Eye on the price of uranium, Cameco brings crown jewel back into production and Ur-Energy is set to go.

written by InvestorNews | July 29, 2022

Uranium stocks were buoyed today by solid earnings out of the Godfather of North American uranium producers – Cameco Corp. (TSX: CCO | NYSE: CCJ). On the surface, higher realized uranium prices more than offset higher costs leading to Cameco beating estimates and setting a bullish tone for the whole sector. However, a deeper dive into those results suggests things may not bode well for the rest of the world's producers going forward as this juggernaut is cranking up their McArthur River mine and Key Lake mill with a target of 15 million pounds per year of production by 2024 (versus zero at present). That represents roughly 14% of 2021 global uranium production. I recognize Cameco knows how to play the game, and that between them and Kazatomprom they probably have a stronger hold on uranium than OPEC has on oil, so my guess is it's unlikely uranium prices will tank moving forward. Nevertheless, I would suggest caution when forecasting how high uranium prices could go, even if the relationship between Russia and its allies worsens with the rest of the world.

Now don't get me wrong, I'm not forecasting doom and gloom for all other uranium producers, in fact, I would suggest it's the opposite. If Cameco is optimistic enough to bring one of their crown jewels back into active operation, then they obviously believe that uranium pricing in the US$45-US$55/lb range is sustainable. Thus, as long as a producer can make a decent

return at that pricing level then all should be good.

So, let's turn our focus to one of the lowest-cost producers of uranium in North America, Ur-Energy Inc. (NYSE American: URG | TSX: URE). This uranium mining company operates the Lost Creek in-situ uranium facility in south-central Wyoming. Ur-Energy now has all major permits and authorizations to begin construction at Shirley Basin, the company's second in-situ recovery uranium facility in Wyoming and is in the process of obtaining remaining amendments to Lost Creek authorizations for expansion of Lost Creek.

Similar to Cameco, in Q4, 2021 Ur-Energy initiated an advance development program at Lost Creek designed to significantly improve the ability to quickly return to production. A drilling and construction program commenced to complete the development of the fourth header house in MU2 (mine unit) HH 2-4. The header house, and its associated drilling and wellfield development, is expected to be complete in Q3, 2022, at which time HH 2-4 will be ready for production. Additionally, they have ordered all necessary equipment to construct the fifth header house (HH 2-5) and the long-lead items for the sixth header house in MU2. In conjunction with HH 2-4 work, the 2022 delineation drill program will assist with subsequent wellfield design within MU2. Lost Creek operations can increase to full production rates of an annualized run rate of up to 1.2 million pounds in as little as six months following a "go" decision plus the facility now has the constructed and licensed capacity to process up to 2.2 million pounds of U_3O_8 per year and sufficient mineral resources to feed the processing plant for many years to come.

On top of that, the company's cash position as of April 28, 2022, was US$45.8 million and in addition to this strong cash position, they have nearly 284,000 pounds of finished, U.S. produced U_3O_8 inventory at the conversion facility, worth

approximately US$13.4 million at recent spot prices. This financial position provides Ur-Energy with adequate funds to maintain and enhance operational readiness at Lost Creek, as well as allowing them to preserve existing inventory to sell into higher prices.

Ur-Energy is cash rich and optimally situated to take advantage of any potential “on-shoring” of uranium supply. It appears Cameco is ready to make the leap of faith that priority will be given to domestic or “friendly” supply, perhaps Ur-Energy will soon join the fun. With a market cap of approximately US$282 million, investors need to decide what 1.2 to 2.2 million pounds per annum of domestically produced uranium is worth.