Lining up uranium production, Ur-Energy responds to new sale agreements and rising demand

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Uranium prices continue to drift higher as demand grows and supply remains both constrained and at risk of disruption by Russia and Russian controlled entities. In the past month, uranium prices are up ~4% and they are up 15.72% over the past year. At the current price low cost uranium producers are starting to do quite well.

Uranium prices continue to march higher the past 3 years, currently at US$50.80



Source: Trading Economics

Ur-Energy Inc.

Ur-Energy Inc. (NYSE American: URG | TSX: URE) is a leading low cost U.S. uranium producer from their Lost Creek uranium mine & facility in south-central Wyoming, USA. They also own the Shirley Basin, Last Soldier, and Lucky Mc Mine uranium projects in the USA. Shirley Basin is ready to go subject to market demand for more uranium – Meaning it has its permits and authorizations to begin construction.

Ur-Energy announced in mid-December 2022 that they had signed an additional multi-year uranium sales agreement for delivery of 300,000 pounds of uranium concentrates per annum over a 5-year period beginning in 2024 with a leading nuclear fuel company. Ur-Energy's total sales quantity under contract (after this announcement) is **500,000 pounds** of uranium concentrates per annum, beginning in 2024, plus or minus.

Additional Sales plus Uranium Reserve sales, and Ur-Energy decide to ramp up Lost Creek production

Then on December 19, 2022, Ur-Energy announced further great news with even more sales commitments from uranium buyers, including the U.S reserve. Ur-Energy stated: "The Company's total sales quantity now under contract will be 600,000 pounds U_3O_8 per year beginning in 2024, plus or minus a small, optional flex. Having secured these sales commitments, Ur-Energy has made the decision to immediately ramp up production at its operating Lost Creek uranium mine to levels sufficient to deliver into these current contracts. The Company will target an initial annual production rate of 600,000 pounds U_3O_8, which represents 50% of Lost Creek's licensed wellfield production capacity of 1.2 million pounds……..we expect to commence production in Q1 2023 and reach the initial annual production rate in Q4 2023."

Furthermore, the Department of Energy has agreed to buy 100,000 pounds of domestically produced uranium concentrate from Ur-

Energy for the National Uranium Reserve at a sales price of US$64.47/lb. Ur-Energy say that they will provide the material for this one-time purchase from their existing U.S. produced inventory of 324,000 pounds. Ur-Energy's Lost Creek Mine life of mine operation cost is an estimated ~US$16.34/lb.

Expansion potential

Production and sales mean revenue to Ur-Energy in 2023. Given the uranium price is now higher Ur-Energy should be able to potentially make a decent profit margin as they scale operations back up again. Furthermore, Ur-Energy has an unrivaled potential to expand production further as the company states: "Our current contract book fills just over 25% of our annual licensed wellfield capacity of 2.2 million pounds and only 14% of our annual licensed processing capacity of 4.2 million pounds. This leaves us considerable room to increase production, open satellite operations, toll process material for other companies, and sell into a rising market."

Ur-Energy CEO John Cash sums up the excitement well stating:

"The growth in our contract book gives us the confidence to ramp production at Lost Creek to 600,000 pounds per year. Our entire team has been working toward this goal for several years and we are excited to bring our low cost, flagship property back into meaningful production. In addition to our Lost Creek mine, our Shirley Basin Project has all major permits and licenses required to construct and operate a one million pound per year production facility."



Source: Ur-Energy company presentation

Closing comments

They say timing is everything in life. In this case, it certainly looks like the timing is now right to take a further look at Ur-Energy. The stock is currently trading on a market cap of C$395 million (US$292 million) with 2023 sales and production commencing, then expanding in 2024 with 600,000 pounds U_3O_8 pa of contracted sales; with potential to expand on that further with 4.2 million pounds pa of licensed production capacity and a large inventory of U_3O_8. It looks like there should be some good times ahead for Ur-Energy after enduring the last uranium downturn.