Is Uranium the next commodity to move higher?

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As Ur-Energy Inc. (NYSE American: URG | TSX: URE) looks to break through its $1.57 (C$1.99) high reached in February of this year it's time to take another look at this company and Uranium in general. The Company announced some exciting news late last week – they received three approvals representing the final major permits required to begin construction of their Shirley Basin project. This is good news considering Ur-Energy is engaged in uranium mining, recovery and processing operations, as well as the exploration and development of uranium mineral properties.

The Shirley Basin project would be complementary to the existing Lost Creek project with its recently announced increase to nine licensed mine units and the licensed limit annual plant production of 2.2 million pounds U_3O_8 which includes wellfield production of up to 1.2 million pounds U_3O_8 and toll processing up to one million pounds U_3O_8. This gives the company the option of either building out a complete processing plant with drying facilities at Shirley Basin or a satellite plant with the ability to send loaded ion exchange resin to the Lost Creek Project for processing.

This all sounds great except for one thing. Ur-Energy isn't actually producing very much Uranium at the moment and is selling even less. The Company is maintaining reduced production operations at Lost Creek while awaiting the implementation of the national uranium reserve and further positive developments in the uranium markets (in other words, higher prices). The positive here is that this has allowed Ur-Energy to make operating cost reductions while continuing to conduct

preventative maintenance and optimize processes in preparation for ramp up to full production rates.

The story for Ur-Energy, and other Uranium producers is all about where prices are going, not where they currently are (that almost sounds like a Wayne Gretzky quote). The Uranium market is a little unusual in that historically very little Uranium is sold in the "spot" market. Most transactions are long term contracts for multi-year deals. This has created a strange anomaly over the last few years, whereby miners will actually go out and buy Uranium to fulfill those contracts rather than produce it themselves. Cameco is a great example of this if you dig into their activities. Along those lines, at the end of March 2021, Ur-Energy had 285,000 pounds of U_3O_8 of inventory available to sell or fulfill contracts.

But where does that leave investors? Ur-Energy has an unrestricted cash position of US$15.8 million and approximately US$8.6 million in finished, ready-to-sell inventory in order to maintain and enhance operational readiness or for possible acquisitions and general working capital. The Company can quickly and easily ramp-up to full production at Lost Creek of 1,000,000 pounds per year within 6 months at an estimated capital cost of US$14 million. Assuming Uranium pricing warranted this ramp-up in the first place, Lost Creek can be further advanced to its fully licensed 1.2 million pounds per year and Shirley Basin can then be developed up to 1.0 million pounds per year, which should make investors pretty happy.

But what is going to drive that increase in Uranium prices higher than the $20-$30 per pound range it's languished in for most of the last 5 years. For starters, the U.S. Department of Energy will be provided US$75 million to coordinate with and support the Office of Nuclear Energy in the development and implementation of a national uranium reserve program. The US

Government also announced an extension and expansion of limitations on importation of Uranium from the Russian Federation. Another catalyst is the Biden Administration's commitment to nuclear energy, calling nuclear an essential pillar to its clean energy mandate. Lastly, investment interest in the form of the recently announced Uranium Participation Corporation agreement with Sprott Asset Management to modernize its business structure and pursue a U.S. listing.

On the flip side, Cameco announced plans to restart production in April at its massive Cigar Lake uranium mine. Additionally, Kazatomprom the world's largest producer of uranium, with production representing approximately 24% of global primary uranium production took a page out of OPEC's book and announced 20% reductions through 2022. It's not a reach to believe that if prices start to improve materially, both Cameco and Kazatomprom could ramp up production relatively quickly.

So as an investor, you need to make a decision on Uranium prices first and whether the current positive momentum can continue. If you decide you want Uranium exposure then Ur-Energy is a great leverage play to participate in the Uranium trade.