

UR-ENERGY

Q4/15 Operational Update: Still beating our estimates

EVENT

Ur-Energy announced its operational results for Q4/15.

BOTTOM LINE

Lost Creek continues to outperform as Q4/15 operating results beat our estimates across the board. Full Q4/15 financials will be released in the weeks ahead. Total U₃O₈ captured during the quarter was 211,717 lbs., of which 189,480 lbs. were dried and drummed and 225,000 lbs. were sold at an average realized price of \$34.47/ lb. The realized price represents a notable decrease from the \$56.39/lb. achieved in the previous quarter. This was expected as contracted sales volume for the quarter was expected to be low.

We are maintaining our Buy recommendation with a target of C\$2.35 per share.

FOCUS POINTS

- **Grades lower but stabilizing** – The head grade trend continues to decline as the 85.0 ppm during the quarter is below the 86.4 ppm from Q3/15, below the 108 ppm from Q2/15, below the 110 ppm from Q1/15 and below the 123 ppm attained in Q4/14.
- **Guidance in-line** – Production guidance for Q1/16 is expected at 185,000 lbs. (our estimate being 183,231 lbs.) while the dried & drummed figure is expected to total 200,000 lbs. (our estimate being 202,565 lbs.). The FY/16 dried & drummed figure is expected to total between 650,000-750,000 lbs. (our estimate being 732,925 lbs.).

Near term catalyst – A revised preliminary economic assessment for Lost Creek is expected shortly. It will incorporate the resource expansion and likely reflect less conservative metrics given the consistent outperformance of the asset to date.

Recommendation:

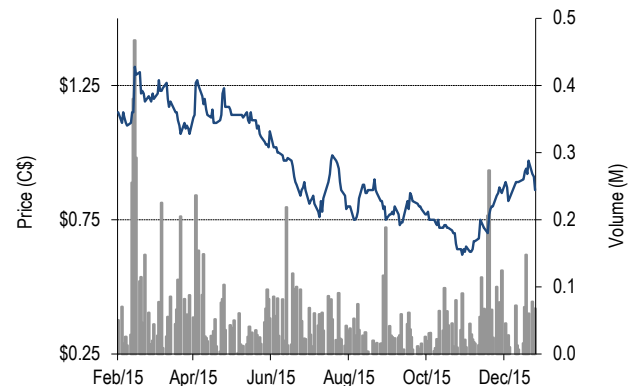
BUY

Symbol/Exchange:	URE/TSX;URG/NYSE
Sector:	Metals and Mining
<i>All dollar values in C\$ unless otherwise noted.</i>	
Current price	\$0.85; US\$0.58
One year target	\$2.35
Return target	177%
Cash on hand	US\$3.0M

Company Summary

Shares O/S (M)	128.96	52-week range	\$0.62 - 1.32	
Market cap (\$M)	\$109.6	Avg. weekly vol. (000)	0.266	
Market float (\$M)	\$99.8	Fiscal year-end	31-Dec	
	2014A	2015E	2016E	2017E
Uranium Production (lbs)	547,992	727,245	732,925	1,080,000
Revenue (\$M)	29.3	41.1	31.7	53.0
Operating Cost (\$M)	-17.9	-29.3	-23.1	-34.2
Cash Cost (US\$/lb)	\$19.73	\$20.54	\$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.

LOST CREEK OPERATIONAL UPDATE

Lost Creek continues to outperform as Q4/15 operating results beat our estimates across the board. Full Q4/15 financials will be released in the weeks ahead. Total U₃O₈ captured during the quarter was 211,717 lbs., of which 189,480 lbs. were dried and drummed and 225,000 lbs. were sold at an average realized price of \$34.47/ lb. The realized price represents a notable decrease from the \$56.39/lb. achieved in the previous quarter. This was expected as contracted sales volume for the quarter was expected to be low.

The reported captured U₃O₈ figure was slightly above our estimate of 202,565 lbs. due to slightly higher head grades (85.0 mg/l) compared to our forecast of 80.0 mg/l. This was partially offset by lower flow rates achieved during the quarter compared to our estimate of 2,450 gpm. A full comparison can be found in the table below.

Exhibit 1: Lost Creek Operational Performance

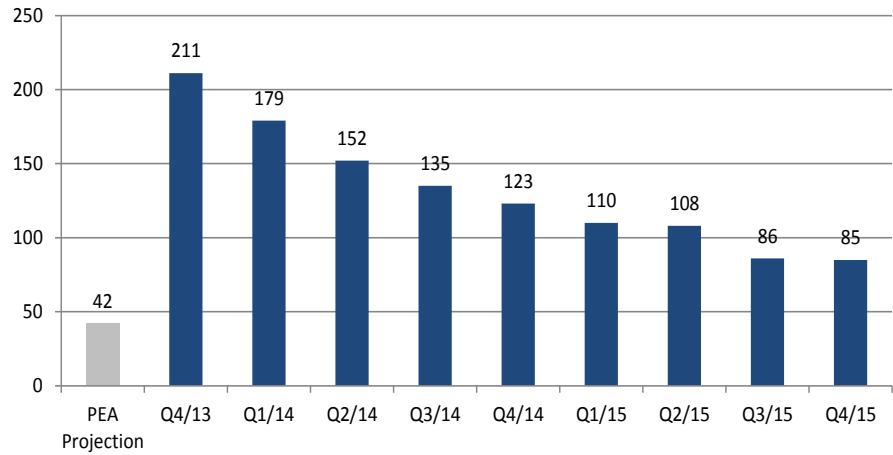
	Units	Q4/15a	Quarterly Difference	Q3/15a	CF Q4/15e
U ₃ O ₈ Captured	('000 lbs)	211.7	23%	172.2	202.5
U ₃ O ₈ Dried & Drummed	('000 lbs)	189.4	7%	176.8	182.3
U ₃ O ₈ Sold	('000 lbs)	225.0	50%	150.0	182.3
Average Flow Rate	(gpm)	2,385	24%	1,931	2,450
U ₃ O ₈ Head Grade	(ppm)	85.0	-2%	86.4	80.0
Total Inventory	(lbs)	63,776		125,237	

Source: Ur-Energy, Cantor Fitzgerald Canada

GRADES DECLINE BUT ARE STABILIZING

The head grade trend continues to decline as the 85.0 ppm during the quarter is below the 86.4 ppm from Q3/15, below the 108 ppm from Q2/15, below the 110 ppm from Q1/15 and below the 123 ppm attained in Q4/14. While the grades have been declining, we note that the head grades at Lost Creek remain higher than the 42 mg/l that was stated in its Preliminary Economic Assessment. Over two years after initial production, the grades seem to be stabilizing at the mid-80s mark.

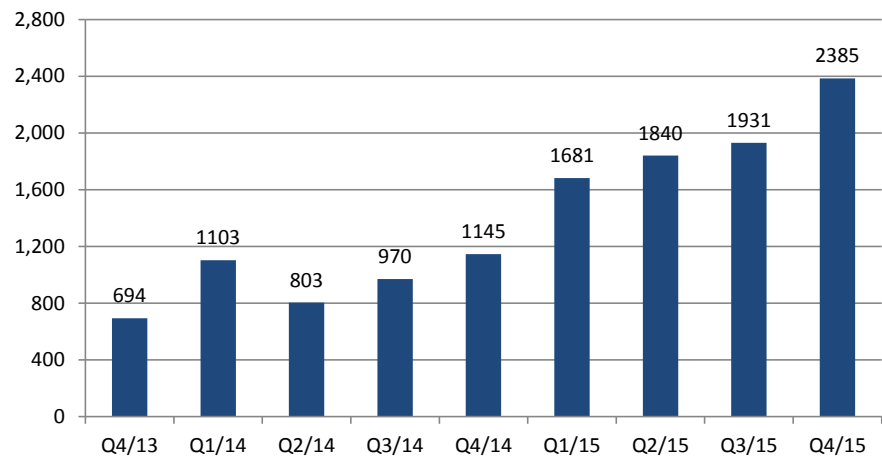
Exhibit 2: Quarterly Head Grades (ppm)



Source: Ur-Energy, Cantor Fitzgerald Canada

Average flow rates have continued to increase as the 2,385 gpm attained during the quarter represents the seventh consecutive quarterly increase since Q2/14. Production was sourced from twelve header houses in the first mine unit for much of the quarter (up from eleven in Q3/15). Header house twelve was brought on line in November. Construction is underway on header house thirteen.

Exhibit 3: Flow Rates since Initial Production (gpm)



Source: Ur-Energy, Cantor Fitzgerald Canada

2016 GUIDANCE IN-LINE WITH ESTIMATES

Production guidance for Q1/16 is expected at 185,000 lbs. (our estimate being 183,231 lbs.) while the number dried & drummed figure is expected to total 200,000 lbs. (our estimate being 202,565 lbs.). The FY2016 dried & drummed figure is expected to total between 650,000-750,000 lbs. (our estimate being 732,925 lbs.).

Ur-Energy will continue with its corporate plan to commit approximately 60% to term contracts. Currently, the company is contractually committed to delivering 662,000 lbs. during 2016 at an average price of \$47.00/lb. A delivery schedule for those lbs. has been established over the course of the year. From 2016-2020, long term commitments total over 2.8M lbs. at an average price of \$49.60/lb. Term agreements have also begun for the 2020s.

Going forward, an updated Preliminary Economic Assessment for the Lost Creek property will be released later this month. On the permitting front, a Wyoming Department of Environmental Quality (WDEQ) draft permit for Underground Injection Control (UIC) Class V wells has already been completed. It is anticipated that final approvals from all regulators will be received later this quarter.

RECOMMENDATION

We maintain our Buy rating with a target price of C\$2.35 per share. Our target is derived by applying a 1.0× multiple to the company-wide net asset value of \$2.43 per share.

Exhibit 4. Ur-Energy Net Asset Value

Projects	Ur-Energy		Comment
	NAV	Per Share	
Lost Creek	\$77.1	\$0.58	2015 DCF @ 8% Discount Rate
Shirley Basin	\$68.0	\$0.51	2015 DCF @ 10% Discount Rate
Lost Soldier	\$109.9	\$0.83	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	\$1.69	
Total in CAD	323.3	\$2.43	

Source: Cantor Fitzgerald Canada Research

Exhibit 5. Uranium Price Forecast

	2013A	2014A	2015E	2016E	2017E	2018E	2019E
U3O8 Price	\$38.17	\$33.21	\$37.82	\$48.75	\$60.00	\$70.00	\$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)	43-101 Resources (M lbs)				MKT / LB	EV / LB	
					Avg Grade	P&P	M&I	Inferred			Total
Cameco Corporation (TSX:CCO)	Production	16.25	6,431,628.5	7,859,731.5	7.576%	465.1	245.9	288.8	999.8	\$6.43	\$7.86
Energy Fuels Inc. (TSX:EFR)	Production	3.05	138,055.6	115,742.2	0.091%	0.0	100.0	40.4	140.3	\$0.98	\$0.82
Paladin Energy Ltd (ASX:PDN)	Production	0.22	378,141.9	620,745.2	0.079%	174.3	193.6	153.8	521.7	\$0.72	\$1.19
Uranium Energy Corp. (NYSE:UEC)	Production	0.80	114,057.0	133,942.1	0.062%	0.0	32.4	36.3	68.7	\$1.66	\$1.95
UR-Energy Inc. (TSX:URE)	Production	0.85	110,660.5	99,903.8	0.080%	0.0	34.5	10.3	44.9	\$2.47	\$2.23
Producer Average			\$1,434,508.7	\$1,766,013.0		127.9	121.3	105.9	355.1	\$2.45	\$2.81

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

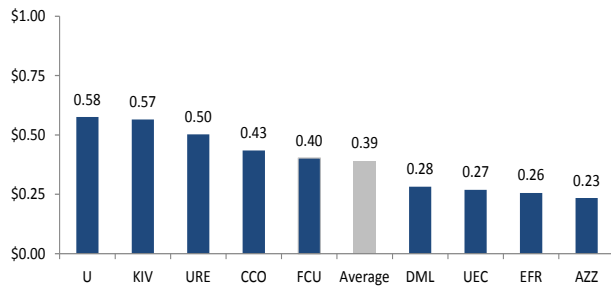
**Performance in local currency

Uranium Explorer/Developer Company Name	Stage	Stock Price (\$Local)	Market Cap (C\$'000)	Enterprise Value (C\$'000)	43-101 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	0.60	311,063.2	201,915.7	2.29%	102.0	97.6	199.7	\$1.56	\$1.01
Fission Uranium Corp. (TSX:FCU)	Exploration	0.65	251,370.0	238,916.5	1.51%	79.6	25.9	105.5	\$2.38	\$2.26
NexGen Energy (TSXV:NXE)*	Exploration	0.76	218,032.3	197,282.4	0.64%	0.0	0.0	148.6	\$1.47	\$1.33
Kivalliq Energy Corp. (TSXV:KIV)	Exploration	0.10	20,598.1	18,317.7	0.69%	0.0	43.3	43.3	\$0.48	\$0.42
UEX Corp. (TSX:UEX)	Exploration	0.15	36,902.3	30,333.0	0.84%	68.2	16.5	84.7	\$0.44	\$0.36
Peninsula Energy Ltd. (ASX:PEN)**	Development	1.03	180,845.5	151,460.4	0.05%	17.2	30.2	47.4	\$3.82	\$3.20
Azarga Uranium (TSX:AZZ)	Development	0.29	17,496.4	14,467.9	0.17%	18.1	5.7	23.8	\$0.74	\$0.61
Average			\$211,318.5	\$179,241.7		37.8	32.5	88.9	\$2.77	\$2.40

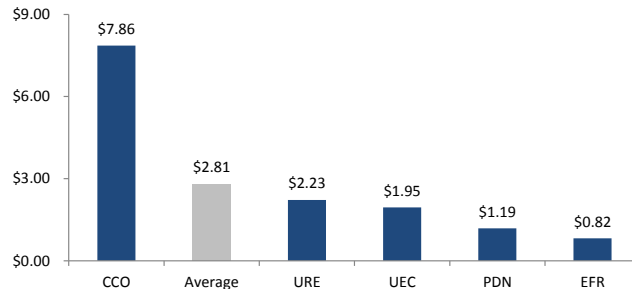
* Until a maiden resource is published, given drilling to date, Cantor Fitzgerald Canada currently estimates a 148.6Mlb resource at 0.64% U3O8 for NexGen Energy

** Market Cap and Enterprise value for Peninsula Energy has been converted to \$CAD at the prevailing \$AUD/\$CAD market exchange rate

Uranium Coverage P/NAV



Uranium Producer EV/Resource



Source: Cantor Fitzgerald Canada Research, Bloomberg

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

UNDER REVIEW: We are temporarily placing our recommendation under review until further information is disclosed.

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