Cash rich Ur-Energy is getting ready for America's day of reckoning to replace Russian uranium

written by InvestorNews | May 5, 2022

Ever expanding sanctions and Western resolve to further restrict cash flowing into Russia to finance Putin's war in Ukraine have made it apparent that domestic supply of just about everything should be racing to the top of the priority list. We've seen numerous steps taken in the U.S. in the last several weeks to shore up the sourcing and supply of uranium for its nuclear industry. Department of Energy (DOE) Secretary Granholm said in public testimony April 28, 2022, that the DOE anticipates initial requests for proposal for the purchase of domestically produced uranium will be issued in June 2022 for the establishment of a national uranium reserve.

The Infrastructure Investment and Jobs Act, signed into law in November 2021, contains a number of provisions supporting nuclear energy including a $6 billion Civil Nuclear Credit Program designed to prevent the premature closure of nuclear power plants. Nuclear power plants utilizing domestically sourced uranium products will be given priority funding under this program. An RFI was issued on February 15, 2022, with the expectation that a request for proposal will follow as early as mid-year 2022.

In April 2022, Senator Manchin (D-W.Va.), introduced a bipartisan bill titled The International Nuclear Energy Act of 2022 with the stated goal of establishing an Executive Office for Nuclear Energy Policy to promote engagement with ally and

friendly partner nations to develop a civil nuclear export strategy and offset China and Russia's growing influence on international nuclear energy development. Additionally, numerous states have passed legislation supporting nuclear power.

To me this is a giant billboard saying investors need to take a closer look at domestic uranium producers. Particularly those who are currently producing uranium or could be within 6 months. Especially given that the U.S. is the largest consumer of uranium in the world, and according to the EIA, in 2020 the U.S. purchased 22% of its uranium from Kazakhstan and 16% from Russia. 20% of U.S. electricity is generated by nuclear power with 2021 uranium requirements in the United States to power nuclear reactors at 17,600 tonnes (38.7 million pounds). Meanwhile, the EIA reported domestic production of uranium concentrate (U_3O_8) in the first quarter of 2022 at a paltry 9,946 pounds. Maybe a giant billboard isn't enough, perhaps I need to buy a social media company to get the message out there.

All joking aside, at or near the top of the list of domestic uranium companies has to be Ur-Energy Inc. (NYSE American: URG | TSX: URE), and its uranium mining, recovery and processing operations, as well as the exploration and development of uranium mineral properties all within the friendly confines of the United States of America. The Company boasts a cash position as of April 28, 2022, of $45.8 million plus roughly 284,000 pounds of finished, U.S. produced U_3O_8 inventory, worth $16 million at recent spot prices. Ur-Energy operates its flagship Lost Creek in-situ recovery uranium facility in south-central Wyoming, as well as having all major permits and authorizations to begin construction at Shirley Basin, the Company's second in-situ recovery uranium facility in Wyoming.

But what moves Ur-Energy to the top of the list is the work they've been doing to prepare for uranium's day of reckoning.

Guidance from the recently released Q1 Results states 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, simply by continuing the development work within the fully permitted MU2 (mine unit). A production ramp up will include further development work in both of the first two mine units, followed by the ten additional mining areas as defined in the Lost Creek Report. The Lost Creek 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.

Ur-Energy is cash rich and optimally situated to take advantage of the “on-shoring” of uranium supply. The Company has adequate funds to maintain and enhance operational readiness at Lost Creek which also allows them to preserve existing U_3O_8 inventory to sell into higher prices. With a market cap of US$311 million as of yesterday’s close, investors need to decide what the value of 1.2 million to 2.2 million pounds per annum of domestically produced uranium is worth.