

Ur-Energy stands ready to supply future US uranium reserve

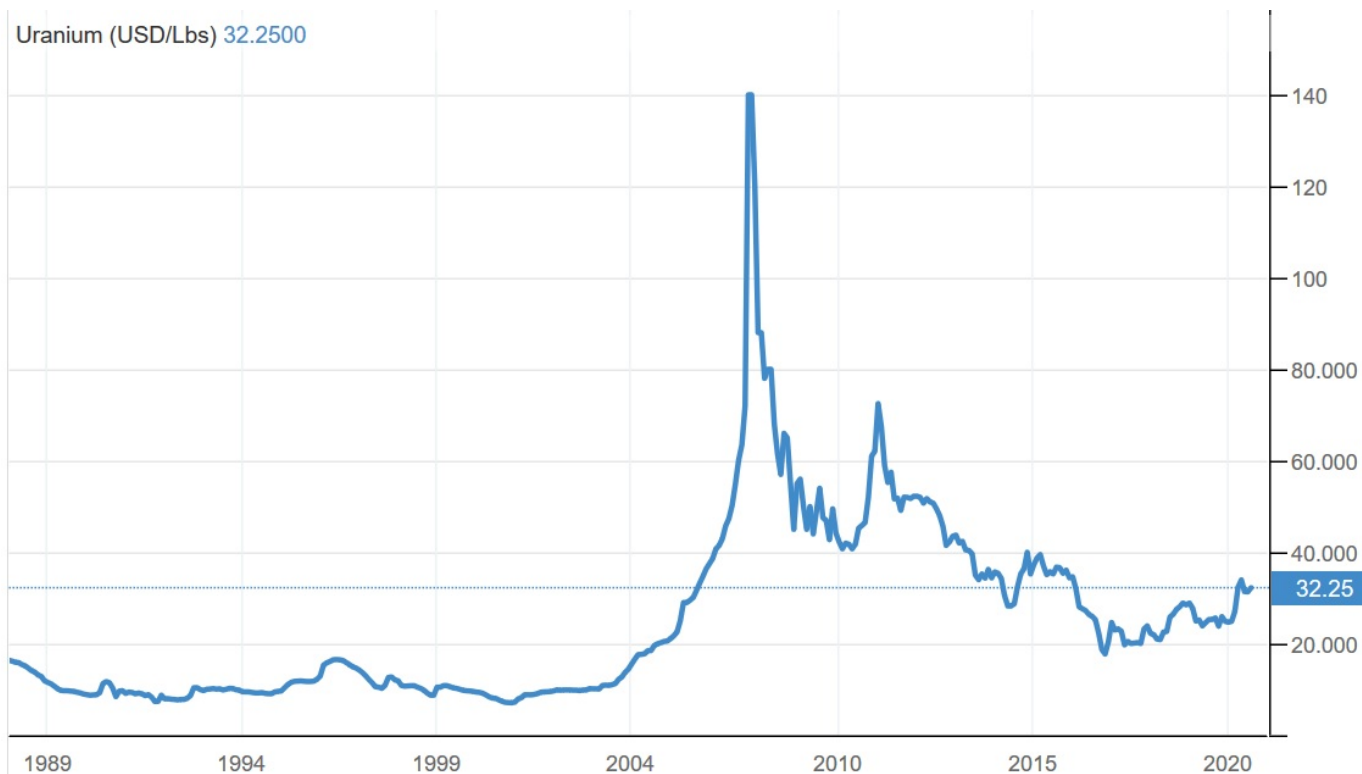
U.S. legislation on the table to reduce foreign dependency

As the US struggles to finalize their new uranium funding to build a significant US uranium reserve using the previously announced US\$150 million U.S. uranium reserve program, two new Acts have recently gone to US legislators.

On July 29, 2020, legislation was introduced in the House of Representatives by Representatives Cheney and Latta to establish a National Uranium Reserve. Then on July 30, 2020, U.S. Senator Barrasso, Chairman of the Senate Committee on Environment and Public Works, introduced the American Nuclear Infrastructure Act of 2020. Among other items, it includes the authorization to create a uranium reserve to fuel America's nuclear reactors with domestic fuel and bolster America's uranium industry.

The last 4 years of low uranium prices has led to significant uranium supply destruction to the point where demand for new uranium will likely put a floor on uranium prices and keep them from falling back again. The uranium miners who survived stand to benefit as the cycle turns positive.

Uranium prices from 1989 to today – Currently at USD 32.25



Source: Trading Economics

Today I look at one US uranium miner who is well placed to prosper.

Ur-Energy Inc. (NYSE: URG | TSX: URE) is one of only two primary US uranium producers still operating able to bring on new uranium supply with a globally competitive cost of production. Ur-Energy's flagship project is the Lost Creek Property in Wyoming. They also have several other uranium projects including Shirley Basin and Lost Soldier.

There are two key aspects investors should know about Ur-Energy:

1. They already have a competitive cost of uranium production and a large and growing uranium reserve/inventory.
2. They have the ability to rapidly expand uranium production if needed.

Ur-Energy continues to build up their uranium inventory ready for anticipated US Reserve purchases

In Q2, 2020 Ur-Energy produced 4,119 pounds of U_3O_8 at the Lost Creek plant, of which 2,892 pounds of U_3O_8 were packaged in drums. Inventory at the converter totaled approximately 268,552 pounds at June 30, 2020. In 2020 Q2, Ur-Energy sold 167,000 purchased pounds under a term contract at an average price of \$41.50 per pound. The 167,000 pounds were purchased at a weighted average cost of \$26.01 per pound. There were no sales of produced inventory in the first six months and we do not anticipate any sales of produced inventory in 2020.

Ur-Energy has the ability to quickly expand their uranium production from Lost Creek

Ur-Energy is prepared to rapidly expand uranium production at Lost Creek, to an annualized run rate of one million pounds. They can also bring on their other projects, albeit with a time lag.

For investors new to Ur-Energy, what is happening here is that the Company is building up their inventory of uranium, while still meeting their long term contracts. This inventory would be perfectly suited to sell to a US uranium reserve if and when purchases begin, ideally at higher prices.

Drilling for uranium at Ur-Energy's Lost Creek Property



Source

On August 5, 2020 Ur-Energy stated in their Q2, 2020 earning release:

“Following multiple announcements of industry production suspensions and reductions earlier this year, U_3O_8 spot prices increased nearly 33 percent to \$33 per pound in June. U_3O_8 spot prices have traded between \$32 and \$34 per pound since April. The production cuts amount to as much as 46 million pounds of primary production on an annualized basis and **are expected to widen the supply deficit as global demand continues to grow.**”

Ur-Energy also stated:

“In July 2020, Energy Secretary Brouillette told the House Energy and Commerce Subcommittee on Energy that DOE is working to end U.S. reliance on Russia for nuclear fuel. **DOE wants to process American-sourced uranium** into high-grade fuel at the DOE facility in Portsmouth, Ohio **next year**. Centrifuges have been moved from DOE’s Oak Ridge laboratories to Portsmouth. Additionally, DOE is working with lawmakers to authorize the creation of the uranium reserve.”

Closing observations

The US uranium miners can see the light at the end of the tunnel, even if they are not there yet. The US government continues to progress – if slowly – towards establishing a secure uranium supply. Two new Acts have helped build pressure on the U.S. House Committee on Appropriations who are yet to allocate the Department of Energy's previously recommended US\$150m of funds.

Meanwhile the global uranium supply destruction has pushed uranium prices higher, and in time the US government will surely finalize and release the funding for the proposed US uranium reserve.

The game of patience continues for investors, and leading US uranium companies such as Ur-Energy remain on hold and attractively valued due to the uncertainty. Just remember, patience is a virtue.

Jeff Klenda and Jack Lifton discuss American uranium as the market awaits the Nuclear Fuel Working Group's recommendation for Trump

“In January of 2018, we submitted a Section 232 Petition which was a section under the Trade Expansion Act of 1962. This was immediately after a face to face meeting with the Secretary of Energy, Rick Perry. One of the things we were speaking to him

about was our concerns that at that time we were roughly producing about 5% of our own (uranium) needs here in the United States and the other 95% was coming from outside the country. Almost 50% of that coming from Russia, Kazakhstan, and Uzbekistan. So we found ourselves in a position where although nuclear energy provides 20% of our baseload in the United States, we are allowing ourselves to become dangerously dependent on geostrategic rivals. That is a dangerous national security policy and we felt that Section 232 would be the best avenue that we can go to address that problem for the nation.” States Jeffrey Klenda, Chairman, President, and CEO of Ur-Energy Inc. (NYSE: URG | TSX: URE), in an interview with InvestorIntel’s Jack Lifton.

A Presidential Memorandum in July in response to the Section 232 established the U.S. Nuclear Fuel Working Group to provide a fuller analysis of national security considerations with respect to the entire nuclear fuel supply chain, and specifically to develop recommendations for reviving and expanding domestic uranium production. Ur-Energy awaits the recommendations of the Working Group, which are anticipated to be made and acted upon at any time now.

Jeffrey went on to say that Ur-Energy is the lowest cost uranium producer outside of Kazakhstan. He said that state-owned companies in Kazakhstan receive subsidies from their government to offset their base cost and work under lax environmental constraints. They have also devalued their currency by 85-90 percent over the last five years, hence their costs are lower. Jeffrey also said that Ur-Energy’s Lost Creek Project is in production and the company has strong fundamentals.

To access the complete interview, [click here](#)

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