

Ready-to-go uranium producer Ur-Energy benefitting from demand drivers in the U.S. market

Ur-Energy Inc. (NYSE American: URG | TSX: URE | FSE: U9T), a company engaged in uranium mining, recovery, and processing activities, is benefitting from demand drivers in the U.S. market that are set to help U.S. uranium producers.

Ur-Energy operates the Lost Creek In-Situ Recovery (ISR) uranium facility in Wyoming. The company has produced, packaged, and shipped more than 2.6 million pounds of uranium since the start of operations in 2013.

U.S. National Uranium Reserve

The current positive sentiment surrounding uranium stocks is a reflection of uranium energy being part of a clean-energy economy and the United States government moving forward in creating a uranium strategic reserve that should benefit domestic producers.

In December 2020, the U.S. Congress passed a spending proposal that earmarked US\$75 million in new funding for a national uranium stockpile. The Bill is awaiting the President's signature to become a law. The Congressional funding of a national uranium reserve suggests a longer-term strategy for the uranium industry.

Currently priced at approximately US\$30 per pound, this action would result in a 2.5-million pound purchase of domestic uranium, well above the current domestic production, which was 174,000 pounds of U_3O_8 in 2019 and declined even further in 2020.

Part of the “Clean Energy” Revolution

In addition, nuclear power was included in President Joe Biden’s “Plan for a Clean Energy Revolution and Environmental Justice” and recent speculation that the plan could include extending the current end-date of U.S. nuclear facilities thereby increasing long-term demand, has driven up uranium stock prices.

Included in President Biden’s plan is the use of small modular reactors and micro-reactors that could also increase demand for uranium.

According to the U.S. Geological Survey (USGS), uranium power generates 20% of the United States’ electricity production and almost 100% of the uranium is imported creating a potential national security issue.

With the advent of electric vehicles and the goal to reduce greenhouse gas emissions, Morningstar forecasted a 1.2% average annual U.S. electricity demand growth through 2030. Electricity is set to take market share from other energy sources, such as coal and oil.

Ur-Energy’s ISR Facility

ISR is a mining process used to recover minerals, such as uranium, where wells are drilled into the ore body and a special solution is pumped into the deposit, and then pumped out of other wells into a processing plant. The process is less damaging to the terrain than a typical open-pit mine.

Ur-Energy’s ISR uranium facility has been operating at reduced capacity due but as the uranium price or demand increases, Ur-Energy can easily ramp up production levels to accommodate the market.

The company estimates that it would cost US\$15.4 million to get production fully restored to 1 million pounds per year and

would take 6 to 9 months.

In addition, the company has other nearby resources that can be exploited including the Shirley Basin and the Lost Soldier projects. Its processing facility was designed to process up to two million pounds of U_3O_8 annually so can easily scale up.

From the three projects, Ur-Energy controls Measured & Indicated resources of 35.6 million pounds of U_3O_8 and an Inferred resource at 8.2 million pounds, more than enough resources to fuel its processing plant for 20 years.

Upcoming Supply-Demand Imbalance

According to a recent report from the World Nuclear Association, there are approximately 440 nuclear power reactors operating in the world today, and about 50 reactors are currently being constructed. In total, about 100 reactors are on order or planned, and more than 300 are being proposed.

In the 2020 World Energy Outlook report, the forecasted nuclear capacity growth from 2019 to 2040 was estimated at over 15%.

The current pandemic has negatively impacted supply with Cameco temporarily shutting down the Cigar Lake mine due to COVID-19 concerns. This follows the closing of Cameco's McArthur River and Key Lake operations due to low uranium prices.

Final Thoughts

Ur-Energy is well-positioned as a ready-to-go uranium producer in this current energy market that favours "Clean Energy".

With a cash resource of C\$5.9 million and 269,000 U_3O_8 pounds of ready-to-sell, "drummed" inventory, worth over US\$8 million, the company has a solid financial base that it can use to ramp up production as the market dictates.

Ur-Energy is currently trading at C\$1.27, with a Market Cap of C\$216 million.

Energy Fuels ready with uranium stockpile and rare earths plans

Strong financial position allows Energy Fuels to pay off debentures

It is remarkable to find a company with no sales in a fiscal period but still able to pay down all remaining corporate debenture debt. Who is this company and how do they do it?

On September 8, 2020, Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR) announced that it had delivered notice to the holders of the company's remaining debentures of a cash redemption on October 6, 2020. The holders of the floating rate convertible unsecured subordinated debentures, due December 31, 2020 in the amount of CAD\$10.4 million, will receive 101% of the principal and accrued interest. This is in spite of Q2-2020 results showing no sales for the first six months of 2020.

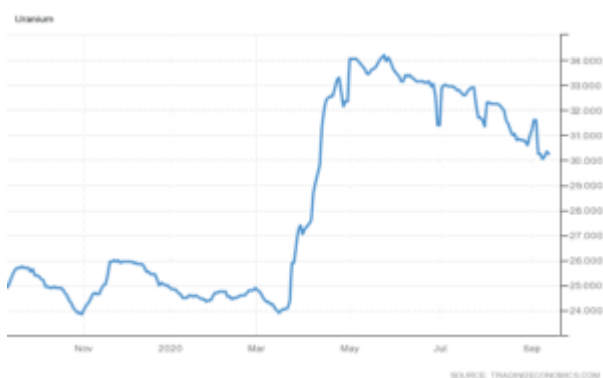
Energy Fuels is a uranium and vanadium mining company based in the United States. Their major production assets are the White Mesa Mill in Utah, the Nichols Ranch in-situ recovery (ISR) project in Wyoming, and the Alta Mesa ISR project in Texas. **Energy Fuels is the largest U.S. uranium producer** with substantial producible and near-ready production assets.

Despite the lack of sales in the first six months of 2020, a review of their balance sheet shows that Energy Fuels is in a strong financial position. Not counting approximately US\$20 million of restricted cash, the company had \$28.3 million of cash, cash equivalents and marketable securities, plus net inventories of \$26.6 million.

So as you ask “How did they do it?” the answer is clearly that Energy Fuels has kept a strong balance sheet and continue to meet their obligations in a timely manner. Said President and CEO Mark S. Chalmers, “Energy Fuels has focused on cleaning up our balance sheet with minimal impact to our shareholders.”

The uranium market has been challenging for a number of years, coming off a ten year price low in late 2016. Price movements have been moribund and would have continued this way, except that the US Nuclear Fuel Working Group report released on April 23, 2020 recommended support to the nuclear energy industry, including establishment of a \$150 million domestic uranium reserve. The impact on uranium prices was immediate, with the price initially jumping from about \$24 to \$34 a pound.

12-Month Uranium Price Movement



Source: tradingeconomics.com

Energy Fuels owns and operates the only fully licensed and operating conventional uranium mill in the U.S. – the White Mesa Mill – which has a licensed capacity of 8 million pounds

of U308 per year. According to the company, this provides Energy Fuels with “significant production scalability as uranium prices recover in the years ahead.” The mill is also capable of processing for vanadium and the company is now a leading U.S. vanadium producer.

In April, 2020, Energy Fuels also announced its **entry into the U.S. rare earth elements (REE) market** by exploring the potential production of a rare earth oxide concentrate at its fully licensed and constructed White Mesa Mill that can be sold to REE separation facilities. Energy Fuels has brought in two leading rare earths experts to assist with their development and implementation of commercial and technical REE strategies. Energy Fuels’ President and CEO, Mark S. Chalmers, explained that “Energy Fuels continued to consolidate our position as the clear leader in U.S. uranium production in Q2-2020, and we made significant progress in diversifying into rare earth element production.”

With no contracted sales and a substantial inventory of both uranium and vanadium, the company is poised to capitalize on the potential for improved markets in both minerals. In July, the company resumed production of uranium at the White Mesa Mill in Utah from alternate feed materials and pond returns. The company plans to produce within previously stated guidance of 125,000 to 175,000 pounds of uranium in 2020, building up and holding inventory of almost 700,000 pounds of uncontracted / uncommitted uranium by the end of the year.

Energy Fuels has significant resources that have been evaluated and are supportive of their production and inventory targets. Among all of their properties, there is a total estimated 9.8 million pounds of Measured uranium U308, 69.1 million pounds Indicated, and 49.1 million pounds of Inferred resources. In addition, the company has recorded almost 26 million pounds of Measured vanadium V205, 5.8 million pounds of Indicated resources and 8.5 million pounds of Inferred resources.

Only weeks away from being free of their debenture debt, Energy Fuels is in the right place at the right time. Building uncontracted inventory in uranium in a time when uranium pricing seems to have fewer headwinds, having support from the U.S. government, and lower Russian uranium imports into the US in the longer term is definitely more positive than earlier this year for the U.S.'s number one uranium producer.

Lifton with Energy Fuels' Moore on Trump and who has the largest uranium capacity in the US

"We have three production facilities. We have the White Mesa Mill in southeast Utah that is operating today...It has a capacity of producing 8 million pounds a year. We have an in-situ recovery (ISR) facility in Wyoming called the Nichols Ranch facility. It has a licensed capacity of 2 million pounds a year. Then we have Alta Mesa in-situ facility in South Texas which has produced about a million pounds per year. Nobody has as much capacity as we have...Uranium has not necessarily been on the government's watchlist until recently. When President Trump came into office, he issued a critical minerals list and there was finally a recognition that uranium is critical not just for the US national security but also for US energy security. There were 35 minerals on that list including vanadium. We are one of the major producers of vanadium in the United States. So, two of the minerals on that list are produced by Energy Fuels." States Curtis Moore, VP of Marketing and Corporate Development at Energy Fuels Inc. (NYSE

American: UUUU | TSX: EFR), in an interview with InvestorIntel's Jack Lifton.

Curtis went on to say that the US consumes about 47 million pounds of uranium per year but the country produced just 172,000 pounds of uranium last year which is not sufficient to supply even one nuclear reactor. Energy Fuels is the largest producer of uranium in the United States and has the only producing conventional uranium mill in the U.S. Curtis also said that the US imports close to 40% of its uranium from Kazakhstan, Russia, and Uzbekistan which are geopolitical rivals of the country. Uranium price is about \$25 per pound which below the cost of production of almost all of the US uranium producers. The heavily subsidized state-owned enterprises of Russia and China are flooding the market which is having an impact on the national security of the countries like the United States.

To access the complete interview, [click here](#)

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