

Ur-Energy (URE-CN, URG)

Production Slowly Ramps Higher; FY/2024 Production Slashed

Event

Ur-Energy released its Q3/2024 results which were highlighted by the on-going developments at Lost Creek. Though ISR production continues to ramp higher on a sequential basis, the latest 75,075 lbs captured was significantly below our and management's forecasts. Given the continued challenges to reach a steady state of operation as production increases, FY/2024 production was cut to a mid-point of 260,000 lbs, a marked decline from the ~550,000 lbs expected just last quarter. As such, we have adjusted our production estimates and have pushed forward our Shirley Basin production start to 2026. Factoring in the latest corporate adjustments, our 1.10x NAV_{8%} valuation methodology equates to a price objective representing +112% from the most recent close.

Details

- **Ramping Operations is Never Easy** – With eight operating Header Houses in Mine Unit 2, Ur-Energy continues to (slowly) ramp towards the targeted production level. As evidenced by the quarterly operational update, the ramp higher has proved to be challenging. Management admitted that the ramp-up "has progressed at a slower rate than anticipated". A total of 12 rigs were on site at Lost Creek in Q2/2024, increasing to 17 in Q3/2024. By year-end, management expects to have approximately 20 rigs active on site.
- **Adjusting Estimates** – Though our FY/2024 production estimate was already below company guidance, we have decreased the next few quarters anticipated production, going from 460,000 lbs to 264,000 lbs in FY/2024 while also decreasing our FY/2025 production estimate from 800,000 lbs to 580,000 lbs. We have also pushed forward the startup of Shirley Basin production from late 2025 to mid 2026. Once complete, the buildout with Shirley Basin will nearly double the annual permitted mine production to 2.2M lbs U3O8.
- **Strongest Internal Fundamentals Among Peers** – We continue to highlight Ur-Energy's strong fundamentals which set it apart from peers. These fundamentals not only include the current contract book (5.7M lbs covering the 2024-2030 period) but also includes a current cash war chest amounting to \$110M, or 25% of current market capitalization. Recall the \$60M, July 29 share offering consisting of 57.15M shares priced at \$1.05 per share. In addition to the current cash balance, at quarter end in-process uranium inventory amounted to ~90,140 lbs, drummed inventory at Lost Creek totaled 26,580 lbs, and finished inventory at the conversion facility totaled 40,713 lbs U3O8.

Conclusion

Our valuation methodology continues to be underpinned by a \$120 per lb LT uranium price while our NAV_{8%} multiple remains at 1.10x. Factoring in the latest corporate adjustments, our 1.10x NAV_{8%} valuation methodology equates to a price objective representing +112% from the most recent close. Full details can be found [here](#):

Company Profile

Sector	Mining
Sub-Sector	Uranium
Ticker	URG
Ticker	URE-CN

Current Price (\$)	\$1.20
12-Mth Price Objective (\$)	\$2.55
Potential Upside	112%
Mkt Cap, Basic (\$M)	\$445.6M
Mkt Cap, FD (\$M)	\$453.8M
EV (\$M)	\$335.3M
Shares O/S Basic (M)	341.42
1-Mth Return	+2.5%
3-Mth Return	+26.3%
YTD Return	-19.2%

	2024e	2025e	2026e
U3O8 Production lbs	263,975	580,000	1,230,000

LOM Production lbs	16,028,723
LOM avg. Cash Cost\$/lb	\$19.85
LOM avg. AIC\$/lb	\$44.48

Measured & Indicated	PPM U3O8	Attrib. lbs
Lost Creek	460	11.9M

Inferred Resources	PPM U3O8	Attrib. lbs
Lost Creek	440	6.6M
Shirley Basin	275	8.8M

Company Description

Ur-Energy is a NYSE and TSX listed in-situ recovery (ISR) uranium company maintaining the Wyoming based Lost Creek Project in a state of operational readiness. Lost Creek began production in 2013 however owing to sustained uranium price weakness, a decision was taken to curtail production beginning in 2017. Production was restarted in 2023.

2-Year Stock Chart



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November 8, 2024

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