

Market Wagers on Uranium as the Hottest Commodity, Ur-Energy Reveals an All-American Advantage

Spot uranium prices and correspondingly the underlying stocks that have any association with uranium are on fire these days. The biggest reason given for the sudden upward trajectory in the spot price of uranium is the massive increase in buying by the Sprott Physical Uranium Trust (TSX: U.UN). The newly-formed Sprott fund (created via the purchase of the publicly traded Uranium Participation Units) started buying uranium on the spot market in mid-August and has amassed over 24 million pounds of uranium, sometimes buying more than 500,000 pounds in a single day, according to its website and social media account. Then on Monday Sprott updated its at-the-market equity program to issue up to an additional US\$1.0 billion of units of the Trust in Canada. That equates to an additional 25 million pounds assuming a price of US\$40/lb and that doesn't include spot volume being purchased by the likes of Yellow Cake PLC (LSE: YCA) and Denison Mines Corp. (NYSE American: DNN | TSX: DML). For context, the annual global demand for uranium is currently estimated at roughly 180 million pounds.

This resurgence in uranium prices to almost 7 year highs has helped uranium mining stocks across the board. However, one company is poised to perhaps be the largest beneficiary of these higher prices and that's Ur-Energy Inc. (NYSE American: URG | TSX: URE). Ur-Energy is engaged in 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. With the USA having just under 100 nuclear reactors currently operating, which supply 20% of its generated annual

electricity there's no doubt that a secure domestic supply of uranium should be of ever increasing importance.

At Ur-Energy's flagship project in Wyoming, Lost Creek, production has totaled approximately 2.7 million pounds of U_3O_8 since commencement of operations in 2013. While Lost Creek continues to operate at reduced production levels, the reduced production operations have allowed the Company to sustain operating cost reductions while continuing to conduct preventative maintenance and optimize processes in preparation for ramp up to full production rates. At the end of March the Wyoming Uranium Recovery Program approved access to six planned mine units in addition to the already licensed three mine units at Lost Creek. The approval also increases the license limit for annual plant production to 2.2 million pounds U_3O_8 . The current mineral resource estimate for the Lost Creek Property, is 14.6 million pounds in the Measured and Indicated categories, and 6.44 million pounds in the Inferred category before subtracting production to date of 2.7 million pounds.

A little further East finds Ur-Energy's second primary property at Shirley Basin, also in Wyoming. Property holdings of patented lands, unpatented mining claims, and private leases total nearly 3,700 acres (~1,500 hectares). A 2015 Preliminary Economic Assessment estimates 8.8 million pounds of Measured and Indicated uranium resources. The Company estimates that a total of 6.3 million pounds of U_3O_8 may be produced from the project which received all major permits required to begin construction of the project at the end of May. Situated in a historic mining district where past production was 28.3 million pounds of U_3O_8 , the project has existing access roads, power, waste disposal facility and shop buildings onsite. Because delineation and exploration drilling were completed historically, the project is construction ready.

Ur-Energy recently announced Q2 results which were highlighted by ending the period with cash and cash equivalents of US\$21.5 million and 285,000 pounds of U_3O_8 in inventory at the conversion facility. At yesterday's price of roughly US\$44/lb that equates to an additional US\$12.5 million. Granted the Company does not anticipate selling its existing finished-product inventory in 2021, unless market conditions change sufficiently to warrant its sale. But as we've seen over the last few weeks the landscape is changing quickly. Additionally, there are just over 11 million warrants with a US\$1 strike that expire Sep 25th which one would anticipate would be exercised for an additional US\$11 million in funding. If all 11 million warrants are exercised the Company would have approximately 206 million shares outstanding giving it a market cap of just under US\$380 million based on yesterday's close of US\$1.84. With the capacity to ratchet up quickly to 1.0 million pounds of annual U_3O_8 production at an estimated capital cost of US\$14 million there seems to be an interesting value proposition here.

Up 207% over the past year, Ur-Energy's revenue is 'forecast' to rise exponentially in the next 2 years

Uranium prices have grinded higher in 2021 and the outlook has never looked better for U.S uranium miners with forecast

uranium deficits in the years ahead. US uranium producers are well placed to benefit from the Biden policies that understand the importance of nuclear and securing uranium. Right now the USA produces virtually zero uranium and is dependent upon Russia (including Russia controlled sources in Kazakhstan) for about 50% of their uranium supply. 20% of U.S electricity relies on nuclear as does much of the U.S Navy fleet.

Ur-Energy Inc. (NYSE American: URG | TSX: URE) is among the top two U.S uranium producers and is a global low cost uranium producer. Ur-Energy operates the Lost Creek in-situ recovery uranium facility in south-central Wyoming, USA, currently on hold due to the uranium prices bear market. The stock is having a stellar year, up 207% over the past year boosted by improving uranium prices and positive uranium policy from the Biden administration.

Ur-Energy's stock has been rising with the beginning of what looks to be a new uranium bull market



Source: Yahoo finance

An update on Ur-Energy

Over the past year, the Company has been working on their expansion plans. Ur-Energy now 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.

At Lost Creek, the mine is currently on care and maintenance awaiting higher uranium prices or suitably priced long term contracts.

Ur-Energy's revenue is 'forecast' to rise exponentially the next 2 years

Based on an online analyst's forecasts, Ur-Energy is set to grow revenues from US\$8 million in 2021 (close to zero in operating profits) to US\$24 million in 2022 (US\$24 million in operating profits), and to US\$75 million in 2023 (US\$40 million in operating profits). That's a tremendous forecast revenue rise and would be mostly due to the anticipated ramp up in uranium production by Ur-Energy, forecast uranium deficits with stronger uranium pricing, and the U.S plan to establish a US\$150 million pa U.S. uranium reserve building program over the next 10 years.

Joining the broad-market Russell 3000® Index

Announced on June 7, 2021, Ur-Energy is set to join the broad-market Russell 3000® Index as of June 28, 2021. This is a significant milestone achievement for the Company. Approximately \$17.9 trillion is currently benchmarked to FTSE Russell indexes. Ur-Energy Chairman and CEO Jeff Klenda, stated:

"Ur-Energy is excited to be included in the Russell 3000® Index. This listing reflects the significant increase in our market capitalization over the past several months, and our continued effort to build shareholder value. Inclusion in the Russell 3000® is significant as the Russell indexes are widely

followed by the investment community. We believe inclusion in the Russell index provides us with the opportunity to expand our shareholder registry as we continue to progress our strategic initiatives and maintain operational readiness until we ramp-up production operations at our Lost Creek Project.”

Closing remarks

All indicators are pointing to higher priced uranium. A key being forecast global deficits the next 5 years+ due to strong demand and constrained supply. Another is that the Biden administration is pro smart nuclear, and the U.S wanting to achieve an independent supply of critical materials such as uranium. The only way to do this is by buying uranium from ally countries or more ideally from U.S producers on long term contracts that are profitable for the miners. Existing U.S demand to feed the U.S’s nuclear reactors and military plus supply to build the reserve are all critical priorities right now for the USA.

Ur-Energy is ideally positioned in the USA to play a very significant part in restoring U.S energy security and the U.S uranium reserve. This helps explain why the stock has already run ahead by 207% in the past year and now trades on a market cap of US\$316 million. The stock may well take a short-term pause but the next decade looks very strong for Ur-Energy.

Further learning

Ur-Energy’s Jeff Klenda on Biden’s interest in nuclear energy, US utilities ‘just-in-time deliveries’ for uranium and being the lowest cost producer of uranium in the U.S. (video)