovery (ISR) facilities in Wyoming: **Energy Fuels' Nichols Ranch ISR Project** and **Ur-Energy's Lost Creek ISR Project**.

The two companies demonstrated to the Commerce team that the U.S. industry can compete in a global market on a level playing field Jeffrey Klenda, Chair and CEO of **Ur-Energy** said on behalf of both companies "we look forward to the DOC findings and to President Trump using his authority to take action to support a sustainable domestic uranium mining industry".

DOC will submit its report to the President containing the Secretary's findings and recommendations of a proposed remedy, if any, in Q2 2019.

Experts from the companies highlight that U.S. uranium companies have substantial licensed, permitted and constructed mining and milling capacity that can ramp-up production quickly to meet the demand resulting from a quota that reserves 25% of the U.S. market for domestic uranium producers, led by **Energy Fuels** and **Ur-Energy**, one of the remedies the companies asked the President to consider. U.S. companies have spent considerable resources maintaining these projects in a state of readiness, but it is becoming increasingly difficult to do so.

Without some level of support, licences and permits will be lost and uranium production facilities will go into reclamation, likely never to return in the future.

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