May 31, 2021
Company Update

Equity Research

UR-ENERGY INC.

U.S. Uranium and the FY2022 Budget

EVENT

The FY2022 U.S. Federal Government Budget was released on Friday afternoon and the uranium equities immediately fell under selling pressure.

BOTTOM LINE

Mixed. The "kneejerk" reaction lower was due to what appears to be the *removal* of $75 MM in annual funding, approved by the previous administration, to create and build a strategic domestic uranium reserve. What was likely missed by investors was the *inclusion* of two new line items in the FY2022 budget given a combined allocation of $14.75 BB over the next 10-years; 1) "procure advanced nuclear power" and 2) "provide allocated credit for electricity generation from existing nuclear power facilities."

FOCUS POINTS

- **U.S. Government Contracts Likely Off the Table** – Given that Lost Creek is the lowest cost uranium operation in the United States and has the quickest path to a restart, we previously held the view that Ur-Energy was the best positioned Company to win U.S. government contracts. While it is unclear what is encompassed in the "procure advanced nuclear power" budget item, at the present time, we are assuming that U.S. government contracts to the domestic producers are likely off the table.
- **Buy the Dip –** Our investment thesis on Ur-Energy, or any of the uranium equities, was never dependent upon the U.S. domestic uranium reserve. We view the two new nuclear-related items in the FY2022 budget as a net positive for URG and the uranium sector.
- **No Change to Rating/Target** – Based on a target multiple of 1.5x NAVPS$_{7.5\%}$ (unchanged), we are maintaining our Buy rating and $1.75/C$2.25/share target price on Ur-Energy.

Recommendation: **BUY**

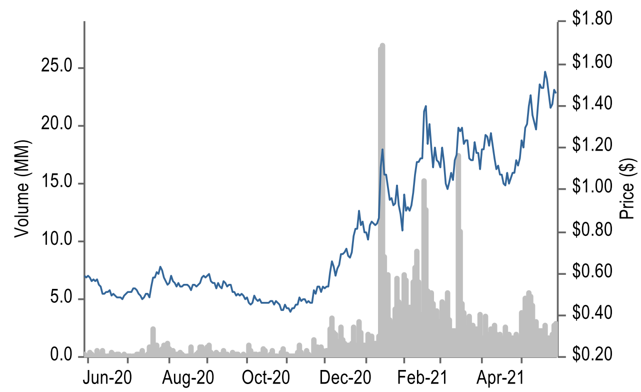
Symbol/Exchange:	URG-NYSE/URE-TSX
Sector:	Metals & Mining
All dollar values in US$ unless otherwise noted.	
Current price:	$1.46/C$1.77
One-year target:	$1.75/C$2.25
Return to Target:	19.9%
Cash on hand:	$17.6 MM

Financial Summary

Shares O/S (MM)	189.4	52-week range	$0.42-$1.57
Market cap (MM$)	$276.5	Avg. 30D vol. (000)	5,403
Market float (MM$)	$266.8	Fiscal year-end	31-Dec

Calendar Year	**2020A**	**2021E**	**2022E**	**2023E**
Uranium Production (K lb)	15.9	15.0	1,000.0	2,000.0
Uranium Sales (K lb)	200.0	288.4	1,000.0	2,000.0
Realized U3O8 Price ($/lb)	$41.50	$40.00	$50.00	$50.00
Cash Operating Costs ($/lb)	$25.83	$24.75	$24.75	$27.38
All-In Sustaining Costs ($/lb)	$32.52	$74.75	$25.50	$28.38
Basic EPS, dil., adj.	($0.09)	($0.04)	$0.06	$0.14
Dividends per share	-	-	-	-
CFPS (before W/C)	($0.00)	($0.02)	$0.09	$0.20
Free CFPS	($0.00)	($0.10)	$0.08	$0.19

Source: Company Reports and Cantor Fitzgerald Estimates



Company profile: Ur-Energy is a production stage uranium company with primary assets located in Wyoming, USA.

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

U.S. URANIUM AND THE FY2022 BUDGET

The FY2022 U.S. Federal Government Budget was released on Friday afternoon (link here) and the uranium equities immediately fell under modest selling pressure but closed well above their intraday lows. While U.S. equity markets are closed today, all the dual-listed uranium equities are currently trading flat to slightly higher today on the TSX. The "kneejerk" reaction lower late Friday was due to what appears to be the *removal* of $75 MM in annual funding, approved by the previous administration, to create and build a strategic domestic uranium reserve. What was likely missed by investors on Friday was the *inclusion* of two new line items in the FY2022 budget given a combined allocation of $14.75 BB over the next 10-years; 1) "procure advanced nuclear power" and 2) "provide allocated credit for electricity generation from existing nuclear power facilities." These line items can be found on pages 47 and 49 in the FY2022 U.S. Federal Government Budget (Exhibit 1 below). In our view, the inclusion of these two new budget items, the latter in particular, (supporting existing nuclear power facilities) more than counterbalance the removal of U.S. government purchases approved by the previous administration. As a reminder, the United States operates the largest fleet of nuclear reactors in the world, consuming ~50 MMlb U_3O_8/year in a market where primary mine supply averages ~120 MMlb U_3O_8/year and is in decline due to the lack of price incentive to maintain or grow output. Government support to the existing nuclear power facilities, as proposed in the FY2022 budget, should encourage the utilities to sign new long-term contracts at incentive prices to secure the material and restock their inventories. This will directly benefit the producers that stand ready to deliver into these contracts, such as Ur-Energy. We view the FY2022 U.S. Federal Government Budget as a net positive for the uranium sector.

Exhibit 1. Nuclear-Related FY2022 Budget Allocations

												Totals	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022–2026	2022–2031
Jumpstart clean energy manufacturing through Federal procurement:													
Procure advanced nuclear power	....	100	150	250	500	2,500	1,250	250	....	....	....	3,500	5,000
Provide allocated credit for electricity generation from existing nuclear power facilities[1]	....	750	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	4,750	9,750

Source: Cantor Fitzgerald, www.whitehouse.gov

U.S. GOVERNMENT CONTRACTS LIKELY OFF THE TABLE

Given that Lost Creek is the lowest cost uranium operation in the United States and has the quickest path to a restart, we previously held the view that Ur-Energy was the best positioned company to win U.S. government contracts. While it is unclear what is encompassed in the "procure advanced nuclear power" budget item, at the present time, we are assuming that U.S. government contracts directly to the domestic producers are likely off the table. That said, with the FY2022 budget allocating $1.0 BB/year to support existing nuclear power facilities relative to the $75 MM/year for direct government uranium purchases in the FY2021 budget, the likelihood of U.S. utilities signing new long-term contracts with domestic suppliers has improved considerably. Overall, we consider the FY2022 budget, as it relates to the U.S. nuclear power producers and U.S. uranium miners, a net positive relative to the FY2021 budget. While Ur-Energy is unlikely to supply the U.S. government's strategic uranium reserve given that it appears to have been removed from the FY2022 budget, the Company is likely to resume contracting with the U.S. nuclear utilities in short order, given the $1.0 BB/year in support they will now be getting from the Federal government.

BUY THE DIP

Our investment thesis on Ur-Energy, or any of the uranium equities, was never dependent upon the U.S. Federal Government supporting the domestic producers via funding the strategic uranium reserve. It was always a "nice to have" rather than a "must have." That said, in the FY2022 U.S. Federal Government Budget, the item "procure advanced nuclear power" was included in the "Retool and revitalize American manufacturers and small businesses" subsection. We certainly consider Ur-Energy to be both an American manufacturer and a small business, and therefore would not be surprised if the Company qualifies for some financial assistance from the U.S. government under the proposed FY2022 budget allocation. We view the FY2022 U.S. Federal Government Budget as a net positive for the uranium sector and would be buyers of the Friday dip if the uranium equities remain under pressure at the U.S. open on Tuesday.

URANIUM SENTIMENT IMPROVING IN THE U.S.

Over the last 5-6 months, sentiment in the uranium sector has turned increasingly positive, as we originally highlighted in our recent Macro Report: *A Green Economy and Electric Vehicles Start with Metals* on January 25 (link here). Under the Biden Administration, the United States has rejoined the Paris Climate Agreement that calls for net-zero carbon emissions for most of the developed-world by 2050, with the United States pledging to do so by 2035. Most recently, the FY2022 U.S. Federal Government Budget has allocated $14.75 BB over the next 10-years to nuclear, specifically to "procure advanced nuclear power" and "provide allocated credit for electricity generation from existing nuclear power facilities." With uranium currently generating 80% of carbon-free grid power in the United States, it has become abundantly clear that nuclear power has a critically important and *growing* role to play in the energy mix of the future. Ur-Energy is uniquely positioned to capitalize on the resurgence of nuclear power in the United States, given that its Lost Creek operation can ramp-up the quickest, and is the lowest cost operating uranium mine (currently on standby) in the Country.

Exhibit 2. Ur-Energy NAVPS Breakdown

Asset ($)		Value ($MM)	$ Per Share	% of NAV
Lost Creek	NPV, 7.5%	$130.5	$0.69	57%
Shirley Basin (option value)	NPV, 7.5%	$64.3	$0.34	28%
Total Mining Assets		$194.8	$1.03	85%
Cash, S/T Investments, U inventory		$34.2	$0.18	15%
Current Debt + S/T Leases		($0.5)	($0.00)	
Long Term Debt + S/T Leases		($12.7)	($0.07)	
Future Equity Financing		$0.0	$0.00	
Future Debt Financing		$0.0	$0.00	
Net Asset Value		**$215.8**	**$1.14**	
P/NAV			1.28x	

Source: Cantor Fitzgerald

MAINTAINING BUY RATING AND PRICE TARGET

Based on a target multiple of 1.5x $\text{NAVPS}_{7.5\%}$ (unchanged), we are maintaining our Buy rating and $1.75/C$2.25/share target price on Ur-Energy.

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Cantor *has* provided investment banking services or received investment banking related compensation from Ur-Energy within the past 12 months.

The analysts responsible for this research report *do not have*, either directly or indirectly, a long or short position in the shares or options of Ur-Energy.

The analyst responsible for this report *has* not visited the material operations of Ur-Energy. No payment or reimbursement was received for the related travel costs.

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Definitions of recommendations

BUY: The stock is attractively priced relative to the company's fundamentals and we expect it to appreciate significantly from the current price over the next 6 to 12 months.

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.

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

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