

Item 7. 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 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 accompanying audited consolidated financial statements and related notes. The financial statements have been prepared in accordance with US GAAP.

Industry Update and Trends

The new year brings cause for growing confidence in the nuclear fuel industries, including uranium production. Having persevered through many years of suppressed low pricing, including the threats to overall market stability created by foreign state-sponsored producers, U.S. uranium miners have recently seen signs there may be increasing support in Washington and that industry-wide fundamentals are strengthening. The Biden Administration is prioritizing climate change initiatives and its leaders have expressed an understanding that clean, carbon-free nuclear energy must be an integral part of those initiatives.

These positive signs follow several years during which uranium producers, including our Company, have implemented decisions to halt planned development activities as well as to operate at lower rates of production. These slowdowns in production and reductions in development were compounded by the pandemic of 2020. As a result, reductions in workforces continue to be implemented throughout the industry. As discussed elsewhere in this report, we continued in 2020 to restrict production rates, conducted no further development activities and, in Q3, reduced production levels even further. The further reduction in production was accompanied by a further reduction in force at Lost Creek, as well as in the corporate services group of the Company. While these constraints by U.S. miners ensure near-term U.S. production will remain low, imports continued to dominate the 2020 U.S. market in even greater proportions.

The U.S. Energy Information Administration (“EIA”) published uranium production results, showing that the 173,875 pounds produced in 2019 is the lowest in U.S. history (and, nearly 90% lower than 2018). In 2020, the EIA reported Q1 production in the U.S. as 8,098 pounds U₃O₈; thereafter, the EIA reports did not include specific production numbers as it advised it “could not publicly release data for U.S. production of uranium concentrate. . .because production activity did not reach a threshold where a specific production figure could be published without violating the [confidentiality] protections that EIA has committed to provide.”

In early 2018, in response to market conditions, primary among them imports into the U.S. emanating from state-sponsored producers in Russia, Kazakhstan, and Uzbekistan, Ur-Energy USA and Energy Fuels Resources (USA) Inc. (“Energy Fuels”) initiated a trade action with the U.S. Department of Commerce (“DOC”) pursuant to Section 232 of the Trade Expansion Act. While the trade action was not directly successful, it did result in the formation of the United States Nuclear Fuel Working Group (the “Working Group”) which was charged to develop recommendations for the Administration for reviving and expanding domestic uranium production.

In April 2020, the Working Group, through the Department of Energy (“DOE”), released its report, “Restoring America’s Competitive Nuclear Energy Advantage – A strategy to assure U.S. national security.” Relevant to uranium miners, the recommendations included, first, that the U.S. government make direct purchases of 17 to 19 million total pounds of U₃O₈ to replenish the American Assured Fuel Supply (“AAFS”) uranium reserve. Additionally, the report recommended that a new national uranium reserve be established through DOE’s proposed budgeted purchases of domestically produced uranium, beginning in FY2021 and continuing for ten

years. The approved FY2021 DOE budget includes \$75 million for the reserve program. If budget appropriations are secured annually and the program is implemented in a timely fashion, these purchases would provide direct support to the front end of the fuel cycle and help re-establish our nation's critical capabilities.

The Working Group report also called for support of the DOC efforts to extend the Russian Suspension Agreement ("RSA") to protect against future uranium dumping. In early October, the DOC completed the amendment and extension of the RSA. The RSA amendment continues caps on Russian imports of nuclear fuel to the U.S. for an additional 20 years, through 2040. The amendment reduces the current cap of 20% of demand to an average of 17% of demand over the 20-year period, with reductions starting in 2028 and continuing through 2040. The amendment also closes other practical loopholes to protect the U.S. market, provides for administrative reviews during the term, and contemplates potential extensions. These provisions in the RSA are positive developments in the long term. Additionally, the amended RSA was codified as federal law in December 2020, which serves to protect against the prospect of Russian rescission of the agreement.

The Working Group report also recommends support for the restart of the sole U.S. conversion plant beginning no later than 2022 to produce 6,000 to 7,500 tons of UF₆ and thereafter to restart domestic enrichment in or about 2023, with at least 25 percent of material being unobligated. By law, unobligated material must be sourced domestically. Subsequently, in February 2021, ConverDyn conversion facility announced its plan to restart processing and production in 2023.

There can be no certainty of further action on the Working Group's Report recommendations, including the timing for any such action or implementation, the successful budgeting for such actions or sustainability of any programs established further to the recommendations. Therefore, the outcome of these continuing processes and the effects on the U.S. uranium market remains uncertain.

Additional federal legislation was introduced in 2020 which is designed to revitalize the country's nuclear infrastructure: the American Nuclear Infrastructure Act of 2020 ("ANIA") includes the authorization for a uranium reserve to fuel America's nuclear reactors with domestic fuel, among other items, to preserve America's uranium industry.

The pandemic has had and will continue to have an impact on the global uranium market. The many temporary suspensions and adjustments in production announced in early 2020 led to the removal of as much as 46 million pounds of primary production on an annualized basis. While there were certain restarts mid-year, many did not last and operations were, again, suspended or slowed. Cameco's Cigar Lake, for example, suspended operations in April 2020, restarted production in September and suspended production again in December over safety concerns related to the COVID-19 virus. Production at Cigar Lake remains suspended at this time. Kazatomprom also suspended and slowed production operations during 2020 and has announced reductions in production continuing through 2022.

Supply-demand fundamentals continue to strengthen with projections for sustained growth of global nuclear power in coming years through traditional uses and the construction of advanced reactors of various types. Growing numbers of countries are making commitments to net-zero emissions, which will likely require nuclear energy to meet such objectives.

2020 Developments

COVID-19 (Coronavirus)

COVID-19 (Coronavirus) was declared a pandemic in March 2020. Throughout the year, gathering and other restrictions existed at various levels in Wyoming and Colorado. As these restrictions changed, we have adapted accordingly. We have monitored and sought to adhere to state, federal, and public health guidance as it has evolved and will continue to do so. While we have had occasions under which it was advised that a staff member self-isolate for a period of time, we have had only one staff member ill with COVID-19. There was not a material impact on operations during the absence of this individual from work. For our remaining employees at Lost Creek, we have altered certain work and commuting arrangements, with additional suggested safety precautions. Because our final scheduled sale of 2020, in early April, was completed by book transfer (effectively a paper transaction), then-existing COVID-19 restrictions did not impede the transfer.

Lost Creek Property – Great Divide Basin, Wyoming

Since commencement of operations in 2013, we have captured 2,734,393 pounds of U_3O_8 at Lost Creek through December 31, 2020. As in recent years, controlled production operations continued at Lost Creek throughout 2020. The originally planned wells and HHs in MU1 and the first three HHs and the related wells in MU2 were available for operation through much of 2020, until we further reduced our production levels in Q3 2020.

We were contractually committed to sell 200,000 pounds of U_3O_8 during H1 2020, at an average price of approximately \$42 per pound. We entered into agreements to purchase product for delivery into those contractual commitments. The average cost of the purchases was approximately \$26 per pound. We delivered a portion of those 2020 contractual commitments (33,000 pounds) in Q1 and delivered the remaining amount (167,000 pounds) early in Q2. The Q2 sale completed our remaining term commitment obligations. There were no spot sales completed in 2020.

During 2020, 10,789 pounds of U_3O_8 were captured within the Lost Creek plant and 15,873 pounds U_3O_8 were packaged in drums. At December 31, 2020, inventory at the conversion facility was approximately 268,485 pounds. Subsequent to year-end, we delivered an additional shipment to the conversion facility. Currently, we have approximately 284,358 pounds in inventory at the conversion facility.

Lost Creek MU1 and MU2 have all appropriate operating permits. The main trunkline that services the first five MU2 HHs has been installed, and the entirety of MU2 has been fenced. In addition, during the most recent development program, approximately 45% of the required wells for HH2-4 have been drilled and cased. These earlier development activities in MU2 will allow for a quick ramp up of production once market fundamentals change.

Lost Creek Regulatory Proceedings

Subsequent to final approvals for initial operations at Lost Creek received in 2012-2013, we have made necessary additional filings for and received approvals for ongoing operations at Lost Creek (e.g., wellfield development; authorizations related to permitted new deep disposal wells; permits and authority for Class V wells). In 2014, we filed applications for amendment of all Lost Creek permits and licenses to include recovery from LC East operations. The BLM conducted a NEPA review of the applications and plan of operations. The NRC participated in this review as a cooperating agency. The BLM issued its Final Environmental Impact Statement and related Record of Decision for the LC East Project in Q1 2019. Having assumed responsibility for source material licenses in 2018, the State URP received and adopted the NRC's review of the application for amendment of the Lost Creek license and is completing all necessary steps toward issuance. Additionally, a permit amendment requesting similar approvals to mine was submitted to the WDEQ. Approval will include

an aquifer exemption. We anticipate that all major permits and authorizations for the LC East amendments should be complete in 2021 H2.

Shirley Basin Project

Our permitting and license applications to construct and operate at our Shirley Basin site are nearing completion. The applications contemplate construction of a full processing facility, providing greater construction and operating flexibility as may be suggested by market conditions. We anticipate the State processes to be complete, with necessary permits, licenses and authorizations received, in 2021 H1. The BLM has completed its review and granted approval of the project. Additionally, work is well underway on initial engineering evaluations, designs and studies for the development of Shirley Basin operations when market conditions warrant.

Trade Action, Working Group and Legislative Updates

As described above under **Industry Updates and Trends**, we pursued a trade action with the DOC in response to the challenges of uranium market conditions, primary among them imports to the U.S. emanating from state-sponsored producers in Russia, Kazakhstan, and Uzbekistan. The trade action was concluded in 2019 when, choosing to not take direct action on the Section 232 Report from DOC, President Trump established the Working Group and charged it with developing recommendations for reviving and expanding domestic uranium production as well as considering the condition of the rest of the nuclear fuel cycle. The Working Group Report was released in April 2020, with many strong recommendations in support of the uranium mining industry as well as other aspects of the nuclear fuel cycle. The replenishment of the existing AAFS uranium reserve and the establishment of a new national uranium reserve were among the recommendations. Initial funding of \$75 million for the new uranium reserve was included in the December 2020 Omnibus Bill. Budget proposals coinciding with the Working Group report suggest that a ten-year \$150 million annual budget item should be allocated for the national uranium reserve, with funding contemplated until 2030.

Corporate Organization and Financing Developments

SBA Paycheck Protection Program

In response to the COVID-19 pandemic, Congress enacted the CARES Act on March 27, 2020. Among other provisions, it created the Paycheck Protection Program (“PPP”) through the Small Business Administration (“SBA”). As an eligible borrower under the program, we secured two loans, one for each of our subsidiaries with U.S. payroll obligations. The combined loan amount of \$0.9 million was received on April 16, 2020. The Flexibility Act, which became law on June 5, 2020, changed key provisions of the PPP, including maturity of the loans, deferral of loan payments, and forgiveness of PPP loans, with revisions being retroactive to the date of the CARES Act. We have applied for forgiveness of the full amount of the loans under the current provisions of the program, and we anticipate the loans will meet the requirements for full forgiveness.

Reductions in Force

Because of persistently challenged market conditions and delay in progressing any of the recommendations in the Working Group Report, we continued to implement additional cost reductions throughout 2020. In Q3, we proceeded with an additional reduction in force which included 11 employees at Lost Creek and in the Littleton office. We reduced staffing to minimum levels necessary to safely operate and maintain our facilities and to meet regulatory compliance. Certain employees were asked to change job responsibilities and additional cross-training has been completed. We have retained core operational personnel who possess critical knowledge necessary for the Company to ramp up when conditions warrant. This strategy preserves our ability to react promptly and efficiently to changing market conditions.

Amendment of State Bond Loan

In addition to other cost-cutting measures taken throughout 2020, we again worked with the State of Wyoming and the Board of County Commissioners of Sweetwater County to obtain an additional six-quarter deferral of principal payments on the Lost Creek State Bond Loan, with all approvals being obtained October 6, 2020. Interest payments will continue during the deferral period for principal payments. The next quarterly principal payment is due in October 2022 and the final payment will be due in October 2024.

Equity Financings

On August 4, 2020, we announced the closing of a \$4.68 million registered direct offering of 9,000,000 common shares and accompanying one-half common share warrants to purchase up to 4,500,000 common shares, at a combined public offering price of \$0.52 per common share and accompanying warrant, with gross proceeds to the Company of \$4.68 million. After fees and expenses of \$0.4 million, net proceeds to the Company of \$4.3 million were received on August 4, 2020.

Subsequent to year-end, on February 4, 2021, we announced the closing of an underwritten public offering of 14,722,200 common shares and accompanying one-half common share warrants to purchase up to 7,361,100 common shares, at a combined public offering price of \$0.90 per common share and accompanying warrant. The warrants have an exercise price of \$1.35 per whole common share and will expire three years from the date of issuance. We also granted the underwriters a 30-day option to purchase up to an additional 2,208,330 common shares and warrants to purchase up to 1,104,165 common shares on the same terms, which was exercised in full prior to closing. Including the exercised option, we issued a total of 16,930,530 common shares and 16,930,530 warrants to purchase up to 8,465,265 common shares. The gross proceeds to the Company were approximately \$15.2 million.

Off Take Sales Agreements

We completed all remaining deliveries into our off-take sales agreements with U.S. utilities in 2020 Q2.

Results of Operations

The following tables provide detailed financial information on our sales, cost of sales, gross profit and production and ending inventory as they relate to U₃O₈ pounds.

Reconciliation of Non-GAAP measures with US GAAP financial statement presentation

The U₃O₈ and cost per pound measures included in the following tables 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. Where applicable, reconciliation of these measures to US GAAP financial statement presentation are included within the respective table.

Sales

	<u>Unit</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
U₃O₈ Sales Reconciliation ⁽¹⁾				
Sales per financial statements	\$000	\$ 8,316	\$ 32,255	\$ 23,496
Disposal fees	\$000	\$ (16)	\$ (4)	\$ (43)
U ₃ O ₈ sales	\$000	\$ 8,300	\$ 32,251	\$ 23,453
U ₃ O ₈ pounds sold	lb	200,000	665,000	480,000
U ₃ O ₈ price per pound sold	\$/lb	\$ 41.50	\$ 48.50	\$ 48.86
U₃O₈ Sales by Product				
U₃O₈ Sales				
Produced	\$000	\$ -	\$ 9,889	\$ 238
Purchased	\$000	\$ 8,300	\$ 22,362	\$ 23,215
	\$000	\$ 8,300	\$ 32,251	\$ 23,453
U₃O₈ Pounds Sold				
Produced	lb	-	213,750	10,000
Purchased	lb	200,000	451,250	470,000
	lb	200,000	665,000	480,000
U₃O₈ Price per Pounds Sold				
Produced	\$/lb	\$ -	\$ 46.26	\$ 23.80
Purchased	\$/lb	\$ 41.50	\$ 49.56	\$ 49.39
	\$/lb	\$ 41.50	\$ 48.50	\$ 48.86

Note:

1. Sales per the financial statements include revenues from disposal fees received at Shirley Basin. The disposal fees do not relate to U₃O₈ pounds sold and are excluded from the U₃O₈ sales and U₃O₈ price per pound sold figures.

The Company delivers U₃O₈ to a conversion facility, where the product is stored until sold. When a sales delivery is made, the Company notifies the conversion facility with instructions for a title transfer to the customer. Revenue is recognized when the title transfer of the U₃O₈ is confirmed by the conversion facility.

Cost of Sales

	<u>Unit</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
U₃O₈ Cost of Sales Reconciliation ⁽¹⁾				
Cost of sales per financial statements	\$000	\$ 12,968	\$ 30,274	\$ 12,203
Lower of cost or NRV adjustment	\$000	\$ (7,802)	\$ (10,264)	\$ (318)
U ₃ O ₈ cost of sales	\$000	\$ 5,166	\$ 20,010	\$ 11,885
U ₃ O ₈ pounds sold	lb	200,000	665,000	480,000
U ₃ O ₈ cost per pound sold	\$/lb	\$ 25.83	\$ 30.09	\$ 24.76

U₃O₈ Cost of Sales by Product

U₃O₈ Cost of Sales				
Ad valorem and severance taxes	\$000	\$ 29	\$ 82	\$ 423
Wellfield cash costs	\$000	\$ 422	\$ 882	\$ 2,068
Wellfield non-cash costs	\$000	\$ 2,289	\$ 2,445	\$ 1,603
Plant cash costs	\$000	\$ 3,393	\$ 4,395	\$ 4,719
Plant non-cash costs	\$000	\$ 1,958	\$ 1,954	\$ 1,955
Distribution costs	\$000	\$ 1	\$ 71	\$ 136
Inventory change	\$000	\$ (8,092)	\$ (1,744)	\$ (10,495)
Produced	\$000	\$ -	\$ 8,085	\$ 409
Purchased	\$000	\$ 5,166	\$ 11,925	\$ 11,476
	\$000	\$ 5,166	\$ 20,010	\$ 11,885

U₃O₈ Pounds Sold

Produced	lb	-	213,750	10,000
Purchased	lb	200,000	451,250	470,000
	lb	200,000	665,000	480,000

U₃O₈ Cost per Pound Sold

Produced	\$/lb	\$ -	\$ 37.82	\$ 40.90
Purchased	\$/lb	\$ 25.83	\$ 26.43	\$ 24.42
	\$/lb	\$ 25.83	\$ 30.09	\$ 24.76

Note:

1. Cost of sales per the financial statements include lower of cost or net realizable value ("NRV") adjustments. The NRV adjustments do not relate to U₃O₈ pounds sold and are excluded from the U₃O₈ cost of sales and U₃O₈ cost per pound sold figures.

Cost of sales per the financial statements includes ad valorem and severance taxes related to the extraction of uranium, all costs of wellfield and plant 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. The resulting inventoried cost per pound is compared to the NRV of the product, which is based on the estimated sales price of the product, net of any remaining costs to finish the product. Any inventory value in excess of the NRV is charged to cost of sales per the financial statements. These NRV adjustments are excluded from the U₃O₈ cost of sales and U₃O₈ cost per pound sold figures because they relate to the pounds of U₃O₈ in ending inventory and do not relate to the pounds of U₃O₈ sold during the period.

Gross Profit

	<u>Unit</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
U₃O₈ Gross Profit by Cost Product				
U₃O₈ Sales (see Sales Table)				
Produced	\$000	\$ -	\$ 9,889	\$ 238
Purchased	\$000	\$ 8,300	\$ 22,362	\$ 23,215
	\$000	\$ 8,300	\$ 32,251	\$ 23,453
U₃O₈ Cost of Sales (see Cost of Sales Table)				
Produced	\$000	\$ -	\$ 8,085	\$ 409
Purchased	\$000	\$ 5,166	\$ 11,925	\$ 11,476
	\$000	\$ 5,166	\$ 20,010	\$ 11,885
U₃O₈ Gross Profit				
Produced	\$000	\$ -	\$ 1,804	\$ (171)
Purchased	\$000	\$ 3,134	\$ 10,437	\$ 11,739
	\$000	\$ 3,134	\$ 12,241	\$ 11,568
U₃O₈ Pounds Sold				
Produced	lb	-	213,750	10,000
Purchased	lb	200,000	451,250	470,000
	lb	200,000	665,000	480,000
U₃O₈ Gross Profit per Pound Sold				
Produced	\$/lb	\$ -	\$ 8.44	\$ (17.10)
Purchased	\$/lb	\$ 15.67	\$ 23.13	\$ 24.97
	\$/lb	\$ 15.67	\$ 18.41	\$ 24.10
U₃O₈ Gross Profit Margin				
Produced	%	0.0%	18.2%	-71.8%
Purchased	%	37.8%	46.7%	50.6%
	%	37.8%	38.0%	49.3%

The last produced inventory was sold in 2019 Q2. All sales in 2020 were from purchased inventory.

U₃O₈ Production and Ending Inventory

	<u>Unit</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
U₃O₈ Production				
Pounds captured	lb	10,789	47,957	302,164
Pounds drummed	lb	15,873	50,794	286,357
Pounds shipped	lb	-	58,353	287,873
Pounds purchased	lb	200,000	500,000	470,000
U₃O₈ Ending Inventory				
Pounds				
In-process inventory	lb	303	5,396	9,134
Plant inventory	lb	15,873	-	7,559
Conversion inventory - produced	lb	219,735	220,053	375,803
Conversion inventory - purchased	lb	48,750	48,750	-
	lb	284,661	274,199	392,496
Value				
In-process inventory	\$000	\$ -	\$ -	\$ 160
Plant inventory	\$000	\$ 463	\$ -	\$ 345
Conversion inventory - produced	\$000	\$ 6,083	\$ 6,250	\$ 14,187
Conversion inventory - purchased	\$000	\$ 1,268	\$ 1,176	\$ -
	\$000	\$ 7,814	\$ 7,426	\$ 14,692
Cost per Pound				
In-process inventory	\$/lb	\$ -	\$ -	\$ 17.52
Plant inventory	\$/lb	\$ 29.17	\$ -	\$ 45.64
Conversion inventory - produced	\$/lb	\$ 27.68	\$ 28.40	\$ 37.75
Conversion inventory - purchased	\$/lb	\$ 26.01	\$ 24.12	\$ -
	\$/lb	\$ 27.45	\$ 27.08	\$ 37.43
Produced conversion inventory detail:				
Ad valorem and severance tax	\$/lb	\$ 0.75	\$ 0.77	\$ 1.52
Cash cost	\$/lb	\$ 17.50	\$ 17.95	\$ 23.85
Non-cash cost	\$/lb	\$ 9.43	\$ 9.68	\$ 12.38
	\$/lb	\$ 27.68	\$ 28.40	\$ 37.75

During 2020, we took steps to further reduce production operations at Lost Creek and adjust to the continued depressed state of the uranium markets while we awaited the recommended relief from the Working Group and further positive developments in the uranium markets. As a result, production rates at Lost Creek declined

during the year. Pounds captured decreased nearly 80 percent during the year and will remain low until a decision to ramp up is made. Pounds drummed decreased similarly. There were no shipments in 2020 as we accumulated enough product for the next shipment, which was made in January 2021.

At the end of the year, we had approximately 268,485 pounds of U_3O_8 at the conversion facility including 219,735 produced pounds at an average cost per pound of \$27.68, and 48,750 purchased pounds at an average cost of \$26.01 per pound. Including the January 2021 shipment, we have approximately 284,358 pounds of U_3O_8 at the conversion facility including 235,608 produced pounds.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

The following table summarizes the results of operations for the years ended December 31, 2020 and 2019:

(expressed in thousands of U.S. dollars, except per share and pound data)

	Year ended December 31,	
	2020	2019
Sales	8,316	32,255
Cost of sales	(12,968)	(30,275)
Gross profit (loss)	(4,652)	1,980
Operating costs	(8,689)	(10,258)
Profit (loss) from operations	(13,341)	(8,278)
Net interest expense	(710)	(668)
Warrant mark to market gain	(680)	524
Foreign exchange gain (loss)	(72)	(28)
Other income (expense)	18	32
Net income (loss)	(14,785)	(8,418)
Foreign currency translation adjustment	53	(16)
Comprehensive income (loss)	(14,732)	(8,434)
Income (loss) per common share:		
Basic	(0.09)	(0.05)
Diluted	(0.09)	(0.05)
U ₃ O ₈ pounds sold	200,000	665,000
U ₃ O ₈ price per pounds sold	41.50	48.50
U ₃ O ₈ cost per pounds sold	25.83	30.09
U ₃ O ₈ gross per pounds sold	15.67	18.41

Sales

We sold 200,000 pounds of U₃O₈ during 2020 at an average price of \$41.50 per pound. We sold 665,000 pounds of U₃O₈ during 2019 at an average price of \$48.50 per pound. The sales were all from term contracts.

Cost of Sales

Cost of sales per the financial statements includes ad valorem and severance taxes related to the extraction of uranium, all costs of wellfield and plant 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. The resulting inventoried cost per pound is compared to the NRV of the product, which is based on the estimated sales price of the product, net of any remaining costs to finish the product. Any inventory value in excess of the NRV is charged to cost of sales per the financial statements. These NRV adjustments are excluded from the U₃O₈ cost of sales and U₃O₈ cost per pound sold figures because they relate to the pounds of U₃O₈ in ending inventory and do not relate to the pounds of U₃O₈ sold during the period.

All sales in 2020 were from purchased product. The weighted average purchase price was \$25.83 per pound as compared to \$30.09 in 2019. In 2019, a portion of the product sold was from produced inventory and the cost per pound of the produced inventory was higher than the purchased inventory cost per pound, which led to a higher average cost per pound sold in 2019 as compared to 2020.

In 2020, cost of sales per the financial statements included \$7.8 million in lower of cost or NRV adjustments compared to \$10.3 million in 2019.

Gross Profit

The gross loss per the financial statements for 2020 was \$4.7 million. After adding back the \$7.8 million lower of cost or NRV adjustment, which included a significant portion of cash production costs, the gross profit related to U₃O₈ sales was \$3.1 million, which represents a gross profit margin of approximately 38 percent. Gross profit excluding NRV adjustments of \$10.3 million in 2019 represent a gross profit margin of approximately 38 percent.

Operating Costs

Operating costs include exploration and evaluation expense, development expense, general and administration expense, and accretion expense.

The following table summarizes the operating costs for the years ended December 31, 2020 and 2019:

<u>Operating Costs</u>	Year ended December 31,	
	2020	2019
Exploration and evaluation	1,816	2,476
Development	1,097	1,404
General and administration	5,200	5,801
Accretion	576	577
	8,689	10,258

Total operating costs in 2020 and 2019 were \$8.7 million and \$10.3 million, respectively. The decrease in 2020 was primarily related to lower labor costs. In 2020, after considering uranium market conditions, and other factors including worldwide economic conditions and market reactions to COVID-19, our Board of Directors

chose to not pay bonus awards for 2019 performance, which accounted for a significant portion of the labor variance.

Exploration and evaluation expense consists of labor and the associated costs of the exploration, evaluation, and regulatory departments, as well as land holding and exploration costs on properties that have not reached the development or operations stage. The \$0.7 million decrease in 2020 is primarily due to the lower labor costs (\$0.6 million) and lower rental expenses (\$0.1 million), which resulted from relocating the Casper field office to a smaller, less expensive, office building and the end of a vehicle lease program.

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 Project, which is in a more advanced stage, and Lucky Mc, which is near the end of reclamation at the historic mine site. The \$0.3 million decrease in 2020 primarily related to lower outside service costs at Lost Creek and Shirley Basin (\$0.4 million), which resulted from decreased levels of development activity at both locations, partially offset by higher permitting costs at Shirley Basin (\$0.1 million).

General and administration expense relates to the administration, finance, investor relations, land, and legal functions, and consists principally of personnel, facility, and support costs. The \$0.6 million decrease in 2020 was primarily related to lower labor (\$0.5 million) and lower outside professional fees (\$0.2 million), which were partially offset by higher, non-cash, stock compensation costs (\$0.1 million).

Other Income and Expenses

Net interest expense remained consistent during 2020 compared to the prior year. In October 2019, the State granted a six-quarter deferral of principal payments on the State Bond Loan, so the principal balance, and the resulting interest charge, did not change significantly.

The warrant mark to market decreased from a gain of \$0.5 million in 2019 to a loss of \$0.7 million in 2020. As a part of the September 2018 public offering and the August 2020 registered direct offering, we sold warrants that were priced in U.S. dollars. Because the functional currency of the Ur-Energy Inc. is Canadian dollars, a derivative financial liability was created. The liability was originally calculated, and is revalued quarterly, using the Black-Scholes technique as there is no active market for the warrants. Any gain or loss resulting from the revaluation of the liability is reflected in net income for the period.

Earnings (loss) per Common Share

The basic and diluted loss per common share for 2020 and 2019 were \$0.09 and \$0.05, respectively. 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 in periods of loss.

Liquidity and Capital Resources

As of December 31, 2020, we had cash resources consisting of cash and cash equivalents of \$4.3 million, a decrease of \$3.1 million from the December 31, 2019 balance of \$7.4 million. The cash resources consist of Canadian and U.S. dollar denominated deposit accounts and money market funds. We used \$8.4 million for operating activities, used less than \$0.1 million for investing activities, and generated \$5.3 million from financing activities.

Operating activities used \$8.4 million of cash in 2020. We collected \$8.3 million from the sale of purchased U₃O₈. We spent \$5.2 million to purchase the U₃O₈ we sold. We also spent \$3.8 million on production related costs, however there were no sales of produced inventory during the year. Operating costs consumed \$7.2 million of cash and we paid \$0.7 million in interest payments on our state bond loan. Working capital and other items generated approximately \$0.2 million of cash.

Investing activities during 2020 were minimal and primarily consisted of some early stage design work on an alternative, limited rejection water treatment system, which could significantly increase our wastewater disposal capacity. However, most of the costs were offset by proceeds from the sale of capital assets.

Financing activities provided \$5.3 million of cash in 2020. As described below, we received \$0.9 million of loan proceeds in April and raised \$4.3 million after expenses through a public offering in August. In addition, we received \$0.1 million from the exercise of stock options and \$0.1 million for shares issued through the at market sales facility described below. Subsequent to December 31, 2020, the Company closed on February 4, 2021 a \$15.2 million underwritten public offering as described below.

Wyoming State Bond Loan

On October 23, 2013, we closed a \$34.0 million Sweetwater County, State of Wyoming, Taxable Industrial Development Revenue Bond financing program loan (“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 was to be payable in 28 quarterly installments, which commenced January 1, 2015. The State Bond Loan is secured by all the assets at the Lost Creek Project. As of December 31, 2020, the balance of the State Bond Loan was \$12.4 million.

On October 1, 2019, the Sweetwater County Commissioners and the State of Wyoming approved a six-quarter deferral of principal payments beginning October 1, 2019. On October 6, 2020, the State Bond Loan was again modified to defer principal payments for an additional eighteen months. Quarterly principal payments are scheduled to resume on October 1, 2022 and the last payment will be due on October 1, 2024.

Small Business Administration Loans

On April 16, 2020, we obtained two SBA PPP loans (one for each of our subsidiaries with U.S. payroll obligations) through the Bank of Oklahoma Financial (“BOKF”). The program was a part of the CARES Act enacted by Congress on March 27, 2020 in response to the COVID-19 (Coronavirus) pandemic. The combined loan amount was \$0.9 million.

On June 5, 2020, the Flexibility Act became law. The Flexibility Act changes key provisions of the PPP, including maturity of the loans, deferral of loan payments, and the forgiveness of the PPP loans, with revisions being retroactive to the date of the CARES Act.

Under the SBA PPP loan program, as modified by the Flexibility Act, the repayment of our loans, including interest, may be forgiven based on eligible payroll, payroll-related, and other allowable costs incurred in a twenty-four-week period following the funding of the loans. We anticipate the loans will meet the requirements for forgiveness under this program. In December 2020, we applied for loan forgiveness, but we have not yet received loan forgiveness and therefore continue to treat the PPP loans as debt.

Universal Shelf Registration and At Market Facility

On May 15, 2020, we filed a universal shelf registration statement on Form S-3 with the SEC in order that we may offer and sell, from time to time, in one or more offerings, at prices and terms to be determined, up to \$100 million of our Common Shares, warrants to purchase our Common Shares, our senior and subordinated debt securities, and rights to purchase our Common Shares and/or senior and subordinated debt securities. The registration statement became effective May 27, 2020 for a three-year period.

On May 29, 2020, we entered into an At Market Issuance Sales Agreement (the “Sales Agreement”) with B. Riley Securities, Inc. (formerly, B. Riley FBR, Inc.), 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 agent for aggregate sales proceeds of up to \$10,000,000. The Sales Agreement replaces the prior At Market Issuance Sales Agreement entered by the Company on May 27, 2016, as amended. In 2020 Q4, we utilized the Sales Agreement and received gross proceeds of \$0.1 million.

2020 Registered Direct Offering

On August 4, 2020, the Company closed a \$4.68 million registered direct offering of 9,000,000 common shares and accompanying one-half common share warrants to purchase up to 4,500,000 common shares, at a combined public offering price of \$0.52 per common share and accompanying warrant, with gross proceeds to the Company of \$4.68 million. After fees and expenses of \$0.4 million, net proceeds to the Company were \$4.3 million.

2021 Underwritten Public Offering

Subsequent to December 31, 2020, the Company closed on February 4, 2021 a \$15.2 million underwritten public offering of 16,930,530 common shares and accompanying one-half common share warrants to purchase up to 8,465,265 common shares, at a combined public offering price of \$0.90 per common share and accompanying one-half common share warrant. The gross proceeds to the Company from this offering were approximately \$15.2 million, before deducting the underwriting discounts and commissions and other estimated offering expenses payable by the Company.

Liquidity Outlook

As of February 24, 2021, our unrestricted cash position was \$18.6 million.

In addition to our cash position, our finished, ready-to-sell, conversion facility inventory, worth \$8.0 million at recent spot prices, is immediately realizable, if necessary. After completing the 2021 underwritten public offering discussed above, we no longer anticipate selling our existing finished-product inventory in 2021 at spot market prices. As discussed below, we currently intend to preserve our U.S. origin pounds for possible delivery into the U.S. uranium reserve program, which has been signed into law but not yet implemented.

Looking Ahead

Following multiple announcements of industry production suspensions and reductions in 2020, U₃O₈ spot prices increased to \$33 per pound, but subsequently decreased to approximately \$30 per pound at year-end. More recently, recognition of nuclear power’s role in achieving net-zero carbon emissions goals has seen a renewed interest in the uranium sector. The Paris Climate Agreement calls for net-zero carbon emissions by 2050 and

the U.S. has rejoined the agreement under the Biden Administration, which has indicated support for the nuclear industry.

In February 2021, we raised gross proceeds of \$15.2 million through an underwritten public offering. Our current cash position as of February 24, 2021, is \$18.6 million. In addition to our strong cash position, we have nearly 285,000 pounds of finished, ready-to-sell inventory, worth \$8.0 million at recent spot prices. The financing provides us adequate funds to maintain and enhance operational readiness, for possible future acquisitions, and for general working capital purposes, including the preservation of our existing inventory for higher prices.

In addition to the restructuring of the State Bond Loan, we implemented other Company-wide cost-saving measures during 2020. We further reduced production operations at Lost Creek to market-appropriate levels. The reduced production levels allowed us to make further operating cost reductions at Lost Creek and related support cost reductions at the corporate office. The cost reductions include savings from additional reductions in force and other cost containment measures. Together with the further deferral of principal payments on the State Bond Loan, these measures will result in substantial savings to the Company, estimated to exceed \$7 million and \$4 million in calendar years 2021 and 2022, respectively.

Our remaining highly experienced technical and operational staff will continue to optimize processes and refine production plans, which strengthens our operational readiness at the fully permitted Lost Creek mine and plant. The Lost Creek facility has the constructed and licensed capacity to process up to two million pounds of U_3O_8 per year and previously reported mineral resources to feed the processing plant for many years to come. A ramp-up of production at Lost Creek would initially include further development work in the first two mine units, followed by the ten additional mining areas as defined in the Lost Creek Property Preliminary Economic Assessment, as amended. In 2021, we expect to receive all permits and authorizations to recover uranium from the adjacent LC East project where certain of those additional mining areas are located.

We remain prepared to expand uranium production at Lost Creek to an annualized run rate of one million pounds. With future development and construction in mind, our current staff members were retained as having the greatest level of experience and adaptability allowing for an easier transition back to full operations. Lost Creek operations can increase to full production rates in as little as six months following a go decision, simply by developing additional header houses within the fully permitted MU2. Development expenses during this six-month ramp up period are estimated to be approximately \$14 million and are almost entirely related to MU2 drilling and header house construction costs. We are prepared to ramp up and to deliver our Lost Creek production inventory to the new national uranium reserve.

Additionally, we stand ready to construct our Shirley Basin mine, where we estimate up to nine years production based upon the mineral resources reported in the Shirley Basin Preliminary Economic Assessment. All remaining permits and authorizations to construct and operate this in situ recovery site are expected to be received in 2021 H1.

We will continue to closely monitor the uranium market and any actions or remedies resulting from the Working Group's report, the implementation of the uranium reserve program, or any further legislative actions, which may positively impact the uranium production industry. Until such time, we will continue to minimize costs and maximize the 'runway' to maintain our current operations and the operational readiness needed to ramp-up production when called upon.

Table of Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2020:

	Payments due				
	Total	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years
Notes payable	13,341	497	12,844	-	-
Interest on notes payable	1,999	724	1,275	-	-
Operating leases	50	49	1	-	-
Environmental remediation	76	76	-	-	-
Asset retirement obligations	29,965	-	-	-	29,965
	45,431	1,346	14,120	-	29,965

Outstanding Share Data

As of December 31, 2020 and December 31, 2019, the Company's capital consisted of the following:

	December 31, 2020	December 31, 2019
Common shares	170,253,752	160,478,059
Shares issuable upon the exercise of:		
Stock options	11,910,424	11,076,583
Restricted share units	1,404,962	1,155,928
Warrants	11,031,439	6,531,439
	194,600,577	179,242,009

Off Balance Sheet Arrangements

We have not entered 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.

Financial Instruments and Other Instruments

The Company's cash and cash equivalents are composed of:

Cash and cash equivalent	December 31, 2020	December 31, 2019
Cash on deposit	852	1,406
Money market funds	3,416	5,997
	4,268	7,403

Quarterly financial data (unaudited and in thousands except per share data)

	Quarter Ended							
	2020				2019			
	12/31	9/30	6/30	3/31	12/31	9/30	6/30	3/31
Sales	12	-	6,934	1,370	10,849	5,115	11,479	4,812
Net income (loss)	(5,221)	(3,696)	(2,227)	(3,641)	2,115	(4,200)	(2,031)	(4,302)
Income (loss) per common share:								
Basic	(0.03)	(0.02)	(0.02)	(0.02)	0.02	(0.03)	(0.01)	(0.03)
Diluted	(0.03)	(0.02)	(0.02)	(0.02)	0.02	(0.03)	(0.01)	(0.03)

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and restricted cash. These assets include Canadian dollar and U.S. dollar denominated certificates of deposit, money market accounts, and demand deposits. These instruments are maintained at financial institutions in Canada and the U.S. Of the amount held on deposit, approximately \$0.5 million is covered by the Canada Deposit Insurance Corporation, the Securities Investor Protection Corporation, or the U.S. Federal Deposit Insurance Corporation, leaving approximately \$11.6 million at risk on December 31, 2020 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 December 31, 2020.

Liquidity risk

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

As of December 31, 2020, the Company's financial liabilities consisted of accounts payable and accrued liabilities of \$2.3 million, and the current portion of notes payable of \$0.5 million.

Item 7A. 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 because 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 always maintain sufficient funds on hand to meet day-to-day requirements and to place any amounts that are considered more than day-to-day requirements on short-term deposit with the Company's financial institutions to earn interest.

Currency risk

We maintain a balance of less than \$0.2 million in foreign currency resulting in a low currency risk.

Commodity Price Risk

The Company is subject to market risk related to the market price of uranium. Future sales would be impacted by both spot and long-term uranium price fluctuations. Historically, uranium prices have been subject to fluctuation, and the price of uranium 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 uranium producing and consuming countries and production levels and costs of production of other producing companies. The average spot market price was \$28.23 per pound as of February 24, 2021.

Transactions with Related Parties

During the fiscal year ended December 31, 2020, we did not participate in any reportable transactions with related parties.

Proposed Transactions

As is typical of the mineral exploration and development industry, we will consider and review potential merger, acquisition, investment and venture transactions and opportunities that could enhance shareholder value.

New accounting pronouncements which were implemented this year

None.

Critical Accounting Policies and Estimates

We have established the existence of mineral resources at the Lost Creek Project, 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.

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. Until production is attained at a property, the costs will be carried at their acquisition cost.

As of December 31, 2020, the current and long-term prices of uranium were \$30.20 and \$35.00, respectively. This compares to prices of \$24.93 and \$32.50 as of December 31, 2019. Senior management updates production, sales, and cash projections on a regular basis, in some cases weekly, but at least monthly. The Company reviews the impairment indicators outlined in US GAAP guidance.

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.

Exploration, Evaluation, and Development Costs

Exploration and evaluation expenses consist of labor, annual exploration lease and maintenance fees and associated costs of the exploration geology department as well as land holding and exploration costs including drilling and analysis on properties which have not reached the permitting or operations stage. Development

expense relates to the Company's Lost Creek, LC East and Shirley Basin projects, which are more advanced in terms of permitting and preliminary economic assessments. Development expenses include all costs associated with exploring, delineating, and permitting new or expanded mine units, the costs associated with the construction and development of permitted mine units including wells, pumps, piping, header houses, roads and other infrastructure related to the preparation of a mine unit to begin extraction operations as well as the cost of drilling and completing disposal wells.

Capital Assets

Property, plant, and equipment assets, including machinery, processing equipment, enclosures, vehicles, and expenditures that extend the life of such assets, are recorded at cost including acquisition and installation costs. The enclosure costs include both the building housing and the processing equipment necessary for the extraction of uranium from impregnated water pumped in from the wellfield to the packaging of uranium yellowcake for delivery into sales. These enclosure costs are combined as the equipment and related installation associated with the equipment is an integral part of the structure itself. The costs of self-constructed assets include direct construction costs, direct overhead, and allocated interest during the construction phase. Depreciation is calculated using a declining balance method for most assets except for the plant enclosure and related equipment. Depreciation on the plant enclosure and related equipment is calculated on a straight-line basis. Estimated lives for depreciation purposes range from three years for computer equipment and software to 20 years for the plant enclosure and the name plate life of the related equipment.

Depreciation

The depreciable life of the Lost Creek plant, equipment, and enclosure was determined to be the nameplate life of the equipment housed in the processing plant as plans exist to continue to process materials from other sources, such as Shirley Basin, beyond the estimated production at the Lost Creek Project.

Inventory and Cost of Sales

Our inventories are measured at the lower of cost or 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 except for wellfield construction 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.

Because of the nature of in situ operations, it is not technically feasible to accurately measure the amount of in-process inventory at any given time. We use a combination of calculating estimated uranium captured per sampling event applied to total water processing flow to determine the estimated pounds captured.

Asset Retirement Obligations

For mining properties, various federal and state mining laws and regulations require the Company to reclaim the surface areas and restore groundwater quality to the pre-existing quality or class of use after the completion of mining. The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs an obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets.

Asset retirement obligations consist of estimated final well closures, plant closure and removal and associated reclamation and restoration costs to be incurred by the Company in the future. The estimated fair value of the asset retirement obligation is based on the current cost escalated at an inflation rate and discounted at a credit adjusted risk-free rate. This liability is capitalized as part of the cost of the related asset and amortized over its remaining productive life. The liability accretes until the Company settles the obligation.

Share-Based Compensation

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.

Income taxes

The Company accounts for income taxes under the asset and liability method which requires the recognition of future income tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. The Company provides a valuation allowance on future tax assets unless it is more likely than not that such assets will be realized.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Consolidated Financial Statements following the signature page of this Form 10-K.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of the fiscal year ended December 31, 2020, 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.