

UR-ENERGY INC  
Form 10-Q  
October 27, 2017  
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 SEPTEMBER 30, 2017

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  
State or other jurisdiction of incorporation or organization

Not Applicable  
(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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer  
company

Accelerated filer

Non-accelerated filer

Smaller reporting

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 October 25, 2017, there were 146,009,205 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>24</u>		
<u>37</u>		
<u>37</u>		
<u>40</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>	23
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	40
<u>Item 4.</u>	<u>Controls and Procedures</u>	41
	<u>PART II – OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	41
<u>Item 1A.</u>	<u>Risk Factors</u>	41
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	41
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	41
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	41
<u>Item 5.</u>	<u>Other Information</u>	42
<u>Item 6.</u>	<u>Exhibits</u>	43
	<u>SIGNATURES</u>	44

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 of this document 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 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, and determinations of future development and construction priorities; (ii) anticipated production of Lost Creek for 2017 and timing for bringing on the additional header houses in Mine Unit 2; (iii) the timing and outcome of permitting and regulatory approvals of the amendment for LC East and the KM horizon; (iv) the ability to complete additional favorable uranium sales agreements including spot sales if the market warrants and production inventory is available; (v) the potential of our exploration and development projects, including Shirley Basin; (vi) the timing and outcome of applications for regulatory approval to build and operate an in situ recovery mine at Shirley Basin; (vii) the outcome of our forecasts and production projections; and (viii) resolution of the continuing challenges within the uranium market, including supply and demand projections. Additional factors include, among others, the following: future estimates for production, capital expenditures, operating costs, mineral resources, recovery rates, grades and 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 United States; 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 United States; 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 3, 2017.



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. NI 43-101 permits the reporting of an historical estimate made prior to the adoption of NI 43-101 that does not comply with NI 43-101 to be disclosed using the historical terminology if the disclosure: (a) identifies the source and date of the historical estimate; (b) comments on the relevance and reliability of the historical estimate; (c) to the extent known, provides the key assumptions, parameters and methods used to prepare the historical estimate; (d) states whether the historical estimate uses categories other than those prescribed by NI 43-101; and (e) includes any more recent estimates or data available.

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-K 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)

	September 30, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents (note 3)	2,146	1,552
Accounts receivable (note 4)	7,897	16
Inventory (note 5)	1,720	4,109
Prepaid expenses	812	829
	12,575	6,506
Restricted cash (note 6)	7,557	7,557
Mineral properties (note 7)	45,271	47,029
Capital assets (note 8)	27,428	28,848
	80,256	83,434
	92,831	89,940
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	3,391	3,625
Current portion of notes payable (note 10)	4,704	4,502
Environmental remediation accrual	79	85
	8,174	8,212
Notes payable (note 10)	15,881	19,435
Asset retirement obligations (note 11)	26,910	26,061
	50,965	53,708
Shareholders' equity (note 12)		
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: 146,009,205 at September 30, 2017, 2017 and 143,676,384 at December 31, 2016	176,653	174,902



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

Warrants	4,109	4,109
Contributed surplus	15,516	15,201
Accumulated other comprehensive income	3,670	3,604
Deficit	(158,082)	(161,584)
	41,866	36,232
	92,831	89,940

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 Loss

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Sales (note 13)	11,693	12,068	38,342	21,529
Cost of sales	(11,157)	(5,818)	(24,025)	(12,767)
Gross profit	536	6,250	14,317	8,762
Operating Expenses				
Exploration and evaluation	(560)	(828)	(2,162)	(2,370)
Development	(1,454)	(1,108)	(3,499)	(2,384)
General and administrative	(1,070)	(972)	(3,748)	(3,796)
Accretion of asset retirement obligations (note 11)	(135)	(134)	(401)	(399)
Write-off of mineral properties (note 7)	-	-	-	(62)
Income (loss) from operations	(2,683)	3,208	4,507	(249)
Interest expense (net)	(332)	(474)	(1,063)	(1,543)
Warrant mark to market adjustment	-	5	-	36
Loss on equity investment	(5)	(3)	(5)	(5)
Write-off of equity investments	-	(900)	-	(1,089)
Foreign exchange loss	(40)	(6)	(57)	(279)
Other income (expense)	57	(27)	120	15
Net income (loss) for the period	(3,003)	1,803	3,502	(3,114)
Income (loss) per common share				
Basic	(0.02)	0.01	0.02	(0.02)
Diluted	(0.02)	0.01	0.02	(0.02)
Weighted average number of common shares outstanding				
Basic	145,918,020	143,605,552	145,707,532	141,324,039
Diluted	145,918,020	144,258,513	146,617,488	141,324,039
COMPREHENSIVE INCOME (LOSS)				
Net income (loss) for the period	(3,003)	1,803	3,502	(3,114)
Other Comprehensive income (loss), net of tax				
Translation adjustment on foreign operations	48	2	66	251
Comprehensive income (loss) for the period	(2,955)	1,805	3,568	(2,863)

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, 2016	143,676,384	174,902	4,109	15,201	3,604	(161,584)	36,232
Exercise of stock options	549,952	518	-	(169)	-	-	349
Common shares issued for cash, net of \$88 of issue costs	1,536,169	1,081	-	-	-	-	1,081
Redemption of vested RSUs	246,700	152	-	(221)	-	-	(69)
Non-cash stock compensation	-	-	-	705	-	-	705
Net income (loss) and comprehensive income (loss)	-	-	-	-	66	3,502	3,568
Balance, September 30, 2017	146,009,205	176,653	4,109	15,516	3,670	(158,082)	41,866

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)

	Nine months ended September 30,	
	2017	2016 (Restated - note 2)
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	3,502	(3,114)
Items not affecting cash:		
Stock based expense	705	603
Depreciation and amortization	3,810	3,852
Accretion of asset retirement obligations	401	399
Amortization of deferred loan costs	91	114
Provision for reclamation	(6)	(1)
Write off of equity investments	-	1,089
Write-off of mineral properties	-	62
Warrants mark to market gain	-	(36)
Gain on disposition of assets	-	(14)
Loss on foreign exchange	59	281
Recognition of gain on deferred contract	-	(2,588)
Other loss	5	5
RSUs redeemed to pay withholding or paid in cash	(68)	(9)
Proceeds from assignment of sales contract	-	5,085
Change in non-cash working capital items:		
Accounts receivable	(7,881)	(3,289)
Inventory	2,389	(60)
Prepaid expenses	120	(86)
Accounts payable and accrued liabilities	(361)	273
	2,766	2,566
Investing activities		
Mineral property costs	(10)	-
Funding of equity investment	(5)	(5)
Proceeds from sale of property and equipment	-	91
Purchase of capital assets	(173)	(281)
	(188)	(195)

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

Financing activities		
Issuance of common shares for cash	1,169	6,568
Share issue costs	(60)	(880)
Proceeds from exercise of stock options	349	9
Repayment of debt	(3,443)	(6,486)
	(1,985)	(789)
Effects of foreign exchange rate changes on cash	1	(64)
Net change in cash, cash equivalents and restricted cash	594	1,518
Beginning cash, cash equivalents and restricted cash	9,109	9,000
Ending cash, cash equivalents and restricted cash (note 14)	9,703	10,518

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

June 30, 2017

(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 properties contain 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. 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, 2016. 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.

#### Earnings and loss per share calculations

Diluted earnings per common share are calculated by including all options which are in-the-money based on the average stock price for the period as well as RSUs which were outstanding at the end of the quarter. The treasury stock method was applied to determine the dilutive number of options. Warrants are included only if the exercise price is less than the average stock price for the quarter. In periods of loss, the diluted loss per common share is equal to the basic loss per common share due to the anti-dilutive effect of all convertible securities.



Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2017

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

New accounting pronouncements which may affect future reporting

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606).” The amendments in ASU 2014-09 affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance, and creates a Topic 606, Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of the promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is not permitted. We have reviewed our contracts as well as our procedures and do not anticipate any changes in the manner or timing with which we reflect our revenues.

In January 2016, the FASB issued ASU 2016-1, Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825). The amendments in this ASU supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments also require enhanced disclosures about those investments. The amendments improve financial reporting by providing relevant information about an entity’s equity investments and reducing the number of items that are recognized in other comprehensive income. This guidance is effective for annual reporting beginning after December 15, 2017, including interim periods within the year of adoption, and calls for prospective application, with early application permitted. Accordingly, the standard is effective for us beginning in the first quarter of fiscal 2018. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize all leases, including operating leases, unless the lease is a short-term lease. ASU 2016-02 also requires additional disclosures regarding leasing arrangements. ASU 2016-02 is effective for interim periods and fiscal years beginning after

December 15, 2018, and early application is permitted. Now, the only leases we hold are for vehicles, equipment, and office space in one location. The office lease is the only one which will be in effect as of the date of implementation of the standard. We have gathered the necessary information for proper disclosure of that lease once the ASU is effective. We will continue to monitor any new leases to ensure that we have all the information necessary to handle the transition to the new standard and properly report the transactions. We do not anticipate the new standard will affect our net income materially, but will result in additional fixed assets and the related lease liabilities.

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2017

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

New accounting pronouncements which were implemented this year

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. ASU 2015-11 requires that inventory within the scope of this ASU be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments apply to all inventory, measured using average cost which is how the Company measures inventory. For all entities, the guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. This is consistent with our past policies and had no financial or reporting impact when implemented during the first quarter.

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation - Improvements to Employee Share-Based Payment Accounting (Topic 718), which involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Under the new standard, income tax benefits and deficiencies are to be recognized as income tax expense or benefit in the income statement and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity should also recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. Excess tax benefits should be classified along with other income tax cash flows as an operating activity. Regarding forfeitures, the entity may make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. This ASU is effective for fiscal years beginning after December 15, 2016 including interim periods within that reporting period. We currently recognize no income tax expense or benefit due to significant income tax credits and net operating losses which are fully reserved under a valuation allowance. There was therefore no effect on our accounting or reporting at the time of implementation earlier this year. We have made the election to continue to recognize losses from forfeitures at inception rather than when they vest or occur.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows – Restricted Cash a consensus of the FASB Emerging Task Force (Topic 230), which addresses the presentation of restricted cash in the statement of cash flows. Under the new standard, restricted cash will be presented with cash and cash equivalents in the statement of

cash flows instead of being reflected as non-cash investing or financing activities. A reconciliation of the make-up of the ending cash, cash equivalent and restricted cash balance will be required for entities who reflect restricted cash as separate items on the statement of financial position. In addition, a description of the restrictions on the cash will be required. This ASU is effective for fiscal years beginning after December 15, 2017 including interim periods within that reporting period, however early adoption is permitted. We elected to adopt this standard as of the first quarter. Accordingly, the cash balances reflected in the Statement of Cash Flows have been increased by \$7.6 million which has been the restricted cash balance since December 31, 2015. In addition, we have added note 14 – Supplemental Information to the Statement of Cash Flows which reconciles the cash balances shown on the Statement of Cash Flows with the appropriate balances on the Balance Sheet.

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2017

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

3.Cash and Cash Equivalents

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

	As at September 30, 2017	December 31, 2016
	\$	\$
Cash on deposit at banks	1,704	580
Money market funds	442	972
	2,146	1,552

4.Accounts Receivable

The Company's accounts receivable consist of the following:

	As at September 30, 2017	December 31, 2016
	\$	\$
Trade accounts receivable		
Company A	7,821	-
Other Companies	64	9

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

Total trade receivables	7,885	9
Other receivables	12	7
Total accounts receivable	7,897	16

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

5. Inventory

The Company's inventory consists of the following:

	As at September 30, 2017	December 31, 2016
	\$	\$
In-process inventory	221	897
Plant inventory	824	461
Conversion facility inventory	675	2,751
	1,720	4,109

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2017

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

In conjunction with our lower of cost or net realizable value calculations, the Company reduced the inventory valuation by \$1,326 for the quarter and \$2,219 for the nine months ended September 30, 2017.

6. Restricted Cash

The Company's restricted cash consists of the following:

	As at September 30, 2017 \$	December 31, 2016 \$
Money market account	7,457	7,457
Certificates of deposit	100	100
	7,557	7,557

The bonding requirements for reclamation obligations on various properties have been agreed to by the Wyoming Department of Environmental Quality ("WDEQ"), the Bureau of Land Management ("BLM") and the Nuclear Regulatory Commission ("NRC") 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 \$27.1 million of coverage towards specific reclamation obligations are collateralized by \$7.5 million of the restricted cash at September 30, 2017.

7. Mineral Properties

The Company's mineral properties consist of the following:

	Lost Creek Property \$	Pathfinder Mines \$	Other US Properties \$	Total \$
Balance, December 31, 2016	14,016	19,866	13,147	47,029
Acquisition costs	-	-	10	10
Change in estimated reclamation costs (note 11)	613	(165)	-	448
Amortization	(2,216)	-	-	(2,216)
Balance, September 30, 2017	12,413	19,701	13,157	45,271



Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2017

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

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.

8.Capital Assets

The Company’s capital assets consist of the following:

	As of September 30, 2017			As of December 31, 2016		
	Cost \$	Accumulated Depreciation \$	Net Book Value \$	Cost \$	Accumulated Depreciation \$	Net Book Value \$
Rolling stock	3,420	3,195	225	3,251	2,966	285
Enclosures	32,991	6,467	26,524	32,991	5,229	27,762
Machinery and equipment	1,262	669	593	1,262	599	663
Furniture, fixtures and leasehold improvements	119	103	16	119	98	21
Information technology	1,157	1,087	70	1,153	1,036	117
	38,949	11,521	27,428	38,776	9,928	28,848

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2017

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

9.Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	As at September 30, 2017	December 31, 2016
	\$	\$
Accounts payable	862	725
Severance and ad valorem tax payable	1,328	1,649
Payroll and other taxes	1,201	1,251
	3,391	3,625

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 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 various financings. Those fees amortizable within 12 months of September 30, 2017 are considered current.

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2017

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

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

	As at September 30, 2017 \$	December 31, 2016 \$
Current debt		
Sweetwater County Loan	4,826	4,623
Less deferred financing costs	(122)	(121)
	4,704	4,502
Long term debt		
Sweetwater County Loan	16,245	19,891
Less deferred financing costs	(364)	(456)
	15,881	19,435

Schedule of payments on outstanding debt as of September 30, 2017:

Debt	Total	2017	2018	2019	2020	2021	Maturity
	\$	\$	\$	\$	\$	\$	
Sweetwater County Loan							
Principal	21,071	1,180	4,895	5,183	5,487	4,326	01-Oct-21
Interest	2,666	303	1,039	752	447	125	
Total	23,737	1,483	5,934	5,935	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 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 September 30, 2017, the total undiscounted amount of the future cash needs was estimated to be \$26.9 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.

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2017

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

	For the period ended	
	September 30, 2017	December 31, 2016
	\$	\$
Beginning of period	26,061	26,061
Change in estimated liability	448	(534)
Accretion expense	401	534
End of period	26,910	26,061

## 12. 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, including certain amendments, 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, stock options granted prior to the May 2017 amendment generally vest with Option Plan participants as follows: 10% at the date of grant; 22% four and one-half months after grant; 22% nine months after grant; 22% thirteen and one-half months after grant; and the balance of 24% eighteen months

after the date of grant. Following the May 2017 amendment of the Option Plan, future 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 unchanged.

Activity with respect to stock options is summarized as follows:

	Options #	Weighted- average exercise price \$
Balance, December 31, 2016	9,748,934	0.63
Granted	500,000	0.69
Exercised	(549,952)	0.64
Forfeited	(485,698)	0.64
Expired	(870,434)	0.81
Outstanding, September 30, 2017	8,342,850	0.69

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



Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2017

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

of grant. The fair value of options vested during the nine months ended September 30, 2017 was \$0.7 million.

As of September 30, 2017, outstanding stock options are as follows:

Exercise price \$	Options outstanding			Options exercisable			Expiry
	Number of options	Weighted-average contractual life (years)	Aggregate Intrinsic Value \$	Number of options	Weighted-average contractual life (years)	Aggregate Intrinsic Value \$	
0.61	885,071	0.2	-	885,071	0.2	-	07-Dec-17
0.62	466,441	0.6	-	466,441	0.6	-	25-Apr-18
0.99	100,000	0.8	-	100,000	0.8	-	01-Aug-18
0.96	739,976	1.2	-	739,976	1.2	-	27-Dec-18
1.35	100,000	1.5	-	100,000	1.5	-	31-Mar-19
0.82	777,896	2.2	-	777,896	2.2	-	12-Dec-19
0.91	200,000	2.7	-	200,000	2.7	-	29-May-20
0.69	640,969	2.9	-	640,969	2.9	-	17-Aug-20
0.64	1,088,327	3.2	-	1,088,327	3.2	-	11-Dec-20
0.58	2,844,170	4.2	-	1,534,590	4.2	-	16-Dec-21
0.82	300,000	4.4	-	96,000	4.4	-	02-Mar-22
0.58	200,000	4.9	-	0	0.0	-	07-Sep-22
0.69	8,342,850	3.0	-	6,629,270	2.5	-	

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\$0.72 as of the last trading day in the period ended September 30, 2017, that would have been received by the option holders had they exercised their options as of that date. The total number of in-the-money stock options outstanding as of September 30, 2017 was nil.

The total number of in-the-money stock options exercisable as of September 30, 2017 was nil.

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.

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2017

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

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, 2016	1,273,990	0.60
Vested	(337,380)	0.74
Forfeited	(26,654)	0.58
Unvested, September 30, 2017	909,956	0.60

As of September 30, 2017, outstanding RSUs are as follows:

Grant date	Number of unvested RSUs	Remaining life (years)	Aggregate Intrinsic Value \$
December 11, 2015	248,226	0.20	144
December 16, 2016	661,730	1.21	384
	909,956	1.03	528

Warrants

The following represents warrant activity during the period ended September 30, 2017:

	Number of Warrants	Weighted- average exercise price \$
Outstanding, December 31, 2016	5,844,567	0.97
Outstanding, September 30, 2017	5,844,567	0.97

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2017

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

As of September 30, 2017, outstanding warrants are as follows:

Exercise price \$	Number of warrants	Remaining contractual life (years)	Aggregate Intrinsic Value \$	Expiry
0.96	4,294,167	1.0	-	24-Jun-18
1.00	1,550,400	1.2	-	27-Aug-18
0.97	5,844,567	1.0	-	

## Share-based compensation expense

Share-based compensation expense was \$0.2 million and \$0.7 million, respectively, for the three and nine months ended September 30, 2017 and \$0.2 million and \$0.6 million for the three and nine months ended September 30, 2016, respectively.

As of September 30, 2017, there was approximately \$0.5 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 \$0.3 million under the RSU Plan. The expenses are expected to be recognized over a weighted-average period of 1.0 years and 1.1 years, respectively.

Cash received from stock options exercised during the three and nine months ended September 30, 2017 totalled \$nil and \$0.3 million, respectively, and less than \$0.1 million for the three and nine months ended September 30, 2016.

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 RSUs granted in either the nine months ended September 30, 2017 or the nine months ended September 30, 2016 nor were there any options

18

---

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2017

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

granted in the nine months ended September 30, 2016. The assumptions used for the options granted during the nine months ended September 30, 2017 were as follows:

	Nine months ended September 30, 2017
Expected option life (years)	3.72-3.74
Expected volatility	57%
Risk-free interest rate	1.0%-1.6%
Expected dividend rate	0%
Forfeiture rate	5.3%-5.9%

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.

13. Sales

Sales have been derived from U<sub>3</sub>O<sub>8</sub> 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

June 30, 2017

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

Sales consist of:

	Nine months ended September 30,			
	2017		2016	
	\$		\$	
Sale of produced inventory				
Company A	7,821	20.4%	-	0.0%
Company B	3,141	8.2%	9,471	44.0%
Company C	1,777	4.6%	-	0.0%
Company D	-	0.0%	6,375	29.6%
Company E	-	0.0%	3,075	14.2%
	12,739	33.2%	18,921	87.9%
Sales of purchased inventory				
Company B	10,211	26.5%	-	0.0%
Company C	15,340	40.0%	-	0.0%
	25,551	66.6%	-	0.0%
Total sales	38,290	99.9%	18,921	87.9%
Disposal fee income	52	0.1%	21	0.1%
Recognition of revenue from sale of deliveries under assignment	-	0.0%	2,587	12.0%
	38,342	100.0%	21,529	100.0%

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

## 14. Supplemental Information for Statement of Cash Flows

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

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

	As at September 30, 2017	September 30, 2016
	\$	\$
Cash and cash equivalents	2,146	2,961
Restricted cash	7,557	7,557
	9,703	10,518

Table of Contents

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2017

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

15. 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 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 deposits, money market accounts and demand deposits. These instruments are maintained at financial institutions in Canada and the United States. Of the amount held on deposit, approximately \$0.6 million is covered by the Canada Deposit Insurance Corporation, the Securities Investor Protection Corporation or the United States Federal Deposit Insurance Corporation, leaving approximately \$9.1 million at risk at September 30, 2017 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 September 30, 2017.

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 September 30, 2017, the Company's financial liabilities consisted of trade accounts payable and accrued trade and payroll liabilities of \$1.6 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 four years.

On May 27, 2016, we entered into an At Market Issuance Sales Agreement with MLV & Co. LLC and FBR Capital Markets & Co., 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. During 2017, we have sold 1,536,169 Common Shares under the sales agreement at an average price of \$0.76 per share for gross proceeds of \$1.2 million. After deducting transaction fees and commissions we received net proceeds of \$1.1 million.

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

June 30, 2017

(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 nine months ended September 30, 2017 or the comparable nine months in 2016. 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, 2016.

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 United States. 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 U.S. subsidiaries remain unchanged since the filing of our Annual Report on Form 10-K, dated March 3, 2017.

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 for further processing, storage and sales.

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 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 with various U.S. utilities for the sale of  $U_3O_8$  at mid- and long-term contract pricing. The multi-year sales agreements represent a portion of our anticipated production through 2021. These agreements individually do not represent a substantial portion of our annual projected production, and our business is therefore not substantially dependent upon any one of the agreements. The balance of our Lost Creek production will be sold through spot sales and through additional multi-year agreements.



## Table of Contents

### Changes to Board of Directors

During the quarter, we announced the appointment of Kathy E. Walker to our Board of Directors (the “Board”). The appointment was effective September 7, 2017, and expands the size of the Board to seven. Ms. Walker is the president and chief executive officer of Elm Street Resources Inc., an energy marketing company based in Paintsville, Kentucky. She brings more than 30 years’ experience in various energy-related business endeavors to our Board. Ms. Walker holds an MBA from Xavier University. Prior to starting Elm Street Resources, she served as secretary and controller of Agip Coal, USA, a subsidiary of the Italian National Energy Agency ENI. She is currently a member of the National Coal Council and board member of the Kentucky Coal Association; a member of the Kentucky Judicial Campaign Conduct Committee; and a member of the Morehead State University Board of Regents. Previously, Ms. Walker served as the chair of the Energy and Environment transition team for Kentucky Governor Matt Bevin; was a founder and board member of First Security Bank, Lexington, Kentucky and of Great Nations Bank, Norman, Oklahoma.

### Mineral Rights and Properties

Ten of our U.S. 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”). Additionally, in the Shirley Basin, Wyoming, our Shirley Basin Project comprises more than 3,500 Company-controlled acres.

### Lost Creek Property

For the nine months ended September 30, 2017, contract sales from  $U_3O_8$  produced at Lost Creek totaled 261,000 pounds. The Company also sold 519,000 pounds of purchased  $U_3O_8$ . In total, 780,000 pounds at an average price of \$49.09 were sold for revenues of \$38.3 million. The Results of Operations are detailed further below.

### Development and Operations at Lost Creek

Production rates at Lost Creek during the quarter were short of the projected level of 60,000 to 70,000 dried and drummed pounds, however year-to-date production is on track to meet the projected level of 250,000 to 300,000 pounds for the year. We continued to operate Mine Unit 1 (“MU1”) header houses throughout the quarter, and brought online the first of the header houses in Mine Unit 2 (“MU2”), HH2-2, during the quarter. Our limited development plan for 2017 continues with construction work ongoing to develop the first three header houses in MU2. We expect to bring the second MU2 header house online in 2017 Q4, with the third house coming online early in 2018.



Regulatory Update

Applications for amendment to the Lost Creek licenses and permits were submitted in 2014. The amendments are intended to include recovery from the KM horizon and to include recovery of the uranium resource in the LC East project immediately adjacent to the Lost Creek project. Reviews by both the NRC and WDEQ were commenced and, in September 2015, the BLM issued a Notice of Intent to prepare an environmental impact statement for the amendments. We are responding to additional comments from the agencies, as part of the review process.

Table of Contents

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. Work is well underway on other applications for all necessary authorizations to mine at Shirley Basin. We have monitored the development of the Wyoming “agreement state” program, by which the NRC will delegate its authority for source material licensure and other radiation safety issues to the WDEQ. We understand that the development of the Uranium Recovery Program (“URP”) remains on schedule for full implementation and transition likely occurring in 2018. Based upon that timing, we currently anticipate submitting our application for a source material license for Shirley Basin to the State URP.

25

---

Table of Contents

## Results of Operations

U<sub>3</sub>O<sub>8</sub> Production and Sales

During the three months ended September 30, 2017, a total of 52,812 pounds of U<sub>3</sub>O<sub>8</sub> were captured within the Lost Creek plant. 48,336 pounds were packaged in drums and 36,797 pounds of the drummed inventory were shipped to the conversion facility. We sold 289,000 pounds of U<sub>3</sub>O<sub>8</sub> during the period of which 109,000 pounds were purchased. 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 U<sub>3</sub>O<sub>8</sub> 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	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2017 YTD
Pounds captured	lb	52,812	65,257	79,340	103,558	197,409
Ad valorem and severance tax	\$000	\$ 119	\$ 227	\$ 241	\$ 247	\$ 587
Wellfield cash cost (1)	\$000	\$ 743	\$ 599	\$ 889	\$ 864	\$ 2,231
Wellfield non-cash cost (2)	\$000	\$ 730	\$ 780	\$ 776	\$ 777	\$ 2,286
Ad valorem and severance tax per pound captured	\$/lb	\$ 2.25	\$ 3.48	\$ 3.04	\$ 2.39	\$ 2.97
Cash cost per pound captured	\$/lb	\$ 14.07	\$ 9.18	\$ 11.20	\$ 8.34	\$ 11.31
Non-cash cost per pound captured	\$/lb	\$ 13.82	\$ 11.95	\$ 9.78	\$ 7.50	\$ 11.55
Pounds drummed	lb	48,336	70,833	74,382	111,049	193,551
Plant cash cost (3)	\$000	\$ 1,120	\$ 1,270	\$ 1,488	\$ 1,336	\$ 3,878
Plant non-cash cost (2)	\$000	\$ 493	\$ 491	\$ 491	\$ 493	\$ 1,475
Cash cost per pound drummed	\$/lb	\$ 23.17	\$ 17.93	\$ 20.00	\$ 12.03	\$ 20.04
Non-cash cost per pound drummed	\$/lb	\$ 10.20	\$ 6.93	\$ 6.61	\$ 4.44	\$ 7.63

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

Pounds shipped to conversion facility	lb	36,797	74,406	72,643	98,775	183,846
Distribution cash cost (4)	\$000	\$ 24	\$ 26	\$ 47	\$ 68	\$ 97
Cash cost per pound shipped	\$/lb	\$ 0.65	\$ 0.35	\$ 0.65	\$ 0.69	\$ 0.53
Pounds purchased	lb	109,000	210,000	200,000	-	519,000
Purchase costs	\$000	\$ 2,196	\$ 4,870	\$ 4,015	\$ -	\$ 11,081
Cash cost per pound purchased	\$/lb	\$ 20.15	\$ 23.19	\$ 20.08	\$ -	\$ 21.35

Table of Contents

Notes:

- <sup>1</sup> 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 expense and are not included in wellfield operating costs.
- <sup>2</sup> 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.
- <sup>3</sup> Plant cash costs include all plant operating costs and site overhead costs.
- <sup>4</sup> Distribution cash costs include all shipping costs and costs charged by the conversion facility for weighing, sampling, assaying and storing the U<sub>3</sub>O<sub>8</sub> prior to sale.

Production levels during the current quarter continued to decline, reflecting our deliberate restriction of production in light of the persistently weak uranium market. Total production costs, which have remained relatively consistent in the past, decreased nearly five percent in 2017 Q3 compared to Q2 and 18% compared to Q1. The decrease resulted from a combination of certain non-recurring charges not being repeated and the previously announced cost reduction efforts.

Pounds captured decreased 12,445 pounds from 2017 Q2 as the first header house in MU2 started up during the period and did not significantly impact the total production for the quarter. Total wellfield costs decreased \$14 thousand during the quarter. Ad valorem and severance taxes decreased due to lower production rates and year-to-date tax adjustments. Non-cash costs decreased due to certain reclamation assets becoming fully depreciated during the quarter. Wellfield cash costs increased during the quarter due to higher labor costs as several positions in wellfield operations that had been open for some time were filled and because Q2 included one-time health insurance premium credits. In addition, wellfield personnel were working additional hours to complete the scheduled work on Mine Unit 2, which contributed to the increase. Because of the decrease in production, the wellfield cash cost per pound captured increased \$4.89 per pound in 2017 Q3. Wellfield non-cash costs are generally fixed. Although wellfield non-cash costs decreased during the quarter, the related wellfield non-cash cost per pound captured still increased \$1.87 per pound because of the decrease in pounds captured.

Pounds drummed decreased 22,497 pounds in 2017 Q3. Total plant costs decreased \$148 thousand during the quarter. All of the decrease was in plant cash costs. Plant cash costs were lower in Q3 because of lower consumables costs and a major repair cost in Q2. Because of the significant decrease in pounds drummed, the plant cash cost per pound drummed increased \$5.24 per pound during the quarter. Plant non-cash costs are fixed so the related plant non-cash cost per pound drummed increased \$3.27 per pound because of the decrease in pounds drummed.

Pounds shipped decreased 37,609 pounds in 2017 Q3, which included one shipment. There were two shipments in Q2. Distribution costs in 2017 Q3 were slightly lower than the previous quarter with lower shipping costs partially offset by higher conversion facility fees. The distribution cash cost per pound increased \$0.30 per pound shipped during the quarter due to shipping fewer pounds.



Table of Contents

Sales and cost of sales	Unit	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2017 YTD
Pounds sold	lb	289,000	241,000	250,000	100,000	780,000
U3O8 sales	\$000	\$ 11,674	\$ 11,797	\$ 14,819	\$ 3,270	\$ 38,290
Average contract price	\$/lb	\$ 40.39	\$ 48.95	\$ 59.28	\$ 32.70	\$ 49.09
Average price per pound sold	\$/lb	\$ 40.39	\$ 48.95	\$ 59.28	\$ 32.70	\$ 49.09
U3O8 cost of sales (1)	\$000	\$ 11,157	\$ 6,573	\$ 6,295	\$ 3,082	\$ 24,025
Ad valorem and severance tax cost per pound sold	\$/lb	\$ 3.15	\$ 4.26	\$ 4.00	\$ 2.98	\$ 3.44
Cash cost per pound sold	\$/lb	\$ 29.11	\$ 31.54	\$ 26.12	\$ 18.27	\$ 28.82
Non-cash cost per pound sold	\$/lb	\$ 17.52	\$ 19.13	\$ 15.48	\$ 9.57	\$ 17.33
Cost per pound sold - produced	\$/lb	\$ 49.78	\$ 54.93	\$ 45.60	\$ 30.82	49.59
Cost per pound sold - purchased	\$/lb	\$ 20.15	\$ 23.19	\$ 20.08	\$ -	21.35
Average cost per pound sold	\$/lb	\$ 38.61	\$ 27.26	\$ 25.18	\$ 30.82	\$ 30.80
U3O8 gross profit	\$000	\$ 517	\$ 5,224	\$ 8,524	\$ 188	14,265
Gross profit per pound sold	\$/lb	\$ 1.78	\$ 21.68	\$ 34.10	\$ 1.88	18.29
Gross profit margin	%	4.4%	44.3%	57.5%	5.7%	37.3%
Ending Inventory Balances						
Pounds						
In-process inventory	lb	22,306	19,010	28,164	29,891	
Plant inventory	lb	21,948	10,446	14,019	12,274	
Conversion facility inventory	lb	17,813	160,094	113,528	84,689	
Total inventory	lb	62,067	189,550	155,711	126,854	
Total cost						
In-process inventory	\$000	\$ 221	\$ 352	\$ 712	\$ 897	
Plant inventory	\$000	\$ 824	\$ 479	\$ 670	\$ 461	
Conversion facility inventory	\$000	\$ 675	\$ 6,620	\$ 4,379	\$ 2,751	
Total inventory	\$000	\$ 1,720	\$ 7,451	\$ 5,761	\$ 4,109	
Cost per pound						
In-process inventory	\$/lb	\$ 9.92	\$ 18.46	\$ 25.28	\$ 30.01	
Plant inventory	\$/lb	\$ 37.53	\$ 45.85	\$ 47.79	\$ 37.56	
Conversion facility inventory	\$/lb	\$ 37.89	\$ 41.35	\$ 38.57	\$ 32.48	

## Notes:

<sup>1</sup> 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.

U<sub>3</sub>O<sub>8</sub> sales of \$11.7 million for 2017 Q3 were based on selling 289,000 pounds at an average price of \$40.39. We did not make any spot sales during the quarter. Of the 289,000 pounds sold, 180,000 were from produced inventory and 109,000 were from purchased U<sub>3</sub>O<sub>8</sub>. For the quarter, our cost of sales totaled \$11.1 million at an average cost of \$38.61 per pound.

On a cash basis, the average cost per pound sold was \$27.69, which yielded average cash margins of \$12.70 per pound and generated cash gross profits of \$3.7 million during the quarter. The average cash cost per pound

28

---



Table of Contents

sold was composed of produced and purchased pounds. The cash cost per produced pound sold was \$32.26, including ad valorem and severance taxes, and the cash cost per purchased pound sold was \$20.15.

Due to our low production volumes, we have been experiencing lower of cost or net realizable value adjustments, which totaled \$1.3 million for the quarter. These costs are included in our cost of sales for the period and reduced the reported gross profit for the period. Total gross profit was \$0.5 million, or approximately 4%.

At the end of the quarter, we had approximately 17,813 pounds of U<sub>3</sub>O<sub>8</sub> at the conversion facility at an average cost per pound of \$37.89, which reflects the net realizable value of the product at that location. We intend to sell this product into our lowest priced, 2018 term contract in January. While this assumption did increase the non-cash, net realizable value adjustment for the quarter, it will also lower the actual cash paid out for 2018 severance and ad valorem taxes, which are based on the sales value of the product.

The following table shows the average cost per pound of the conversion facility pounds.

Ending Conversion Facility Inventory	Unit	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16
Cost Per Pound Summary					
Ad valorem and severance tax cost per pound	\$/lb	\$ 2.41	\$ 2.82	\$ 2.74	\$ 2.72
Cash cost per pound	\$/lb	\$ 22.47	\$ 24.62	\$ 23.48	\$ 19.44
Non-cash cost per pound	\$/lb	\$ 13.01	\$ 13.91	\$ 12.35	\$ 10.32
Total cost per pound	\$/lb	\$ 37.89	\$ 41.35	\$ 38.57	\$ 32.48

Generally, the cost per pound in ending inventory at the conversion facility increased during recent quarters. The increase was directly related to the lower production rates as production costs were relatively consistent during the periods and decreased in the most recent quarter. The increase also reflects our deliberate restriction of production considering the persistently weak uranium market. While the cost per pound is higher than the current spot market price, it is projected to be sold into existing term contracts at prices greater than the current carrying amount. The cost per pound declined this quarter because the estimated sales price used in the net realizable value calculation was based on selling the 17,813 pounds into an upcoming lower-priced sales contract.

#### 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	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2017 YTD
Sales per financial statements	\$000	\$ 11,693	\$ 11,821	\$ 14,828	\$ 5,776	\$ 38,342
Less disposal fees	\$000	\$ (18)	\$ (24)	\$ (9)	\$ (8)	\$ (51)
Less revenue from sale of deliveries under contract	\$000	\$ -	\$ -	\$ -	\$ (2,498)	\$ -
U <sub>3</sub> O <sub>8</sub> sales	\$000	\$ 11,675	\$ 11,797	\$ 14,819	\$ 3,270	\$ 38,291
Pounds sold - produced	lb	180,000	31,000	50,000	100,000	261,000
Pounds sold - purchased	lb	109,000	210,000	200,000	-	519,000
Total pounds sold	lb	289,000	241,000	250,000	100,000	780,000
Average price per pound sold	\$/lb	\$ 40.40	\$ 48.95	\$ 59.28	\$ 32.70	\$ 48.09

The Company delivers U<sub>3</sub>O<sub>8</sub> 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 U<sub>3</sub>O<sub>8</sub> is confirmed by the conversion facility.

In March 2016, the Company assigned its 2016 contractual delivery obligations under two of its sales contracts to a natural resources trading company in exchange for a cash payment of \$5.1 million. The first delivery occurred in 2016 Q3 while the second occurred in 2016 Q4. The Company reflects the payment as revenue when the related deliveries under the contracts are settled. Accordingly, the Company recognized the revenue in the respective quarters as shown above.

Table of Contents

## Total Cost Per Pound Sold

Reconciliation 1	Unit	2017 Q3	2017 Q2	2017 Q1	2016 Q4	2017 YTD
Ad valorem & severance taxes	\$000	\$ 119	\$ 227	\$ 241	\$ 247	\$ 587
Wellfield costs	\$000	\$ 1,473	\$ 1,379	\$ 1,665	\$ 1,641	\$ 4,517
Plant and site costs	\$000	\$ 1,614	\$ 1,761	\$ 1,979	\$ 1,829	\$ 5,354
Distribution costs	\$000	\$ 24	\$ 26	\$ 47	\$ 68	97
Inventory change	\$000	\$ 5,731	\$ (1,690)	\$ (1,652)	\$ (703)	\$ 2,389
Cost of sales - produced	\$000	\$ 8,961	\$ 1,703	\$ 2,280	\$ 3,082	\$ 12,944
Cost of sales - purchased	\$000	\$ 2,196	\$ 4,870	\$ 4,015	\$ —	11,081
Total cost of sales	\$000	\$ 11,157	\$ 6,573	\$ 6,295	\$ 3,082	24,025
Pounds sold produced	lb	180,000	31,000	50,000	100,000	261,000
Pounds sold purchased	lb	109,000	210,000	200,000	—	519,000
Total pounds sold	lb	289,000	241,000	250,000	100,000	780,000
Average cost per pound sold - produced (1)	\$/lb	\$ 49.78	\$ 54.93	\$ 45.60	\$ 30.82	\$ 49.59
Average cost per pound sold - purchased	\$/lb	\$ 20.15	\$ 23.19	\$ 20.08	\$ -	\$ 21.35
Total average cost per pound sold	\$/lb	\$ 38.61	\$ 27.27	\$ 25.18	\$ 30.82	\$ 30.80

<sup>1</sup> The cost per pound sold reflects both cash and non-cash costs, which are combined as cost of sales in the statement of operations included in this filing. The cash and non-cash cost components are identified in the above inventory, production and sales table.

The cost of sales 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 market value are charged to cost of sales.

Table of Contents

Three and nine months ended September 30, 2017 compared to the three and nine months ended September 30, 2016

The following tables summarize the results of operations for the three and nine months ended September 30, 2017 and 2016 (in thousands of U.S. dollars):

	Three months ended September 30,	
	2017	2016
	\$	\$
Sales	11,693	12,068
Cost of sales	(11,157)	(5,818)
Gross profit	536	6,250
Exploration and evaluation expense	(560)	(828)
Development expense	(1,454)	(1,108)
General and administrative expense	(1,070)	(972)
Accretion	(135)	(134)
Net profit (loss) from operations	(2,683)	3,208
Interest expense (net)	(332)	(474)
Warrant mark to market gain	-	5
Loss from equity investment	(5)	(3)
Write-off of equity investment	-	(900)
Foreign exchange loss	(40)	(6)
Other income	57	(27)
Net income (loss)	(3,003)	1,803
Loss per share – basic and diluted	(0.02)	0.01
Revenue per pound sold	40.39	47.36
Total cost per pound sold	38.61	29.09
Gross profit per pound sold	1.78	18.27

Table of Contents

	Nine months ended September 30,	
	2017	2016
	\$	\$
Sales	38,342	21,529
Cost of sales	(24,025)	(12,767)
Gross profit	14,317	8,762
Exploration and evaluation expense	(2,162)	(2,370)
Development expense	(3,499)	(2,384)
General and administrative expense	(3,748)	(3,796)
Accretion expense	(401)	(399)
Write-off of mineral properties	-	(62)
Net profit (loss) from operations	4,507	(249)
Interest expense (net)	(1,063)	(1,543)
Warrant mark to market gain	-	36
Loss from equity investment	(5)	(5)
Write-off of equity investments	-	(1,089)
Foreign exchange loss	(57)	(279)
Other income	120	15
Net income (loss)	3,502	(3,114)
Income (loss) per share – basic	0.02	(0.02)
Income (loss) per share – diluted	0.02	-
Revenue per pound sold	49.09	40.95
Total cost per pound sold	30.80	27.63
Gross profit per pound sold	18.29	13.32

## Sales

We sold a total of 289,000 and 780,000 pounds of U<sub>3</sub>O<sub>8</sub> during the three and nine months ended September 30, 2017 for an average price of \$40.39 and \$49.09, respectively per pound and 200,000 and 462,000 pounds of U<sub>3</sub>O<sub>8</sub> during the three and nine months ended September 30, 2016 for an average price of \$47.36 and \$40.95, respectively, per pound. The 2017 sales were all from term contracts and included 180,000 and 261,000 pounds of produced inventory and 109,000 and 519,000 pounds of purchased uranium for the three and nine months ended September 30, 2017, respectively. The 2016 sales consisted of 200,000 and 362,000 pounds delivered under term contracts at \$47.36 and \$43.77 per pound, respectively, and 100,000 pounds for the nine month period sold on the spot market at \$30.75 per pound.

Cost of Sales

For the three and nine months ended September 30, 2017, our cost per pound sold for produced inventory increased \$20.69 and \$21.96 compared to the same periods in 2016. These increases are a function of the reduced production volumes discussed above. In 2017, we purchased 109,000 and 519,000 pounds of uranium for the three and nine month periods at average cost of \$20.15 and \$21.35 per pound, respectively. Our average

## Table of Contents

cost per pound was \$38.61 for the quarter and \$30.80 for the nine months ended September 30, 2017, which represents an increase of \$9.52 and \$3.17 per pound, as compared to the three and nine month periods in 2016.

### Gross Profit

Our gross profit from the sale of uranium totaled \$0.5 million and \$14.3 million for the three and nine months ended September 30, 2017 and represented gross profits of \$1.78 and \$18.29 per pound, or 4% and 37% gross profit margins, respectively. This compares to Q3 2016 where our gross profits totaled \$3.7 and \$6.2 million for the three and nine months and represented gross profits of \$18.27 and \$13.32 per pound, or 39% and 33% gross profit margins, respectively.

We have limited our development activities and thereby reduced production in light of the current depressed spot market as discussed in previous filings. While we have taken measures to reduce operating costs, most of our costs are relatively fixed at all production levels, so the reduced production directly relates to the increase in our cost per pound for produced product. One of the largest costs we cannot reduce is our non-cash costs for depreciation and amortization. As we do not have reserves and are therefore an exploration company under the guidelines of the U.S. Securities and Exchange Commission, we cannot use production or mineralization as a basis for calculating depreciation or amortization. As a result, our expense for those items are the same now as they were when our production rate was significantly higher. Currently, these non-cash costs total \$1.3 million for the quarter and \$3.8 million for the nine months ended September 30, 2017.

Because of the fixed nature of our costs, our inventory cost exceeded the net realizable value of the inventory. Accordingly, we reduced the inventory cost by \$1.3 million for the quarter and \$2.2 million for the nine months. These costs are added to the cost of sales calculations for our produced product for the quarter. Because we only sold 180,000 pounds and 261,000 pounds of produced product for the quarter and nine months ended September 30, 2017, this increased our cost per pound sold of produced uranium by \$7.37 for the quarter and \$8.50 for the nine months.

The net result is that while our overall production cost per pound has increased, much of that increase is due fixed nature of our costs such as the non-cash amortization of plant and mineral assets, and the inability to adjust the amortization to reflect current production.

### Operating Expenses

Total operating expense for the three and nine months ended September 30, 2017 were \$3.2 and \$9.8 million, respectively. Operating expenses include exploration and evaluation expense, development expense, and G&A



expense. These expenses increased by \$0.2 and \$0.8 million compared to the same periods in 2016.

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 \$0.6 and \$2.2 million for the three and nine month periods ended September 30, 2017, respectively, and \$0.8 and \$2.4 million for the same periods in 2016. All costs associated with the geology and geological 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 with the Shirley Basin and Lucky Mc properties as they are in a more advanced stage. Development expenses increased by \$0.3 and \$1.1 million during the three and nine months ended compared to the same periods in

## Table of Contents

2016. The increase was primarily related to the limited development activities at MU2, including the drilling and construction activities associated with the first three header houses.

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 was little changed for the three and nine months ended September 30, 2017 compared to 2016.

## Other Income and Expenses

Net interest expense declined \$0.1 and \$0.5 million during the three and nine months ended September 30, 2017 compared to the prior year. The expense decline was directly attributable to principal payments reducing the outstanding note balances of the Wyoming state loan and the payoff in 2016 of the RMB loan.

In 2016, the Company performed quarterly impairment analyses based on the mineralization at the Bootheel property and the then current spot price. It determined that impairments reflecting the then current spot price were warranted, which resulted in a charge of \$0.9 million for the quarter and \$1.1 million for the nine months. Upon further analysis, it was determined that the deteriorating market conditions have made the investment not currently economically viable. Therefore, while the ownership interest will continue to be carried by the Company and the related resources retained, the Company wrote off the remaining basis in the investment as of December 31, 2016.

## Earnings and Loss per Common Share

The basic earnings (loss) per common share for the three and nine months ended September 30, 2017 were (\$0.02) and \$0.02, respectively, and basic and diluted earnings (loss) of \$0.01 and (\$0.02) for 2016. The diluted loss per common share for the three months ended September 30, 2017 and the nine months ended September 30, 2016 were 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 nine months ended September 30, 2017, there were 909,956 RSUs included in the diluted earnings per share calculations. For the three months ended September 30, 2016, there were 652,961 RSUs included in the diluted earnings. The result was diluted earnings per share of \$0.2 and \$0.1 for the respective periods. Dilution from options and warrants were not included as the strike price exceeded the then current market price of the Common Shares.

## Liquidity and Capital Resources

As of September 30, 2017, we had cash resources consisting of cash and cash equivalents of \$2.1 million, an increase of \$0.6 million from the December 31, 2016 balance of \$1.5 million. The cash resources consist of Canadian and U.S. dollar denominated deposit accounts and money market funds. We generated \$2.8 million from operating activities during the nine months ended September 30, 2017. During the same period, we used \$0.2 million for investing activities and \$2.1 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 September 30, 2017, the balance of the State Bond Loan was \$21.0 million.

## Table of Contents

On August 19, 2014, we filed a universal shelf registration statement on Form S-3 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 September 12, 2014.

On May 27, 2016, we entered into an At Market Issuance Sales Agreement with MLV & Co. LLC and FBR Capital Markets & Co., 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. During 2017, we have sold 1,536,169 Common Shares under the sales agreement at an average price of \$0.76 per share for gross proceeds of \$1.2 million. After deducting transaction fees and commissions we received net proceeds of \$1.1 million.

During 2017, a total of 549,952 stock options have been exercised, which has generated \$0.3 million.

Collections for the nine months from U<sub>3</sub>O<sub>8</sub> sales totaled \$30.5 million.

Operating activities generated cash of \$2.8 million during the nine months ended September 30, 2017 as compared to \$5.6 million during the same period in 2016. The net income for the nine months ended September 30, 2017 was \$6.6 million greater than the corresponding loss in 2016. At the end of the third quarter we sold \$7.8 million of produced uranium, but the proceeds were not received until early October. In 2016, we generated \$5.1 million from the assignment of deliveries scheduled for later in 2016 to a uranium trader.

During the first nine months of 2017, the Company used \$3.4 million for principal payments on the Sweetwater debt. This was partially offset by the \$1.1 million (net) from the sales of shares under the At Market Issuance Sales Agreement and \$0.3 million from the exercise of stock options.

## Liquidity Outlook

As at October 25, 2017, our unrestricted cash position was \$9.1 million. In September 2017, we sold 180,000 pounds of uranium for proceeds of \$7.8 million, which were received in early October. Our next contract sales are scheduled to take place in early January 2018.

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 third quarter of 2017, the average spot price of  $U_3O_8$ , as reported by Ux Consulting Company, LLC and TradeTech, LLC, was approximately \$20.33 per pound. Market fundamentals have not changed sufficiently to warrant the accelerated development of MU2. We are developing MU2 at a controlled rate as approved by our Board of Directors in the first quarter, which will allow us to produce at a level that will satisfy a portion of our term contracts.

## Table of Contents

In March, we implemented a limited reduction in labor force, which will serve to further streamline our operations and is expected to reduce our labor costs by approximately \$0.8 million per year.

Through September 30, 2017, we sold 780,000 pounds of  $U_3O_8$  under contract at an average price of approximately \$49 per pound. We purchased 519,000 pounds at an average cost of \$21 per pound. The remaining 261,000 pounds were delivered from our produced inventory. We do not anticipate any further sales this year.

We expect to bring the second MU2 header house on line in 2017 Q4 and the 2017 Q4 production target for Lost Creek is between 65,000 and 75,000 pounds  $U_3O_8$  dried and drummed. Full year 2017 production guidance is unchanged at between 250,000 and 300,000 pounds, but our production rate may be adjusted based on operational matters and other indicators in the market.

As at October 25, 2017, our unrestricted cash position was \$9.1 million.

### 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  $U_3O_8$  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.

As of September 30, 2017, the average current spot and long term prices of  $U_3O_8$  were \$20.33 and \$30.50, respectively. This compares to prices of \$20.25 and \$30.00 as of December 31, 2016. As prices have remained relatively steady since December 31, 2016 and no other factors have been identified, management has not done any additional impairment testing.

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.

## Table of Contents

### 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. 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 may affect future reporting

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." The amendments in ASU 2014-09 affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance, and creates a Topic 606 Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of the promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is not permitted. We have reviewed our contracts as well as our procedures and do not anticipate any changes in the manner or timing with which we reflect our revenues.



In January 2016, the FASB issued ASU 2016-1, Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825). The amendments in this ASU supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments also require enhanced disclosures about those investments. The amendments improve financial reporting by providing relevant information about an entity's equity investments and reducing the number of items that are recognized in other comprehensive income. This guidance is effective for annual reporting beginning after December 15, 2017, including interim periods within the year of adoption, and calls for prospective application, with early application permitted. Accordingly, the standard is effective

Table of Contents

for us beginning in the first quarter of fiscal 2018. The adoption of this guidance is not expected to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize all leases, including operating leases, unless the lease is a short-term lease. ASU 2016-02 also requires additional disclosures regarding leasing arrangements. ASU 2016-02 is effective for interim periods and fiscal years beginning after December 15, 2018, and early application is permitted. Now, the only leases we hold are for equipment, office space in one location and a limited number of leases on selected mineral properties. We do not anticipate the additional disclosures to reflect those leases will have an impact on our statement of financial position, as the total future lease payments are not material.

New accounting pronouncements which were implemented this year

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory. ASU 2015-11 requires that inventory within the scope of this ASU be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments apply to all inventory, measured using average cost which is how the Company measures inventory. For all entities, the guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. This is consistent with our past policies and had no financial or reporting impact when implemented during the first quarter.

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation - Improvements to Employee Share-Based Payment Accounting (Topic 718), which involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Under the new standard, income tax benefits and deficiencies are to be recognized as income tax expense or benefit in the income statement and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity should also recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. Excess tax benefits should be classified along with other income tax cash flows as an operating activity. Regarding forfeitures, the entity may make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. This ASU is effective for fiscal years beginning after December 15, 2016 including interim periods within that reporting period. We currently recognize no income tax expense or benefit due to significant income tax credits and net operating losses which are fully reserved under a valuation allowance. There was therefore no effect on our accounting or reporting at the time of implementation earlier this year. We have made the election to continue to recognize losses from forfeitures at inception rather than when they vest or occur.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows – Restricted Cash a consensus of the FASB Emerging Task Force (Topic 230), which addresses the presentation of restricted cash in the statement of cash

flows. Under the new standard, restricted cash will be presented with cash and cash equivalents in the statement of cash flows instead of being reflect as non-cash investing or financing activities. A reconciliation of the make-up of the end ending cash, cash equivalent and restricted cash balance will be required for entities who reflect restricted cash as separate items on the statement of financial position. In addition, a description of the restrictions on the cash will be required. This ASU is effective for fiscal years beginning after December 15, 2017 including interim periods within that reporting period, however early adoption is permitted. We elected to adopt this standard as of the first quarter. Accordingly, the cash balances reflected in the Statement of Cash Flows have been increased by \$7.6 million which has been the restricted cash balance since December 31, 2015. In addition, we have added note 14 – Supplemental Information to the

Table of Contents

Statement of Cash Flows which reconciles the cash balances shown on the Statement of Cash Flows with the appropriate balances on the Balance Sheet.

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.

Outstanding Share Data

As of October 25, 2017, we had outstanding 146,009,205 Common Shares and 8,330,085 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 September 30, 2017, we maintained a balance of approximately \$0.2 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  $U_3O_8$ . We have  $U_3O_8$  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  $U_3O_8$  price fluctuations. Historically,  $U_3O_8$  prices have been subject to fluctuation, and the price of  $U_3O_8$  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  $U_3O_8$  producing and consuming countries and production levels and costs of production of other producing companies. The spot market price for  $U_3O_8$  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 \$20.25 per pound as of October 25, 2017 as reported by TradeTech.

Table of Contents

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, 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 nine months ended September 30, 2017 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 nine months ended September 30, 2017 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.

41

---

Table of Contents

Item 5. OTHER INFORMATION

None

42

---



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

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for purposes of section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

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: October 27, 2017 By: /s/ Jeffrey T. Klenda  
Jeffrey T. Klenda  
Chief Executive Officer  
(Principal Executive Officer)

Date: October 27, 2017 By: /s/ Roger L. Smith  
Roger L. Smith  
Chief Financial Officer  
(Principal Financial Officer and  
Principal Accounting Officer)