

UR-ENERGY

Updated PEA for Lost Creek; Target Price Increased

EVENT

Ur-Energy announced an updated Preliminary Economic Assessment for the Lost Creek property.

BOTTOM LINE

The PEA confirms the updated mineral resource estimate as announced earlier on December 7, 2015 and models a life-of-mine production total of 13.8M lbs ending in 2031 (representing a mine life increase of nine years). We are maintaining our Buy recommendation and are increasing our target price to \$3.15 per share from \$2.35 per share.

FOCUS POINTS

- **Robust economics** – The PEA analysis points to net cash flow of \$510.9M (before tax, all figures in \$USD) or \$409.0M (after tax) over the project life. The analysis used assumes a net uranium sales price of \$66.00/lb. When using an 8% discount rate, a NPV of \$250.4M is achieved (pre-tax) or \$207.5M (post-tax). IRR has been calculated at 53.7% (pre-tax) or 50.9% (post-tax).
- **LOM extended by nine years** – The revised life of mine has been extended into 2031, with a total of 13.793M lbs U₃O₈ expected to be produced.
- **Costs within Cantor Fitzgerald Forecasts** – The figures from the revised PEA are generally in line with our expectations with LOM opex to average US\$14.58/lb. and total cost per pound to average US\$29.29/lb., which is within reasonable range to our more conservative estimates of \$18.23/lb. and \$31.90/lb, respectively.

Recommendation:

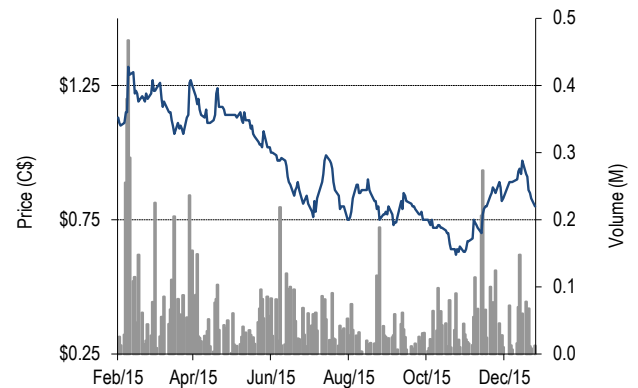
BUY

Symbol/Exchange:	URE/TSX;URG/NYSE
Sector:	Metals and Mining
<i>All dollar values in C\$ unless otherwise noted.</i>	
Current price	\$0.79; US\$0.55
One year target	\$3.15↑
Return target	299%
Cash on hand	US\$3.6M

Company Summary

Shares O/S (M)	128.96	52-week range	\$0.62 - 1.32	
Market cap (\$M)	\$101.9	Avg. weekly vol. (000)	0.266	
Market float (\$M)	\$92.7	Fiscal year-end	31-Dec	
	2014A	2015E	2016E	2017E
Uranium Production (lbs)	547,992	727,245	732,925	729,234
Revenue (\$M)	29.3	41.1	31.7	35.4
Operating Cost (\$M)	-17.9	-29.3	-23.1	-23.1
Cash Cost (US\$/lb)	\$19.73	\$20.54	\$21.29	\$21.39
EBITDA (\$M)	-9.2	-4.4	-10.6	-10.6
EPS	-\$0.07	-\$0.02	-\$0.06	-\$0.06
CFPS	\$0.01	-\$0.02	-\$0.08	-\$0.12

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.

UPDATED RESOURCE CONFIRMED

Recall that this past December, an updated Lost Creek resource estimate was announced. In order to reconcile higher-than-expected uranium recoveries from production operations in Mine Unit 1 (“MU1”), the grade thickness (GT) cut-off for uranium intercepts used in the resource estimation was lowered from 0.30 to 0.20. Employing these revised guidelines, resources for MU1 were re-mapped and re-evaluated. Since the previous resource estimate (dated June 17, 2015), the updated December estimate took into consideration the following new data points:

- As of October 15, 2015, 138 close-spaced pattern wells had been piloted, 20 monitor wells had been completed and 22 delineation holes drilled within MU2. In addition to this newly acquired data, all existing drill hole data within MU2 was re-evaluated, using a 0.20 GT cut-off, and included in the MU2 resource estimate.
- The results from the second phase of the 2015 exploratory drilling program: 59 drill holes were completed during this phase, adding 18,423 lbs of Measured & Indicated resources, and 201,785 lbs of Inferred resources since the 2015 Technical Report.

Exhibit 1: Lost Creek – Current Resource Summary

Project	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)
LOST CREEK	0.048	8,339	7,937	0.046	3,831	3,491	0.046	3,116	2,844
MU1 Production through 09/30/2015	0.048	-1,415	-1,358						
LC EAST	0.052	1,392	1,449	0.041	1,891	1,567	0.042	2,954	2,484
LC NORTH	-----	-----	-----	-----	-----	-----	0.045	645	581
LC SOUTH	-----	-----	-----	0.037	220	165	0.039	637	496
LC WEST	-----	-----	-----	-----	-----	-----	0.109	16	34
EN	-----	-----	-----	-----	-----	-----	-----	-----	-----
GRAND TOTAL	0.048	8,316	8,028	0.044	5,942	5,223	0.044	7,368	6,439
			MEASURED + INDICATED =		14,258	13,251			

1. Sum of Measured and Indicated tons and pounds may not add to the reported total due to rounding.
2. % eU₃O₈ is a measure of gamma intensity from a decay product of uranium and is not a direct measurement of uranium. Numerous comparisons of eU₃O₈ and chemical assays of Lost Creek rock samples, as well as PFN logging, indicate that eU₃O₈ is a reasonable indicator of the chemical concentration of uranium.
3. Table shows resources based on grade cutoff of 0.02 % eU₃O₈ and a grade x thickness cutoff of 0.20 GT.
4. Measured, Indicated, and Inferred Mineral Resources as defined in Section 1.2 of NI 43-101 (the CIM Definition Standards (CIM Council, 2014)).
5. Resources are reported through October 15, 2015.
6. All reported resources occur below the static water table.
7. 1,358,407 lbs. of uranium have been produced from the HJ Horizon in MU1 (Lost Creek Project) as of September 30, 2015.
8. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Source: Ur-Energy, Cantor Fitzgerald Canada

PEA ECONOMICS; LOM EXTENDED NINE YEARS

The PEA analysis points to net cash flow of \$510.9M (before tax, all figures in \$USD) or \$409.0M (after tax) over the project life. The analysis used assumes a net uranium sales price of \$66.00/lb. When using an 8% discount rate, a NPV of \$250.4M is achieved (pre-tax) or \$207.5M (post-tax). IRR has been calculated at 53.7% (pre-tax) or 50.9% (post-tax).

The revised life of mine has been extended into 2031, with a total of 13.793M lbs U3O8 expected to be produced. LOM total costs have been forecast to total \$29.29/lb (pre-tax) or \$36.61 (post-tax).

Exhibit 2: Lost Creek LOM Economics

Economic Parameter	Units	Pre-income Tax	Post-income Tax
Initial CAPEX ¹	US\$ 000s	\$ -	\$ -
Sustaining CAPEX	US\$ 000s	\$ 3,639	\$ 3,639
LoM OPEX	\$ / Lb	\$ 14.58	\$ 14.58
Income Taxes	\$ / Lb	\$ -	\$ 7.32
Total Cost per Pound	\$ / Lb	\$ 29.29	\$ 36.61
Production	Lb 000s	13,793	13,793
Net Cash Flow	US\$ 000s	\$ 510,903	\$ 409,035
NPV ^{8%}	US\$ 000s	\$ 250,426	\$ 207,553
IRR (adjusted for Undepreciated Initial Capital) ²	%	53.7%	50.9%

1. Initial capital costs of \$46.5 million were incurred and expended prior to the starting date (September 30, 2015) of this economic analyses. Because there are no additional cash expenditures required for initial capital, they are therefore excluded from the cash flow and NPV calculations.
2. As of September 30, 2015, Lost Creek had \$41.0 million of undepreciated, initial capital assets that will be charged against operations over time. By including the undepreciated, initial capital assets, an IRR can be calculated. Without these costs, an IRR cannot be calculated.

Source: PEA prepared by TREC Inc., Ur-Energy, Cantor Fitzgerald Canada

Exhibit 3: Cash Flow Summary

Cash Flow Line Items	Units	Total	US\$ per Pound
Pounds produced	Lbs	13,793,111	
Pounds sold	Lbs	13,918,348	
Sales	US\$ 000s	\$ 919,051	\$ 66.03
Royalties	US\$ 000s	\$ (489)	\$ (0.04)
Net sales	US\$ 000s	\$ 918,562	\$ 66.00
Wyoming severance tax	US\$ 000s	\$ (21,947)	\$ (1.58)
Sweetwater ad valorem tax	US\$ 000s	\$ (35,811)	\$ (2.57)
Operating costs (see Table 11)	US\$ 000s	\$ (202,933)	\$ (14.58)
Wellfield development	US\$ 000s	\$ (135,333)	\$ (9.72)
Exploration cost	US\$ 000s	\$ -	\$ -
Sweetwater property tax	US\$ 000s	\$ (1,817)	\$ (0.13)
Working capital changes	US\$ 000s	\$ -	\$ (0.00)
Project cash flow	US\$ 000s	\$ 520,721	\$ 37.41
Initial capital	US\$ 000s	\$ -	\$ -
Future disposal wells	US\$ 000s	\$ (6,179)	\$ (0.44)
Sustaining capital	US\$ 000s	\$ (3,639)	\$ (0.26)
Net cash flow before tax	US\$ 000s	\$ 510,903	\$ 36.71
Federal income tax	US\$ 000s	\$ (79,182)	\$ (5.69)
State income tax	US\$ 000s	\$ (22,686)	\$ (1.63)
Net cash flow after tax	US\$ 000s	\$ 409,035	\$ 29.39

1. Production is based on an 80% recovery of the total of Measured, Indicated and Inferred resources in the 12 RAs of the MMT and EMT.
2. Uranium price is a combination of the projections of Dundee Capital Markets, Raymond James Ltd., Cantor Fitzgerald and the actual commitments URE has in place.
3. All amounts in US \$ 000s.
4. Wellfield development includes wellfield drilling and wellfield construction costs.
5. Working capital changes are primarily related to annual cash flow timing differences in accounts receivable and accounts payable and totals to zero.
6. Pounds sold exceeds pounds produced due to existing inventories.
7. The NPV and IRR calculations are based on Year 2015 to Year 2036.

Source: PEA prepared by TREC Inc., Ur-Energy, Cantor Fitzgerald Canada

VALUATION AND RECOMMENDATION

We maintain our BUY rating and are increasing our target price to C\$3.15/share from \$2.35/share. While the data from the PEA was mostly in line with our estimates after the resource increase, the change in our valuation was affected primarily by two items. First, we have smoothed out our production timeline for Lost Creek to reflect the estimates in the PEA, which calls for 0.75-0.85M lbs of U₃O₈ production from 2016-2018 with one million pounds of annual

production thereafter until depletion. We had previously estimated about 1.2 M lbs of annual production of in the earlier years and with production tailing off in the later years. The smoothening of production has caused more material to be sold in the later years when our uranium price forecasts are significantly higher. This contributed to our NAV for URE to increase from US\$1.71/share to US\$2.17/share. The second contributor to the NAV increase is the continued devaluation of the Canadian dollar versus the U.S. dollar, which is now C\$1.457/US. Using this rate to convert our USD NAV equates to C\$3.17/share.

Our target is derived by applying a 1.0x multiple to the company-wide net asset value of \$3.17 per share.

Exhibit 4. Ur-Energy Net Asset Value

Projects	UR-Energy		Comment
	NAV	Per Share	
Lost Creek	\$119.4	\$0.91	2015 DCF @ 8% Discount Rate
Shirley Basin	\$71.1	\$0.54	2015 DCF @ 10% Discount Rate
Lost Soldier	\$124.1	\$0.94	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	(\$4.1)	(\$0.03)	Q3/15 Financials + Cash Proceeds from ITM Options
Total in USD	285.9	\$2.17	
Total in CAD	416.6	\$3.17	

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

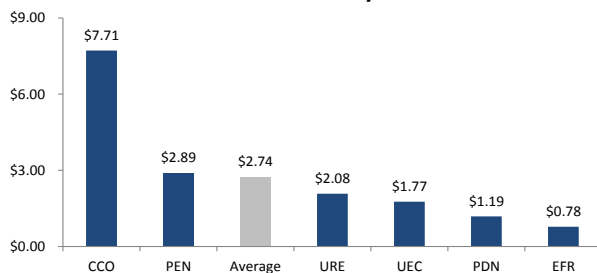
Source: Cantor Fitzgerald Canada Research, TradeTech

Exhibit 6. Uranium Valuation Comps & P/NAV Universe

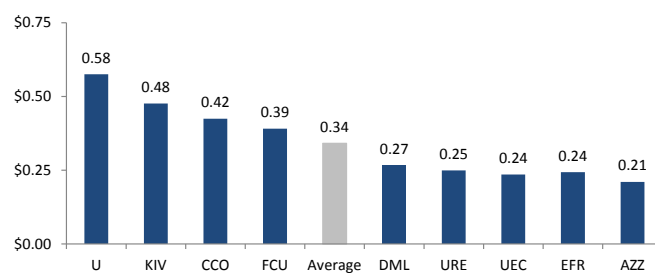
Uranium Producer Company Name	Stage	Stock Price (Local \$)	Market Cap (\$'000)	Enterprise Value (\$'000)	NI43-101 Resources/JORC (M lbs)				MKT / LB	EV / LB	Est. Cash Cost / LB	
					Avg Grade	P&P	M&I	Inferred				Total
Cameco Corporation (TSX:CCO)	Production	15.88	6,285,185.2	7,713,288.2	7.576%	465.1	245.9	288.8	999.8	\$6.29	\$7.71	\$27.82
Energy Fuels Inc. (TSX:EFR)	Production	2.90	131,266.0	109,737.9	0.091%	0.0	100.0	40.4	140.3	\$0.94	\$0.78	\$34.63
Paladin Energy Ltd (ASX:PDN)*	Production	0.22	379,413.7	620,015.8	0.079%	174.3	193.6	153.8	521.7	\$0.73	\$1.19	\$27.82
Peninsula Energy Ltd. (ASX:PEN)*	Production	0.94	166,555.0	136,900.7	0.050%	0.0	17.2	30.2	47.4	\$3.51	\$2.89	\$30.00
Uranium Energy Corp. (NYSE:UEC)*	Production	0.70	101,159.7	121,313.2	0.062%	0.0	32.4	36.3	68.7	\$1.47	\$1.76	n/a
UR-Energy Inc. (TSX:URE)	Production	0.79	102,849.1	93,465.3	0.080%	0.0	34.5	10.3	44.9	\$2.29	\$2.08	\$20.50
Producer Average			\$1,194,404.8	\$1,465,786.9		106.6	103.9	93.3	303.8	\$2.54	\$2.74	\$28.15

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

Uranium Producer EV/Resource

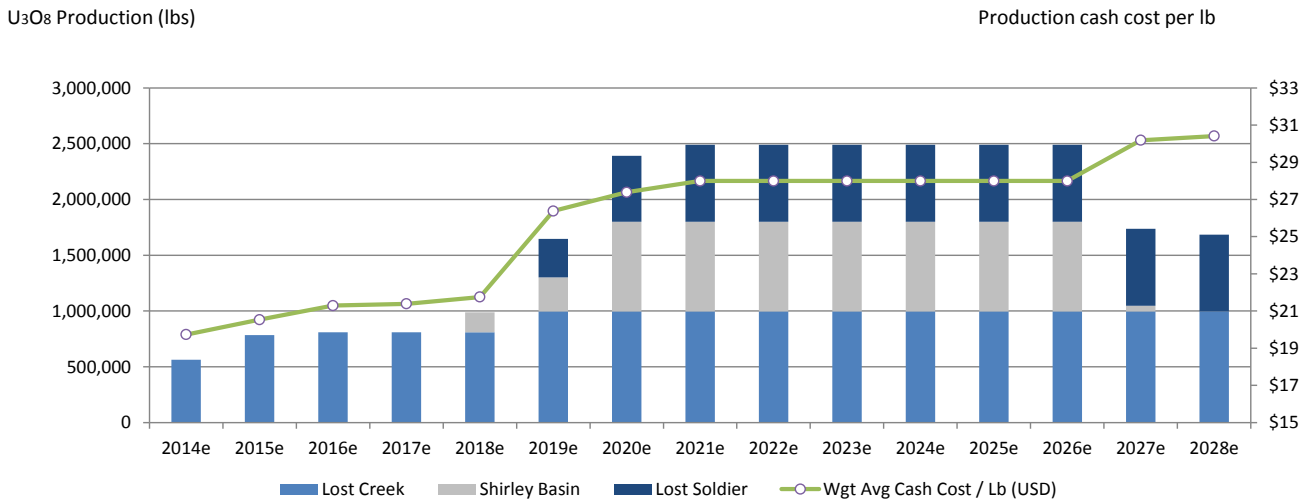


Uranium Coverage P/NAV



Source: Cantor Fitzgerald Canada Research, Bloomberg

Exhibit 7. Ur-Energy Production and Cost Forecast



Source: Cantor Fitzgerald Canada Research

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