UR-ENERGY INC
Form 10-Q
July 29, 2016
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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 JUNE 30, 2016

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

FOR THE TRANSITION PERIOD OF _________ TO _________.

Commission File Number: 001-33905

UR-ENERGY INC.

(Exact name of registrant as specified in its charter)

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

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

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

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, or smaller reporting company:

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

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 July 28, 2016, there were 143,605,552 shares of the registrant's no par value Common Shares ("Common Shares"), the registrant's only outstanding class of voting securities, outstanding.

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UR-ENERGY INC.

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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 steady state operations at Lost Creek; (ii) the technical and economic viability of Lost Creek; (iii) the timing and outcome of permitting and regulatory approvals of the amendment for recovery from LC East and the KM horizon; (iv) the outcome and impact of ongoing regulatory rulemaking and other changes in regulation and/or legislation; (v) the ability to complete additional favorable uranium sales agreements including spot sales if production is available and the market warrants; (vi) the production rates and life of the Lost Creek Project and subsequent production from adjoining properties, including LC East; (vii) the potential of our other exploration and development projects, including Shirley Basin, as well as the technical and economic viability of Shirley Basin; (viii) the timing and outcome of applications for regulatory approval to build and operate an ISR mine at Shirley Basin; (ix) the outcome of our forecasts and production projections; and (x) the continuing and long-term effects on the uranium market of events in Japan in 2011 including supply and demand projections. These other 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; our lack of mineral reserves; risks associated with obtaining permits and other authorizations in the United States; risks associated with current variable economic conditions; our ability to service our debt and maintain compliance with all restrictive covenants related to the debt facilities and security documents; the possible impact of future 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 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; effectiveness of management and our strategic relationships; ability to attract and retain key personnel; uncertainties regarding the need for additional capital; 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 MKT LLC (“NYSE MKT”) 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 February 26, 2016.

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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 disclosure 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 United States 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 United States standards.

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

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PART I

Item 1. FINANCIAL STATEMENTS

Ur-Energy Inc.

Unaudited Interim Consolidated Balance Sheets

(expressed in thousands of U.S. dollars)

	June 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents (note 3)	2,475	1,443
Accounts receivable (note 4)	2,531	9
Inventory (note 5)	4,890	3,345
Prepaid expenses	904	916
	10,800	5,713
Restricted cash (note 6)	7,557	7,557
Mineral properties (note 7)	49,230	50,610
Capital assets (note 8)	29,864	30,788
Equity investment (note 9)	900	1,089
	98,351	95,757
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	4,517	4,567
Current portion of notes payable (note 11)	6,514	8,527
Accrued federal income tax	-	43
Deferred revenue (note 12)	5,085	-
Environmental remediation accrual	86	86
	16,202	13,223
Notes payable (note 11)	21,719	23,937
Asset retirement obligations (note 13)	26,476	26,061
Other liabilities - warrants	5	35
	64,402	63,256
Shareholders' equity (note 14)		
Share Capital		
Class A preferred shares, without par value, unlimited shares authorized; no shares issued and outstanding	-	-
	174,897	168,911

Common shares, without par value, unlimited shares authorized; shares issued and outstanding: 143,605,552 at June 30, 2016 and 130,188,775 at December 31, 2015		
Warrants	4,109	4,175
Contributed surplus	14,828	14,632
Accumulated other comprehensive income	3,606	3,357
Deficit	(163,491)	(158,574)
	33,949	32,501
	98,351	95,757

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

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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 June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Sales (note 15)	6,747	18,213	9,461	25,600
Cost of sales	(5,094)	(13,791)	(6,949)	(19,181)
Gross profit	1,653	4,422	2,512	6,419
Operating Expenses				
Exploration and evaluation	(687)	(550)	(1,542)	(1,235)
Development	(727)	(557)	(1,276)	(1,586)
General and administrative	(1,459)	(1,743)	(2,824)	(3,260)
Accretion of asset retirement obligations (note 13)	(132)	(128)	(265)	(254)
Write-off of mineral properties (note 7)	(62)	-	(62)	-
Loss from operations	(1,414)	1,444	(3,457)	84
Interest expense (net)	(515)	(658)	(1,069)	(1,346)
Warrant mark to market adjustment	-	248	31	171
Loss on equity investment (note 9)	(2)	(5)	(2)	(5)
Write-off of equity investments (note 9)	-	-	(189)	-
Foreign exchange loss	(1)	(4)	(273)	(3)
Other income	4	-	42	-
Net loss for the period	(1,928)	1,025	(4,917)	(1,099)
Loss per common share				
Basic and diluted	(0.01)	0.01	(0.04)	(0.01)
Weighted average number of common shares outstanding				
Basic and diluted	143,471,310	130,135,611	139,971,865	129,923,742
COMPREHENSIVE LOSS				
Net loss for the period	(1,928)	1,025	(4,917)	(1,099)
Other Comprehensive loss, net of tax				
Translation adjustment on foreign operations	(3)	(8)	249	18
Comprehensive loss for the period	(1,931)	1,017	(4,668)	(1,081)

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

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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, 2015	130,188,775	168,911	4,175	14,632	3,357	(158,574)	32,501
Exercise of stock options	16,620	13	-	(4)	-	-	9
Common shares issued for cash, net of $852 of issue costs	13,085,979	5,716	-	-	-	-	5,716
Redemption of vested RSUs	314,178	257	-	(306)	-	-	(49)
Expiry of warrants	-	-	(66)	66	-	-	-
Non-cash stock compensation	-	-	-	440	-	-	440
Net loss and comprehensive income	-	-	-	-	249	(4,917)	(4,668)
Balance, June 30, 2016	143,605,552	174,897	4,109	14,828	3,606	(163,491)	33,949

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

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Ur-Energy Inc.

Unaudited Interim Consolidated Statements of Cash Flow

(expressed in thousands of U.S. dollars)

	Six months ended June 30, 2016	2015
Cash provided by (used in)		
Operating activities		
Net loss for the period	(4,917)	(1,099)
Items not affecting cash:		
Stock based expense	440	457
Depreciation and amortization	2,556	3,735
Accretion of asset retirement obligations	265	254
Amortization of deferred loan costs	75	101
Write off of investments	189	-
Write-off of mineral properties	62	-
Warrants mark to market gain (loss)	(31)	(171)
Gain on disposition of assets	(42)	-
Other loss	2	5
RSUs redeemed to pay withholding	(9)	(143)
Proceeds from assignment of sales contract	5,085	-
Change in non-cash working capital items:		
Accounts receivable	(2,523)	15
Inventory	(1,545)	1,283
Prepaid expenses	(344)	(237)
Accounts payable and accrued liabilities	117	(171)
Accrued income taxes	30	-
	(590)	4,029
Investing activities		
Funding of equity investment	(2)	-
Proceeds from sale of property and equipment	91	-
Purchase of capital assets	(183)	(43)
	(94)	(43)
Financing activities		
Issuance of common shares and warrants for cash	6,568	-
Share issue costs	(767)	-
Proceeds from exercise of stock options	9	408
Repayment of debt	(4,308)	(3,658)
	1,502	(3,250)
Effects of foreign exchange rate changes on cash	214	11

Net change in cash and cash equivalents	1,032	747
Beginning cash and cash equivalents	1,443	3,104
Ending cash and cash equivalents	2,475	3,851

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

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2016

(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. The Company is an exploration stage mining company, as defined by United States Securities and Exchange Commission (“SEC”) Industry Guide 7, headquartered in Littleton, Colorado. The Company is engaged in uranium mining and recovery operations, with activities including the acquisition, exploration, development and production of uranium mineral resources located primarily 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 generally accepted accounting principles 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, 2015. The year-end balance sheet data was derived from the audited financial statements and certain information and footnote disclosures required by United States generally accepted accounting principles (US GAAP) have been condensed or omitted.

New accounting pronouncements

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("ASU”) 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The update requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal periods beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued. We elected early adoption of this standard effective the second quarter of 2015.

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

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2016

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

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. Early application is not permitted. We are assessing the impact this pronouncement may have on our financial reporting.

In January 2016, the FASB issued ASU 2016-1, Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825). The amendments in this Update 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 2019. 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. We are currently evaluating the impact that this standard update will have on our consolidated financial statements.

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. In regards to 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, however early adoption is permitted. We are currently evaluating the guidance to determine the Company's adoption method and the effect it will have on the Company's Consolidated Financial Statements.

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2016

(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 June 30, 2016	December 31, 2015
	$	$
Cash on deposit at banks	2,243	1,202
Money market funds	232	241
	2,475	1,443

4.Accounts Receivable

The Company’s accounts receivable consist of the following:

	As at June 30, 2016	December 31, 2015
	$	$
Trade accounts receivable		
Company A	2,518	-
Other Companies	6	-
Total trade receivables	2,524	-
Other receivables	7	9
Total accounts receivable	2,531	9

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 June 30, 2016	December 31, 2015
	$	$
In-process inventory	929	994
Plant inventory	115	742
Conversion facility inventory	3,846	1,609
	4,890	3,345

As of June 30, 2016, there was no inventory on hand with costs in excess of net realizable value.

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Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2016

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

6.Restricted Cash

The Company's restricted cash consists of the following:

	As at June 30, 2016 $	December 31, 2015 $
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 $27.4 million of coverage towards specific reclamation obligations are collateralized by $7.5 million of the restricted cash at June 30, 2016.

7. Mineral Properties

The Company's mineral properties consist of the following:

	Lost Creek Property $	Pathfinder Mines $	Other US Properties $	Total $
Balance, December 31, 2015	16,662	20,738	13,210	50,610
Change in estimated reclamation costs (Note 13)	338	(188)	-	150
Property write-offs	-	-	(62)	(62)
Amortization	(1,468)	-	-	(1,468)
Balance, June 30, 2016	15,532	20,550	13,148	49,230

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.

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

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

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 lapsed and has been terminated.

Other U.S. properties

In June 2016, the Company decided to abandon their claims in the Hauber project and wrote off $62 thousand being the carrying value of the investment in that project.

8.Capital Assets

The Company's capital assets consist of the following:

	As of June 30, 2016			As of December 31, 2015		
	Cost $	Accumulated Depreciation $	Net Book Value $	Cost $	Accumulated Depreciation $	Net Book Value $
Rolling stock	3,308	2,866	442	3,819	3,179	640
Enclosures	32,991	4,404	28,587	32,987	3,578	29,409
Machinery and equipment	1,194	548	646	1,031	507	524
Furniture, fixtures and leasehold improvements	119	95	24	119	92	27
Information technology	1,152	987	165	1,111	923	188
	38,764	8,900	29,864	39,067	8,279	30,788

9.Equity Investment

Following its earn-in to the Bootheel Project in 2009, Jet Metals Corp was required to fund 75% of the project's expenditures and the Company the remaining 25%. The project has been accounted for using the equity accounting method with the Company's pro rata share of the project's loss included in the Statement of Operations since the date of earn-in and the Company's net investment reflected on the Balance Sheet. Under the terms of the operating agreement, the Company elected not to participate financially for the year ended March 31, 2012 which reduced the

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2016

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

Company's ownership percentage to approximately 19%. The equity accounting method has been continued because the Company has an equal number of members on the management committee as the other member and can directly influence the budget, expenditures and operations of the project.

In March 2016, the Company performed an impairment analysis based on the mineralization at the Bootheel property and the current spot price. It determined that an impairment reflecting the then current spot price was warranted which is reflected as a $189 thousand decrease in the investment.

10.Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	As at June 30, 2016	December 31, 2015
	$	$
Accounts payable	1,096	1,402
Severance and ad valorem tax payable	1,785	1,992
Payroll and other taxes	1,636	1,173
	4,517	4,567

11.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.

On March 14, 2014, the Company modified a loan facility with RMB to include a $3.5 million line of credit. On October 15, 2015, the loan was amended to extend the maturity date of the $3.5 million line of credit to December 31, 2016 and spread the $3.5 million balance originally due March 31, 2016 over four quarterly payments commencing March 31, 2016 and concluding December 31, 2016, plus interest at a rate of approximately 8.75%. This was considered a modification for accounting purposes.

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 June 30, 2016 are considered current.

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

Ur-Energy Inc.

Condensed Notes to Unaudited Interim Consolidated Financial Statements

June 30, 2016

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

	As at June 30, 2016 $	December 31, 2015 $
Current debt		
Sweetwater County Loan	4,494	4,367
RMB First Loan Facility	2,156	4,312
	6,650	8,679
Less deferred financing costs	(136)	(152)
	6,514	8,527
Long term debt		
Sweetwater County Loan	22,235	24,514
Less deferred financing costs	(516)	(577)
	21,719	23,937

Schedule of payments on outstanding debt as of June 30, 2016:

Debt	Total $	2016 $	2017 $	2018 $	2019 $	2020 $	Subsequent $	Maturity
Sweetwater County Loan								
Principal	26,729	2,215	4,623	4,895	5,183	5,487	4,326	October 1, 2021
Interest	4,427	753	1,311	1,039	752	447	125	
RMB First Loan Facility								
Principal	2,156	2,156	-	-	-	-	-	December 31, 2016
Interest	75	75	-	-	-	-	-	
Total	33,387	5,199	5,934	5,934	5,935	5,934	4,451	

12.Deferred Revenue

In March 2016, the Company assigned its contractual delivery obligations under two of its sales contracts which are scheduled to take place in the third and fourth quarter of 2016 to a natural resources trading company in exchange for a cash payment of $5.1 million. The Company will reflect the payment as revenue when the related deliveries under the contracts are settled.

13.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 June 30, 2016, the total undiscounted amount of the future cash needs was estimated to be $27.2 million. The schedule of payments required to settle the ARO liability extends through 2033.

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

	For the period ended	
	June 30, 2016	December 31, 2015
	$	$
Beginning of period	26,061	23,445
Change in estimated liability	150	2,101
Accretion expense	265	515
End of period	26,476	26,061

14.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 plan was most recently approved by the shareholders on April 29, 2014. Eligible participants under the Option Plan include directors, officers, employees and consultants of the Company. Under the terms of the Option Plan, stock options 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.

Activity with respect to stock options is summarized as follows:

	Options #	Weighted-average exercise price US$
Balance, December 31, 2015	9,974,407	0.88
Exercised	(16,620)	0.56
Forfeited	(238,537)	0.64
Expired	(1,172,648)	2.11
Outstanding, June 30, 2016	8,546,602	0.72

The exercise price of a new grant is set at the closing price for the shares on the Toronto Stock Exchange (TSX) on the trading day immediately preceding the grant date so there is no intrinsic value as of the date of grant. The fair value of options vested during the six months ended June 30, 2016 was $0.4 million.

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As of June 30, 2016, outstanding stock options are as follows:

	Options outstanding			Options exercisable			
Exercise price US$	Number of options	Weighted-average remaining contractual life (years)	Aggregate Intrinsic Value US$ (thousands)	Number of options	Weighted-average remaining contractual life (years)	Aggregate Intrinsic Value US$	Expiry