

UR-ENERGY

Second 2015 Mineral Increase Announced for Lost Creek; Target Price Increased

EVENT

Ur-Energy announced a new mineral resource increase for the Lost Creek property located in Sweetwater County, Wyoming.

BOTTOM LINE

Compared to the previous resource update in June, yesterday's announcement has the measured resource increasing by 30% to total 8.028M lbs, the indicated resource increasing by 33% to total 5.223M lbs, and the inferred resource increasing 28% to now total 6.439M lbs. The resource increase is a result of new wellfield development drilling in Mine Unit 2 ("MU2") and from the second phase of the 2015 Lost Creek drilling program. Additionally, similar to the June resource increase, recall that the Lost Creek resources were revised using a 0.20 grade-thickness ("GT") cut-off. The incorporation of this new, lower GT cut-off is the result of better-than-expected uranium recoveries from mining operations since initial production in 2H2013. **We are maintaining our Buy recommendation and are increasing our target price to \$2.35 per share from \$2.15 per share.**

FOCUS POINTS

- **Sizeable resource increase at low cost** – Together with the resource update reflected earlier this year in the June 17, 2015 Technical Report, the Lost Creek Property resources have seen combined 2015 net increases of 4.596M lbs in the Measured and Indicated resource categories, and 1.699M lbs in the Inferred resource category. The 2015 exploration cost totaled a modest \$500,000.
- **New production area in 2016** – Production from MU2 is expected in 2016 and will be pipelined to the Lost Creek facility.

Recommendation:

BUY

Symbol/Exchange: URE/TSX;URG/NYSE
Sector: Metals and Mining
All dollar values in C\$ unless otherwise noted.
Current price \$0.70; US\$0.52
One year target \$2.35↑
Return target 236%
Cash on hand US\$3.6M

Company Summary

	2014A	2015E	2016E	2017E
Shares O/S (M)	128.96	52-week range	\$0.62 - 1.32	
Market cap (\$M)	\$90.3	Avg. weekly vol. (000)	0.264	
Market float (\$M)	\$82.1	Fiscal year-end	31-Dec	
Uranium Production (lbs)	547,992	720,074	732,925	1,080,000
Revenue (\$M)	29.3	40.8	31.7	53.0
Operating Cost (\$M)	-7.0	-0.7	-5.7	0.6
Cash Cost (US\$/lb)	\$19.73	\$20.50	\$21.29	\$21.39
EBITDA (\$M)	-9.2	-5.4	-10.6	-4.0
EPS	-\$0.07	-\$0.02	-\$0.06	-\$0.01
CFPS	\$0.01	-\$0.02	-\$0.08	-\$0.07

Source: Company Reports and Cantor Fitzgerald Estimates



Company profile: Ur-Energy is a production stage uranium company with primary assets located in Wyoming, USA. Additional exploration stage assets are located in the Thelon Basin and in Canada's Northwest Territories.

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See disclosure and a description of our recommendation structure at the end of this report.

SECOND 2015 RESOURCE INCREASE AT LOST CREEK

This is the second mineral resource update at Lost Creek over the past year. The previous increase was announced this past June. Compared to the previous June update, yesterday's announcement has the measured resource increasing by 30% to total 8.028M lbs, the indicated resource increasing by 33% to total 5.223M lbs, and the inferred resource increasing 28% to now total 6.439M lbs. The resource increase is a result of new wellfield development drilling in Mine Unit 2 ("MU2") and from the second phase of the 2015 Lost Creek drilling program. Additionally, similar to the June resource increase, recall that the Lost Creek resources were revised using a 0.20 grade-thickness ("GT") cut-off. The incorporation of this new, lower GT cut-off is the result of better-than-expected uranium recoveries from mining operations since initial production in 2H2013.

Exhibit 1: Combined Resource Estimate for 2015, Evolution since December 2013 PEA

LOST CREEK PROPERTY (ALL SIX PROJECTS)	MEASURED			INDICATED			INFERRED		
	AVG GRADE % eU ₃ O ₈	SHORT TONS (X 1000)	POUNDS (X 1000)	AVG GRADE % eU ₃ O ₈	SHORT TONS (X 1000)	POUNDS (X 1000)	AVG GRADE % eU ₃ O ₈	SHORT TONS (X 1000)	POUNDS (X 1000)
GRAND TOTAL DECEMBER 2013 PEA	0.057	4,292	4,850	0.048	4,039	3,805	0.051	4,718	4,740
		MEASURED & INDICATED =			8,332	8,655			
GRAND TOTAL JUNE 2015 TECHNICAL REPORT	0.049	6,269	6,196	0.047	4,181	3,909	0.049	5,150	5,037
		MEASURED & INDICATED =			10,450	10,105			
GRAND TOTAL DECEMBER 2015 RESOURCE UPDATE	0.048	8,316	8,028	0.044	5,942	5,223	0.044	7,368	6,439
		MEASURED & INDICATED =			14,258	13,251			

Source: Ur-Energy, Cantor Fitzgerald Canada

The revised MU2 resource estimate is based on drilling results from 138 close-spaced pattern wells, 20 monitor wells and 22 delineation drill holes. This resource re-estimation for MU2, based on increased drill hole density and the lower 0.20 GT cut-off, resulted in an increase of 682,000 pounds eU₃O₈ of Measured and Indicated resource and 185,000 pounds eU₃O₈ of Inferred resource.

The Phase 2 exploration program had a drill hole count of 59 (out of a total 150-hole exploration drilling program conducted in 2015 and located immediately south and east of MU1). The 59 drill holes totaled nearly 25,000 feet and added an additional 18,000 lbs eU₃O₈ of resources in the Measured and Indicated categories and 202,000 lbs eU₃O₈ of resources in the Inferred category. The combined increase in mineral resource as a result of the 150-hole program is 139,000 lbs eU₃O₈ of new Measured and Indicated uranium resources and 498,000 lbs eU₃O₈ of Inferred resources. The cost of this exploration program was approximately \$500,000.

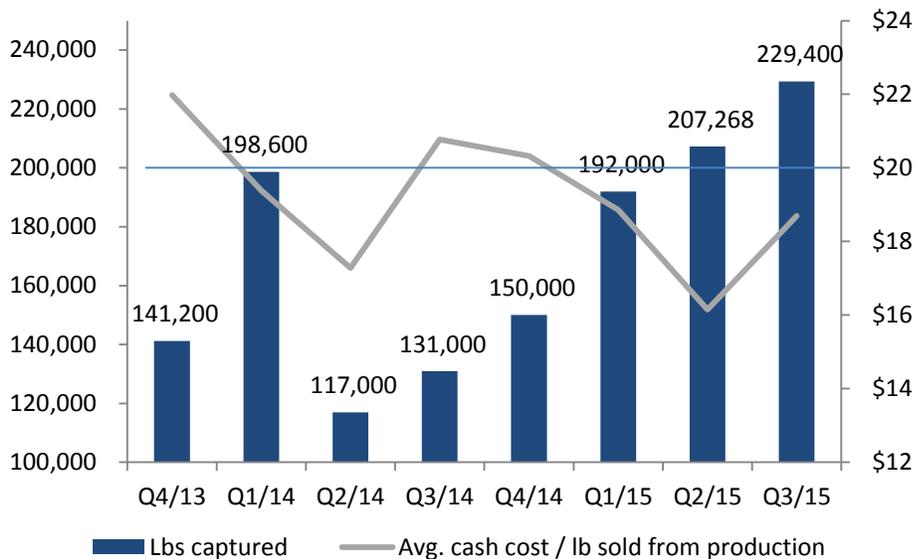
Using the new 0.20 GT cut-off, Ur-Energy geologists completed this re-estimation, which involved the re-mapping of all mineralized trends within all host sand horizons for the Lost Creek, LC East, LC South, LC North and LC West Projects. As a result there was a net increase of 2.446M lbs eU₃O₈ in the Measured and Indicated categories, and 1.015M lbs eU₃O₈ in the Inferred category.

While lowering cut-off grades is a classic way to artificially increase resource sizes, we do not view Ur-Energy’s decision to lower its cut-off grade at MU2 with the same skepticism. This is because the Lost Creek asset has consistently outperformed estimates and has proven that the prior cut-off was too conservative. Together with the resource update reflected earlier this year in the June 17, 2015 Technical Report, the Lost Creek Property resources have seen combined 2015 net increases of 4.596M lbs in the Measured and Indicated resource categories, and 1.699M lbs in the Inferred resource category. These figures represent combined, net increases of 53% for Measured and Indicated categories of resource and 36% of Inferred resources.

Ur-Energy has been operating the Lost Creek Mine since August 2013, to date, all production has come from MU1. Since initial production, nearly 1.4M lbs have been captured at the Lost Creek facility. Production from MU2 is expected in 2016 and will be pipelined to the Lost Creek facility.

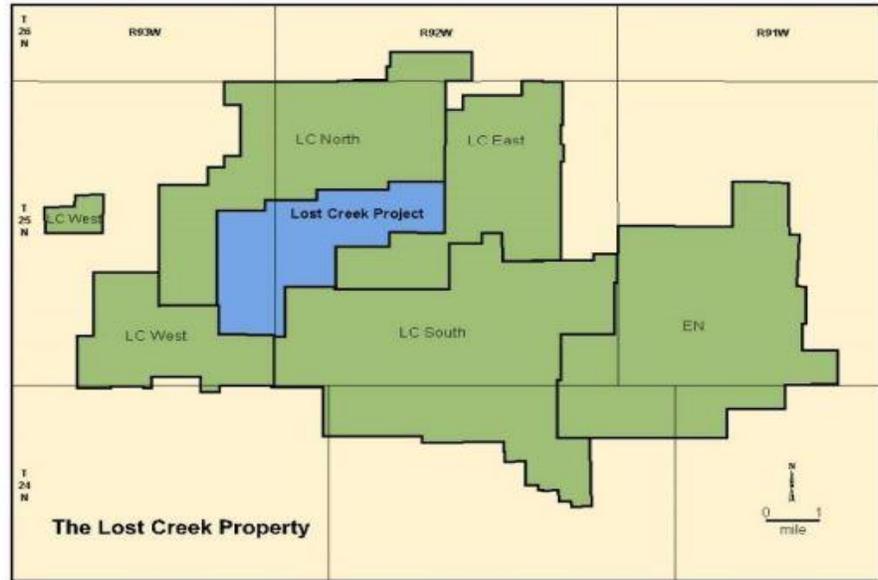
For 2015, Ur-Energy has managed to increase resources at a rate that is 8x its 2015 production.

Exhibit 2: Lost Creek Production & Cash Costs Since Initial Production



Source: Ur-Energy, Cantor Fitzgerald Canada, Production figures illustrated as lbs captured

Exhibit 3: The Lost Creek Property



Source: Ur-Energy, Cantor Fitzgerald Canada

RECOMMENDATION

We maintain our BUY rating and are increasing our target price by 9% to C\$2.35/share from \$2.15/share. The increase is driven by the increase in the resource size at Lost Creek, which has effectively extended the life of mine. We have also assumed a wellfield capacity increase to 2M lbs per year beginning in 2020 as Lost Soldier and Shirley Basin are ramped into production. This would entail another permit by Ur-Energy, which is currently applying for an increase to 1.2M lbs for its wellfield.

Our target is derived by applying a 1.0x multiple to the company-wide net asset value of \$2.34 per share.

Exhibit 4. Ur-Energy Net Asset Value

Projects	UR-Energy		Comment
	NAV	Per Share	
Lost Creek	\$77.1	\$0.59	2015 DCF @ 8% Discount Rate
Shirley Basin	\$68.0	\$0.52	2015 DCF @ 10% Discount Rate
Lost Soldier	\$109.9	\$0.84	2015 DCF @ 10% Discount Rate
Disposal Revenue	\$6.0	\$0.05	2015 DCF @ 8% Discount Rate
Debt	(\$30.6)	(\$0.23)	PV of LT Debt @ 10% Discount Rate
Working Capital	(\$5.6)	(\$0.04)	Q3/15 Financials + Cash Proceeds from ITM Options
Total in USD	224.8	\$1.71	
Total in CAD	305.2	\$2.34	

Source: Cantor Fitzgerald Canada Research

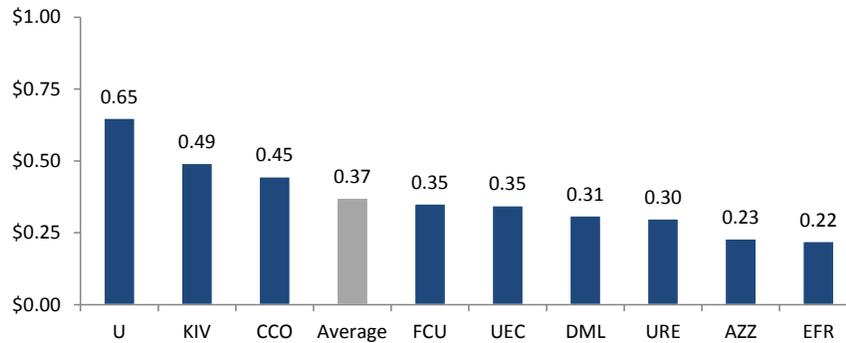
Exhibit 5. Uranium Price Forecast

USD	2011A	2012A	2013A	2014E	2015E	2016E	2017E	LT
U3O8 Spot Price	\$57.01	\$48.86	\$38.53	\$33.48	\$39.32	\$50.00	\$60.00	\$80.00

Source: Cantor Fitzgerald Canada Research, TradeTech

Exhibit 6. Uranium Valuation Comps & P/NAV Universe

Uranium Producer Company Name	Stage	Stock Price (Local \$)	Market Cap (\$'000)	Enterprise Value (\$'000)	Avg Grade	43-101 Resources (M lbs)				MKT / LB	EV / LB
						P&P	M&I	Inferred	Total		
Cameco Corporation (TSX:CCO)	Production	15.86	6,277,269.4	7,705,372.4	7.576%	465.1	245.9	288.8	999.8	\$6.28	\$7.71
Energy Fuels Inc. (TSX:EFR)	Production	2.64	119,497.3	107,632.4	0.091%	0.0	100.0	40.4	140.3	\$0.85	\$0.77
Paladin Energy Ltd (ASX:PDN)	Production	0.22	368,234.0	620,889.4	0.079%	174.3	193.6	153.8	521.7	\$0.71	\$1.19
Uranium Energy Corp. (NYSE:UEC)	Production	1.03	102,219.2	111,884.3	0.062%	0.0	32.4	36.3	68.7	\$1.49	\$1.63
UR-Energy Inc. (TSX:URE)	Production	0.70	91,132.1	89,978.1	0.080%	0.0	34.5	10.3	44.9	\$2.03	\$2.00
Producer Average			\$1,391,670.4	\$1,727,151.3		127.9	121.3	105.9	355.1	\$2.27	\$2.66



Source: Cantor Fitzgerald Canada Research, Bloomberg

Exhibit 7. Ur-Energy Production and Cost Forecast

U₃O₈ Production (lbs)

Production cash cost per lb



Source: Cantor Fitzgerald Canada Research

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BUY (Speculative): The stock is attractively priced relative to the company's fundamentals, however investment in the security carries a higher degree of risk.

HOLD: The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

SELL: The stock is overpriced relative to the company's fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

TENDER: We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

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