

John Cash of Ur-Energy Talks About Higher Uranium Prices and Increasing Production to Meet the Demand

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In this InvestorIntel interview, Tracy Weslosky talks to [Ur-Energy Inc.](#)'s (NYSE American: URG | TSX: URE) President, CEO, and Chairman John Cash about an update on the uranium market. With the US utilities now looking at domestic uranium supply, John provides an update on Ur-Energy's [sales contracts](#) for the supply of uranium with new long-term contracts and strong profit margins.

With total sales quantity now under contract at 600,000 pounds U_3O_8 per year, John discusses ramping up production at its Lost Creek *in-situ* uranium mine. John also provides an update on advancing Ur-Energy's fully-licensed Shirley Basin Project to meet the demand as they continue to close additional sales contracts.

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About Ur-Energy Inc.

Ur-Energy is a uranium mining company operating the Lost Creek *in-situ* recovery uranium facility in south-central Wyoming. The Company has produced, packaged, and shipped approximately 2.6 million pounds of U_3O_8 from Lost Creek since the

commencement of operations. Ur-Energy 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. Ur-Energy is engaged in uranium recovery and processing activities, including the acquisition, exploration, development, and operation of uranium mineral properties in the United States.

To know more about Ur-Energy Inc., [click here](#)

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Ur-Energy, Hedging the uranium supply against the chaos of war

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The big question right now is what will Putin do next? Last week U.S President [Biden banned Russian oil and gas imports](#). Will Russia respond by banning uranium exports to the USA? That would certainly cause a huge drama given that Russia largely controls the uranium market ([41%](#) of supply from Kazakhstan, 6% from Russia) and the USA's dependence on uranium to power [19%](#) of the electricity grid and a significant part of its navy which is nuclear powered.

In anticipation of a possible Russian uranium export ban or supply shock, the uranium price has been moving higher since the war began. At the current uranium price of [US\\$60/lb](#) the outlook

for uranium producers is looking dramatically improved.

Uranium prices have spiked higher since the Russia-Ukraine war began on February 24, 2022



Source: [Trading Economics](#)

[Ur-Energy Inc.](#) (NYSE American: URG | TSX: URE) is among the top two U.S uranium producers (when operational). Ur-Energy operates their flagship Lost Creek ‘in-situ recovery’ uranium mine and facility in south-central Wyoming, USA. The Lost Creek Mine and facility has been on [care and maintenance](#) awaiting higher uranium prices. Ur-Energy also owns [several other projects](#) including the Shirley Basin Project (construction ready), Lucky Mc Mine, and Last Soldier uranium projects in the USA as well as the Excel Gold Project in Nevada, USA.

A summary of U-Energy’s uranium projects in the USA



Source: [Ur-Energy website](#)

The recent good news for Ur-Energy investors can be summed up from the following two key announcements:

1. [November 1, 2021](#) – Ur-Energy announces Lost Creek development program to advance readiness to ramp up uranium production. Ur-Energy stated: “We are pleased to announce the commencement of a development program at Lost Creek **that will advance us from reduced operations to full production-ready status.....** As of October 27, 2021, we had more than \$40 million in cash and 285,000 pounds of U.S. produced U_3O_8 in inventory worth approximately \$13.4 million, stored at the conversion facility.”

2. [March 9, 2022](#) – “The economic analyses within the Lost Creek report continue to support the potential viability of the property. Total future life of mine (LoM) production (without additional exploration) is modeled to be 12.3 million pounds from 2022 to 2036 with LoM operating costs estimated to be \$16.34 per pound. All in, the estimated total costs per pound, including royalties and extraction taxes, is estimated at \$33.61 per pound before income tax of \$8.72 per pound. Pricing used in the analysis ranged from \$50.80 to \$66.04 per pound.....The Property has a calculated before tax internal rate of return (IRR) of 72.2 percent and a before tax net present value (NPV) of \$210.9 million applying an 8% discount rate. When income taxes are included in the calculation, the **after-tax IRR is 66.8 percent and the after tax NPV is \$156.8 million.**”

Note: Bold emphasis by the author.

Lost Creek update

Minimal controlled production continued at Lost Creek throughout 2021 in recognition of market conditions. Ur-Energy has all required permits for operations within the first three mine units at Lost Creek and expects to have the final permit to allow operations within the HJ and KM Horizon at LC East and additional mine units at Lost Creek this year. Ur-Energy is in the process of obtaining remaining additional amendments to Lost Creek authorizations for expansion of the Lost Creek Mine.

Lost Creek recently received an amendment to its license allowing expansion of mining activities within the existing Lost Creek Project and the adjacent LC East Project. [The license now allows annual plant production of up to 2.2 million pounds \$U_3O_8\$](#) , which includes wellfield of up to 1.2 million pounds U_3O_8 and

toll processing of up to 1 million pounds U_3O_8 . Additional approvals (as referenced above) for this expansion are expected in H2 2021.

At the current uranium price of [US\\$60/lb](#) it looks highly likely we will very soon hear an announcement of Lost Creek production restarting.

Shirley Basin update

In addition to Lost Creek, Ur-Energy can bring on their Shirley Basin Project. It has a [before tax IRR of 105.6% and NPV8% of \\$129.7 million](#). Ur-Energy has all major permits and authorizations to begin construction at Shirley Basin, the Company's second in situ recovery uranium facility in Wyoming, USA.

2021 year end results

Ur-Energy's 2021 results are not important given that there was virtually zero (251 pounds of U_3O_8) uranium production and no sales. Ur-Energy [reported](#): "As of December 31, 2021, we had cash resources consisting of cash and cash equivalents of \$46.2 million. No sales of U_3O_8 were necessary in 2021. The Company had a net loss of \$22.9 million or \$0.12 per common share."

Ur-Energy, [new CEO](#), John Cash [stated](#):

"We are encouraged by the dramatic increase in domestic and global support for nuclear power, as it is increasingly recognized as the only plausible solution to climate change. Ur-Energy is in the enviable position of being able to quickly ramp up and participate in an improving uranium market and, in addition, we could immediately deliver up to 284,000 pounds U_3O_8 into the Uranium Reserve Program, currently being established by the U.S. Department of Energy. On March 3, 2022,

we had \$44.7 million in cash, plus our ready to sell U.S. produced inventory, worth approximately \$14.4 million at recent spot prices. Additionally, we continue to advance the construction of header house 2-4 to expedite production when market signals allow us to ramp up at Lost Creek.”

Closing remarks

Uncertainty of uranium supply from Russia and Russian controlled sources such as Kazakhstan is leading to a surge in uranium prices, up almost 50% in the past 3 weeks since the Russia-Ukraine war commenced.

At current prices, Ur-Energy’s two key projects Lost Creek and Shirley Basin would be highly profitable as per recent economic studies done at uranium prices similar to today’s price. All of this means it is highly likely we will soon see the resumption of uranium production by Ur-Energy at Lost Creek Mine in the near term. It also times well with the U.S.’s intentions to build up a reserve of uranium and the recent [White House Fact Sheet](#) aiming to build USA supply chains for key materials.

For investors looking at a hedge against the war, then look no further than uranium. And if Putin bans exports of Russian controlled uranium to the USA and others, then expect to see uranium prices closer to US\$100/lb, than to today’s price of US\$60/lb.

Ur-Energy trades on a market cap of [US\\$380 million](#). Looks appealing.

Is Uranium the next commodity to move higher?

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As [Ur-Energy Inc.](#) (NYSE American: URG | TSX: URE) looks to break through its \$1.57 (C\$1.99) high reached in February of this year it's time to take another look at this company and Uranium in general. The [Company announced](#) some exciting news late last week – they received three approvals representing the final major permits required to begin construction of their Shirley Basin project. This is good news considering Ur-Energy is engaged in uranium mining, recovery and processing operations, as well as the exploration and development of uranium mineral properties.

The Shirley Basin project would be complementary to the existing Lost Creek project with its [recently announced](#) increase to nine licensed mine units and the licensed limit annual plant production of 2.2 million pounds U_3O_8 which includes wellfield production of up to 1.2 million pounds U_3O_8 and toll processing up to one million pounds U_3O_8 . This gives the company the option of either building out a complete processing plant with drying facilities at Shirley Basin or a satellite plant with the ability to send loaded ion exchange resin to the Lost Creek Project for processing.

This all sounds great except for one thing. Ur-Energy isn't actually producing very much Uranium at the moment and is selling even less. The Company is maintaining reduced production operations at Lost Creek while awaiting the implementation of the [national uranium reserve](#) and further positive developments in the uranium markets (in other words, higher prices). The positive here is that this has allowed Ur-Energy to make operating cost reductions while continuing to conduct

preventative maintenance and optimize processes in preparation for ramp up to full production rates.

The story for Ur-Energy, and other Uranium producers is all about where prices are going, not where they currently are (that almost sounds like a Wayne Gretzky quote). The Uranium market is a little unusual in that historically very little Uranium is sold in the "spot" market. Most transactions are long term contracts for multi-year deals. This has created a strange anomaly over the last few years, whereby miners will actually go out and buy Uranium to fulfill those contracts rather than produce it themselves. Cameco is a great example of this if you dig into their activities. Along those lines, at the end of March 2021, Ur-Energy had 285,000 pounds of U_3O_8 of inventory available to sell or fulfill contracts.

But where does that leave investors? Ur-Energy has an unrestricted cash position of US\$15.8 million and approximately US\$8.6 million in finished, ready-to-sell inventory in order to maintain and enhance operational readiness or for possible acquisitions and general working capital. The Company can quickly and easily ramp-up to full production at Lost Creek of 1,000,000 pounds per year within 6 months at an estimated capital cost of US\$14 million. Assuming Uranium pricing warranted this ramp-up in the first place, Lost Creek can be further advanced to its fully licensed 1.2 million pounds per year and Shirley Basin can then be developed up to 1.0 million pounds per year, which should make investors pretty happy.

But what is going to drive that increase in Uranium prices higher than the \$20-\$30 per pound range it's languished in for most of the last 5 years. For starters, the U.S. Department of Energy will be provided [US\\$75 million to coordinate with and support the Office of Nuclear Energy](#) in the development and implementation of a national uranium reserve program. The US

Government also announced an extension and expansion of limitations on importation of Uranium from the Russian Federation. Another catalyst is the Biden Administration's commitment to nuclear energy, calling nuclear an essential pillar to its clean energy mandate. Lastly, investment interest in the form of the recently announced Uranium Participation Corporation [agreement](#) with Sprott Asset Management to modernize its business structure and pursue a U.S. listing.

On the flip side, [Cameco announced](#) plans to restart production in April at its massive Cigar Lake uranium mine. Additionally, Kazatomprom the world's largest producer of uranium, with production representing approximately 24% of global primary uranium production took a page out of OPEC's book and announced 20% reductions through 2022. It's not a reach to believe that if prices start to improve materially, both Cameco and Kazatomprom could ramp up production relatively quickly.

So as an investor, you need to make a decision on Uranium prices first and whether the current positive momentum can continue. If you decide you want Uranium exposure then Ur-Energy is a great leverage play to participate in the Uranium trade.