

UR-ENERGY

Q2/16 Operational Update: Higher sales, lower production

EVENT

Ur-Energy announced its operational results for Q2/16.

BOTTOM LINE

Modestly negative - Quarterly sales of 187,000 lbs topped our estimate of 175,000 lbs, with average realized pricing of US\$36.05/lb falling short of our estimate of US\$46.67/lb. Operationally, head grades of 58 mg/l registered as the lowest since initial production began in 2013, yet remain above the initial PEA projection of 42 mg/l. Conversely, flow rates of 2,210 gpm registered as the second highest since initial production. Dried & drummed production during the quarter totaled 130,300 lbs, falling short of the previously targeted range of between 160,000-190,000 lbs. We maintain our Buy rating with a C\$3.00/share target.

FOCUS POINTS

- **Quarterly sales higher than forecast** – 187,000 lbs U₃O₈ were sold during the quarter (Cantor 175,000 lbs). Split between two contracts and one spot transaction, total revenues amounted to US\$6.7M.
- **Production lower** – Dried & drummed production during the quarter totaled 130,300 lbs, falling short of the previously targeted range of between 160,000-190,000 lbs and our forecast of 146,000 lbs.
- **Head grades continue to decline** – Headgrades of 58 mg/l registered as the lowest since initial production began in 2013 (Cantor 80 mg/l), yet remain above the initial PEA projection of 42 mg/l.
- **Header House 13 online** – Header House 13 (the final originally-planned header house) was brought on-line in late May. Grades from HH13 reached 88 mg/l.

Recommendation:

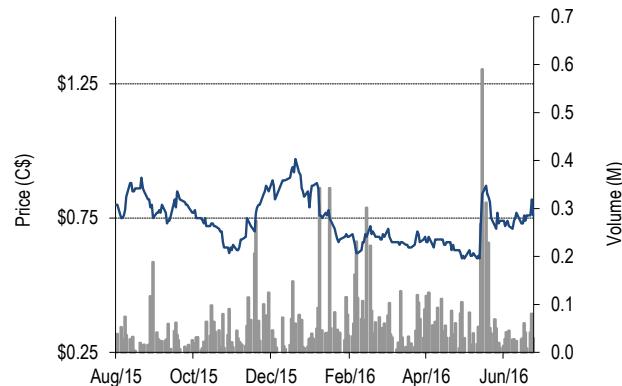
BUY

Symbol/Exchange:	URE/TSX; URG/NYSE
Sector:	Metals and Mining
<i>All dollar values in C\$ unless otherwise noted.</i>	
Current price	\$0.78; US\$0.60
One year target	C\$3.00
Return target	285%
Cash on hand	US\$7M

Company Summary

	2014A	2015A	2016E	2017E
Shares O/S (M)	142.98	52-week range	\$0.6 - 0.97	
Market cap (\$M)	\$111.5	Avg. weekly vol. (000)	0.278	
Market float (\$M)	\$101.5	Fiscal year-end	31-Dec	
Uranium Production (lbs)	547,992	727,245	552,635	638,080
Revenue (\$M)	29.3	41.9	27.6	28.4
Operating Cost (\$M)	-17.9	-29.3	-20.5	-19.9
Cash Cost (US\$/lb)	\$19.73	\$18.07	\$20.51	\$20.61
EBITDA (\$M)	-9.2	-4.6	-3.1	0.7
EPS	-\$0.07	-\$0.01	-\$0.02	\$0.01
CFPS	\$0.01	-\$0.01	\$0.01	\$0.04

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.

Q2/16 PRODUCTION LOWER

Production rates totaling 133,300 lbs U₃O₈ captured and 130,300 lbs dried & drummed were achieved at Lost Creek. For the quarter, we were originally forecasting 161,225 lbs captured along with 145,837 lbs dried & drummed. The average flow rate totaled 2,210 gpm while we were forecasting 1,950 gpm. It appears the higher flow rates were used to compensate for declining head grades as the twelve contributing header houses (and header house 13 as of May) at Lost Creek averaged 58 mg/l. While lower than forecast and sequentially lower (Q1/16 82 mg/l), these results continue to be higher than what was originally projected in the Preliminary Economic Assessment of 42 mg/l.

Quarterly sales of 187,000 lbs topped our estimate of 175,000 lbs, with average realized pricing of US\$36.05/lb falling short of our estimate US\$46.67/lb. as realized contract pricing was lower than expected. The sales were broken into two contract sales amounting to a combined 137,000 lbs at an average of US\$39.35, along with one spot transaction for 50,000 lbs at US\$27.00/lb. Note that the current spot price is US\$26.25/lb according to TradeTech.

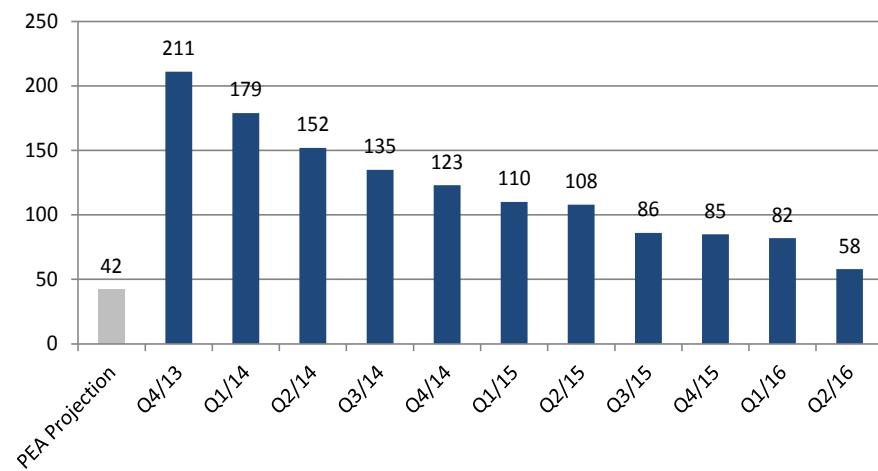
We also note that inventory as held at the conversion facility fell from 173,178 lbs in Q1/16 lbs to 135,723 lbs at present.

Exhibit 1. Q2/16 Operating Highlights

	Reported Q2/16A	CF Estimates Q2/16E	Variance		Reported Q1/16A	Variance Qtr-over-Qtr % Change
			with Est.	% Change		
U ₃ O ₈ Captured ('000 lbs)	133	161	-17%		159	-16%
U ₃ O ₈ Dried & Drummed ('000 lbs)	130	146	-11%		174	-25%
U ₃ O ₈ Sold ('000 lbs)	187	175	7%		75	149%
Average Realized Price	\$36.05	\$46.67	-23%		\$36.12	0%
Average Flow Rate (gpm)	2,210	1,950	13%		1,853	19%
U ₃ O ₈ Head Grade (mg/l)	58	80	-28%		82	29%

Source: Ur-Energy, Cantor Fitzgerald Canada Research

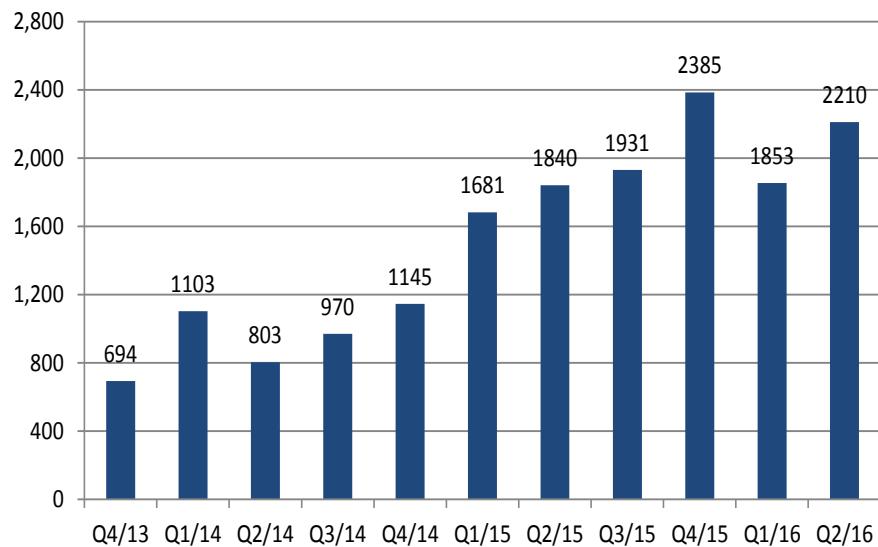
Exhibit 2. Quarterly Head Grades (ppm)



Source: Ur-Energy, Cantor Fitzgerald Canada Research

While lower than the previous quarters, plant head grades from Mine Unit 1 header houses continue to be significantly higher than originally projected. The decrease seen is related to normal projected declines as well as the addition of new production fluid from HH 13.

Exhibit 3. Flow Rates since Initial Production (gpm)



Source: Ur-Energy, Cantor Fitzgerald Canada Research

HEADER HOUSE 13 ON-LINE AS OF LATE MAY

As scheduled, Header House 13 (the final originally-planned header house) was brought on-line in late May. The header house, and its related patterns of production wells, includes certain refinements in design and well completion techniques in an effort to increase injectivity for even greater well performance. Although further analysis is still ongoing, results of HH13's first month of operation are thus far validating these refinements. Grades at HH13 reached 88 mg/l.

GUIDANCE

The Q3/16 production target for Lost Creek is 140,000–170,000 lbs U₃O₈ dried and drummed, with our forecast totaling about 144,000 lbs. As in previous quarters, production rates will likely be adjusted based on continuing operational refinements and indicators in the market, such as the uranium spot price, among other factors. FY 2016 guidance remains at between 600,000–700,000 lbs, we conservatively forecast 592,000 lbs.

VALUATION AND RECOMMENDATION

We are maintaining our Buy recommendation and target price of C\$3.00/share.

While we have lowered the 2016-2018 forecast grade for Lost Creek from 80 mg/l to 70 mg/l, an increase in flow rates to 2,200 gpm from 1,950 gpm along with favourable moves in the USD/CAD exchange rate has led to a net neutral impact to our valuation model. Our target is derived by applying a 1.0× multiple to the company-wide net asset value of C\$3.04 per share.

Exhibit 4. Ur-Energy Net Asset Value

UR-Energy			
Projects	NAV	Per Share	Comment
Lost Creek	\$120.1	\$0.82	2016 DCF @ 8% Discount Rate
Shirley Basin	\$93.9	\$0.64	2016 DCF @ 10% Discount Rate
Lost Soldier	\$134.7	\$0.92	2016 DCF @ 10% Discount Rate
Disposal Revenue	\$5.9	\$0.04	2016 DCF @ 8% Discount Rate
Debt	(\$27.4)	(\$0.19)	PV of LT Debt @ 10% Discount Rate
Working Capital	\$4.5	\$0.03	Q1/16 Financials + Cash Proceeds from ITM Options
Total in USD	331.8	\$2.27	
Total in CAD	444.7	\$3.04	

Source: Cantor Fitzgerald Canada Research

Exhibit 5. Uranium Price Forecast

USD	2014A	2015E	2016E	2017E	2018E	2016E	2017E	LT
U3O8 Spot Price	\$57.01	\$48.86	\$38.53	\$33.48	\$36.59	\$41.88	\$57.50	\$80.00

Source: Cantor Fitzgerald Canada Research, TradeTech

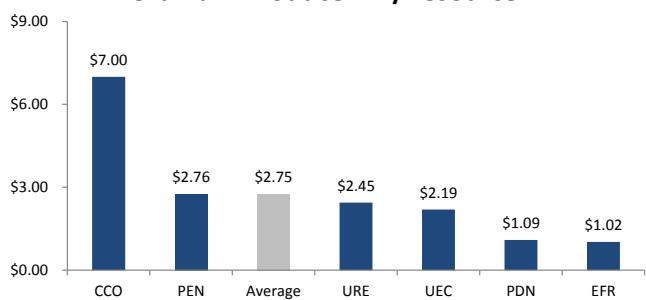
Exhibit 5. Uranium Valuation Comps & P/NAV Universe

Uranium Producer Company Name	Stage	Stock Price (Local \$)	Market Cap (\$'000)	Enterprise Value (\$'000)	NI43-101 Resources/JORC (M lbs)				MKT / LB	EV / LB	Est. Cash Cost / LB
					Avg Grade	P&P	M&I	Inferred	Total		
Cameco Corporation (TSX:CCO)	Production	14.09	5,576,716.6	6,997,307.6	7.576%	465.1	245.9	288.8	999.8	\$5.58	\$7.00
Energy Fuels Inc. (TSX:EFR)	Production	3.02	174,177.9	155,279.7	0.085%	0.0	106.7	45.1	151.8	\$1.15	\$1.02
Paladin Energy Ltd (ASX:PDN)*	Production	0.19	311,202.8	571,254.2	0.079%	174.3	193.6	153.8	521.7	\$0.60	\$1.09
Peninsula Energy Ltd. (ASX: PEN)*	Production	0.77	129,059.2	130,864.6	0.050%	0.0	17.2	30.2	47.4	\$2.72	\$2.76
Uranium Energy Corp. (NYSE:UEC)*	Production	0.95	139,582.6	150,718.7	0.062%	0.0	32.4	36.3	68.7	\$2.03	\$2.19
UR-Energy Inc. (TSX:URE)	Production	0.78	111,883.6	109,800.8	0.080%	0.0	34.5	10.3	44.9	\$2.49	\$2.45
Producer Average			\$1,073,770.5	\$1,352,537.6		106.6	105.1	94.1	305.7	\$2.43	\$2.75

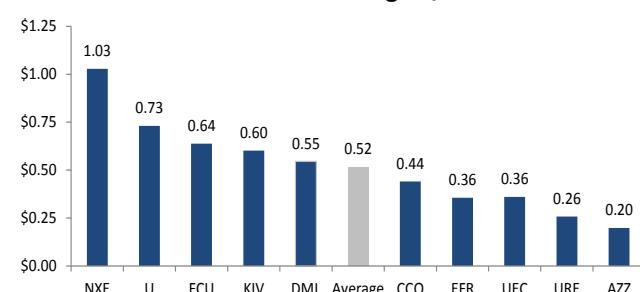
*Market Cap and Enterprise value for Paladin Energy, Peninsula Energy and Uranium Energy Corp. has been converted to \$CAD at the prevailing \$AUD/\$CAD or \$USD/\$CAD market exchange rates

Uranium Explorer/Developer Company Name	Stage	Stock Price (\$Local)	Market Cap (\$'000)	Enterprise Value (C\$'000)	NI43-101 Resources (M lbs)				MKT / LB	EV / LB
					Avg Grade	M&I	Inferred	Total		
Hathor Exploration (Acquired)	Exploration	4.70	654,240.0	581,240.0	8.628%	17.2	40.7	57.9	\$11.29	\$10.03
Denison Mines (TSX:DML)	Exploration	0.73	389,503.5	288,464.1	2.29%	102.0	97.6	199.7	\$1.95	\$1.44
Fission Uranium Corp. (TSX:FCU)	Exploration	0.74	358,104.2	281,032.7	1.51%	79.6	25.9	105.5	\$3.39	\$2.66
NexGen Energy (TSXV:NXE)	Exploration	2.52	763,629.3	730,307.9	2.63%	0.0	201.9	201.9	\$3.78	\$3.62
Kivalliq Energy Corp. (TSXV:KIV)	Exploration	0.10	22,082.2	21,263.6	0.69%	0.0	43.3	43.3	\$0.51	\$0.49
UEX Corp. (TSX:UEX)	Exploration	0.24	71,169.3	66,894.4	0.84%	68.2	16.5	84.7	\$0.84	\$0.79
Azarga Uranium (TSX:AZZ)	Development	0.28	17,221.8	16,836.1	0.17%	18.1	5.7	23.8	\$0.72	\$0.71
Average			\$325,135.8	\$283,719.8		40.7	61.7	102.4	\$3.21	\$2.82

Uranium Producer EV/Resource

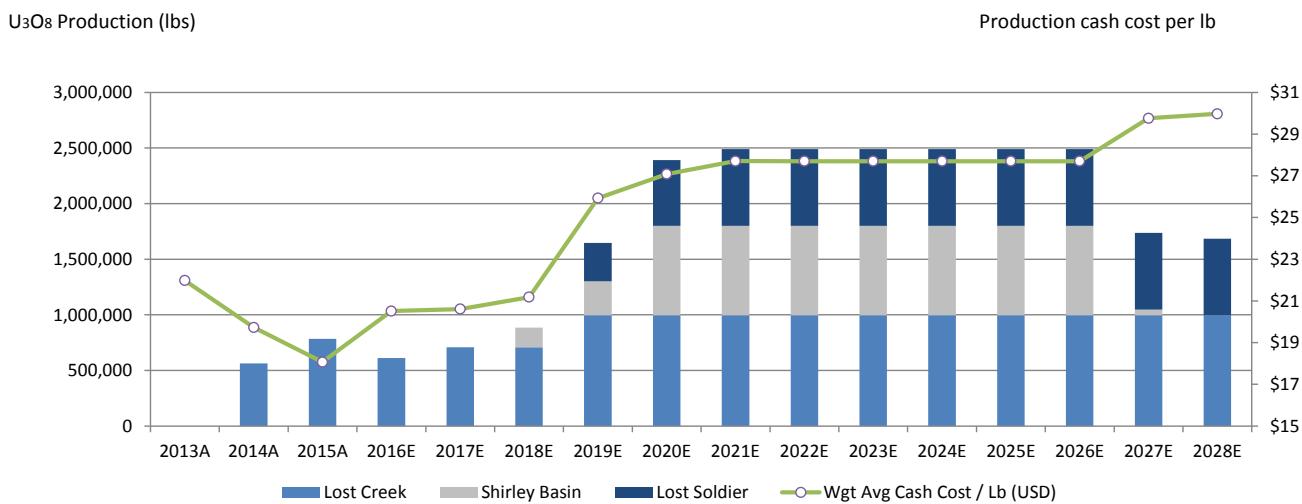


Uranium Coverage P/NAV



Source: Cantor Fitzgerald Canada Research, Bloomberg

Exhibit 6. Ur-Energy Production and Cost Forecast



Source: Cantor Fitzgerald Canada Research

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