Ready for the inevitable change in the market, as a secure domestic uranium industry is in the United States' best interest

The world still needs energy of all forms. Despite the ongoing (and hopefully temporary) impact of the global coronavirus pandemic, world prices for many consumable commodities have fallen. Great for consumers, but not so great for the producers.

A case in point was the third quarter results released by Ur-Energy Inc. (NYSE American: URG | TSX: URE) late on October 30, 2020. The company's Form 10-Q for the quarter ended September 30, 2020, highlights that no sales were made in Q3-2020 and none are expected for the current quarter. The company had contractual sales in the first half of 2020, which were profitably met by product purchases and not from inventory, which totaled just over 268,000 pounds of U3O8 at the end of the quarter.

Ur-Energy is a uranium mining company operating the Lost Creek in-situ recovery uranium facility in south-central Wyoming. The Lost Creek processing facility, which includes all circuits for the production, drying and packaging of uranium for delivery into sales transactions, is designed and anticipated under current licensing to process up to one million pounds of U3O8 annually from the Lost Creek mine. The processing facility has the physical design capacity to process two million pounds of U3O8 annually, which provides additional capacity to process material from other sources.

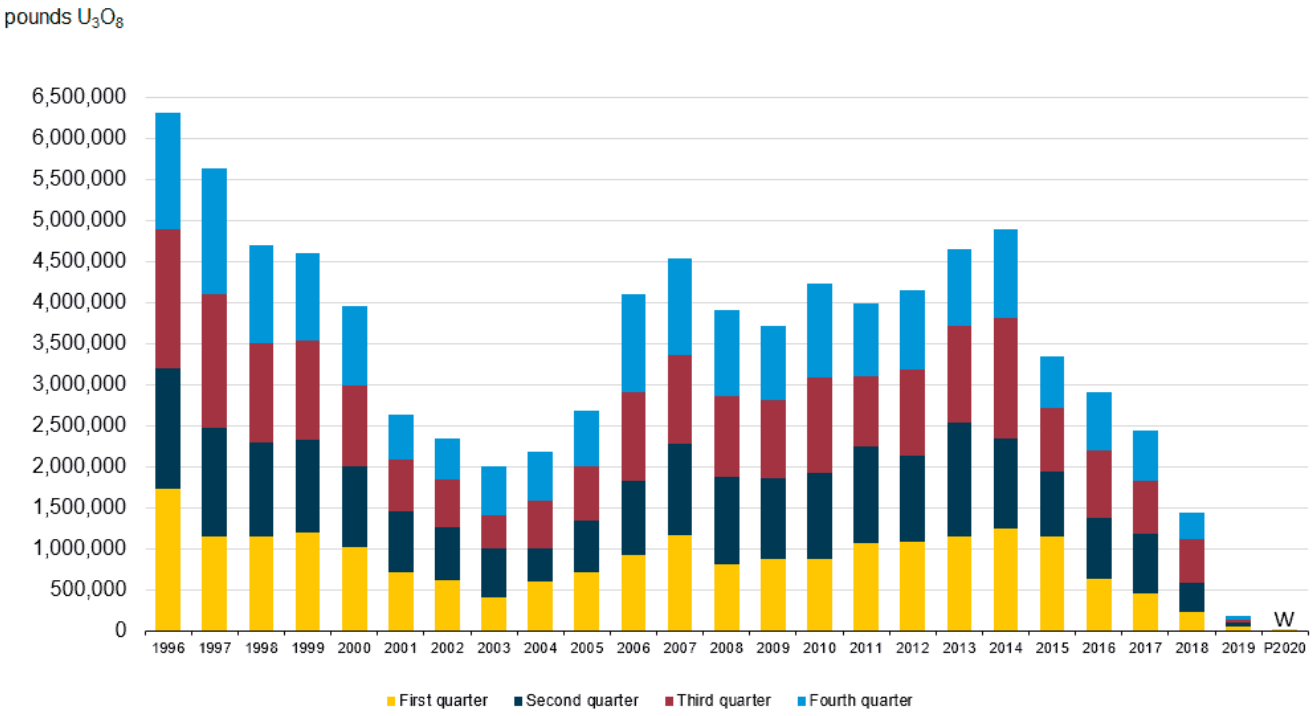
Source

The company has a total of 12 US uranium properties, including 10 properties in the Great Divide Basin, Wyoming including Lost Creek as shown above. Notably, the company also has nearby assets in the Shirley Basin, with a Measured and Indicated resource of 8.8 million pounds. Uranium was produced from this area from the 1960s through the 1990s and totaled more than approximately 71 million pounds of uranium, so this is a known resource for the company. An application to the state of Wyoming for a permit to mine the Shirley Basin Project is in process and the company anticipates that the necessary permits and authorizations should be received in Q1-2021.

In the interim, Ur-Energy continues to operate at reduced levels with the lowest possible cost structure in anticipation of an improved uranium market. While the company did produce

uranium at Lost Creek in the quarter (~2,500 pounds), this was 40% lower than the previous two quarters and half the production of Q4-2019. This reflects the current state of the global uranium business and particularly in the US which has seen a response to the low-price environment with dramatically falling US Uranium production.

Figure 1. Uranium concentrate production in the United States, 1996 to second-quarter 2020



P = Preliminary data
Source: U.S. Energy Information Administration: Form EIA-851A, *Domestic Uranium Production Report (Annual),* and Form EIA-851Q, *Domestic Uranium Production Report (Quarterly)*

Source

Fortunately, there initiatives in play to rejuvenate the domestic industry. In 2019, US President Trump established a United States Nuclear Fuel Working Group (NFWG) as a response to the Petition 232 initiative launched by Ur-Energy and Energy Fuels Inc. in 2018, which released a report in April 2020 with recommendations to revitalize the domestic uranium mining and broaden nuclear industries. Among the recommendations was the establishment of a government-funded uranium reserve, but most importantly was the recognition of the state of the domestic industry and a call to action to protect security of domestic supply.

Additionally, on September 20, 2020, US President Trump issued an Executive Order “on Addressing the Threat to the Domestic Supply Chain from Reliance on Critical Minerals from Foreign Adversaries”. It declares a “National Emergency” to expand the domestic mining industry, considering the list developed in 2018 of 35 minerals deemed critical to U.S. national security and the economy which include uranium and rare earths. More specifically to uranium, it was also announced on October 6, 2020 that the US Department of Commerce and the Russian state atomic energy corporation, Rosatom, have amended an agreement that was to expire on December 31, 2020 that extends the 1992 pact through 2040 and reduces U.S. reliance on uranium from Russia during that time period.

For the moment, all domestic uranium companies have to do is maintain low-cost operations and be ready for the inevitable change in the market, as a secure domestic uranium industry is in the United States’ best interest. Ur-Energy completed a net $4.3M equity raise in August 2020 and just announced a restructuring with the State of Wyoming for deferral of State Bond Loan payments until October 2022. They are part of a critical and strategic industry in the US and investors should be watching for future industry developments.

Energy Fuels’ Mark Chalmers addresses the impact of the coronavirus on the uranium

market and steps up to the critical materials supply chain podium

Given the recent announcement of a US$1.5 billion (US$150 million pa for 10 years) uranium reserve to be allocated to US uranium producers, there has been quite a buzz around the uranium sector which is currently dominated by Energy Fuels.

Energy Fuels CEO Mark Chalmers, accompanied by several members of senior management, lead an excellent Company webcast update, with a special address on the impact of the coronavirus (COVID-19) on the critical materials sector on Friday morning. During this webcast, he provided an update on the Company, covering everything from the US uranium reserve to the Company's FY 2019 results. During this webcast he identified the increasing prioritization by the by the U.S. government for a both U.S. sourced critical materials and the build-out of a North American rare earths supply chain. Below I touch on the key highlights.

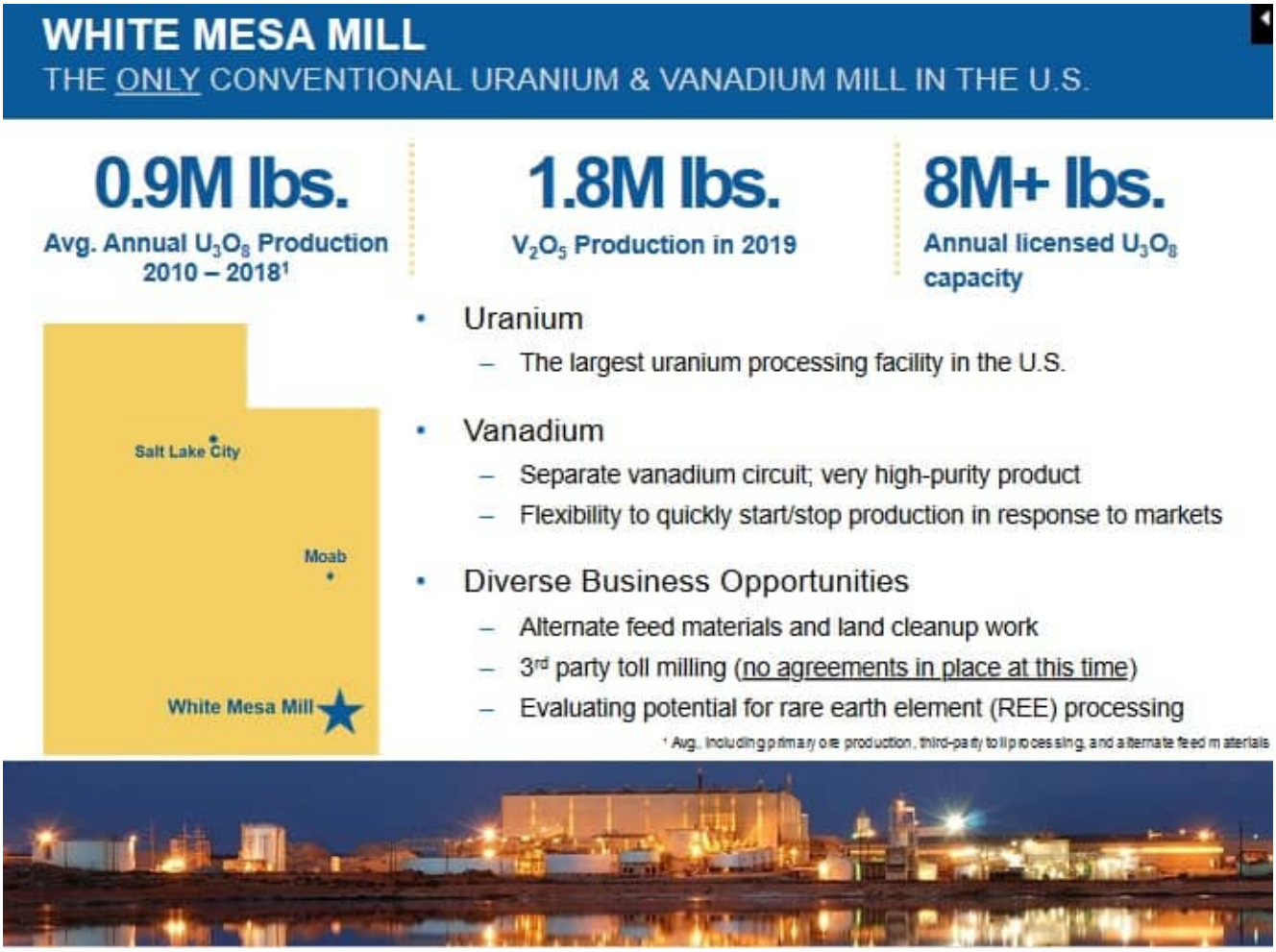
Energy Fuels Inc. (NYSE: UUUU | TSX: EFR) is one of only three US uranium miners still in production, and has been the largest US uranium producer over the past 4 years. Energy Fuels has the largest uranium resource portfolio in the U.S. among producers, with an ability to rapidly scale up production if needed. Added to this Energy Fuels is a leading U.S. vanadium producer. There is also some potential for future rare earths processing at White Mesa Mill.

The White Mesa Mill is a strategic asset for Energy Fuels and the USA

Many don't know, but the White Mesa Mill has produced about the same amount of uranium and vanadium over its lifetime to

date, or about 45 million pounds of each. White Mesa Mill can also recycle alternate feed materials and materials from land clean ups.

Energy Fuels' flagship White Mesa Mill produces both uranium and vanadium, with potential to add rare earths processing



Energy Fuels views on Russia

Russia has a long history of manipulating markets to gain a geopolitical advantage. If nothing changes the US could be dependent on Russia, China and its allies for uranium. **Also at the end of 2020, the Russian Suspension Agreement (RSA) expires. This means Russia could potentially export even more uranium into the US market leading to a price war, as we recently have seen with oil.** It would also potentially increase the US's dependence on Russia for uranium after 2021.

Energy Fuels views on President Trump's FY2021 budget provision for a U.S. uranium reserve of US$150 million pa

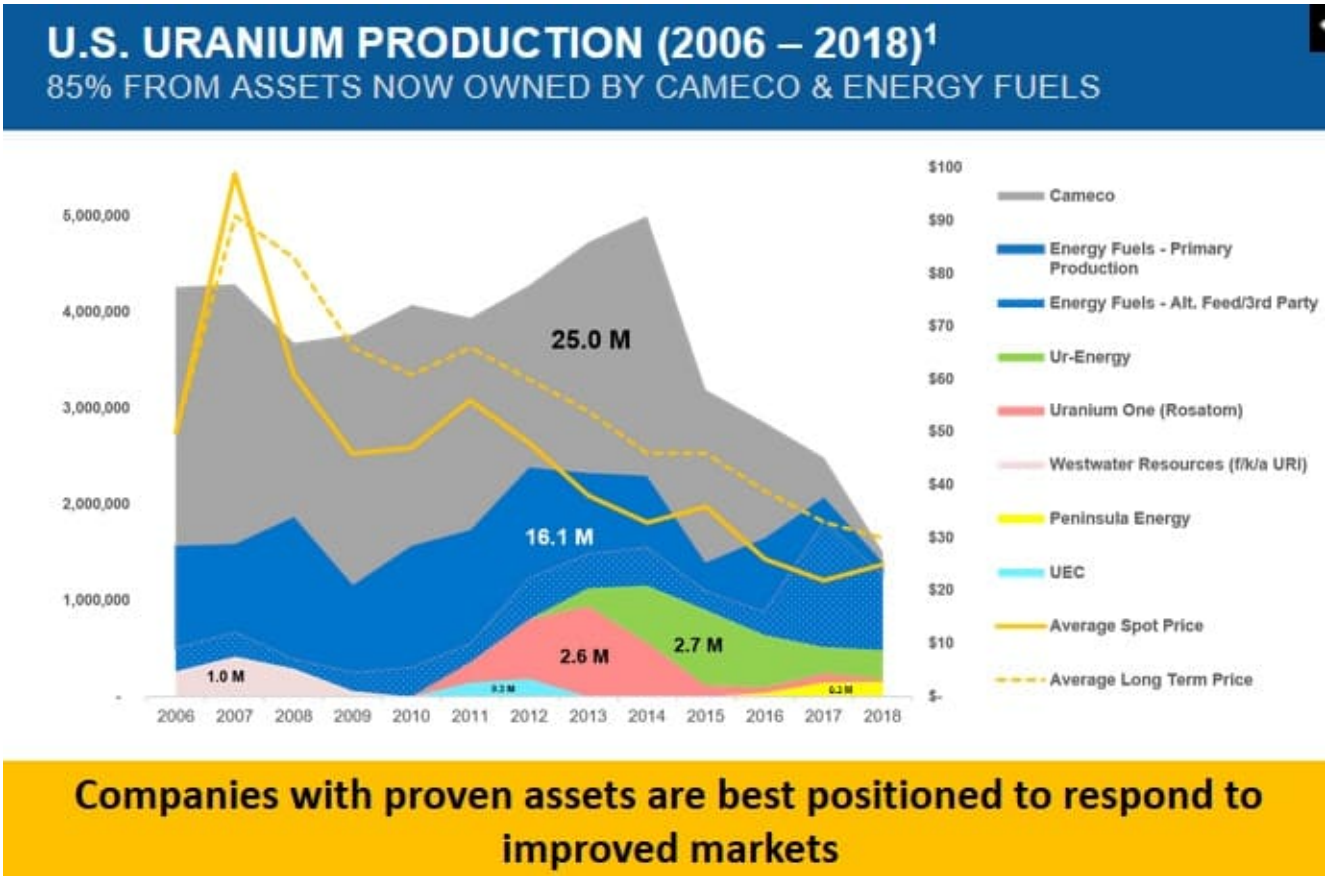
Energy Fuels is positive on the recent move that the US plans to support the US uranium producers. There are no details yet on how the US$150 million pa will be allocated but there is a very strong possibility that Energy Fuels will benefit, especially given they initiated the Section 232 Petition.

The Office of Nuclear Energy (NE) stated:

"The reserve is expected to support the operation of at least two U.S. uranium mines."

There are currently only three or four uranium facilities operating in the U.S. right now that have the current capability to supply a U.S. uranium reserve. These include Energy Fuels' White Mesa Mill in Utah and Energy Fuels' Nichols Ranch ISR Facility in Wyoming.

Energy Fuels (blue) has been the largest US producer of uranium over the last 4 years



Energy Fuels approach with COVID-19

Energy Fuels is adopting the following procedures to support the COVID-19 battle:

- Eliminating travel and conference attendance for the time being.
- In these tough times with low uranium and vanadium prices, Energy Fuels is focusing on cost-cutting measures and maintaining balance sheet strength.
- Energy Fuels state that of very significant concern right now is that “Kazakhstan might have to shut down uranium production due to COVID-19″. This could lead to a uranium supply shock given Kazakhstan is the world’s largest uranium producing country.

Energy Fuels FY 2019 results and current

activities

- Energy Fuels end 2019 cash and marketable securities, and inventory was at $40.5 million. Added to this is $19.5 million from 2020 activities. There is also US$16 million of convertible debt that matures on December 31, 2020 (payable in cash or shares at the Company's option). Net assets are therefore over $40 million confirming a very strong balance sheet.
- Energy Fuels is currently pursuing additional cash flow opportunities in alternative feed materials, land cleanup, vanadium & rare earth elements. Energy Fuels is participating in a pilot-scale cleanup project for Navajo Nation, and is also supporting the cleanup of a private mine in Mexico.

Note: The White Mesa Mill is the only facility in U.S. that can recycle material into usable uranium.

Rare Earth Elements

Energy Fuels has been approached by several entities including the US Government to process certain uranium bearing rare earth elements at the White Mesa Mill. Energy Fuels stated:

"We can play a significant part in bringing rare earth element production back to the United States."

Closing remarks

With the possibility that the world's largest uranium producing country Kazakhstan may have to shut down uranium production due to COVID-19, there is the very real potential for a supply shock to hit the uranium market.

One of the very best ways for investors to gain exposure to the US uranium and vanadium sectors is to consider investing in Energy Fuels. They stand to benefit from any uranium supply shock/price increase, an announcement of uranium contracts to

build the newly announced uranium reserve, or any further announcements to support US critical materials supply. Energy Fuels' strong balance sheet and top tier assets allow them the flexibility to turn on and off uranium and vanadium production depending on market prices.

By investing in Energy Fuels investors gain exposure to the leading US producer of both uranium and vanadium, and also a potential future rare earths processor. To gain exposure to uranium, vanadium, and rare earths (potential for processing) in one company, located in the USA, is quite unique and exceptional.

The implications if Section 232 Petition is made into law on the uranium market is upon us

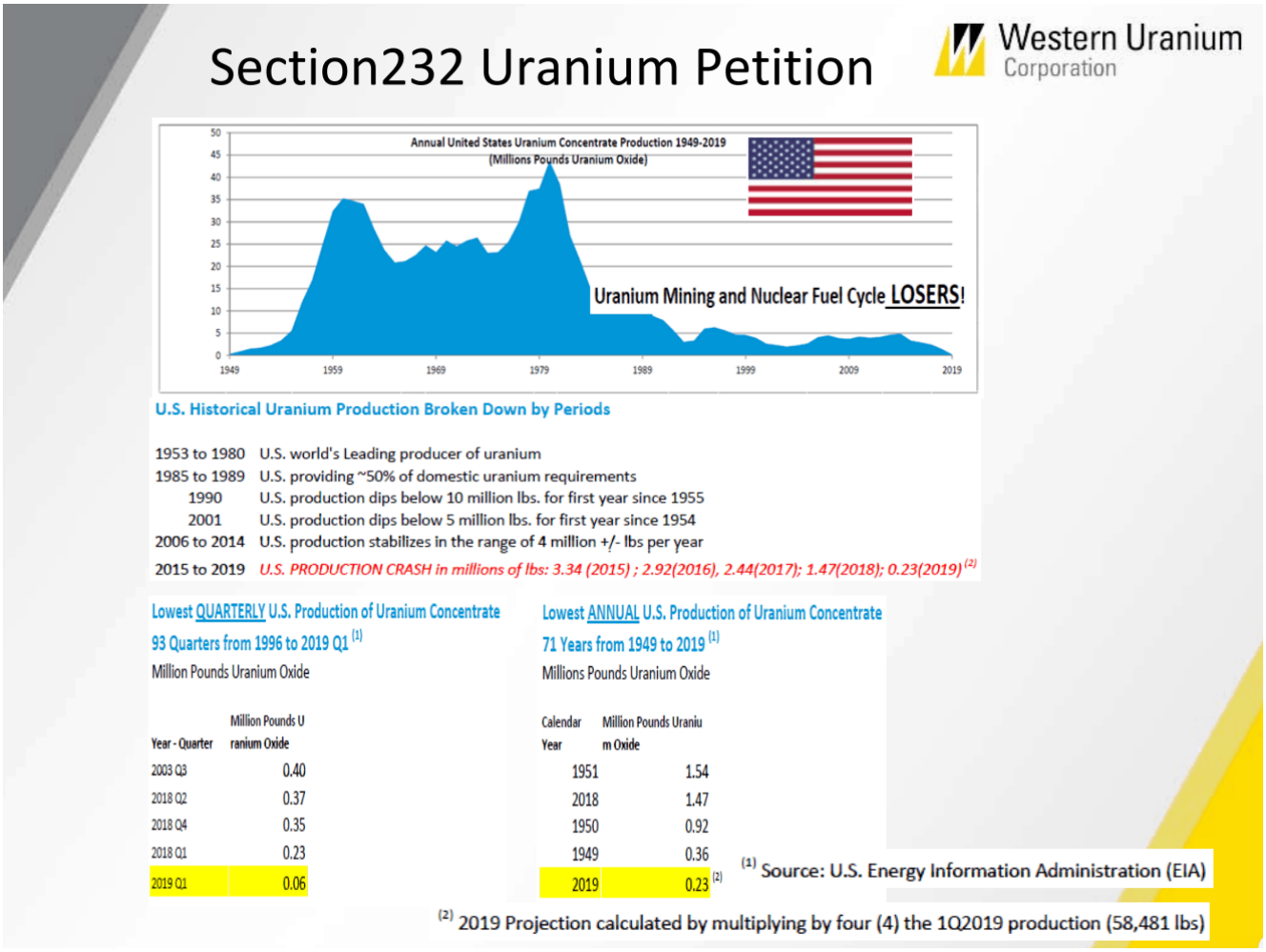
For those of you that have been following the uranium market and Section 232 petition, wait no more. The 180 day decision period is almost upon us and a determination is expected from President Trump on or before 7/13/2019. *This is two days from now*.

A re-cap on Section 232 petition

Section 232 petition will try to create a level playing field in the domestic market. Section 232 petition requests that the US Government set a quota to limit imports of uranium into the US, thereby reserving 25% of the US nuclear market for US uranium production. US uranium miners have to compete with

state subsidized mines in Russia and its allies in Kazakhstan. The remaining US uranium miners are operated at or near break-even levels. Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR) is the only conventional uranium producer in America and can produce up to 8 million pounds of uranium per year. They were the company behind the filing of Section 232 petition with the US Commerce Department.

Over 40% of the uranium purchased in the US comes from higher risk countries. While the rest is secured largely from Canada and Australia, these countries have been reducing production due to the low prices coming out of Russia and Kazakhstan. Uranium spot prices remain well below the cost of production for most western uranium producers. The West just can't compete against subsidized companies, but nor should it.



Section232 Uranium Petition

The US needs a secure source of uranium given its nuclear needs

Given 20% of US energy comes from nuclear plants and that the US has almost no uranium production, there is clearly a significant concern as to where the US will get uranium from should overseas supply be disrupted. Imagine for a minute 20% of US cities in darkness.

The other key US need for uranium is for the defense sector. US law requires that any uranium used for national defense purposes (E.g. nuclear-powered naval vessels) be mined and processed in the US. It’s now getting to a critical supply stage in the US as uranium stockpiles continue to dwindle and threaten the defense’s nuclear supplies. This is why miners have suggested reserving 25% of the total US demand for domestic producers.

The Nimitz class is a class of ten nuclear-powered US aircraft carriers

The implications if Section 232 Petition is made into law

If the Section 232 Petition is successful we will most likely see a uranium market with two prices – one for the global market and one for the US market. Given the massive shortage of US sourced supply (about 1-2% of US uranium comes from the US), a huge price spike for US uranium is likely. Conversely, once US supply picks up the loss of the US as a global demand source it may negatively impact global uranium prices and non-US uranium producers.

Two key US uranium companies that will benefit if Section 232 Petition succeeds

Energy Fuels Inc. (NYSE: UUUU | TSX: EFR)

Energy Fuels operate the only conventional uranium mill in the U.S. The Company operates the highly-strategic White Mesa Mill that boasts a licensed capacity of over 8 million pounds of U3O8 per year. A positive Section 232 ruling could give Energy Fuels a huge advantage as they have their assets in production and potential to increase production.

White Mesa Mill

Western Uranium & Vanadium Corp. (CSE: WUC | OTCQX: WSTRF)

Western Uranium & Vanadium is a near term producer that has acquired uranium and vanadium mineral assets in western Colorado and eastern Utah, USA. The Company has one of the largest US uranium and vanadium in-situ resources. The total uranium resource is 70,000,000 lbs. +/-, and the total vanadium resource is 35,000,000 lbs. +/- grading between 1.4-2.2%. The resource is spread over several properties. The Company is among the largest uranium resource holders with around 70,000 pounds of near term production available to be brought online if uranium prices were higher.

Sustainability and security of US uranium supply is the big issue. With very few uranium producers left in the USA will there even be enough uranium produced to even meet the short term demands of a 25% quota? The answer in the short term is clearly no. With new mines coming back online there will be a time lag and this could see both companies discussed above do very well indeed as they try to fill the US supply gap.

With only a matter of a two days before Trump is anticipated to make a determination – we will all soon know the fate of Section 232 petition. The US uranium industry stands to be the big winner if the petition is adopted.