

Ur-Energy stands ready to supply future US uranium reserve

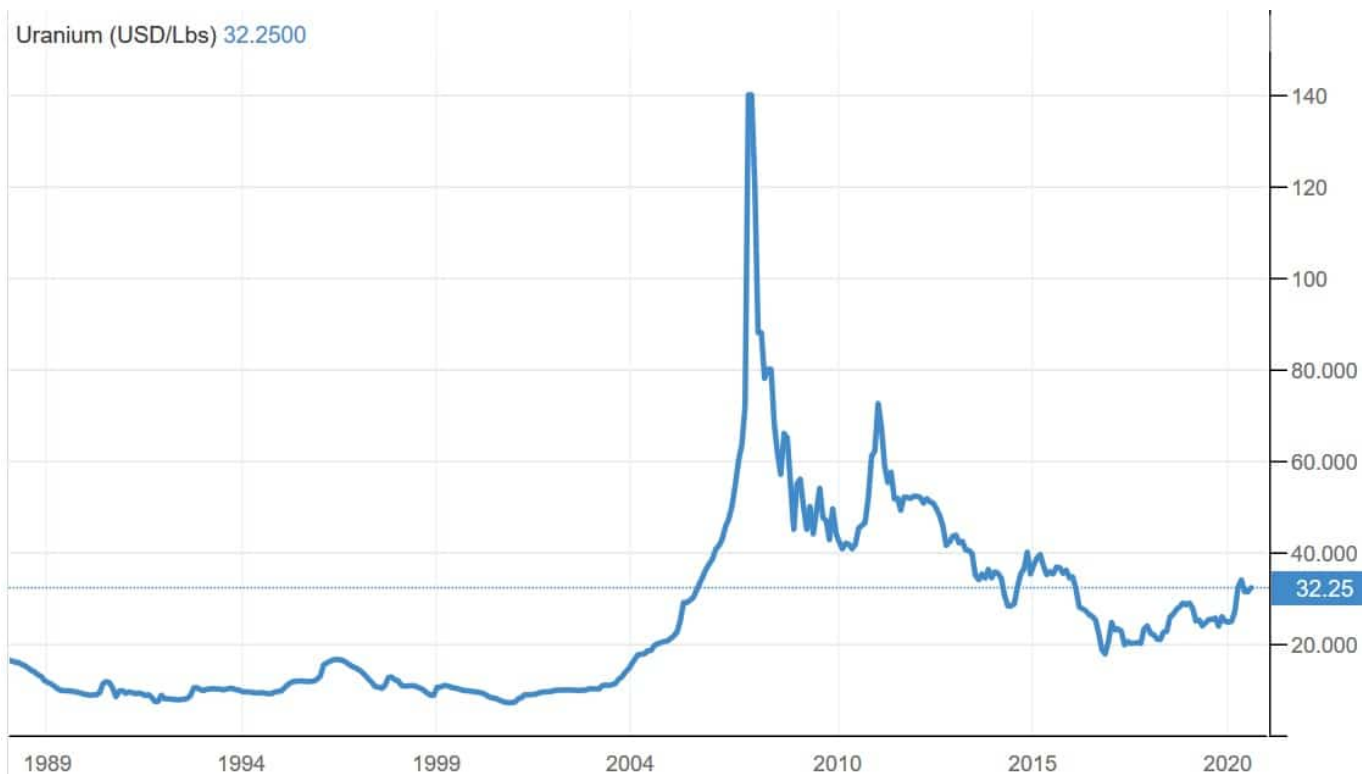
U.S. legislation on the table to reduce foreign dependency

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.

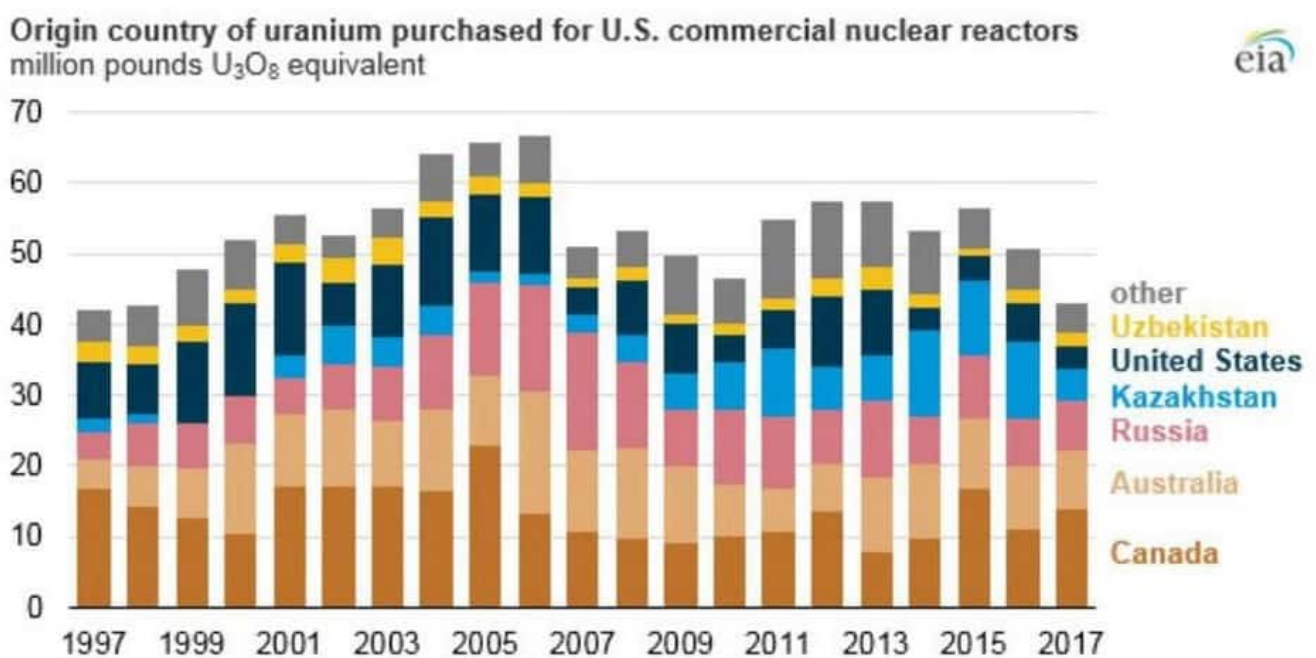
The game of patience continues for investors, and leading US uranium companies such as Ur-Energy remain on hold and attractively valued due to the uncertainty. Just remember, patience is a virtue.

Awaiting the power of Trump (following the NFWG's recommendations) on American uranium

The Nuclear Fuel Working Group (NFWG) was established by President Trump in 2019 following a Section 232 petition from two US uranium producers (Energy Fuels and Ur-Energy) in January 2018. They requested that the US government set a quota to reserve 25% of the country's nuclear market for domestic uranium producers.

The two uranium producers commenced the Section 232 petition out of concern of cheap uranium imports (mostly from Russia/Kazakhstan/Uzbekistan) flooding the US market, and the national security threat of relying on such countries for uranium, an essential fuel for the US nuclear industry. US nuclear power provides 20% of US electricity and also helps power the US military. In recent years US uranium production has been going down and down and may soon follow the way of rare earths if nothing is done.

Source of US uranium imports by country



Uranium concentrate produced in the US is declining rapidly and may soon become extinct

Figure 1. Uranium concentrate production in the United States, 1996 to third-quarter of 2019

pounds U3O8



P = Preliminary data

Source: U.S. Energy Information Administration: Form EIA-851A and Form EIA-851C, *Domestic Uranium Production Report*.

The NFWG mandate is to examine the entire US nuclear fuel supply chain with US security interests in mind. In particular to protect and plan for defense infrastructure needs, and to provide some sort of assistance to support domestic uranium supply.

The Nuclear Fuel Working Group's findings

Based on a December Bloomberg report we believe that the Nuclear Fuel Working Group's findings were:

- President Donald Trump to direct the Federal Government to buy more uranium from domestic producers. This would primarily be purchases of uranium by the U.S. Defense Department.
- US uranium purchases to boost the national uranium stockpile.

What's next?

The US nuclear and uranium industries are waiting to see what President Trump does. He may accept or reject the above recommendations. There is no mandated time period for the US President to consider the Working Group's recommendations.

Assuming the government's buying price was high enough, the US would then be able to keep the US uranium industry alive to help safeguard the US nuclear industries' uranium supply

needs. If this was to occur then the main beneficiaries would be the very few US uranium producers that can quickly bring on low cost supply.

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Ur-Energy highlights

Ur-Energy at a Glance

Lost Creek ISR Uranium Facility

- **6 years of consistent production**
- Produced ~2.7M lbs. U_3O_8 through 2019Q3
- Controlled production at market-appropriate levels
- **Lowest-cost producer among publicly-traded companies**



Flexibility and value realized through higher-priced term contracts

- 2013-2019 deliveries to customers: 2.4Mlbs Lost Creek production + 1.6Mlbs purchased product
- **Consistency of cashflow - best profit margins (2019 projected at \$12.2M in gross profits)**
- Growing inventory – all current production going into finished product inventory
- Term contracts continue to de-risk URG: ~915K lbs U_3O_8 contracted 2019 – 2021 (avg. \$48.15/lb)

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

- Section 232 Action leads to U.S. Nuclear Fuel Working Group
 - Mandate to address DOC concerns regarding domestic uranium production
- **Maintaining critical operational staff at Lost Creek to support operations and prospective ramp-up**

Ur-Energy's flagship project is the Lost Creek Property; however they also have several other uranium projects (Shirley Basin, Lost Soldier etc.).

The Lost Creek Property and the Lost Creek In-Situ Recovery (ISR) uranium facility

Ur-Energy owns and operates the Lost Creek In-Situ Recovery (ISR) uranium facility in south-central Wyoming, USA. The processing facility has a two million pounds per year physical design capacity. They also own the Lost Creek Mine which has a

current mineral Resource estimate of 13.251 million pounds of contained uranium Measured and Indicated, and 6.439 million pounds Inferred. An amended Preliminary Economic Assessment (PEA) was issued in early 2016, and estimated a Life of Mine OpEx of \$14.58/lb U3O8.

In recent years due to the low uranium price Ur-Energy has been stockpiling their own uranium (248,161 pounds U3O8 as at September 30, 2019), and buying uranium to sell into their higher priced uranium contracts. If there was to be a higher uranium price then Ur-Energy can rapidly ramp up their own production again.

Location map for the Lost Creek Mine and Shirley Basin Project of Ur-Energy



Shirley Basin Project

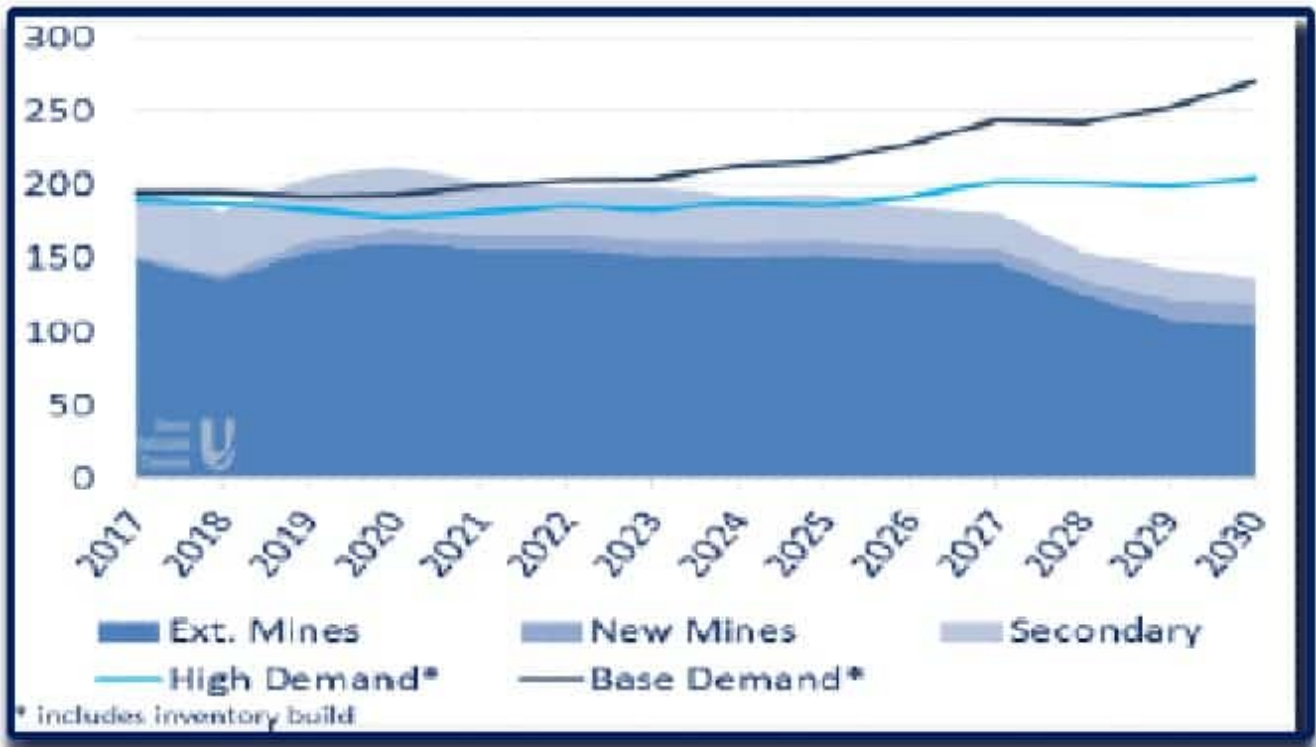
Shirley Basin is a near term uranium producing option for Ur-Energy. Baseline studies necessary for permitting and licensing of the project are complete, and the application for a permit to mine has been submitted.

Ur-Energy has a market cap of US\$87 million, and an analyst's consensus price target of US\$1.01 representing 87% upside. Ur-Energy is likely to be a winner should President Trump decide to support the US uranium miners.

Uranium demand versus supply

- Demand is projected to increase by 3.1% annually through 2025. Currently, there are 450 operable reactors; 52 under construction, with more than half due to come online in next two years.
- Supply has reduced by 30m lbs in 2018-2019, with several mine closures due to low uranium prices. With the Russian Suspension Agreement (RSA) expiring at the end of 2020, it is likely Russian dumping of cheap subsidized uranium on US shores will accelerate.

Uranium demand is forecast to outstrip supply from about 2023



Source: UxC uranium market outlook Q4 2017, UPC

Closing remarks

The declining US uranium industry is now at critically low levels. 2018 U.S. mined production was ~700,000 lbs U308, the lowest since record keeping began in 1940s. 2019 U.S. mined production is unlikely to reach 175,000 lbs U308, a fraction of what the US nuclear industry requires.

Given foreign sources of uranium currently supply the vast majority of the uranium needed to fuel U.S. nuclear power plants, it would seem highly probable that President Trump will act on the NFWG's recommendations. That can only mean one thing, to help support US uranium producers in some manner. It may be a government buying program, tariffs on subsidized Russian/Kazakhstan/Uzbekistan cheap imports, or something else.

One thing is for sure. Unless President Trump does something the US uranium industry will be left to slowly die away as it has been in recent years, and as we saw with US rare earths. That would leave the US totally vulnerable. The industry

continues to wait and hopes to hear an outcome soon from President Trump.

The low cost US uranium producer Ur-Energy is well-positioned to benefit from a positive President Trump announcement, as well as the increasing global uranium demand and potential deficits forecast from 2023.