

UR-ENERGY

Q3/17 Operational Update: High Realized Prices a Product of Strong Contract Portfolio

EVENT

Ur-Energy announced its operational results for Q3/17.

BOTTOM LINE

Price realization of US\$40/lb was higher than our forecast and about double the current spot price as Ur-Energy's excellent contract portfolio continues to keep the company at the top of our uranium list. Q3/17 lbs captured of 52,812 lbs was less than our forecast of 66,707 lbs due to purposely controlled lower production levels given the current weak uranium pricing environment. Q3/17 marks the fourth year of continuous operation and as expected, Lost Creek grades have steadily declined to below initial PEA levels. Nearly a third of the lbs sold into contracts were sourced from much cheaper spot purchases. We are maintaining our Buy recommendation and raising our target price to \$1.95 per share, or by 3%.

FOCUS POINTS

- **High realized price** – A total of 289,000 lbs were sold at an average realized price of US\$40.00/lb, a figure nearly double that of the average spot price during the quarter and higher than our forecast of US\$36/lb. Of the total amount sold, 109,000 lbs were purchased at spot and sold for \$35/lb. There were no spot sales.
- **Grades below initial PEA level** – As expected, the Lost Creek mine is maturing and the head grade trend continues to decline as the 23.0 ppm during the quarter is below the 27.0 ppm from Q2/17 and below the 42.0 ppm envisioned in the initial PEA.

Mine Unit 2 on schedule – Development work has continued largely on schedule with first header house on-line in August and more coming in Q4 and in 2018.

Recommendation:

BUY

Symbol/Exchange: URE/TSX;URG/NYSE
Sector: Metals and Mining
All dollar values in C\$ unless otherwise noted.
Current price \$0.69; US\$0.55
One year target \$1.95
Return target 183%
Cash on hand US\$7.3M

Company

Summary

Shares O/S (M)	143.68	52-week range	\$0.56 - 1.16	
Market cap (\$M)	\$99.1	Avg. weekly vol. (000)	0.410	
Market float (\$M)	\$90.2	Fiscal year-end	31-Dec	
	2015A	2016A	2017E	2018E
Uranium Production (lbs)	727,245	561,094	252,383	182,309
Revenue (\$M)	41.9	27.3	38.5	15.9
Operating Cost (\$M)	-29.3	-15.8	-21.9	-8.2
Cash Cost (US\$/lb)	\$18.07	\$23.21	\$21.81	\$21.33
EBITDA (\$M)	-4.6	-4.5	5.3	-3.4
EPS	-\$0.01	-\$0.03	\$0.04	-\$0.02
CFPS	-\$0.01	\$0.00	\$0.00	\$0.01

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.

STRONG REALIZED PRICES DUE TO EXCELLENT CONTRACTS

Sales during the quarter amounted to US\$11.7M, from contracted sales of 289,000 lbs at an average price of US\$40/lb. Of the amount sold, Lost Creek production totaled 180,000 lbs sold at an average price of US\$43/lb while the remainder was sourced from the spot market and sold at an average price of US\$35/lb.

These prices are nearly twice the current spot price of US\$20.30/lb and higher than Cantor Fitzgerald Canada Research's estimate of US\$36/lb for the quarter. This reflects of the strength of Ur-Energy's contract portfolio, which stretches into 2021. Conversations with management indicate that the company may try to move some of these future deliveries forward to capture these cash flows and to avoid diluting shareholders with equity raises. We view this as a prudent course of action as uncertainty over the timing of the uranium price recovery will cause many uranium producers to raise equity to maintain operations.

OVER 2.0M LBS CAPTURED AT LOST CREEK

Ur-Energy announced Q3/17 operating results that amounted to 52,812 lbs of U₃O₈ captured from Lost Creek as production was controlled at lower levels in light of the current low price environment. We were initially expecting 66,707 lbs captured. Additionally, note that during the quarter, 48,336 lbs were dried and drummed. 36,797 lbs of the dried inventory was shipped out of the Lost Creek processing plant. As of September 30, 2017, approximately 17,813 lbs U₃O₈ sit in inventory at the conversion facility.

Exhibit 1: Lost Creek Operational Performance

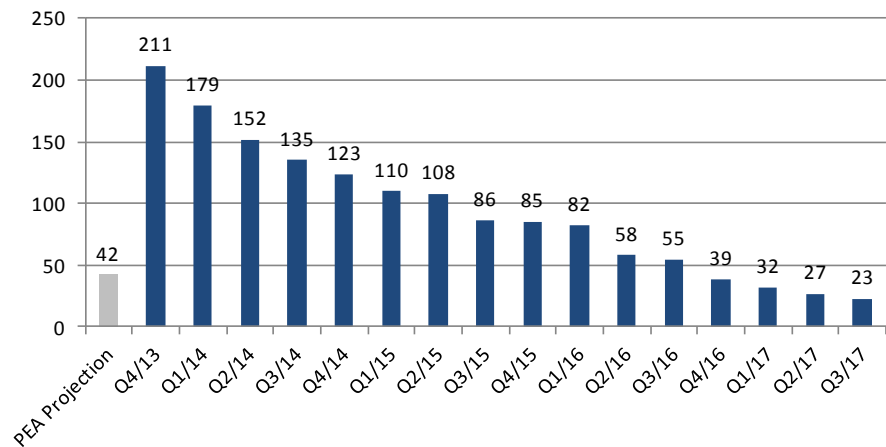
	Variance			Variance		Variance	
	Reported Q3/17A	CF Estimates Q3/17E	with Est. % Change	Reported Q2/17A	Qtr-over-Qtr % Change	Reported Q3/16A	Yr-over-Yr % Change
U ₃ O ₈ Captured (000 lbs)	53	67	-21%	65	-19%	142	-63%
U ₃ O ₈ Dried & Drummed (000 lbs)	48	60	-19%	71	-32%	146	-67%
U ₃ O ₈ Purchased (000 lbs)	109	109	0%	210	-48%	0	N/A
Avg. Purchase Price	\$20.00	\$20.00	0%	\$23.19	-14%	\$0.00	N/A
U ₃ O ₈ Sold (000 lbs)	289	109	165%	241	20%	200	45%
Average Realized Price	\$40.00	\$36.00	11%	\$48.95	-18%	\$47.36	-16%
Average Flow Rate (gpm)	2,188	1,655	32%	2,378	-8%	2,469	-11%
U ₃ O ₈ Head Grade (mg/l)	23	39	-41%	27	-15%	55	-58%

Source: Ur-Energy, Cantor Fitzgerald Canada

GRADES DECLINE AS LOST CREEK MATURES

After four years of operation, the first mine unit produced at an average head grade of 23 ppm in the most recent quarter, which was a decline 27 ppm the previous quarter and 55 ppm from Q3/16. The declining head grade is a typical result in-situ recovery mines mature. Note that Lost Creek's Mine Unit 1 was able to maintain higher than expected grades. Since the start of production, over 2.0M lbs have been captured from Lost Creek.

Exhibit 2: Quarterly Head Grades (ppm)



Source: Ur-Energy, Cantor Fitzgerald Canada

As can be seen in exhibit 2 above, the most recent quarter’s head grades remain under that of those forecast (42 ppm) in the initial Lost Creek PEA. We note that grade declines are common for these types of operations and declines to expected averages usually occur 18 months after commissioning. This particular mine unit has been exceptional as it has taken nearly three years to reach this point.

MINE UNIT TO DEVELOPMENT PROGRESSING WELL

Drilling and additional construction on the first three header houses of Mine Unit 2 was started in April and is on-going as scheduled. The first header house was brought online in late August while the second is expected to commence later this quarter, and the third in early 2018.

FY17 DETAILED GUIDANCE TO COME LATER

No sales are anticipated for the remainder of the year as the contractual deliveries for the year have been completed. The Q4/17 production target out of Lost Creek is estimated to be between 65,000-75,000 lbs dried & drummed. We currently forecast Q4/17 production of 65,389 lbs. Additional information will be provided when the Form 10-Q will be filled on October 27, 2017.

RECOMMENDATION

We maintain our Buy rating and are moderately increasing our target price to \$1.95 per share, or by 3%. Our target is derived by applying a 1.0x multiple to the company-wide net asset value of \$1.95 per share. The change in target price is driven by the improved financial position of the company as higher than expected realized prices have led to a larger than expected working capital position.

Exhibit 3. Ur-Energy Net Asset Value

Projects	NAV	Per Share	Comment
Lost Creek	\$72.4	\$0.49	2017 DCF @ 8% Discount Rate
Shirley Basin	\$76.5	\$0.51	2017 DCF @ 10% Discount Rate
Lost Soldier	\$117.3	\$0.79	2017 DCF @ 10% Discount Rate
Disposal Revenue	\$5.8	\$0.04	2017 DCF @ 8% Discount Rate
Debt	(\$12.9)	(\$0.09)	PV of LT Debt @ 10% Discount Rate
NPV of Corporate Costs	(\$48.3)	(\$0.32)	PV of Corp Costs @ 10% Discount Rate
Working Capital	\$9.0	\$0.06	Q2/17 Financials + Cash Proceeds from ITM Options
Total in USD	219.9	\$1.48	
Total in CAD	290.0	\$1.95	

Source: Cantor Fitzgerald Canada Research

Exhibit 4. Uranium Price Forecast

USD	2014A	2015E	2016E	2017E	2018E	2016A	2017E	2018E	2019E	2020E	LT
U3O8 Spot Price	\$57.01	\$48.86	\$38.53	\$33.48	\$36.59	\$26.41	\$22.14	\$28.75	\$42.50	\$62.50	\$80.00

Source: Cantor Fitzgerald Canada Research, TradeTech

Exhibit 5. Uranium Valuation Comps & P/NAV Universe

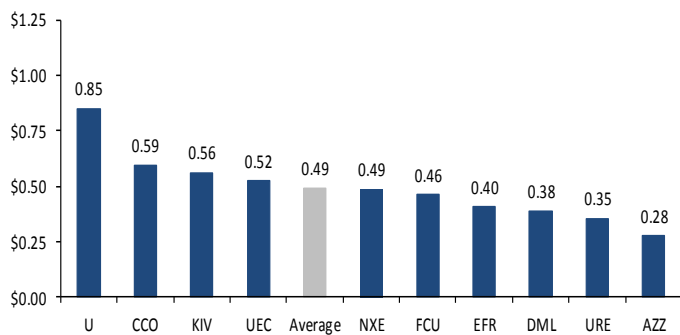
Uranium Producer Company Name	Stage	Stock Price (Local \$)	Market Cap (\$'000)	Enterprise Value (\$'000)	NI43-101 Resources/JORC (M lbs)				MKT / LB	EV / LB	Est. 2017 Cash Cost / LB	Performance				
					Avg Grade	P&P	M&I	Inferred				Total	1 DAY %	1 MTH %	3 MTH %	YTD %
Cameco Corporation (TSX:CCO)	Production	11.31	4,476,415.8	5,687,635.8	6.089%	416.7	471.2	243.4	1,131.3	\$3.96	\$5.03	\$17.01	0.80%	-9.45%	-7.53%	-17.60%
Energy Fuels Inc. (TSX:EFR)	Production	1.75	124,883.4	113,903.2	0.078%	0.0	112.7	60.4	173.1	\$0.72	\$0.66	\$17.65	0.00%	-19.72%	-16.27%	-20.81%
Peninsula Energy Ltd. (ASX:PEN)*	Production	0.32	72,924.0	70,553.7	0.050%	0.0	17.2	30.2	47.4	\$1.54	\$1.49	\$50.00	-1.54%	-8.45%	-7.14%	-42.86%
Uranium Energy Corp. (NYSE:UEC)*	Production	1.20	232,656.1	224,717.6	0.062%	0.0	32.4	36.3	68.7	\$3.38	\$3.27	\$23.21	0.64%	-14.39%	-28.31%	6.93%
UR-Energy Inc. (TSX:URE)	Production	0.69	100,746.4	95,202.9	0.080%	0.0	34.5	10.3	44.9	\$2.24	\$2.12	\$23.21	2.99%	-1.43%	-10.39%	-2.82%
Producer Average			\$1,001,525.1	\$1,238,402.6		83.3	133.6	76.1	293.1	\$2.37	\$2.51	\$26.97	0.58%	-10.69%	-13.93%	-15.43%

*Market Cap and Enterprise value for PEN and UEC has been converted to SCAD at the prevailing SAUD/SCAD or USD/SCAD market exchange rates, P/NAV for PDN & PEN is from Bloomberg

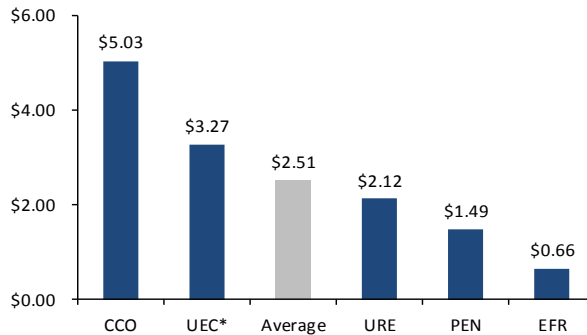
**Performance in local currency

Uranium Explorer/Developer Company Name	Stage	Stock Price (\$Local)	Market Cap (C\$'000)	Enterprise Value (C\$'000)	NI43-101/JORC Resources (M lbs)				MKT / LB	EV / LB	Performance				
					Avg Grade	M&I	Inferred	Total			1 DAY %	1 MTH %	3 MTH %	YTD %	
Hathor Exploration (Acquired)	Exploration	4.70	654,240.0	581,240.0	8.63%	17.2	40.7	57.9	\$11.29	\$10.03	\$0.99	0.00%	-10.17%	-5.36%	-24.29%
Denison Mines (TSX:DML)	Exploration	0.53	296,314.7	197,073.2	2.29%	102.0	97.6	199.7	\$1.48	\$0.99	\$0.99	0.00%	-10.17%	-5.36%	-24.29%
Fission Uranium Corp. (TSX:FCU)	Exploration	0.59	286,047.9	247,855.7	1.51%	79.6	25.9	105.5	\$2.71	\$2.35	\$2.35	-1.67%	-9.09%	1.69%	-7.81%
NexGen Energy (TSX:NXE)	Exploration	2.75	931,196.8	963,997.9	2.54%	179.5	122.1	301.6	\$3.09	\$3.20	\$3.20	-0.36%	-6.44%	-7.38%	18.03%
Kivalliq Energy Corp. (TSXV:KIV)	Exploration	0.09	20,994.7	18,578.7	0.69%	0.0	43.3	43.3	\$0.48	\$0.43	\$0.43	6.25%	-11.11%	-15.79%	0.00%
UEX Corp. (TSX:UEX)	Exploration	0.18	55,866.8	49,291.7	0.84%	68.2	16.5	84.7	\$0.66	\$0.58	\$0.58	-2.78%	-12.20%	5.88%	-28.57%
Azarga Uranium (TSX:AZZ)	Development	0.23	17,945.7	17,523.8	0.17%	18.1	5.7	23.8	\$0.76	\$0.74	\$0.74	0.00%	-10.00%	-6.25%	-37.50%
Average			\$323,229.5	\$296,508.7		66.4	50.3	116.7	\$2.92	\$2.62	\$2.62	0.24%	-9.83%	-4.53%	-13.36%

Uranium Coverage P/NAV



Uranium Producer EV/Resource



Source: Cantor Fitzgerald Canada Research, Bloomberg

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