

UR-ENERGY INC
Form 10-Q
May 03, 2019
Table of Contents

United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2019

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD OF _____ TO _____.

Edgar Filing: UR-ENERGY INC - Form 10-Q

Commission File Number: 001-33905

UR-ENERGY INC.

(Exact name of registrant as specified in its charter)

Canada Not Applicable
State or other jurisdiction of incorporation or organization (I.R.S. Employer Identification No.)

10758 West Centennial Road, Suite 200
Littleton, Colorado 80127
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: 720-981-4588

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common stock	URG (NYSE American); URE (TSX)	NYSE American; TSX

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated

Edgar Filing: UR-ENERGY INC - Form 10-Q

filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting
company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 2, 2019, there were 159,729,403 shares of the registrant’s no par value Common Shares (“Common Shares”), the registrant’s only outstanding class of voting securities, outstanding.

Table of Contents

UR-ENERGY INC.

TABLE OF CONTENTS

<u>22</u>		
<u>33</u>		
<u>33</u>		
<u>35</u>		
		Page
	<u>PART I – FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Financial Statements</u>	3
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	21
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	35
<u>Item 4.</u>	<u>Controls and Procedures</u>	35
	<u>PART II – OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	36
<u>Item 1A.</u>	<u>Risk Factors</u>	36
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	36
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	36
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	36
<u>Item 5.</u>	<u>Other Information</u>	36
<u>Item 6.</u>	<u>Exhibits</u>	37
	<u>SIGNATURES</u>	38

Table of Contents

When we use the terms “Ur-Energy,” “we,” “us,” or “our,” or the “Company” we are referring to Ur-Energy Inc. and its subsidiaries, unless the context otherwise requires. Throughout this document we make statements that are classified as “forward-looking.” Please refer to the “Cautionary Statement Regarding Forward-Looking Statements” section below for an explanation of these types of assertions.

Cautionary Statement Regarding Forward-Looking Information

This report on Form 10-Q contains "forward-looking statements" within the meaning of applicable United States (“U.S.”) and Canadian securities laws, and these forward-looking statements can be identified by the use of words such as "expect," "anticipate," "estimate," "believe," "may," "potential," "intends," "plans" and other similar expressions or statements that an action, event or result "may," "could" or "should" be taken, occur or be achieved, or the negative thereof or other similar statements. These statements are only predictions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. Such statements include, but are not limited to: (i) the ability to maintain controlled, steady-state operations at Lost Creek; (ii) the outcome of our forecasts and production projections, including the anticipated production of Lost Creek for 2019; (iii) the timing and outcome of permitting and regulatory approvals of the amendment for uranium recovery at the LC East project; (iv) the ability to complete additional favorable uranium sales agreements including spot sales if the market warrants and production inventory is available; (v) the timing and outcome of applications for regulatory approval to build and operate an in situ recovery mine at Shirley Basin; (vi) resolution of the continuing challenges within the uranium market, including supply and demand projections; (vii) the outcome of the Department of Commerce Section 232 investigation, whether the President will act on the recommendations in the report submitted to him, and, if so, the nature of the action and remedy; and (viii) the expected impacts of any remedial measures from the Section 232 action on U.S. production and the U.S. uranium mining industry. Additional factors include, among others, the following: future estimates for production; capital expenditures; operating costs; mineral resources; recovery rates; grades; market prices; business strategies and measures to implement such strategies; competitive strengths; estimates of goals for expansion and growth of the business and operations; plans and references to our future successes; our history of operating losses and uncertainty of future profitability; status as an exploration stage company; the lack of mineral reserves; risks associated with obtaining permits and other authorizations in the U.S.; risks associated with current variable economic conditions; challenges presented by current inventories and largely unrestricted imports of uranium products into the U.S.; our ability to service our debt and maintain compliance with all restrictive covenants related to the debt facility and security documents; the possible impact of future debt or equity financings; the hazards associated with mining production; compliance with environmental laws and regulations; uncertainty regarding the pricing and collection of accounts; the possibility for adverse results in potential litigation; uncertainties associated with changes in law, government policy and regulation; uncertainties associated with a Canada Revenue Agency or U.S. Internal Revenue Service audit of any of our cross border transactions; adverse changes in general business conditions in any of the countries in which we do business; changes in size and structure; the effectiveness of management and our strategic relationships; ability to attract and retain key personnel; uncertainties regarding the need for additional capital; sufficiency of insurance coverages; uncertainty regarding the fluctuations of quarterly results; foreign currency exchange risks; ability to enforce civil liabilities under U.S. securities laws outside the U.S.; ability to maintain our listing on the NYSE American and Toronto Stock Exchange (“TSX”); risks associated with the expected classification as a "passive foreign investment company" under the applicable provisions of the U.S. Internal Revenue Code of 1986, as amended; risks associated with our investments and other risks and uncertainties described under the heading “Risk Factors” in our Annual Report on Form 10-K, dated March 1, 2019.

Table of Contents

Cautionary Note to U.S. Investors Concerning Disclosure of Mineral Resources

Unless otherwise indicated, all resource estimates included in this Form 10-Q have been prepared in accordance with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for Mineral Resources and Mineral Reserves (“CIM Definition Standards”). NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Canadian standards, including NI 43-101, differ significantly from the requirements of the U.S. Securities and Exchange Commission (“SEC”), and resource information contained in this Form 10-Q may not be comparable to similar information disclosed by U.S. companies. In particular, the term “resource” does not equate to the term “reserves.” Under SEC Industry Guide 7, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. SEC Industry Guide 7 does not define and the SEC’s disclosure standards normally do not permit the inclusion of information concerning “measured mineral resources,” “indicated mineral resources” or “inferred mineral resources” or other descriptions of the amount of mineralization in mineral deposits that do not constitute “reserves” by U.S. standards in documents filed with the SEC. U.S. investors should also understand that “inferred mineral resources” have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an “inferred mineral resource” will ever be upgraded to a higher category. Under Canadian rules, estimated “inferred mineral resources” may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of an “inferred mineral resource” exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in-place tonnage and grade without reference to unit measures. Accordingly, information concerning mineral deposits set forth herein may not be comparable to information made public by companies that report in accordance with U.S. standards.

NI 43-101 Review of Technical Information: James A. Bonner, Ur-Energy Vice President Geology, P.Geo. and Qualified Person as defined by NI 43-101, reviewed and approved the technical information contained in this Form 10-Q.

Table of Contents

PART I

Item 1. FINANCIAL STATEMENTS

Ur-Energy Inc.

Unaudited Interim Consolidated Balance Sheets

(expressed in thousands of U.S. dollars)

	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents (note 4)	3,916	6,372
Accounts receivable	27	31
Inventory (note 5)	6,232	1,840
Prepaid expenses	798	847
	10,973	9,090
Long-term inventory (note 5)	8,720	12,852
Restricted cash (note 6)	7,460	7,458
Mineral properties (note 7)	45,162	45,805
Capital assets (note 8)	24,772	25,158
	86,114	91,273
	97,087	100,363
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	3,680	2,343
Current portion of long term debt (note 10)	5,173	5,062
Environmental remediation accrual	75	77
	8,928	7,482
Notes payable (note 10)	8,288	9,600
Lease liability (note 8)	11	-
Asset retirement obligations (note 11)	30,527	30,384
Other liabilities - warrants (note 12)	1,605	1,050
	40,431	41,034
	49,359	48,516
Shareholders' equity (note 13)		
Share Capital		
Class A preferred shares, without par value, unlimited shares authorized; no shares issued and outstanding	-	-
Common shares, without par value, unlimited shares authorized; shares issued and outstanding: 159,729,403 at March 31, 2019 and 159,729,403 at December 31, 2018	185,221	185,221
Warrants	-	-

Edgar Filing: UR-ENERGY INC - Form 10-Q

Contributed surplus	20,112	19,930
Accumulated other comprehensive income	3,671	3,670
Deficit	(161,276)	(156,974)
	47,728	51,847
	97,087	100,363

The accompanying notes are an integral part of these interim consolidated financial statements.

Approved by the Board of Directors

/s/ Jeffrey T. Klenda, Chairman of the Board

/s/ Thomas Parker, Director

3

Table of Contents

Ur-Energy Inc.

Unaudited Interim Consolidated Statements of Operations and Comprehensive Income

(expressed in thousands of U.S. dollars except for share data)

	Three months ended March 31,	
	2019	2018
Sales (note 14)	4,812	19,672
Cost of sales	(5,146)	(9,758)
Gross profit	(334)	9,914
Operating Expenses		
Exploration and evaluation	(774)	(766)
Development	(166)	(432)
General and administrative	(2,138)	(1,922)
Accretion of asset retirement obligations (note 11)	(143)	(126)
Income (loss) from operations	(3,555)	6,668
Net interest expense	(196)	(288)
Warrant mark to market adjustment	(533)	-
Loss on equity investment	-	(1)
Foreign exchange gain (loss)	(18)	6
Other income	-	33
Net income (loss) for the period	(4,302)	6,418
Income (loss) per common share		
Basic	(0.03)	0.04
Diluted	(0.03)	0.04
Weighted average number of common shares outstanding		
Basic	159,729,403	146,568,609
Diluted	159,729,403	147,821,876
COMPREHENSIVE INCOME (LOSS)		
Net income (loss) for the period	(4,302)	6,418
Other Comprehensive income (loss), net of tax		
Translation adjustment on foreign operations	1	(21)
Comprehensive income (loss) for the period	(4,301)	6,397

The accompanying notes are an integral part of these interim consolidated financial statements.

Table of Contents

Ur-Energy Inc.

Unaudited Interim Consolidated Statement of Shareholders' Equity

(expressed in thousands of U.S. dollars except for share data)

	Capital Stock Shares	Amount	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Shareholders' Equity
	#	\$	\$	\$	\$	\$	\$
Balance, December 31, 2018	159,729,403	185,221	-	19,930	3,670	(156,974)	51,847
Redemption of vested RSUs	-	-	-	(6)	-	-	(6)
Non-cash stock compensation	-	-	-	188	-	-	188
Net income and comprehensive income	-	-	-	-	1	(4,302)	(4,301)
Balance, March 31, 2019	159,729,403	185,221	-	20,112	3,671	(161,276)	47,728

The accompanying notes are an integral part of these interim consolidated financial statements.

Table of Contents

Ur-Energy Inc.

Unaudited Interim Consolidated Statements of Cash Flow

(expressed in thousands of U.S. dollars)

	Three months ended March 31,	
	2019	2018
Cash provided by		
Operating activities		
Net income (loss) for the period	(4,302)	6,418
Items not affecting cash:		
Stock based expense	188	330
Depreciation and amortization	1,098	906
Accretion of asset retirement obligations	143	126
Amortization of deferred loan costs	30	29
Provision for reclamation	(2)	-
Warrants mark to market loss	533	-
Gain on disposition of assets	-	(2)
Gain on foreign exchange	(18)	(6)
Change in non-cash working capital items:		
Accounts receivable	4	(18)
Inventory	(260)	(2,483)
Prepaid expenses	(17)	87
Accounts payable and accrued liabilities	1,402	1,047
	(1,201)	6,434
Investing activities		
Mineral property costs	(8)	(14)
Purchase of capital assets	(11)	(46)
	(19)	(60)
Financing activities		
Proceeds from exercise of stock options	-	42
RSUs redeemed to pay withholding or paid in cash	(6)	(13)
Repayment of debt	(1,269)	(1,198)
	(1,275)	(1,169)
Effects of foreign exchange rate changes on cash	41	(15)
Net change in cash, cash equivalents and restricted cash	(2,454)	5,190

Edgar Filing: UR-ENERGY INC - Form 10-Q

Beginning cash, cash equivalents and restricted cash	13,830	11,437
Ending cash, cash equivalents and restricted cash (note 15)	11,376	16,627

The accompanying notes are an integral part of these interim consolidated financial statements.

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

March 31, 2019

(expressed in thousands of U.S. dollars unless otherwise indicated)

1. Nature of Operations

Ur-Energy Inc. (the “Company”) was incorporated on March 22, 2004 under the laws of the Province of Ontario. The Company was continued under the Canada Business Corporations Act on August 8, 2006. Headquartered in Littleton, Colorado, the Company is an exploration stage mining company, as defined by U.S. Securities and Exchange Commission (“SEC”) Industry Guide 7. The Company is engaged in uranium mining and recovery operations, with activities including the acquisition, exploration, development and production of uranium mineral resources located in Wyoming. As of August 2013, the Company commenced uranium production at its Lost Creek Project in Wyoming.

Due to the nature of the uranium mining methods used by the Company on the Lost Creek Property, and the definition of “mineral reserves” under National Instrument 43-101 (“NI 43-101”), which uses the Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Definition Standards, the Company has not determined whether the property contains mineral reserves. However, the Company’s “Amended Preliminary Economic Assessment of the Lost Creek Property, Sweetwater County, Wyoming,” February 8, 2016 (“Lost Creek PEA”), outlines the potential viability of the Lost Creek Property. The recoverability of amounts recorded for mineral properties is dependent upon the discovery of economic resources, the ability of the Company to obtain the necessary financing to develop the properties and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

2. Liquidity Risk

Our operations are based on a small number of large sales. As a result, our cash flow and therefore our current assets and working capital may vary widely during the year based on the timing of those sales. Virtually all of our sales are under contracts which specify delivery quantities, sales prices and payment dates. The only exceptions are spot sales which we are currently only making when advantageous. As a result, we are able to perform cash management functions over the course of an entire year and are less reliant on current commodity prices and market conditions. We monitor our cash projections on a weekly basis and have used various techniques to manage our cash flows including

the assignment of deliveries, as we have done in the past, negotiating changes in delivery dates, purchasing inventory at favorable prices and raising capital.

As at March 31, 2019, the Company's financial liabilities consisted of trade accounts payable and accrued trade and payroll liabilities of \$1.7 million which are due within normal trade terms of generally 30 to 60 days, a note payable of \$13.7 million of which \$5.3 million is due within one year, and asset retirement obligations with estimated completion dates until 2033.

In addition, most of our current assets except for prepaid expenses are immediately realizable, if necessary, while our current liabilities include a substantial portion that is not due for three months or more which, given the existence of our contracts and set prices, allows us to plan for those payments well in advance and address shortfalls, if any.

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

March 31, 2019

(expressed in thousands of U.S. dollars unless otherwise indicated)

3.Summary of Significant Accounting Policies

Basis of presentation

These unaudited interim consolidated financial statements do not conform in all respects to the requirements of United States generally accepted accounting principles (“US GAAP”) for annual financial statements. The unaudited interim financial statements reflect all normal adjustments which in the opinion of management are necessary for a fair statement of the results for the periods presented. These unaudited interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2018.

We apply the same accounting policies as in the prior year other than as noted below. The year-end balance sheet data were derived from the audited financial statements and certain information and footnote disclosures required by US GAAP have been condensed or omitted.

New accounting pronouncements which were implemented this year

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize all leases on the balance sheet, including operating leases, unless the lease is a short-term lease. ASU 2016-02 also requires additional disclosures regarding leasing arrangements. ASU 2016-02 became effective for the Company as of January 1, 2019. At January 1, 2019, we had two office equipment leases, and the office lease in Casper which expires in July 2019 and renews strictly at our discretion at current market rates. As a result of adoption of ASC 2016-02, we recognized a liability of \$83.9 with a corresponding Right-Of-Use (“ROU”) assets of the same amount based on present value of the minimum rental payments of the leases which are included in non-current assets, current portion of long-term liabilities and long-term liabilities in the consolidated balance sheet. The discount rates used for leases are based on either the Company’s borrowing rate or the imputed interest rate based on the price of the equipment and the lease terms.

4.Cash and Cash Equivalents

The Company's cash and cash equivalents consist of the following:

	As at March 31, 2019	December 31, 2018
	\$	\$
Cash on deposit at banks	1,956	1,936
Money market funds	1,960	4,436
	3,916	6,372

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

March 31, 2019

(expressed in thousands of U.S. dollars unless otherwise indicated)

5. Inventory

The Company's inventory consists of the following:

	As at	
	March 31, 2019	December 31, 2018
	\$	\$
In-process inventory	-	160
Plant inventory	1,259	345
Conversion facility inventory	13,693	14,187
	14,952	14,692
Inventory to be sold within 12 months	6,232	1,840
Long term inventory	8,720	12,852

In conjunction with our lower of cost or net realizable value ("NRV") calculations, the Company reduced the inventory valuation by \$1,964 for the three months ended March 31, 2019.

6. Restricted Cash

The Company's restricted cash consists of money market accounts and short term government bonds.

The bonding requirements for reclamation obligations on various properties have been agreed to by the Wyoming Department of Environmental Quality (“WDEQ”), the Wyoming Uranium Recovery Program (“URP”) and the Bureau of Land Management (“BLM”) as applicable. The restricted money market accounts are pledged as collateral against performance surety bonds which are used to secure the potential costs of reclamation related to those properties. Surety bonds providing \$29.9 million of coverage towards specific reclamation obligations are collateralized by \$7.4 million of the restricted cash at March 31, 2019.

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

March 31, 2019

(expressed in thousands of U.S. dollars unless otherwise indicated)

7. Mineral Properties

The Company's mineral properties consist of the following:

	Lost Creek Property \$	Pathfinder Mines \$	Other U.S. Properties \$	Total \$
Balance, December 31, 2018	12,644	19,964	13,197	45,805
Acquisition costs	-	-	8	8
Amortization	(651)	-	-	(651)
Balance, March 31, 2019	11,993	19,964	13,205	45,162

Lost Creek Property

The Company acquired certain Wyoming properties in 2005 when Ur-Energy USA Inc. purchased 100% of NFU Wyoming, LLC. Assets acquired in this transaction include the Lost Creek Project, other Wyoming properties and development databases. NFU Wyoming, LLC was acquired for aggregate consideration of \$20 million plus interest. Since 2005, the Company has increased its holdings adjacent to the initial Lost Creek acquisition through staking additional claims and additional property purchases and leases.

There is a royalty on each of the State of Wyoming sections under lease at the Lost Creek, LC West and EN Projects, as required by law. Other royalties exist on certain mining claims at the LC South, LC East and EN Projects. Currently, there are no royalties on the mining claims in the Lost Creek, LC North or LC West Projects.

Pathfinder Mines

The Company acquired additional Wyoming properties when Ur-Energy USA Inc. closed a Share Purchase Agreement (“SPA”) with an AREVA Mining affiliate in December 2013. Under the terms of the SPA, the Company purchased Pathfinder Mines Corporation (“Pathfinder”) to acquire additional mineral properties. Assets acquired in this transaction include the Shirley Basin mine, portions of the Lucky Mc mine, machinery and equipment, vehicles, office equipment and development databases. Pathfinder was acquired for aggregate consideration of \$6.7 million, a 5% production royalty under certain circumstances and the assumption of \$5.7 million in estimated asset reclamation obligations. At June 30, 2016, the royalty expired and was terminated.

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

March 31, 2019

(expressed in thousands of U.S. dollars unless otherwise indicated)

8.Capital Assets

The Company's capital assets consist of the following:

	As of March 31, 2019			As of December 31, 2018		
	Cost \$	Accumulated Depreciation \$	Net Book Value \$	Cost \$	Accumulated Depreciation \$	Net Book Value \$
Rolling stock	3,432	3,302	130	3,432	3,290	142
Enclosures	32,991	8,943	24,048	32,991	8,530	24,461
Machinery and equipment	1,241	743	498	1,237	728	509
Furniture, fixtures and leasehold improvements	119	111	8	119	110	9
Information technology	1,134	1,096	38	1,127	1,090	37
ROU Assets	83	33	50	-	-	-
	39,000	14,228	24,772	38,906	13,748	25,158

As disclosed in note 3, the Company applied ASU 2016-02 to our existing leases. As of March 31, 2019, we currently include an office lease of \$34 and equipment leases of \$16 in assets and liabilities. Of the \$50 liability, \$11 is included in long-term liabilities and the balance in the current portion of long term liabilities.

9..Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	As at March 31, 2019	December 31, 2018
	\$	\$
Accounts payable	608	620
Payroll and other taxes	2,518	1,218
Severance and ad valorem tax payable	554	505
	3,680	2,343

10. Notes Payable

On October 15, 2013, the Sweetwater County Commissioners approved the issuance of a \$34.0 million Sweetwater County, State of Wyoming, Taxable Industrial Development Revenue Bond (Lost Creek

11

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

March 31, 2019

(expressed in thousands of U.S. dollars unless otherwise indicated)

Project), Series 2013 (the “Sweetwater IDR Bond”) to the State of Wyoming, acting by and through the Wyoming State Treasurer, as purchaser. On October 23, 2013, the Sweetwater IDR Bond was issued and the proceeds were in turn loaned by Sweetwater County to Lost Creek ISR, LLC pursuant to a financing agreement dated October 23, 2013 (the “State Bond Loan”). The State Bond Loan calls for payments of interest at a fixed rate of 5.75% per annum on a quarterly basis commencing January 1, 2014. The principal is payable in 28 quarterly installments commencing January 1, 2015 and continuing through October 1, 2021.

Deferred loan fees include legal fees, commissions, commitment fees and other costs associated with obtaining the financing. Those fees amortizable within 12 months of March 31, 2019 are considered current.

The following table lists the current (within 12 months) and long term portion of the Company’s debt instrument:

	As at	
	March 31, 2019	December 31, 2018
	\$	\$
Current debt		
Lease liabilities (note 8)	38	-
Sweetwater County Loan	5,257	5,183
Less deferred financing costs	(122)	(121)
	5,173	5,062
Long term debt		
Sweetwater County Loan	8,470	9,813
Less deferred financing costs	(182)	(213)
	8,288	9,600

Schedule of payments on outstanding debt as of March 31, 2019:

Debt	Total	2019	2020	2021	Maturity
	\$	\$	\$	\$	
Sweetwater County Loan					
Principal	13,727	3,914	5,487	4,326	01-Oct-21
Interest	1,108	536	447	125	
Total	14,835	4,450	5,934	4,451	

11. Asset Retirement and Reclamation Obligations

Asset retirement obligations ("ARO") relate to the Lost Creek mine and Pathfinder projects and are equal to the present value of all estimated future costs required to remediate any environmental disturbances that exist as of the end of the period discounted at a risk-free rate. Included in this liability are the costs of

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

March 31, 2019

(expressed in thousands of U.S. dollars unless otherwise indicated)

closure, reclamation, demolition and stabilization of the mines, processing plants, infrastructure, aquifer restoration, waste dumps and ongoing post-closure environmental monitoring and maintenance costs.

At March 31, 2019, the total undiscounted amount of the future cash needs was estimated to be \$29.9 million. The schedule of payments required to settle the ARO liability extends through 2033.

The restricted cash as discussed in note 6 is related to the surety bonds which provide security to the governmental agencies on these obligations.

	For the period ended	
	March 31, 2019	December 31, 2018
	\$	\$
Beginning of period	30,384	27,036
Change in estimated liability	-	2,840
Accretion expense	143	508
End of period	30,527	30,384

12. Other Liabilities

As a part of the September 2018 public offering, we sold 13,062,878 warrants priced at \$0.01 per warrant. Two warrants are redeemable for one Common Share of the Company's stock at a price of \$1.00 per full share. As the warrants are priced in US\$ and the functional currency of Ur-Energy Inc. is Cdn\$, this created a derivative financial liability. The liability created and adjusted quarterly is a calculated fair value using the Black-Scholes technique described below as there is no active market for the warrants. Any income or loss is reflected in net income for the period. The revaluation as of March 31, 2019 resulted in a loss of \$533 for the period ended March 31, 2019 which is reflected on the statement of operations.

13. Shareholders' Equity and Capital Stock

Stock options

In 2005, the Company's Board of Directors approved the adoption of the Company's stock option plan (the "Option Plan"). The Option Plan was most recently approved by the shareholders on May 18, 2017. Eligible participants under the Option Plan include directors, officers, employees and consultants of the Company. Under the terms of the Option Plan grants of options will vest over a three-year period: 33.3% on the first anniversary, 33.3% on the second anniversary, and 33.4% on the third anniversary of the grant. The term of options remains five years.

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

March 31, 2019

(expressed in thousands of U.S. dollars unless otherwise indicated)

Activity with respect to stock options is summarized as follows:

	Options #	Weighted- average exercise price \$
Balance, December 31, 2018	9,731,612	0.64
Expired	(100,000)	1.30
Outstanding, March 31, 2019	9,631,612	0.63

The exercise price of a new grant is set at the closing price for the shares on the Toronto Stock Exchange (TSX) on the trading day immediately preceding the grant date so there is no intrinsic value as of the date of grant. The fair value of options vested during the three months ended March 31, 2019 was less than \$0.1 million.

As of March 31, 2019, outstanding stock options are as follows:

Exercise price \$	Options outstanding			Options exercisable			Expiry
	Number of options	Weighted- average remaining contractual life (years)	Aggregate intrinsic value \$	Number of options	Weighted- average remaining contractual life (years)	Aggregate intrinsic value \$	
0.75	724,274	0.7	37	724,274	0.7	37	12-Dec-19

Edgar Filing: UR-ENERGY INC - Form 10-Q

0.84	200,000	1.2	-	200,000	1.2	-	29-May-20
0.63	568,602	1.4	88	568,602	1.4	88	17-Aug-20
0.59	984,878	1.7	186	984,878	1.7	186	11-Dec-20
0.54	2,411,930	2.7	560	2,411,930	2.7	560	16-Dec-21
0.75	300,000	2.9	15	300,000	2.9	15	02-Mar-22
0.54	200,000	3.4	46	66,000	3.4	15	07-Sep-22
0.66	2,064,916	3.7	266	774,608	3.7	100	15-Dec-22
0.56	200,000	4.0	43	66,000	4.0	14	30-Mar-23
0.68	1,057,654	4.4	118	8,852	4.4	1	20-Aug-23
0.67	919,358	4.7	111	8,277	4.7	1	14-Dec-23
0.63	9,631,612	3.0	1,470	6,113,421	2.3	1,017	

The aggregate intrinsic value of the options in the preceding table represents the total pre-tax intrinsic value for stock options with an exercise price less than the Company's TSX closing stock price of Cdn\$1.05 as of the last trading day in the period ended March 31, 2019, that would have been received by the option

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

March 31, 2019

(expressed in thousands of U.S. dollars unless otherwise indicated)

holders had they exercised their options as of that date. The total number of in-the-money stock options outstanding as of March 31, 2019 was 9,431,612. The total number of in-the-money stock options exercisable as of March 31, 2019 was 5,913,421.

We elect to estimate the number of awards expected to vest in lieu of accounting for forfeitures when they occur.

Restricted share units

On June 24, 2010, the Company's shareholders approved the adoption of the Company's restricted share unit plan (the "RSU Plan"). The RSU Plan was approved by our shareholders most recently on May 5, 2016.

Eligible participants under the RSU Plan include directors and employees of the Company. RSUs in a grant redeem on the second anniversary of the grant. Upon RSU vesting, the holder of an RSU will receive one common share, for no additional consideration, for each RSU held.

Activity with respect to RSUs is summarized as follows:

	Number of RSUs	Weighted average grant date fair value
Unvested, December 31, 2018	955,496	0.67
Vested	(9,053)	0.68

Unvested, March 31, 2019 946,443 0.68

As of March 31, 2019, outstanding RSUs are as follows:

Grant date	Number of unvested RSUs	Remaining life (years)	Aggregate intrinsic value \$
December 15, 2017	481,456	0.71	390
August 20, 2018	237,210	1.40	192
December 14, 2018	227,777	1.71	184
	946,443	1.11	766

As of March 30, 2018, one of our directors retired. Under the terms of our RSU Plan, his 62,000 outstanding RSUs automatically vested. On December 17, 2018, 32,000 RSUs were redeemed for Common

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

March 31, 2019

(expressed in thousands of U.S. dollars unless otherwise indicated)

Shares. The balance will be redeemed for cash or stock at the compensation committee's discretion when the RSUs in that grant vest on December 15, 2019.

Warrants

On September 25, 2018, the Company issued 13,062,878 warrants to purchase 6,531,439 of our Common Shares at \$1.00 per full share (see note 11). The following represents warrant activity during the period ended March 31, 2019:

	Number of warrants	Number of shares to be issued upon exercise	Per share exercise price \$
Outstanding, December 31, 2018	13,062,878	6,531,439	1.00
Outstanding, March 31, 2019	13,062,878	6,531,439	1.00

As of March 31, 2019, outstanding warrants are as follows:

Exercise price \$	Number of warrants	Remaining contractual life (years)	Aggregate Intrinsic Value \$	Expiry
1.00	13,062,878	2.5	-	25-Sep-21

1.00	13,062,878	2.5	-
------	------------	-----	---

Share-based compensation expense

Share-based compensation expense was \$0.2 million for the three months ended March 31, 2019 and \$0.3 million for the three months ended March 31, 2018, respectively.

As of March 31, 2019, there was approximately \$1.0 million of total unrecognized compensation expense (net of estimated pre-vesting forfeitures) related to unvested share-based compensation arrangements granted under the Option Plan and \$0.5 million under the RSU Plan. The expenses are expected to be recognized over a weighted-average period of 2.2 years and 1.3 years, respectively.

No cash was received from stock options for the three months ended March 31, 2019 and less than \$0.1 million for the three months ended March 31, 2018.

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

March 31, 2019

(expressed in thousands of U.S. dollars unless otherwise indicated)

Fair value calculations

The initial fair value of options and RSUs granted is determined using the Black-Scholes option pricing model for options and the intrinsic pricing model for RSUs. There were no options nor RSUs granted in either the three months ended March 31, 2019 or the three months ended March 31, 2018.

The Company estimates expected volatility using daily historical trading data of the Company's Common Shares, because this is recognized as a valid method used to predict future volatility. The risk-free interest rates are determined by reference to Canadian Treasury Note constant maturities that approximate the expected option term. The Company has never paid dividends and currently has no plans to do so.

Share-based compensation expense is recognized net of estimated pre-vesting forfeitures, which results in recognition of expense on options that are ultimately expected to vest over the expected option term. Forfeitures were estimated using actual historical forfeiture experience.

14. Sales

Sales have been derived from U_3O_8 being sold to domestic utilities, primarily under term contracts, as well as to a trader through spot sales.

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

March 31, 2019

(expressed in thousands of U.S. dollars unless otherwise indicated)

Disaggregation of Revenues

The following table presents our revenues disaggregated by revenue source and type of revenue for each revenue source:

	Three months ended March 31,			
	2019		2018	
	\$		\$	
Sale of produced inventory				
Company A	2,406	50.0%	-	0.0%
Company B	-	0.0%	237	1.2%
	2,406	50.0%	237	1.2%
Sales of purchased inventory				
Company A	2,406	50.0%	-	0.0%
Company C	-	0.0%	15,636	79.5%
Company D	-	0.0%	3,790	19.3%
	2,406	50.0%	19,426	98.8%
Total sales	4,812	100.0%	19,663	100.0%
Disposal fee income	-	0.0%	9	0.0%
	4,812	100.0%	19,672	100.0%

The names of the individual companies have not been disclosed for reasons of confidentiality.

Cash per the Statement of Cash Flows consists of the following:

	As at March 31, 2019	March 31, 2018
	\$	\$
Cash and cash equivalents	3,916	9,169
Restricted cash	7,460	7,458
	11,376	16,627

16. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, restricted cash, deposits, accounts payable and accrued liabilities and notes payable. The Company is exposed to risks

18

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

March 31, 2019

(expressed in thousands of U.S. dollars unless otherwise indicated)

related to changes in interest rates and management of cash and cash equivalents and short-term investments.

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and restricted cash. These assets include Canadian dollar and U.S. dollar denominated certificates of deposit, money market accounts and demand deposits. These instruments are maintained at financial institutions in Canada and the U.S. Of the amount held on deposit, approximately \$0.8 million is covered by the Canada Deposit Insurance Corporation, the Securities Investor Protection Corporation or the U.S. Federal Deposit Insurance Corporation, leaving approximately \$10.6 million at risk at March 31, 2019 should the financial institutions with which these amounts are invested be rendered insolvent. The Company does not consider any of its financial assets to be impaired as of March 31, 2019.

All of the Company's customers have Moody's Baa or greater ratings and purchase from the Company under contracts with set prices and payment terms.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due.

As at March 31, 2019, the Company's financial liabilities consisted of trade accounts payable and accrued trade and payroll liabilities of \$1.7 million which are due within normal trade terms of generally 30 to 60 days and a note payable which will be payable over a period of approximately three years.

We entered into an At Market Issuance Sales Agreement with MLV & Co. LLC and B Riley FBR, Inc. (May 2016, as amended August 2017) under which we may, from time to time, issue and sell Common Shares at market prices on the NYSE American or other U.S. market through the distribution agents for aggregate sales proceeds of up to \$10,000,000. We have not used the facility in 2019.

We expect that any major capital projects will be funded by operating cash flow, cash on hand or additional financing as required. If these cash sources are not sufficient, certain capital projects could be delayed, or alternatively we may need to pursue additional debt or equity financing to which there is no assurance that such financing will be available at all or on terms acceptable to us.

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

March 31, 2019

(expressed in thousands of U.S. dollars unless otherwise indicated)

Sensitivity analysis

The Company has completed a sensitivity analysis to estimate the impact that a change in interest rates would have on the net loss of the Company. This sensitivity analysis shows that a change of +/- 100 basis points in interest rate would have a negligible effect on either the three months ended March 31, 2019 or the comparable three months in 2018. The financial position of the Company may vary at the time that a change in interest rates occurs causing the impact on the Company's results to differ from that shown above.

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Business Overview

The following discussion is designed to provide information that we believe is necessary for an understanding of our financial condition, changes in financial condition and results of our operations. The following discussion and analysis should be read in conjunction with the MD&A contained in our Annual Report on Form 10-K for the year ended December 31, 2018.

Incorporated on March 22, 2004, Ur-Energy is an exploration stage mining company, as that term is defined in SEC Industry Guide 7. We are engaged in uranium mining, recovery and processing activities, including the acquisition, exploration, development and operation of uranium mineral properties in the U.S.. We are operating our first in situ recovery uranium mine at our Lost Creek Project in Wyoming. Ur-Energy is a corporation continued under the Canada Business Corporations Act on August 8, 2006. Our Common Shares are listed on the TSX under the symbol "URE" and on the NYSE American under the symbol "URG."

Ur-Energy has one wholly-owned subsidiary: Ur-Energy USA Inc., incorporated under the laws of the State of Colorado. Ur-Energy USA Inc. has three wholly-owned subsidiaries: NFU Wyoming, LLC, a limited liability company formed under the laws of the State of Wyoming which acts as our land holding and exploration entity; Lost Creek ISR, LLC, a limited liability company formed under the laws of the State of Wyoming to operate our Lost Creek Project and hold our Lost Creek properties and assets; and Pathfinder Mines Corporation ("Pathfinder"), incorporated under the laws of the State of Delaware, which holds, among other assets, the Shirley Basin and Lucky Mc properties in Wyoming. Our material U.S. subsidiaries remain unchanged since the filing of our Annual Report on Form 10-K, dated March 1, 2019. As discussed below, we now own 100% of The Bootheel Project, LLC.

We utilize in situ recovery ("ISR") of the uranium at our flagship project, Lost Creek, and will do so at other projects where possible. The ISR technique is employed in uranium extraction because it allows for an effective recovery of roll front uranium mineralization at a lower cost. At Lost Creek, we extract and process U_3O_8 for shipping to a third-party conversion facility to be weighed, assayed and stored until sold.

Our Lost Creek processing facility, which includes all circuits for the production, drying and packaging of uranium for delivery into sales, is designed and anticipated under current licensing to process up to one million pounds of U_3O_8 annually from the Lost Creek mine. The processing facility has the physical design capacity to process two million pounds of U_3O_8 annually, which provides additional capacity to process material from other sources. We expect that the Lost Creek processing facility may be utilized to process captured U_3O_8 from our Shirley Basin Project. However, the Shirley Basin permit application contemplates the construction of a full processing facility, providing greater construction and operating flexibility as may be dictated by market conditions.

We have multiple U_3O_8 sales agreements in place into 2021 with various U.S. utilities for the sale of U_3O_8 at term contract pricing. Historically, the multi-year sales agreements represented a portion of our planned production. Individually, term sales agreements do not represent a substantial portion of our operational budget, and our business is therefore not substantially dependent upon any one of the agreements. In recent years, we have purchased U_3O_8 and delivered the product into our sales contracts. With commitments in place to purchase product for delivery into our 2019 sales contracts, our Lost Creek production inventory is expected to increase unless market or other conditions warrant sales at spot pricing or we reach agreement for additional term agreements.

Table of Contents

Trade Action

In response to the challenges of uranium market conditions, primary among them imports to the U.S. emanating from state-sponsored producers in Russia, Kazakhstan, and Uzbekistan, in January 2018, Ur-Energy USA and Energy Fuels Resources (USA) Inc. (Energy Fuels) initiated a trade action with the U.S. Department of Commerce (DOC) pursuant to Section 232 of the Trade Expansion Act with the filing of a petition for relief (the "Petition"). We chose this statutory framework for relief because we recognized that the current imbalance in the U.S. uranium market has created a very real threat to our national security.

The Petition describes how uranium and nuclear fuel from state-owned and state-subsidized enterprises in Russia, Kazakhstan, Uzbekistan, and China represent a threat to U.S. national security. The Petition seeks a remedy which will set a quota to limit imports of uranium into the U.S., effectively reserving 25% of the U.S. nuclear market for U.S. uranium production. Additionally, the Petition suggests implementation of a requirement for U.S. federal utilities and agencies to buy U.S. uranium in accordance with the Administration's Buy American Policy.

The DOC announced the commencement of its investigation in July 2018 into "whether the present quantity and circumstances of uranium ore and product imports into the United States threaten to impair national security." On April 14, 2019, the DOC submitted the report on its investigation to the President. The President now has up to 90 days, after April 14, 2019, to act on the DOC's recommendations and, if necessary, to take action to "adjust the imports" and/or pursue other lawful, non-trade related actions necessary to address the import threat. There can be no certainty of the outcome of the DOC investigation or the actions to be taken by the White House, and therefore the outcome of this process and its effects on the U.S. uranium market is uncertain.

Additionally, during Q1 2019, we received a request from a Congressional committee as a part of an investigation of the current administration's actions regarding the uranium industry. We timely responded to the request.

Mineral Rights and Properties

Eleven of our thirteen U.S. uranium properties are located in the Great Divide Basin, Wyoming, including Lost Creek. Currently, we control nearly 1,900 unpatented mining claims and three State of Wyoming mineral leases for a total of approximately 37,500 acres (15,530 hectares) in the area of the Lost Creek Property, including the Lost Creek permit area (the "Lost Creek Project" or "Project"), and certain adjoining properties referred to as LC East, LC West, LC North, LC South and EN Project areas (collectively, with the Lost Creek Project, the "Lost Creek Property"). In the Shirley Basin, Wyoming, our Shirley Basin Project comprises more than 3,700 Company-controlled acres. Our Lucky Mc Project holds 1,800 acres in Fremont County, Wyoming. Additionally, we have approximately 2,100 acres of federal lode mining claims in the Excelsior Mountains in Nevada, at our Excel gold project.

Lost Creek Property

For the three months ended March 31, 2019, we sold 97,500 pounds of U₃O₈ of which 48,750 pounds were produced at Lost Creek and the balance purchased. Production during the first quarter continued from Mine Unit 1 (MU1) as well as Mine Unit 2 (MU2). 22,551 pounds of U₃O₈ were captured within the Lost Creek plant, 21,015 pounds of U₃O₈ were packaged in drums. There were no shipments out of the Lost Creek processing plant to the conversion facility. Our inventory at the convertor totaled approximately 375,803 at March 31, 2019. The Results of Operations are detailed further below.

Table of Contents

Regulatory Update

Applications for amendment to the Lost Creek licenses and permits were submitted in 2014. The amendments seek to include recovery from the uranium resource in the LC East project immediately adjacent to the Lost Creek project. In Q1 2019, the BLM, which led a group of cooperating agencies in the NEPA review of the federal application for amendment, issued its Record of Decision. Review by WDEQ continues to progress. We anticipate that all permits and authorizations will be completed in 2019.

Shirley Basin Project

WDEQ continues with its technical review of our application for a permit to mine at Shirley Basin, which was submitted in December 2015. Our application for a source material license for Shirley Basin is proceeding through a review by the State Uranium Recovery Program. We anticipate the state process to be complete, with necessary permits and authorizations received, in 2019. The BLM has initiated its review of the Plan of Operations for Shirley Basin. Work is well underway on initial engineering evaluations, designs and studies.

Other Wyoming Projects

During the quarter, we returned to being the 100% owner of The Bootheel Project, LLC. Our co-member and the manager of the Project, Crosshair Exploration, offered its resignation as a member and the manager of the Project which became effective March 2019. This comes as Crosshair's ultimate parent, Canada Jetlines, completed its divestiture of mineral properties to focus entirely on its airline services. While we do not treat the Project as a material property, we are pleased to return to a 100% interest in this Wyoming mineral property.

Table of Contents

Results of Operations

U₃O₈ Production and Sales

During the three months ended March 31, 2019, 22,551 pounds of U₃O₈ were captured within the Lost Creek plant and 21,015 pounds were packaged in drums. We did not ship any drummed inventory to the conversion facility. Inventory, production and sales figures for the Lost Creek Project are presented in the following tables. We are presenting the data in the tables for the last four quarters because the nature of our operations is not regularly based on the calendar year. We therefore feel that presenting the last four quarters is a more meaningful representation of operations than comparing comparable periods in the previous year and enables the reader to better perform trend analysis.

The cash cost per pound and non-cash cost per pound for produced uranium presented in the following Production Costs and U₃O₈ Sales and Cost of Sales tables are non-US GAAP measures. These measures do not have a standardized meaning within US GAAP or a defined basis of calculation. These measures are used by management to assess business performance and determine production and pricing strategies. They may also be used by certain investors to evaluate performance. Please see the tables, below, for reconciliations of these measures to the US GAAP compliant financial measures. Production figures for the Lost Creek Project are as follows:

Production and Production Costs	Unit	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Pounds captured	lb	22,551	48,304	80,604	89,209
Ad valorem and severance tax	\$000	\$ 57	\$ 30	\$ 81	\$ 133
Wellfield cash cost (1)	\$000	\$ 250	\$ 459	\$ 422	\$ 516
Wellfield non-cash cost (2)	\$000	\$ 612	\$ 400	\$ 400	\$ 400
Ad valorem and severance tax per pound captured	\$/lb	\$ 2.53	\$ 0.62	\$ 1.00	\$ 1.49
Cash cost per pound captured	\$/lb	\$ 11.09	\$ 9.50	\$ 5.24	\$ 5.78
Non-cash cost per pound captured	\$/lb	\$ 27.14	\$ 8.28	\$ 4.96	\$ 4.48
Pounds drummed	lb	21,015	53,654	78,441	74,302
Plant cash cost (3)	\$000	\$ 1,318	\$ 1,154	\$ 1,109	\$ 1,230
Plant non-cash cost (2)	\$000	\$ 480	\$ 484	\$ 485	\$ 493
Cash cost per pound drummed	\$/lb	\$ 62.72	\$ 21.51	\$ 14.14	\$ 16.57
Non-cash cost per pound drummed	\$/lb	\$ 22.84	\$ 9.02	\$ 6.18	\$ 6.64
Pounds shipped to conversion facility	lb	—	67,040	72,902	74,416
Distribution cash cost (4)	\$000	\$ 6	\$ 47	\$ 36	\$ 34
Cash cost per pound shipped	\$/lb	\$ -	\$ 0.70	\$ 0.49	\$ 0.46

Edgar Filing: UR-ENERGY INC - Form 10-Q

Pounds purchased	lb	97,500	-	-	100,000
Purchase costs	\$000	\$ 2,681	\$ -	\$ -	\$ 2,225
Cash cost per pound purchased	\$/lb	\$ 27.50	\$ -	\$ -	\$ 22.25

24

Table of Contents

Notes:

- ¹ Wellfield cash costs include all wellfield operating costs. Wellfield construction and development costs, which include wellfield drilling, header houses, pipelines, power lines, roads, fences and disposal wells, are treated as development expenses and are not included in wellfield operating costs.
- ² Non-cash costs include the amortization of the investment in the mineral property acquisition costs and the depreciation of plant equipment, and the depreciation of their related asset retirement obligation costs. The expenses are calculated on a straight-line basis, so the expenses are typically constant for each quarter. The cost per pound from these costs will therefore typically vary based on production levels only.
- ³ Plant cash costs include all plant operating costs and site overhead costs.
- ⁴ Distribution cash costs include all shipping costs and costs charged by the conversion facility for weighing, sampling, assaying and storing the U₃O₈ prior to sale.

Production levels during the current quarter decreased as the maturing MU2 header houses exhibited normal production curve declines. Despite difficult winter weather conditions, including significant snow accumulations, production rates were in line with guidance for the quarter. Generally, we have intentionally restricted our production in light of the persistently weak uranium market. Total production costs increased 6% in 2019 Q1 compared to 2018 Q4 and 8% compared to 2018 Q3. The increase resulted from the accrual of annual bonuses in Q1, significant additional costs associated with snow removal and road maintenance brought on by the severe winter conditions, and an increase in non-cash wellfield costs from the depreciation of additional ARO assets added at December 31, 2018.

Pounds captured decreased 25,753 pounds from 2018 Q4 as there were no new header houses added since the addition of the third MU2 header house in May 2018. Total wellfield costs increased \$30 during the quarter. Ad valorem and severance taxes increased due to the January sale of produced inventory which increased the sales price used in the calculations. Wellfield cash costs decreased during the quarter despite the bonus accrual due to transferring certain personnel to plant and development positions and lower licensing costs. Despite the lower cash costs, the wellfield cash cost per pound captured increased \$1.59 per pound in 2019 Q1. Wellfield non-cash costs increased by \$212 due to the depreciation of ARO assets added at December 31, 2018. Combined with the reduction in production, the related wellfield non-cash cost per pound captured therefore increased \$18.86 per pound.

Pounds drummed decreased 32,639 pounds in 2019 Q1 over 2018 Q4 due to the reduction in captured pounds. Total plant costs increased \$164 during the quarter due to the additional personnel transferred from wellfield operations, the annual bonus accrual and heavy snow removal costs. The plant cash cost per pound drummed increased \$41.21 per pound during the quarter. Plant non-cash costs are fixed so the related plant non-cash cost per pound drummed also increased \$13.82 per pound because of the decrease in pounds drummed.

There were no shipments during the quarter. Distribution costs in 2019 Q1 were related to the converter completing weighing and sampling on prior deliveries. As there were no shipments, there are no cost per pound calculations for distribution.

Table of Contents

Sales and cost of sales	Unit	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Pounds sold	lb	97,500	-	-	100,000
U3O8 sales	\$000	\$ 4,812	\$ -	\$ -	\$ 3,790
Average contract price	\$/lb	\$ 49.35	\$ -	\$ -	\$ 37.90
Average spot price	\$/lb	\$ -	\$ -	\$ -	\$ -
Average price per pound sold	\$/lb	\$ 49.35	\$ -	\$ -	\$ 37.90
U3O8 cost of sales (1)	\$000	\$ 3,181	\$ -	\$ -	\$ 2,225
Ad valorem and severance tax cost per pound sold	\$/lb	\$ 1.52	\$ -	\$ -	\$ -
Cash cost per pound sold	\$/lb	\$ 23.86	\$ -	\$ -	\$ -
Non-cash cost per pound sold	\$/lb	\$ 12.36	\$ -	\$ -	\$ -
Cost per pound sold - produced	\$/lb	\$ 37.74	\$ -	\$ -	\$ -
Cost per pound sold - purchased	\$/lb	\$ 27.50	\$ -	\$ -	\$ 22.25
Total average cost per pound sold	\$/lb	\$ 32.63	\$ -	\$ -	\$ 22.25
U3O8 gross profit	\$000	\$ 1,631	\$ -	\$ -	\$ 1,565
Gross profit per pound sold	\$/lb	\$ 16.72	\$ -	\$ -	\$ 15.65
Gross profit margin	%	33.9%	0.0%	0.0%	41.3%
Ending Inventory Balances					
Pounds					
In-process inventory	lb	10,595	9,134	14,588	43,733
Plant inventory	lb	28,574	7,559	20,944	15,391
Conversion facility inventory produced	lb	327,053	375,803	308,762	233,712
Conversion facility inventory purchased	lb	48,750	-	-	-
Total inventory	lb	414,972	392,496	344,294	292,836
Total cost					
In-process inventory	\$000	\$ -	\$ 160	\$ 359	\$ 518
Plant inventory	\$000	\$ 1,259	\$ 345	\$ 665	\$ 548
Conversion facility inventory produced	\$000	\$ 12,352	\$ 14,187	\$ 11,143	\$ 8,738
Conversion facility inventory purchased	\$000	\$ 1,341	\$ -	\$ -	\$ -
Total inventory	\$000	\$ 14,952	\$ 14,692	\$ 12,167	\$ 9,804
Cost per pound					
In-process inventory	\$/lb	\$ -	\$ 17.52	\$ 24.61	\$ 11.84
Plant inventory	\$/lb	\$ 44.06	\$ 45.64	\$ 31.75	\$ 35.61
Conversion facility inventory produced	\$/lb	\$ 37.77	\$ 37.75	\$ 36.09	\$ 37.39
Conversion facility inventory purchased	\$/lb	\$ 27.50	\$ -	\$ -	\$ -

Note:

- ¹ U₃O₈ cost of sales include all production costs (notes 1, 2, 3 and 4 in the previous Production and Production Cost table) adjusted for changes in inventory values and excludes NRV.

During the quarter we sold 97,500 pounds under term contracts at a price per pound of \$49.35 per pound, of which 48,750 pounds were from production and the balance was purchased.

Table of Contents

For the quarter, our uranium cost of sales totaled \$3.2 million which included \$1.3 million of purchase costs and \$1.9 million of production costs. In 2019 Q1, we purchased 97,500 pounds at an average price of \$27.50 per pound, of which half remains in our inventory. The average cost per pound sold from production was \$37.74.

Excluding the NRV adjustment of \$2.0 million, the gross profit from uranium sales for 2019 Q1 was \$1.6 million, which represents a gross profit margin of approximately 34%.

At the end of the quarter, we had approximately 375,803 pounds of U₃O₈ at the conversion facility including 327,053 produced pounds at an average cost per pound of \$37.77, and 48,750 purchased pounds at a cost of \$27.50 per pound. The following table shows the average cost per pound of the conversion facility inventory.

Ending Conversion Facility Inventory Cost Per Pound Summary (Produced)	Unit	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18
Ad valorem and severance tax cost per pound	\$/lb	\$ 1.52	\$ 1.52	\$ 1.60	\$ 1.73
Cash cost per pound	\$/lb	\$ 23.87	\$ 23.85	\$ 22.83	\$ 23.66
Non-cash cost per pound	\$/lb	\$ 12.38	\$ 12.38	\$ 11.66	\$ 12.00
Total cost per pound	\$/lb	\$ 37.77	\$ 37.75	\$ 36.09	\$ 37.39
Conversion Facility Inventory Per Pound (Purchased)					
Total cost per pound	\$/lb	\$ 27.50	\$ -	\$ -	\$ -

The cost per pound in ending inventory at the conversion facility has fluctuated during recent quarters, but the fluctuation is primarily the result of the changes in production rate. As it takes time for the prices to move through the in-process, plant and conversion facility inventories, a change in production may not affect the conversion facility inventory valuation for several months. Our costs per pound have been higher than in previous years which reflects our deliberate restriction of production considering the persistently weak uranium market. The carrying amount of our inventories have been adjusted to reflect NRV adjustments using the projection of the sales into existing term contracts at prices greater than the current spot price.

Reconciliation of Non-GAAP sales and inventory presentation with US GAAP statement presentation

As discussed above, the cash costs, non-cash costs and per pound calculations are non-US GAAP measures we use to assess business performance. To facilitate a better understanding of these measures, the tables below present a reconciliation of these measures to the financial results as presented in our financial statements.

Table of Contents

Average Price Per Pound Sold Reconciliation	Unit	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Sales per financial statements	\$000	\$ 4,812	\$ 14	\$ 3	\$ 3,807
Less disposal fees	\$000	\$ -	\$ (14)	\$ (3)	\$ (17)
U ₃ O ₈ sales	\$000	\$ 4,812	\$ -	\$ -	\$ 3,790
Pounds sold - produced	lb	48,750	-	-	-
Pounds sold - purchased	lb	48,750	-	-	100,000
Total pounds sold	lb	97,500	-	-	100,000
Average price per pound sold	\$/lb	\$ 49.35	\$ -	\$ -	\$ 37.90

The Company delivers U₃O₈ to a conversion facility and receives credit for a specified quantity measured in pounds once the product is confirmed to meet the required specifications. When a delivery is approved, the Company notifies the conversion facility with instructions for a title transfer to the customer. Revenue is recognized once a title transfer of the U₃O₈ is confirmed by the conversion facility.

Total Cost Per Pound Sold Reconciliation (1)	Unit	2019 Q1	2018 Q4	2018 Q3	2018 Q2
Cost of sales per financial statements		\$ 5,146	\$ 50	\$ 170	\$ 2,225
Less adjustments reflecting the lower of cost or NRV		\$ (1,965)	\$ (50)	\$ (170)	\$ -
U ₃ O ₈ cost of sales		\$ 3,181	\$ -	\$ -	\$ 2,225
Ad valorem & severance taxes	\$000	\$ 57	\$ 30	\$ 81	\$ 133
Wellfield costs	\$000	\$ 862	\$ 859	\$ 823	\$ 916
Plant and site costs	\$000	\$ 1,798	\$ 1,638	\$ 1,594	\$ 1,723
Distribution costs	\$000	\$ 6	\$ 47	\$ 36	\$ 34
Inventory change	\$000	\$ (883)	\$ (2,574)	\$ (2,534)	\$ (2,806)
Cost of sales - produced	\$000	\$ 1,840	\$ —	\$ —	\$ —
Cost of sales - purchased	\$000	\$ 1,341	\$ —	\$ —	\$ 2,225
Total cost of sales	\$000	\$ 3,181	\$ —	\$ —	\$ 2,225
Pounds sold produced	lb	48,750	—	—	-
Pounds sold purchased	lb	48,750	—	—	100,000
Total pounds sold	lb	97,500	—	—	100,000
Average cost per pound sold - produced	\$/lb	\$ 37.74	\$ -	\$ -	\$ -
Average cost per pound sold - purchased	\$/lb	\$ 27.50	\$ -	\$ -	\$ 22.25
Total average cost per pound sold	\$/lb	\$ 32.63	\$ -	\$ -	\$ 22.25

Note:

28

Table of Contents

1. The cost of sales per the financial statements includes ad valorem and severance taxes related to the extraction of uranium, all costs of wellfield, plant and site operations including the related depreciation and amortization of capitalized assets, reclamation and mineral property costs, plus product distribution costs. These costs are also used to value inventory and the resulting inventoried cost per pound is compared to the estimated sales prices based on the contracts or spot sales anticipated for the distribution of the product. Any costs in excess of the calculated realizable value are charged to the cost of sales per the financial statements as adjustments reflecting the lower of cost or NRV. These adjustments are excluded from U₃O₈ cost of sales because they relate to the pounds of U₃O₈ in ending inventories and do not relate to the pounds of U₃O₈ sold during the period.

Three months ended March 31, 2019 compared to the three months ended March 31, 2018

The following tables summarize the results of operations for the three months ended March 31, 2019 and 2018 (in thousands of U.S. dollars):

	Three months ended March 31,	
	2019	2018
	\$	\$
Sales	4,812	19,672
Cost of sales	(5,146)	(9,758)
Gross profit (loss)	(334)	9,914
Exploration and evaluation expense	(774)	(766)
Development expense	(166)	(432)
General and administrative expense	(2,138)	(1,922)
Accretion expense	(143)	(126)
Net profit from operations	(3,555)	6,668
Net interest expense	(196)	(288)
Warrant mark to market gain	(533)	-
Loss from equity investment	-	(1)
Foreign exchange gain (loss)	(18)	6
Other income	-	33
Net income	(4,302)	6,418
Income per share – basic	(0.03)	0.04
Income per share – diluted	(0.03)	0.04
Revenue per pound sold	49.35	51.74
Total cost per pound sold	32.63	25.68
Gross profit per pound sold	16.72	26.06

Table of Contents

Sales

We sold a total of 97,500 pounds of U_3O_8 during the three months ended March 31, 2019 for an average price of \$49.35 per pound. We sold 380,000 of U_3O_8 during the three months ended March 31, 2018 for an average price of \$51.74 per pound. The 2019 sales were all from term contracts. The 2018 sales were mostly from purchased inventory into term contracts at an average price of \$52.50 and one spot sale of 10,000 pounds of produced inventory for \$23.75 per pound.

Cost of Sales

The cost of sales includes all costs of wellfield operations and maintenance, severance and ad valorem taxes, plant operations and maintenance and mine site overhead including depreciation on the related capital assets, capitalized reclamation costs and amortization of mineral property costs, the cost of inventory purchased for resale and distribution costs. Wellfield costs, plant costs, site overhead costs and distribution costs are included in inventory and the resulting inventoried cost per pound is compared to the estimated sales prices based on the contracts or spot sales anticipated for the distribution of the product. Any costs in excess of the calculated market value are charged to expense.

As compared to Q1 2018, our cost per pound sold increased \$6.95 to \$32.63 in 2019. The increase for the period was driven by using produced inventory for 50% of our 2019 sales as opposed to about 2.6% in 2018. The cost per pound of purchased inventory increased from \$25.00 per pound to \$27.50 per pound while the cost of produced inventory declined from \$40.80 per pound to \$37.74 per pound.

In 2019, cost of sales included \$2.0 million in lower of cost or NRV adjustments compared to \$0.1 million in Q1 2018.

Gross Profit

Excluding the \$2.0 million in lower of cost or NRV adjustments, the gross profit was \$1.6 million for the three months ended March 31, 2019, which represents a gross profit margin of approximately 34%. Gross profits of \$9.9 million in Q1 2018 represents a gross profit margin of approximately 50%. The primary reason for the higher gross profit margin in 2018 was the purchase of most of the product sold.

Operating Expenses

Total operating expense for the three months ended March 31, 2019 was \$3.2 million. Operating expenses include exploration and evaluation expense, development expense and G&A expense. These expenses were comparable to the same period in 2018.

Exploration and evaluation expense consists of labor and associated costs of the exploration and evaluation departments as well as land holding and costs including drilling and analysis on properties which have not reached the permitting or operations stage. These expenses were \$0.8 million for both the three month period ended March 31, 2019 and the same period in 2018. All costs associated with the geology and geographic information systems departments, as well as the costs incurred on exploration-stage projects as described above, are reflected in this category.

Development expense includes costs incurred at the Lost Creek Project not directly attributable to production activities, including wellfield construction, drilling and development costs. It also includes costs associated

Table of Contents

with the Shirley Basin and Lucky Mc properties as they are in a more advanced stage. Development expenses decreased by \$0.3 million during the three months ended March 31, 2019, compared to the same period in 2018. The decrease was primarily related to the completion of two headers houses in MU2 during 2018.

G&A expense relates to the administration, finance, investor relations, land and legal functions of the Company and consists principally of personnel, facility and support costs. Total G&A expense increased \$0.2 million for the three months ended March 31, 2019 compared to 2018. The increase was mainly attributable to an increased severance accrual related to the future separation of employment by a corporate officer.

Other Income and Expenses

Net interest expense declined \$0.1 million during the three months ended March 31, 2019 compared to the prior year. The expense decline was directly attributable to principal payments reducing the outstanding note balances of the Wyoming State Bond Loan.

As a part of the September 2018 public offering, we sold 13,062,878 warrants priced at \$0.01 per warrant. Two warrants are redeemable for one Common Share of the Company's stock at a price of \$1.00 per full share. As the warrants are priced in US\$ and the functional currency of the Ur-Energy Inc. is Cdn\$, this created a derivative financial liability. The liability created and adjusted quarterly is a calculated fair value using the Black-Scholes technique described below as there is no active market for the warrants. Any income or loss is reflected in net income for the period. The revaluation as of March 31, 2019 resulted in a loss of \$533 for the period ended March 31, 2019 which is reflected on the statement of operations.

Earnings (loss) per Common Share

The basic loss per common share for the three months ended March 31, 2019 was \$0.03 compared to basic earnings of \$0.04 per share for Q1 2018. The diluted loss per common share for the three months ended March 31, 2019 was equal to the basic loss per common share due to the anti-dilutive effect of all convertible securities outstanding given that net losses were experienced. For the three months ended March 31, 2018, there were 1,157,438 RSUs and 95,829 options included in the diluted earnings per share calculations. The result was diluted earnings per share of \$0.04 for the three months ended March 31, 2018. Dilution from warrants was not included as the strike price exceeded the then current market price of the Common Shares.

Liquidity and Capital Resources

As of March 31, 2019, we had cash resources consisting of cash and cash equivalents of \$3.9 million, a decrease of \$2.5 million from the December 31, 2018 balance of \$6.4 million. The cash resources consist of Canadian and U.S. dollar denominated deposit accounts and money market funds. We used \$1.1 million for operating activities during the three months ended March 31, 2019. During the same period, we used less than \$0.1 million for investing activities and \$1.3 million for financing activities.

On October 23, 2013, we closed a \$34.0 million Sweetwater County, State of Wyoming, Taxable Industrial Development Revenue Bond financing program (“State Bond Loan”). The State Bond Loan calls for payments of interest at a fixed rate of 5.75% per annum on a quarterly basis which commenced January 1, 2014. The principal is payable in 28 quarterly installments which commenced January 1, 2015 and continue through October 1, 2021. The State Bond Loan is secured by all of the assets at the Lost Creek Project. As of March 31, 2019, the balance of the State Bond Loan was \$13.7 million.

Table of Contents

During 2017, we filed a universal shelf registration statement on Form S-3 with the SEC in order that we may offer and sell, from time to time, in one or more offerings, at prices and terms to be determined, up to \$100 million of our Common Shares, warrants to purchase our Common Shares, our senior and subordinated debt securities, and rights to purchase our Common Shares and/or our senior and subordinated debt securities. The registration statement became effective August 3, 2017 for a three-year period.

We entered into an At Market Issuance Sales Agreement (“At Market Agreement”) with MLV & Co. LLC and B Riley FBR, Inc. (May 27, 2016, as amended August 2017), under which we may, from time to time, issue and sell Common Shares at market prices on the NYSE American or other U.S. market through the distribution agents for aggregate sales proceeds of up to \$10,000,000. There were no shares sold under this agreement in 2018 or 2019.

During Q1 2019, no stock options were exercised.

Collections from U₃O₈ sales for the three months ended March 31, 2019 totaled \$4.8 million.

Operating activities used cash of \$1.2 million during the three months ended March 31, 2019 as compared to generating \$6.4 million during the same period in 2018. The net income for the three months ended March 31, 2019 was \$10.7 million less than the corresponding income in 2018. In addition, \$0.3 million was used to increase inventory balances compared to \$2.5 million in 2019.

Investing activities were limited to some additional claim staking and purchases of small equipment.

During the first three months of 2019, we used \$1.3 million for principal payments on the State Bond Loan.

Liquidity Outlook

We expect that any major capital projects will be funded by operating cash flow, cash on hand or additional financing as required. If these cash sources are not sufficient, certain capital projects could be delayed, or alternatively we may need to pursue additional debt or equity financing to which there is no assurance that such financing will be available at all or on terms acceptable to us. We have no immediate plans to issue additional securities or obtain funding other than that which may be required due to the uneven nature of cash flows generated from operations; however, we may issue additional debt or equity securities at any time.

Looking ahead

At the end of the first quarter of 2019, the average spot price of U_3O_8 , as reported by UxC, LLC and TradeTech, LLC, declined to approximately \$25.33 per pound because of low volumes and uncertainty over the Section 232 Trade Action.

Market fundamentals have not changed sufficiently to warrant further development of MU2 and we currently expect to produce between 75,000 and 100,000 pounds at Lost Creek.

In 2019, we expect to deliver 665,000 pounds related to term contracts at an average price of approximately \$48 per pound. In 2019 Q1, we sold 97,500 pounds of U_3O_8 . Early in 2019 Q2, we delivered 100,000 pounds into a scheduled term contract commitment and sold 165,000 pounds related to 2020 obligations under existing term agreements. We do not expect to make additional sales during Q2. By quarter, our remaining 2019 contractual sales commitments thereafter are as follows: 122,500 pounds in Q3; and 180,000 pounds in Q4.

Table of Contents

We have purchase contracts in place for 500,000 pounds at an average cost of \$26 per pound in 2019.

Gross profits from uranium sales are expected to be approximately \$12.3 million, which represents a gross profit margin of approximately 38%. On a cash basis (excluding non-cash costs and extraction taxes), gross profits from uranium sales are expected to generate \$15.3 million in cash, which represents a cash-basis gross profit margin of approximately 47%.

Should uranium pricing improve, or following a successful outcome of the ongoing Section 232 Trade Action, we stand ready to ramp up production to full capacity at Lost Creek and initiate development activities at Shirley Basin. We remain operationally ready to increase production through the further development of our fully-permitted MU2 at Lost Creek. Lost Creek operations could begin to increase production rates in as little as six months following a “go” decision simply by developing additional header houses within MU2. Development expenses during this time are estimated to be less than \$14 million and are almost entirely related to MU2 drilling and header house construction costs. Lost Creek also does not require any significant capital expenditures in order to increase production, but we will continue to optimize site operations through engineering design enhancements and modifications. The Lost Creek plant has been well maintained and is ready to receive additional flows for increased production when warranted.

As at May 2, 2019, our unrestricted cash position was \$3.0 million. In addition, we will receive proceeds of \$7.5 million in May 2019 from the April 2019 sale of 165,000 pounds U₃O₈.

Transactions with Related Parties

There were no transactions with related parties during the quarter.

Proposed Transactions

As is typical of the mineral exploration, development and mining industry, we will consider and review potential merger, acquisition, investment and venture transactions and opportunities that could enhance shareholder value. Timely disclosure of such transactions is made as soon as reportable events arise.

Critical Accounting Policies and Estimates

We have established the existence of uranium resources at the Lost Creek Property, but because of the unique nature of in situ recovery mines, we have not established, and have no plans to establish, the existence of proven and probable reserves at this project. Accordingly, we have adopted an accounting policy with respect to the nature of items that qualify for capitalization for in situ U₃O₈ mining operations to align our policy to the accounting treatment that has been established as best practice for these types of mining operations.

The development of the wellfield includes injection, production and monitor well drilling and completion, piping within the wellfield and to the processing facility, header houses used to monitor production and disposal wells associated with the operation of the mine. These costs are expensed when incurred.

Mineral Properties

Acquisition costs of mineral properties are capitalized. When production is attained at a property, these costs will be amortized over a period of estimated benefit.

Table of Contents

As of March 31, 2019, the average current spot and long-term prices of U₃O₈ were \$25.33 and \$32.00, respectively. This compares to prices of \$27.75 and \$32.00 as of December 31, 2018. The prices decreased at the end of the quarter with very little trading activity and the sale of excess inventories.

Development costs including, but not limited to, production wells, header houses, piping and power will be expensed as incurred as we have no proven and probable reserves.

Inventory and Cost of Sales

Our inventories are valued at the lower of cost and net realizable value based on projected revenues from the sale of that product. We are allocating all costs of operations of the Lost Creek facility to the inventory valuation at various stages of production with the exception of wellfield and disposal well costs which are treated as development expenses when incurred. Depreciation of facility enclosures, equipment and asset retirement obligations as well as amortization of the acquisition cost of the related property is also included in the inventory valuation. We do not allocate any administrative or other overhead to the cost of the product.

Share-Based Expense

We are required to initially record all equity instruments including warrants, restricted share units and stock options at fair value in the financial statements.

Management utilizes the Black-Scholes model to calculate the fair value of the warrants and stock options at the time they are issued. In addition, the fair value of derivative warrants are recalculated quarterly using the Black-Scholes model with any gain or loss being reflected in the net income for the period. Use of the Black-Scholes model requires management to make estimates regarding the expected volatility of the Company's stock over the future life of the equity instrument, the estimate of the expected life of the equity instrument and the number of options that are expected to be forfeited. Determination of these estimates requires significant judgment and requires management to formulate estimates of future events based on a limited history of actual results.

New accounting pronouncements which were implemented this year

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize all leases on the balance sheet, including operating leases, unless the lease is a short-term lease. ASU 2016-02 also requires

additional disclosures regarding leasing arrangements. ASU 2016-02 became effective for the Company as of January 1, 2019. At January 1, 2019, we had two office equipment leases, and the office lease in Casper which expires in July 2019 and renews strictly at our discretion at current market rates. As a result of adoption of ASC 2016-02, we recognized a liability of \$83 with a corresponding Right-Of-Use (“ROU”) assets of the same amount based on present value of the minimum rental payments of the leases which are included in non-current assets, current portion of long-term liabilities and long-term liabilities in the consolidated balance sheet. The discount rates used for leases are based on either the Company’s borrowing rate or the imputed interest rate based on the price of the equipment and the lease terms.

Off Balance Sheet Arrangements

We have not entered into any material off-balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

Table of Contents

Outstanding Share Data

As of May 2, 2019, we had outstanding 159,729,403 Common Shares and 9,631,612 options to acquire Common Shares.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk

Market risk is the risk to the Company of adverse financial impact due to changes in the fair value or future cash flows of financial instruments as a result of fluctuations in interest rates and foreign currency exchange rates.

Interest rate risk

Financial instruments that expose the Company to interest rate risk are its cash equivalents, deposits, restricted cash and debt financings. Our objectives for managing our cash and cash equivalents are to maintain sufficient funds on hand at all times to meet day-to-day requirements and to place any amounts which are considered in excess of day-to-day requirements on short-term deposit with the Company's financial institutions so that they earn interest.

Currency risk

At March 31, 2019, we maintained a balance of approximately \$0.1 million in foreign currency resulting in a low currency risk which is our typical balance.

Commodity Price Risk

The Company is subject to market risk related to the market price of U₃O₈. We have U₃O₈ supply contracts with pricing fixed or based on inflation factors applied to a fixed base. Additional future sales would be impacted by both spot and long-term U₃O₈ price fluctuations. Historically, U₃O₈ prices have been subject to fluctuation, and the price of

U₃O₈ has been and will continue to be affected by numerous factors beyond our control, including the demand for nuclear power, political and economic conditions, and governmental legislation in U₃O₈ producing and consuming countries and production levels and costs of production of other producing companies. The spot market price for U₃O₈ has demonstrated a large range since January 2001. Prices have risen from \$7.10 per pound at January 2001 to a high of \$136.00 per pound as of September 2007. The spot market price was \$25.20 per pound as of April 29, 2019 as reported by TradeTech and UxC.

Item 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this MD&A, under the supervision of the Chief Executive Officer and the Chief Financial Officer, the Company evaluated the effectiveness of its disclosure controls and procedures, as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information the Company is required to disclose in reports that are filed or submitted under the Exchange Act: (1) is recorded, processed and summarized effectively and reported within the time periods specified in SEC rules and forms,

Table of Contents

and (2) is accumulated and communicated to Company management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company's disclosure controls and procedures include components of internal control over financial reporting. No matter how well designed and operated, internal controls over financial reporting can provide only reasonable, but not absolute, assurance that the control system's objectives will be met.

(b) Changes in Internal Controls over Financial Reporting

No changes in our internal control over financial reporting occurred during the three months ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. LEGAL PROCEEDINGS

No new legal proceedings or material developments in pending proceedings.

Item 1A. RISK FACTORS

There have been no material changes for the three months ended March 31, 2019 from those risk factors set forth in our Annual Report on Form 10-K.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

Item 3. DEFAULTS UPON SENIOR SECURITIES

None

Item 4. MINE SAFETY DISCLOSURE

Our operations and exploration activities at Lost Creek are not subject to regulation by the federal Mine Safety and Health Administration under the Federal Mine Safety and Health Act of 1977.

Item 5. OTHER INFORMATION

None

36

Table of Contents

Item 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	Date of Report	Exhibit	Filed Herewith
31.1	<u>Certification of CEO Pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>				X
31.2	<u>Certification of CFO Pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>				X
32.1	<u>Certification of CEO Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>				X
32.2	<u>Certification of CFO Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>				X
101.INS	XBRL Instance Document				X
101.SCH	XBRL Schema Document				X
101.CAL	XBRL Calculation Linkbase Document				X
101.DEF	XBRL Definition Linkbase Document				X
101.LAB	XBRL Labels Linkbase Document				X
101.PRE	XBRL Presentation Linkbase Document				X

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UR -ENERGY INC.

Date: May 3, 2019 By: /s/ Jeffrey T. Klenda
Jeffrey T. Klenda
Chief Executive Officer
(Principal Executive Officer)

Date: May 3, 2019 By: /s/ Roger L. Smith
Roger L. Smith
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)