

UR-ENERGY INC
Form 10-Q
August 01, 2014

United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

**^R QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

**[£] 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: 333-193316

UR-ENERGY INC.

(Exact name of registrant as specified in its charter)

Canada

98-1175437

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 31, 2014, there were 128,771,376 shares of the registrant's no par value Common Shares ("Common Shares"), the registrant's only outstanding class of voting securities, outstanding.

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) our timeline for completing commissioning and ramp up of production operations at our Lost Creek project; (ii) the technical and economic viability of Lost Creek; (iii) our ability to complete additional favorable U₃O₈ sales agreements; (iv) the production rates and life of the Lost Creek Project and subsequent production from adjoining properties including LC East; (v) the potential of our exploration and development projects including Shirley Basin and other projects at the Lost Creek property including accuracy of resource estimates; (vi) the timing and outcome of environmental baseline studies and permitting at the Shirley Basin project; (vii) timing and outcome of the process to amend existing permits and licenses at Lost Creek for LC East and the KM horizon; (viii) the outcome of our 2014-2015 forecast and production projections including, our expectations regarding the need for additional funding; and (ix) the 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, production start-up and operations (including any difficulties with startup), capital expenditures, operating costs, mineral resources, recovery rates, grades and prices; business strategies and measures to implement such strategies; competitive strengths; estimates of goals for expansion and growth of the business and operations; plans and references to our future successes; our history of operating losses and uncertainty of future profitability; status as an exploration stage company; the lack of mineral reserves; risks associated with obtaining permits in the United States and Canada; 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 pending and 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; the 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 status as a "controlled foreign corporation" 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” and under the heading of “Risk Factors” in our Annual Report on Form 10-K, dated March 3, 2014.

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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-Q 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: John Cooper, Ur-Energy Project Geologist, P.Geol. and SME Registered Member, and Qualified Person as defined by National Instrument 43-101, and Catherine Bull, Ur-Energy Project Engineer, Wyoming P.E. and SME Registered Member, and Qualified Person as defined by National Instrument 43-101, reviewed and approved the technical information contained in this Quarterly Report on Form 10-Q.

Ur-Energy Inc.**Unaudited Interim Consolidated Balance Sheets**

(expressed in thousands of U.S. dollars)

PART I**Item 1. FINANCIAL STATEMENTS**

	June 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents (note 5)	1,554	1,627
Accounts receivable (note 6)	7,243	5,802
Inventory (note 7)	2,201	2,053
Current deferred financing costs (note 13)	190	183
Prepaid expenses	753	767
	11,941	10,432
Restricted cash (note 8)	5,055	5,055
Mineral properties (note 9)	50,060	52,702
Capital assets (note 10)	34,090	35,250
Equity investment (note 11)	1,090	1,085
Deferred financing costs (note 13)	812	812
	91,107	94,904
	103,048	105,336
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	3,330	2,928
Current portion of notes payable (note 13)	6,278	5,153
Reclamation obligations	85	85
	9,693	8,166
Notes payable (note 13)	33,410	34,000
Deferred income tax liability (note 14)	3,345	3,345
Deferred revenue (note 15)	1,254	2,508
Asset retirement obligations (note 16)	17,356	17,279
Other liabilities - warrants (note 17)	799	1,374
	56,164	58,506

	65,857	66,672
Commitments (note 20)		
Shareholders' equity (note 18)		
Share Capital		
Class A preferred shares, without par value, unlimited shares authorized; no shares issued and outstanding	-	-
Common shares, without par value, unlimited shares authorized; shares issued and outstanding: 128,771,376 at June 30, 2014 and 127,559,743 at December 31, 2013	167,393	165,974
Warrants	4,175	4,175
Contributed surplus	14,105	14,247
Accumulated other comprehensive income	3,300	3,298
Deficit	(151,782)	(149,030)
	37,191	38,664
	103,048	105,336

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

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,	
	2014	2013 Restated	2014	2013 Restated
Sales (note 19)	9,236	-	15,383	-
Cost of sales	(7,169)	) -	(10,409)) -
Gross profit	2,067	-	4,974	-
Operating Expenses				
Exploration and evaluation	(854)	) (592)	(1,872)	) (1,186)
Development	(711)	) (6,489)	(1,285)	) (11,582)
General and administrative	(1,335)	) (1,359)	(3,647)	) (2,880)
Write off of mineral property (note 9)	(93)	) (262)	(93)	) (262)
Loss from operations	(926)	) (8,702)	(1,923)	) (15,910)
Interest income (expense) (net)	(714)	) 16	(1,388)	) 31
Warrants mark to market adjustment	839	-	576	-
Loss on equity investment (note 11)	(3)	) (971)	(3)	) (971)
Foreign exchange loss	(1)	) (2)	(15)	) (2)
Other Income (loss)	1	(2)	1	(4)
Net loss for the period	(804)	) (9,661)	(2,752)	) (16,856)
Loss per common share				
Basic and diluted	(0.01)	) (0.08)	(0.02)	) (0.14)
Weighted average number of common shares outstanding				
Basic and diluted	128,741,134	122,083,092	128,422,858	121,685,294
COMPREHENSIVE LOSS				
Net Loss	(804)) (9,661)	(2,752)) (16,856)
	-	-	-	(6,161)

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Translation adjustment as of date of adoption of US\$ as functional currency

Translation adjustment on foreign operations (33) (130) 2 (158)

Comprehensive loss for the period (837) (9,791) (2,750) (23,175)

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, 2013	127,559,743	165,974	4,175	14,247	3,298	(149,030)	38,664
Exercise of stock options	1,045,786	1,338	-	(459)	-	-	879
Common shares issued for cash, net of issue costs - additional costs	-	(50)	-	-	-	-	(50)
Redemption of vested RSUs	165,847	131	-	(214)	-	-	(83)
Non-cash stock compensation	-	-	-	531	-	-	531
Net loss and comprehensive loss	-	-	-	-	2	(2,752)	(2,750)
Balance, June 30, 2014	128,771,376	167,393	4,175	14,105	3,300	(151,782)	37,191

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

Ur-Energy Inc.**Unaudited Interim Consolidated Statements of Cash Flow**

(expressed in thousands of U.S. dollars)

	Six months ended	
	June 30,	
	2014	2013
	\$	Restated
Cash provided by (used in)		
Operating activities		
Net loss for the period	(2,752)	(16,856)
Items not affecting cash:		
Stock based expense	531	625
Depreciation and amortization	3,838	55
Non-cash interest expense	77	-
Write-off of investments	-	969
Write-off of mineral properties	93	262
Warrants mark to market gain	(576)	-
Other loss	3	5
RSUs redeemed for cash	(66)	(39)
Proceeds from assignment of sales contract	(1,254)	5,143
Change in non-cash working capital items:		
Accounts receivable	(1,441)	(25)
Inventory	(148)	-
Prepaid expenses	137	(66)
Accounts payable and accrued liabilities	548	(339)
	(1,010)	(10,266)
Investing activities		
Mineral property costs	(58)	-
Sale of short-term investments	-	6,332
Increase in restricted cash	-	(3,001)
Funding of equity investment	(7)	(3)
Purchase of capital assets	(310)	(11,118)
	(375)	(7,790)
Financing activities		
Share issue costs	(50)	-
Proceeds from exercise of stock options	879	-
Proceeds from debt financing	1,500	25,000
Cost of debt financing	(36)	(1,468)
Repayment of debt	(965)	(5,056)

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	1,328	18,476
Effects of foreign exchange rate changes on cash	(16)	(152)
Net change in cash and cash equivalents	(73)	268
Beginning cash and cash equivalents	1,627	11,536
Ending cash and cash equivalents	1,554	11,804
Non-cash financing and investing activities:		
Common shares issued for properties	-	1,000

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

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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 continued under the Canada Business Corporations Act on August 8, 2006. The Company is an exploration stage mining company as defined by U.S. Securities and Exchange Commission (“SEC”) Industry Guide 7 headquartered in Littleton, Colorado. We are engaged in the identification, acquisition, exploration, evaluation, development and production of uranium mineral resources located primarily in Wyoming in the United States. As of August 2013, the Company commenced uranium production at its Lost Creek Project.

Due to the nature of the uranium mining methods we use on the Lost Creek Property, and the definition of “mineral reserves” under the SEC Industry Guide 7, the Company has not determined whether the Lost Creek properties contain mineral reserves. However, the Company’s December 30, 2013 NI 43-101 Technical Report on Lost Creek, *“Preliminary Economic Assessment of the Lost Creek Property, Sweetwater County, Wyoming,”* 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. Liquidity Risk

The Company has financed its operations from its inception primarily through the issuance of equity securities and debt instruments. Construction and development of the Lost Creek Project commenced in October 2012 after receiving the Record of Decision from the United States Department of the Interior Bureau of Land Management (“BLM”). Production began in August 2013 after receiving final operational clearance from the United States Nuclear Regulatory Commission (“NRC”). The Company made its first deliveries and related sales in December 2013.

On October 23, 2013, the Company closed a \$34 million Sweetwater County, State of Wyoming, Taxable Industrial Development Revenue Bond financing program (“State Bond Loan”)(see note 13). The repayment terms of the State Bond Loan call for interest only payments for the first year of the loan.

On December 19, 2013, the Company drew down \$5 million from RMB Australia Holdings (“RMBAH”) on its First Loan Facility (see note 13). On the same date, the Company closed a private placement for gross proceeds of \$5.1 million from the sale of 4.7 million units at \$1.10 per unit. Together, the funds were used to purchase Pathfinder Mines Corporation on December 20, 2013.

On March 14, 2014, the Company drew down an additional \$1.5 million on its First Loan Facility (see note 13).

Based upon the Company's current working capital balances and the expected timing of product sales, it is possible that additional funding might be sought. Although the Company has been successful in raising debt and equity financing in the past, there can be no guarantee that such funding will be available in the future.

3. Out of period adjustment

During the three months ended June 30, 2014, the Company recorded an out of period adjustment to change the treatment of severance and ad valorem taxes from a direct reduction of sales to a cost of extraction which is included in inventory and cost of sales calculations. The adjustment increased sales for the year and quarter by \$0.7 million for taxes treated as a direct reduction of sales in prior periods and increased cost of goods sold by \$0.5 million. The net effect of the change is an increase in inventory and a decrease of net loss of \$0.2 million as of June 30, 2014 and for the three and six month periods then ended. We have concluded that these adjustments were not material to the 2013 or first quarter 2014 results of operations and balance sheets.

4. Summary of Significant Accounting Policies

Basis of presentation

These financial statements have been prepared by management in accordance with United States generally accepted accounting principles (“US GAAP”) and include all of the assets, liabilities and expenses of the Company and its wholly-owned subsidiaries Ur-Energy USA Inc.; NFU Wyoming, LLC; Lost Creek ISR, LLC; NFUR Bootheel, LLC; Hauber Project LLC; NFUR Hauber, LLC; and Pathfinder Mines Corporation. All inter-company balances and transactions have been eliminated upon consolidation. Ur-Energy Inc. and its wholly-owned subsidiaries are collectively referred to herein as the “Company.”

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, 2013.

Presentation currency

As a result of losing its foreign private issuer status, the Company previously changed its presentational currency from the Canadian dollar to U.S. dollars. Comparative information has therefore been restated in U.S. dollars in these financial statements. The effects of doing so are not significant because the Canadian and U.S. dollars were close to par at June 30, 2013.

Exploration Stage

The Company has established the existence of mineral resources under CIM Definition Standards for certain uranium projects, including the Lost Creek property. The Company has not established proven or probable reserves, as defined by SEC under Industry Guide 7, through the completion of a final or “bankable” feasibility study for any of its uranium projects, including Lost Creek property. Furthermore, the Company has no plans to establish proven or probable reserves for any of its uranium projects for which the Company plans on utilizing in-situ recovery (“ISR”) mining, such as the Lost Creek property or the Shirley Basin mine. As a result, and despite the fact that the Company commenced extraction of U₃O₈ at the Lost Creek property in August 2013, the Company remains in the Exploration Stage as defined under Industry Guide 7, and will continue to remain in the Exploration Stage until such time proven or probable reserves have been established.

Since the Company commenced extraction of uranium at the Lost Creek property without having established proven and probable reserves, any uranium established or extracted from the Lost Creek property should not be in any way associated with having established, or production from, proven or probable reserves. Accordingly, information concerning mineral deposits set forth herein may not be comparable to information made public by companies that have reserves in accordance with United States standards.

Restatement

The Company has regularly monitored practices followed by peer companies in the industry. As discussed above, the Company has not established, and has no plans to establish the existence of proven and probable reserves at the Lost Creek Project. As a result of this, the Company changed its accounting policy at December 31, 2013 with respect to the nature of items that qualify for capitalization for in-situ uranium mining operations to align its policy to the accounting treatment that has been established as best practice for these types of mining operations.

The specific costs affected by this change are those associated with the development of the wellfield which, during 2013, was being constructed as a part of the Lost Creek project. The development of this wellfield includes production and monitor well drilling and completion, piping within the wellfield and to the processing facility, header houses used to monitor production and disposal wells associated with the operation of the mine. These costs are now expensed when incurred.

During the three and six months ended June 30, 2013, a total of \$5.8 million and \$10.0 million, respectively, of such expenditures was originally capitalized as part of construction in progress within capital assets. Accordingly, the comparative financial statements have been restated to show the impact of this change in accounting policy and include these amounts in development expense. This increased the loss per share from \$0.03 per share to \$0.08 for the three months and from \$0.06 to \$0.14 for the six months ended June 30, 2013.

New accounting pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. Under ASU 2014-09, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This guidance is effective for annual periods beginning on or after December 15, 2016. We are still considering whether or not this pronouncement will have an effect our financial statements.

5. Cash and Cash Equivalents

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

	As of June 30, 2014 \$	As of December 31, 2013 \$
Cash on deposit at banks	413	296
Money market funds	1,141	1,331
	1,554	1,627

6. Accounts Receivable

The Company's accounts receivable consist of the following:

	As of June 30, 2014 \$	As of December 31, 2013 \$
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Trade accounts receivable		
Company A	7,197	-
Company B	-	1,768
Company C	-	3,895
Other Companies	9	66
Total trade receivables	7,206	5,729
Other receivables	37	73
Total accounts receivable	7,243	5,802

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

7. Inventory

The Company's inventory consists of the following:

	As of June 30, 2014 \$	As of December 31, 2013 \$
In-process inventory	1,302	765
Plant inventory	219	1,136
Conversion facility inventory	680	152
	2,201	2,053

As of June 30, 2014, there was no inventory on hand with costs in excess of net realizable value.

8.**Restricted Cash**

The Company's restricted cash consists of the following:

	As of June 30, 2014 \$	As of December 31, 2013 \$
Money market account (a)	4,955	4,955
Certificate of deposit (b)	100	100
	5,055	5,055

The bonding requirements for reclamation obligations on various properties have been agreed to by the Wyoming Department of Environmental Quality, the BLM and the NRC. The restricted money market accounts are pledged (a) as collateral against performance surety bonds which are used to secure the potential costs of reclamation related to those properties. Surety bonds providing \$26.7 million of coverage towards specific reclamation obligations are collateralized by \$5.0 million of the restricted cash at June 30, 2014.

(b) A certificate of deposit (\$0.1 million) provides security for the Company's credit cards.

9. Mineral Properties

The Company's mineral properties consist of the following:

	USA			Canada	Total
	Lost Creek Property	Pathfinder Mines	Other US Properties	Canadian Properties	
	\$	\$	\$	\$	\$
Balance, December 31, 2013	23,685	15,318	13,210	489	52,702
Acquisition costs	-	41	-	-	41
Reporting exchange rate adjustment	-	-	-	(1)	(1)
Property write-offs	-	-	-	(93)	(93)
Amortization	(2,589)	-	-	-	(2,589)
Balance, June 30, 2014	21,096	15,359	13,210	395	50,060

United States

Lost Creek Property

The Company acquired certain Wyoming properties when Ur-Energy USA Inc. entered into the Membership Interest Purchase Agreement ("MIPA") with New Frontiers Uranium, LLC in 2005. Under the terms of the MIPA, the Company purchased 100% of NFU Wyoming, LLC. Assets acquired in this transaction include the Lost Creek Project, other Wyoming properties and development databases. NFU Wyoming, LLC was acquired for aggregate consideration of \$20 million plus interest. Since 2005, the Company has increased its holdings adjacent to the initial Lost Creek acquisition through staking additional claims and additional property purchases and leases.

There is a royalty on each of the State of Wyoming sections under lease at the Lost Creek, LC West and EN Projects, as required by law. Other royalties exist on certain mining claims at the LC South and EN Projects. There are no royalties on the mining claims in the LC North, LC East 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”). 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. The purchase price allocation attributed \$5.7 million to asset retirement obligations, \$3.3 million to deferred tax liabilities, \$15.3 million to mineral properties and the balance to the remaining assets and liabilities.

Canadian properties

The claims at Screech Lake reached a point during 2014 where the Company needed to take the property to lease under the mining regulations and invest in additional exploration or release the claims. The Company elected not to pursue further exploration at Screech Lake. As a result, the claims were abandoned and the cost of the asset was written off.

10. Capital Assets

The Company's capital assets consist of the following:

	As of June 30, 2014			As of December 31, 2013		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	\$	\$	\$	\$	\$	\$
Rolling stock	3,874	2,609	1,265	3,860	2,366	1,494
Buildings and enclosures	32,893	1,102	31,791	32,936	279	32,657
Machinery and equipment	968	382	586	903	343	560
Furniture, fixtures and leasehold improvements	118	73	45	121	64	57
Information technology	1,082	679	403	1,067	585	482
	38,935	4,845	34,090	38,887	3,637	35,250

11. Equity Investment

Following its earn-in to the Bootheel Project in 2009, Jet Metals Corp ("Jet Metals"), formerly Crosshair Energy Corporation, 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 proportionate share of the Project's loss included in the Statement of Operations since the date of earn-in and the Company's net investment is 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 Company's ownership percentage to approximately 19%. The equity accounting method has been continued because of the Company's ability to directly influence the budget process and therefore the operations of the Project. The Company resumed participation financially as of the project year ended March 31, 2013.

12. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

As of June 30, 2014	As of December 31, 2013
\$	\$

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Accounts payable	1,253	1,508
Severance and ad valorem tax payable	1,065	682
Payroll and other taxes	1,012	510
Accounts payable - Capital assets	-	228
	3,330	2,928

13. 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. The State Bond Loan is collateralized by all of the assets at the Lost Creek Project. As a condition of the financing, the RMBAH First and Second Loan Facilities together with certain construction equipment loans were paid off with the funding proceeds from the State Bond Loan.

On June 24, 2013, the Company entered into a \$20.0 million First Loan Facility with RMBAH. The initial \$20.0 million was drawn and repaid during 2013. An amendment to the First Loan Facility allowed for \$5.0 million to be redrawn. This was done on December 19, 2013 for the acquisition of Pathfinder. On March 14, 2014, the existing loan facility was amended to change the interest rate, extend the loan maturity date to June 30, 2016, increase the current loan to \$6.5 million and provide for an additional line of credit of \$3.5 million pending the completion and results of the Technical Report (NI 43-101) on the newly acquired Shirley Basin property. The amended interest rate is approximately 8.75%. Principal payments of \$0.81 million are due quarterly commencing on June 30, 2014.

Deferred loan fees includes legal fees, commissions, commitment fees and other costs associated with obtaining the various financings. Those fees amortizable within 12 months of June 30, 2014 are considered current assets.

The following table lists the current and long term portion of each of the Company's debt instruments:

	As of June 30, 2014 \$	As of December 31, 2013 \$
Current debt		
Sweetwater County bond	3,028	-
RMBAH First Loan Facility	3,250	5,000
Insurance premium financing	-	153
	6,278	5,153
Long term debt		
Sweetwater County bond	30,972	34,000
RMBAH First Loan Facility	2,438	-
	33,410	34,000

Schedule of payments on outstanding debt as of June 30, 2014:

Debt	Total	Six months 2014	2015	2016	2017	2018	Subsequent	Maturity
Sweetwater County bond								
Principal	34,000	-	4,066	4,305	4,558	4,826	16,245	October 1, 2021
Interest	8,264	978	1,810	1,568	1,311	1,039	1,558	

RMBAH First Loan Facility

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Principal	5,688	1,625	3,250	813	-	-	-	March 31, 2016
Interest	500	232	250	18	-	-	-	
Total	48,452	2,835	9,376	6,704	5,869	5,865	17,803	

14. Income taxes

The deferred income tax liability relates to the acquisition of Pathfinder. When the Company acquired Pathfinder, it had no basis in its remaining assets. Accordingly, the Company has no tax basis in these assets. Under US GAAP, the Company has to record a liability for the estimated additional taxes that would arise on the disposition of those assets because of the lack of basis in those assets.

15. Deferred Revenue

In March 2013, the Company assigned a portion of its contractual delivery obligations under two of its sales contracts to a natural resources trading company in exchange for a cash payment of \$5.1 million. The remainder of the Company's contractual delivery obligations under the two contracts remain in place as well as certain other performance obligations including scheduled deliveries of product sourced from approved locations which are covenants associated with the contracts. The Company reflects a portion of the payment as revenue when the related deliveries under the contracts are settled. As of December 31, 2013, the deliveries called for in 2013 had been made and the revenue thereon was recognized. As of June 30, 2014, one of the two remaining deliveries called for in 2014 had been made and the revenue thereon was recognized. The final required delivery has not been made as of June 30, 2014 and the revenue thereon remains deferred.

16. Asset Retirement and Reclamation Obligations

Asset retirement obligations ("ARO") relate to the Lost Creek Project and Pathfinder mines 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, 2014, the total undiscounted amount of the future cash needs was estimated to be \$17.7 million. The schedule of payments required to settle the ARO liability extends through 2033.

The restricted cash as discussed in note 8 is related to the surety bonds and letters of credit which provide security to the related governmental agencies on these obligations.

	Six months ended June 30, 2014 \$	Year ended December 31, 2013 \$
Beginning of year	17,279	957
Liabilities incurred	-	10,639
Assumed in Pathfinder Mining Corporation purchase	-	5,656
Accretion expense	77	27
End of period	17,356	17,279

17. Other Liabilities

For the December 2013 private placement, the Company issued units consisting of one common share and one half warrant. Each full warrant is priced at US\$1.35 which created a derivative financial instrument. The liability created is adjusted to a calculated fair value quarterly using the Black-Scholes technique described below. We are using "Level 3" value as there is no active market for the warrants or more accurate external method of measurement. Any income or loss is reflected in net income for the year. The revaluation as of June 30, 2014 resulted in a gain of \$576 thousand for the six months ended June 30, 2014 which is reflected on the statement of operations.

18. 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"). 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 \$
Outstanding, December 31, 2013	9,273,659	1.19
Granted	100,000	1.53
Exercised	(1,045,786)	0.84
Forfeited	(174,779)	1.33
Outstanding, June 30, 2014	8,153,094	1.23

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, 2014 was \$0.5 million.

As of June 30, 2014, outstanding stock options are as follows:

Exercise price	Options outstanding			Options exercisable		
	Number of	Weighted-average remaining contractual	Aggregate Intrinsic Value	Number of	Weighted-average remaining contractual	Aggregate Intrinsic Value

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\$	options	life (years)	\$	options	life (years)	\$	Expiry
0.84	508,376	0.2	138	508,376	0.2	138	September 2, 2014
0.76	462,064	0.7	160	462,064	0.7	160	March 5, 2015
2.69	1,277,741	1.6	-	1,277,741	1.6	-	January 28, 2016
1.47	545,000	2.0	-	545,000	2.0	-	July 7, 2016
1.10	677,223	2.2	19	677,223	2.2	19	September 9, 2016
1.09	200,000	2.3	7	200,000	2.3	7	October 24, 2016
0.85	983,167	2.5	258	983,167	2.5	258	January 12, 2017
1.30	200,000	2.6	-	200,000	2.6	-	February 1, 2017
1.11	100,000	2.7	2	100,000	2.7	2	March 1, 2017
0.71	1,371,994	3.4	540	1,371,994	3.4	540	December 7, 2017
0.72	620,971	3.8	239	471,527	3.8	181	April 25, 2018
1.16	100,000	4.1	-	54,000	4.1	-	August 1, 2018
1.12	1,006,558	4.5	9	326,608	4.5	3	December 27, 2018
1.57	100,000	4.8	-	10,000	4.8	-	March 31, 2019
1.19	8,153,094	2.6	1,372	7,187,700	2.4	1,308	

The aggregate intrinsic value of the options in the preceding table represents the total pre-tax intrinsic value for stock options with an exercise price less than the Company's TSX closing stock price of Cdn\$1.21 as of the last trading day in the period ended June 30, 2014, that would have been received by the option holders had they exercised their options as of that date. The total number of in-the-money stock options outstanding as of June 30, 2014 was 5,930,353. The total number of in-the-money stock options exercisable as of June 30, 2014 was 5,100,959.

Restricted share units

On June 24, 2010, the Company's shareholders approved the adoption of the Company's restricted share unit plan (the "RSU Plan"). Eligible participants under the RSU Plan include directors, officers and employees of the Company. Under the terms of the RSU Plan, RSUs vest with participants as follows: 50% on the first anniversary of the date of the grant and 50% on the second anniversary of the date of the grant.

Activity with respect to RSUs is summarized as follows:

	Number of RSUs	Weighted average grant date fair value \$
Unvested, December 31, 2013	691,610	0.90
Vested	(230,531)	0.93
Forfeited	(28,383)	0.93
Unvested, June 30, 2014	432,696	0.95

As of June 30, 2014, outstanding RSUs are as follows:

Grant date	Number of unvested units	Remaining life (years)	Aggregate intrinsic value \$
December 7, 2012	182,716	0.44	206
December 27, 2013	249,980	1.49	282

432,696 1.05 488

Upon RSU vesting, the holder of an RSU will receive one common share, for no additional consideration, for each RSU held.

Warrants

There was no warrant activity during the period ended June 30, 2014.

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As of June 30, 2014, outstanding warrants are as follows:

Exercise price \$	Number of warrants	Remaining contractual life (years)	Aggregate intrinsic value \$	Expiry
0.92	50,000	1.2	10	September 4, 2015
1.12	100,000	1.3	1	November 1, 2015
0.93	25,000	1.7	5	March 5, 2016
1.35	2,354,545	2.5	-	December 19, 2016
1.12	4,294,167	4.0	40	June 24, 2018
1.17	1,550,400	4.2	-	August 27, 2018
	8,374,112	3.5	56	

Share-based compensation expense

Share-based compensation expense was \$0.5 million and \$0.4 million for the six months ended June 30, 2014 and 2013, respectively.

As of June 30, 2014, there was approximately \$0.5 million of total unrecognized compensation expense (net of estimated pre-vesting forfeitures) related to unvested share-based compensation arrangements granted under the Option Plan and \$0.3 million under the RSU Plan. The expenses are expected to be recognized over a weighted-average period of 0.9 years and 1.3 years, respectively.

Cash received from stock options exercised during the six months ended June 30, 2014 was \$0.9 million. There were no options exercised during the six months ended June 30, 2013.

Fair Value Calculations

The initial fair value of options granted during the six months ended June 30, 2014 was determined using the Black-Scholes option pricing model with the following assumptions:

	2014	2013
Expected option life (years)	3.49	3.41
Expected volatility	66 %	63 %
Risk-free interest rate	1.4 %	1.1 %
Forfeiture rate (options)	4.5 %	4.4 %
Expected dividend rate	0 %	0 %

The Company estimates expected volatility using daily historical trading data of the Company's common shares, because this is recognized as a valid method used to predict future volatility. The risk-free interest rates are determined by reference to Canadian Treasury Note constant maturities that approximate the expected option term. The Company has never paid dividends and currently has no plans to do so.

Share-based compensation expense is recognized net of estimated pre-vesting forfeitures, which results in recognition of expense on options that are ultimately expected to vest over the expected option term. Forfeitures were estimated using actual historical forfeiture experience.

There were no RSUs granted in the six months ended June 30, 2014 or 2013.

19. Sales

Sales have been primarily derived from U₃O₈ being sold to domestic utilities under contracts. In 2013, the Company also assigned its 2013 and 2014 deliveries under two of its contracts to a third party broker.

Sales consists of:

	2014		
	\$		
Company A	7,197	46.8	%
Company B	4,127	26.8	%
Company C	2,596	16.9	%
Disposal fees	209	1.4	%
Recognition of gain from sale of deliveries under contract	1,254	8.1	%
	15,383	100.0	%

20. Commitments

In June 2014, the Wyoming Department of Environmental Quality and the NRC approved modifications to several reclamation bonds to reflect current obligations and anticipated disturbances during the upcoming year. The total reclamation bonding requirements were therefore increased to \$26.7 million. The Company increased its surety performance bonding to that amount. The Company will be increasing the cash securing the security bonds (see note 5) by \$3.1 million prior to the end of the current year.

In June, the Company signed an agreement for drilling and completion of a third disposal well. The project will begin in July 2014 with completion later this year. It is anticipated that the total cost of the well will be approximately \$3.2 million.

21. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, restricted cash, deposits, accounts payable and accrued liabilities and notes payable. The Company is exposed to risks related to changes in foreign currency exchange rates, interest rates and management of cash and cash equivalents.

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and restricted cash. These assets include Canadian dollar and U.S. dollar denominated certificates of deposits, money market accounts and demand deposits. They bear interest at annual rates ranging from 0.18% to 0.6% and mature at various dates up to February 5, 2015. These instruments are maintained at financial institutions in Canada and the United States. Of the amount held on deposit, approximately \$0.9 million is covered by the Canada Deposit Insurance Corporation, the Securities Investor Protection Corporation or the United States Federal Deposit Insurance Corporation, leaving approximately \$5.8 million at risk at June 30, 2014 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 June 30, 2014.

Liquidity risk

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

The Company has financed its operations from its inception primarily through the issuance of equity securities and debt instruments. Production commenced in August 2013 after receiving final operational clearance from the NRC. Product sales commenced in December 2013.

As at June 30, 2014, the Company's financial liabilities consisted of trade accounts payable and accrued trade and payroll liabilities of \$2.8 million which are due within normal trade terms of generally 30 to 60 days, notes payable which will be payable over periods of 0 to 7 years, and asset retirement obligations with estimated completion dates until 2033.

Sensitivity analysis

The Company has completed a sensitivity analysis to estimate the impact that a change in interest rates would have on the net loss of the Company. This sensitivity analysis shows that a change of +/- 100 basis points in interest rate would have a nominal effect for the six months ended June 30, 2014. The financial position of the Company may vary at the time that a change in interest rates occurs causing the impact on the Company's results to differ from that shown above.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Business Overview

The following discussion is designed to provide information that we believe necessary for an understanding of our financial condition, changes in financial condition and results of our operations. The following discussion and analysis should be read in conjunction with the MD&A contained in our Annual Report on Form 10-K for the year ended December 31, 2013. The financial statements have been prepared in accordance with U.S. GAAP.

Incorporated on March 22, 2004, Ur-Energy is an exploration stage mining company, as that term is defined in SEC Industry Guide 7. We are engaged in the identification, acquisition, evaluation, exploration, development and operation of U_3O_8 mineral properties in Canada and the United States. We have constructed and begun operation of our first in situ recovery U_3O_8 mine at our Lost Creek Project in Wyoming. Ur-Energy is a corporation continued under the *Canada Business Corporations Act* on August 8, 2006. Our Common Shares are listed on the TSX under the symbol "URE" and on the NYSE MKT under the symbol "URG."

Ur-Energy has one wholly-owned subsidiary: Ur-Energy USA Inc, incorporated under the laws of the State of Colorado. Ur-Energy USA has three wholly-owned subsidiaries: NFU Wyoming, LLC, a limited liability company formed under the laws of the State of Wyoming which currently acts as our land holding and exploration entity; Lost Creek ISR, LLC, a limited liability company formed under the laws of the State of Wyoming to operate our Lost Creek Project and hold our Lost Creek properties and assets; and Pathfinder, incorporated under the laws of the State of Delaware, acquired in December 2013, which holds, among other assets, the Shirley Basin and Lucky Mc properties in Wyoming. Our other U.S. subsidiaries remain unchanged since the filing of our Annual Report on Form 10-K, dated March 3, 2014.

We utilize in situ recovery of the U_3O_8 at our flagship project, Lost Creek, and will do so at other projects where possible. The in situ recovery ("ISR") technique is employed in uranium extraction because it allows for an effective recovery of roll front uranium mineralization at a lower cost. At Lost Creek, we extract and process U_3O_8 for shipping to a third-party storage and conversion facility.

Our Lost Creek processing facility, which includes all circuits for the production, drying and packaging of uranium for delivery into sales, can process one million pounds of U_3O_8 annually from the Lost Creek mine. The processing facility has the design capacity to process two million pounds of U_3O_8 annually, which provides additional capacity to process material from other sources. We expect that the Lost Creek processing facility will be utilized to process captured U_3O_8 from our Shirley Basin Project.

Currently, we have eight U₃O₈ sales agreements in place with various U.S. utilities for the sale of Lost Creek U₃O₈ at mid- and long-term contract pricing. The multi-year sales agreements represent a portion of our anticipated production from 2013 through 2019. Of these, we added two sales agreements during the six months ended June 30, 2014 that provide for sales during 2014 and 2016. These agreements individually do not represent a substantial portion of our annual projected production, and our business is therefore not substantially dependent upon any one of the agreements. The balance of our Lost Creek production will be sold through spot sales and through additional multi-year agreements.

MINERAL RIGHTS AND PROPERTIES

The following is a summary of significant activities by project for the three and six months ended June 30, 2014:

Lost Creek Property

Ten of our U.S. properties are located in the Great Divide Basin, Wyoming, including Lost Creek. Currently we control a total of more than 2,100 unpatented mining claims and four State of Wyoming mineral leases for a total of approximately 42,000 acres in the area of the Lost Creek Property, including the Lost Creek permit area (the “Lost Creek Project” or “Project”), and certain adjoining properties which we refer to as LC East, LC West, LC North, LC South and EN project areas (collectively, with the Lost Creek Project, the “Lost Creek Property”).

During the quarter, production head grades continued to exceed technical projections, averaging levels of 152 mg/l U₃O₈. The **Results of Operations** are detailed below. More previously reported, the production rate has been controlled at lower levels than budgeted to effectively manage the plant feed rate while ongoing commissioning of the plant and water management systems continues.

During the second quarter of 2014, project operational rates were adjusted downward to implement corrective actions related to waste water management concerns. Waste water generation rates had exceeded the available waste water disposal capacity of the facility, which resulted in the two holding ponds storing more water than allowed. Corrective measures were implemented and pond levels returned to acceptable levels early in the period. The corrective actions included a temporary but substantial reduction in production operational levels. During the period, Lost Creek continued to produce at rates required to sell U₃O₈ into existing contract obligations.

The Company is working to address remaining water balance concerns, and has commenced the drilling of a third deep disposal well. We continue to anticipate that production rates may fluctuate as commissioning continues and all initial operational issues are identified and addressed.

Work has continued on applications to amend existing permits and licenses at Lost Creek to include recovery from the KM horizon and LC East operations. We anticipate that requests for these amendments will be submitted to regulatory authorities during third quarter 2014.

Shirley Basin Project

During the quarter, we completed a uranium resource analysis for our Shirley Basin Project. This analysis identified 8,816,000 pounds of Measured and Indicated resources, averaging 0.23% eU₃O₈ at an average depth to the top of resources of 312 feet below surface. The analysis is based upon 3,200 historic delineation drill holes (1.2 million feet of drilling) completed by Pathfinder prior to its 1992 termination of mining operations at the project. The results of our confirmation drilling program, completed in May 2014, are also included in the analysis.

Pathfinder's historic drilling was focused on two resource areas to support future planned mining operations. These resource areas were the FAB Trend and Area 5. Because of the closed-spaced drilling in these resource areas (a 100-ft grid of drill holes), as shown in the table below, 83% of the resources are classified as Measured Resources.

Shirley Basin Project - Resource Summary July 2014

RESOURCE	MEASURED			INDICATED		
	AVG GRADE SHORT TONS POUNDS			AVG GRADE SHORT TONS POUNDS		
AREA	% eU ₃ O ₈	(X 1000)	(X 1000)	% eU ₃ O ₈	(X 1000)	(X 1000)
FAB	0.280	1,172	6,574	0.119	456	1,081
TREND						
AREA 5	0.243	195	947	0.115	93	214
TOTAL	0.275	1,367	7,521	0.118	549	1,295
			MEASURED & INDICATED	0.230	1,915	8,816

1. Sum of Measured and Indicated tons and pounds may not add to the reported total due to rounding.
2. Based on grade cut-off of 0.02 percent eU₃O₈ and a grade x thickness cut-off of 0.25 GT.
3. Measured and Indicated Mineral Resources as defined in Section 1.2 of NI 43-101 (the CIM Definition Standards (CIM Council, 2014)).
4. All reported resources occur below the historic pre-mining static water table.

The mineral resource has been estimated utilizing the grade-thickness (GT) contour method. The GT contour method is well accepted within the uranium ISR industry and is suited to guide detailed mine planning and estimates of total resources for roll front type deposits such as the Shirley Basin Project. Uranium minerals to be reported as resources in the analysis must be below the static water level and have a minimum grade of 0.020% eU₃O₈ and a minimum GT of 0.25.

Resources are classified as Measured and Indicated Mineral Resources as defined in Section 1.2 of Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101) and the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards for Mineral Resources and Mineral Reserves (CIM Definition Standards). An independent NI 43-101 Technical Report will be filed shortly.

We have also completed our initial drill program at Shirley Basin. Following the initial confirmation drilling, 12 monitor wells and five pump test wells were completed. Multiple environmental baseline studies commenced during second quarter, as we begin the process of permitting the project for further development and mine operations.

Results of Operations

During the quarter, we recorded \$2.1 million of gross profit on sales of \$9.2 million, which represents a gross margin of approximately 22%. For the year to date, we have sales of \$15.4 million resulting in a gross profit of \$5.0 million or approximately 32%. We had an operating loss of \$0.9 and \$1.9 million after deducting total operating expenses of \$3.0 million and \$6.9 million for the three and six month periods ended June 30, 2014, respectively. After recording interest and other expenses, the final net loss for the three and six months was \$0.8 and \$2.8 million, respectively.

Sales for the year were based on selling 317,760 pounds at an average price of \$43.81 per pound.

During the quarter, we recorded an out of period adjustment due to the reclassification of severance and ad valorem taxes as a cost of extraction instead of a direct cost of sale. As a result, the comparison of prior quarters to the current quarter in terms of costs per pound will reflect the higher cost in the quarter of including those taxes in our inventory and cost of sales calculations. We have not adjusted the balances reported for prior quarters, nor have we included the prior period adjustments in the calculations of per pound amounts for the current quarter.

Production costs for the current quarter were up \$0.4 million from the previous quarter due to the out of period adjustment of \$0.7 million. As a result of this and lower production levels, production costs per pound were higher this quarter versus the previous quarter due to lower production levels as described above. This is reflected in a slightly higher cost per pound sold (up from \$29.46 in 2014 Q1 to \$34.22 in 2014 Q2). As production and sales levels stabilize in future quarters, we would expect to see lower cost per pound figures.

Interest expense has increased significantly as we are now paying interest on both the RMBAH and State of Wyoming loan facilities. Our first principal payment to RMBAH (\$0.8 million) was made in June, while the first principal payment to Wyoming (\$1.0 million) will be paid in December 2014.

The NRC and the State have approved the Lost Creek bond increase from \$8.6 million to \$13.3 million. We have placed the bonds and will be increasing our restricted cash balances to meet our surety bonding requirements over the balance of the year.

In April 2014, we received cash from one sale of uranium made during the previous quarter. In July 2014, we received two cash payments from sales of uranium made in June. Our cash position at July 30, 2014 was approximately \$6.1 million.

Three and six months ended June 30, 2014 compared to the three and six months ended June 30, 2013

The following table summarizes the results of operations for the six months ended June 30, 2014 and 2013 (in thousands of U.S. dollars):

	Three months ended June 30,	
	2014	2013
	\$	\$
		Restated
Revenue	9,236	Nil
Cost of revenues	7,169	Nil
Gross profit	2,067	Nil
Exploration and evaluation expense	(854)	(592)
Development expense	(711)	(6,489)
General and administrative expense	(1,335)	(1,359)
Write-off of mineral properties	(93)	(262)
Net loss from operations	(926)	(8,702)
Interest income (Expense) (net)	(714)	16
Warrant mark to market adjustment	839	Nil
Loss from equity investment	(3)	(971)
Foreign exchange loss	(1)	(2)
Other income (loss)	1	(2)
Net loss	(804)	(9,661)

Loss per share – basic and diluted (0.01) (0.08)

	Six months ended	
	June 30,	
	2014	2013
	\$	\$
		Restated
Revenue	15,383	Nil
Cost of revenues	10,409	Nil
Gross profit	4,974	Nil
Exploration and evaluation expense	(1,872)	(1,186)
Development expense	(1,285)	(11,582)
General and administrative expense	(3,647)	(2,880)
Write-off of mineral properties	(93)	(262)
Net loss from operations	(1,923)	(15,910)
Interest income (expense) (net)	(1,388)	31
Warrant mark to market adjustment	576	Nil
Loss from equity investment	(3)	(971)
Foreign exchange loss	(15)	(2)
Other income (loss)	1	(4)
Net loss	(2,752)	(16,856)
Loss per share – basic and diluted	(0.02)	(0.14)

U₃O₈ Sales and Production

During the six months ended June 30, 2014, 315,281 pounds of U₃O₈ were captured within the Lost Creek plant. 304,917 of those pounds were packaged in drums and 333,963 pounds of the drummed inventory were shipped to the conversion facility where 317,760 pounds were sold to utility customers for sales revenues of \$13.9 million. In addition, the Company recognized \$1.3 million of sales from the delivery during the period by a third party of 100,000 pounds of uranium under a contractual delivery commitment assigned to that third party in 2013.

Inventory, production (after adjustment for severance and ad valorem taxes as previously discussed) and sales figures for the Lost Creek Project are as follows:

Results	Unit	2014 Q2 ¹	2014 Q1	Year to date ²
Pounds captured within the plant	lb.	116,708	198,573	315,281
Cash cost per pound captured	\$/lb.	\$9.63	\$6.03	\$7.36
Non-cash cost per pound captured	\$/lb.	\$11.56	\$6.80	\$8.56
Wellfield cash cost ³	\$000	\$1,124	\$1,197	\$3,057
Wellfield non-cash cost ³	\$000	\$1,350	\$1,350	\$2,699
Pounds packaged in drums	lb.	133,684	171,233	304,917
Cash cost per pound drummed	\$/lb.	\$12.15	\$11.11	\$11.57
Non-cash cost per pound drummed	\$/lb.	\$3.76	\$2.94	\$3.30
Plant cash cost ⁴	\$000	\$1,625	\$1,902	\$3,527
Plant non-cash cost ⁴	\$000	\$502	\$503	\$1,005
Pounds shipped to conversion facility	lb.	163,747	170,216	333,963
Cash cost per pound shipped	\$/lb.	\$0.71	\$0.89	\$0.81
Distribution cost ⁵	\$000	\$117	\$152	\$269
Pounds sold	lb.	207,760	110,000	317,760
Average spot price ⁶	\$/lb.	n/a	n/a	n/a
Average long-term contract price	\$/lb.	\$34.64	\$61.12	\$43.81
Average price	\$/lb.	\$34.64	\$61.12	\$43.81
U ₃ O ₈ Sales	\$000	\$7,197	\$6,723	\$13,920
Delivered by third party under assignment agreement	\$000	\$1,254	n/a	\$1,254
Cash cost per pound sold	\$/lb.	\$22.05	\$19.38	\$21.09
Non-cash cost per pound sold	\$/lb.	\$8.91	\$10.08	\$11.66
Total cost per pound sold	\$/lb.	\$30.96	\$29.46	\$32.75
Cost of sales ⁷	\$000	\$7,109	\$3,240	\$10,409

Notes:

¹ The cash costs for the second quarter represent the actual costs for the quarter under the corrected treatment of severance and ad valorem taxes and do not reflect the out of period adjustments.

² Year to date amounts have been adjusted to include effects of out of period adjustments.

Wellfield costs include all wellfield operating costs, severance and ad valorem taxes plus amortization of the related mineral property acquisition costs and depreciation of the related asset retirement obligation costs. Wellfield³ construction and development costs, which include wellfield drilling, header houses, pipelines, power lines, roads, fences and disposal wells, are treated as development expense and are not included in wellfield operating costs.

⁴Plant costs include all plant operating costs, site overhead costs and depreciation of the related plant construction and asset retirement obligation costs.

⁵Distribution costs include all shipping costs and costs charged by the conversion facility for weighing, sampling, assaying and storing the U_3O_8 prior to sale. There are no non-cash costs associated with distribution.

⁶There were no spot sales in the six months ended June 30, 2014.

⁷Cost of sales include all production costs (notes 1, 2 and 3) adjusted for changes in inventory values.

Cash cost per pound and non-cash cost per pound for produced and sold U₃O₈ presented in the table above are non-US GAAP measures. These measure do not have a standardized meaning or a consistent basis of calculation under US GAAP. These measures are used to assess business performance and may be used by certain investors to evaluate the Company's extraction and processing performance. To facilitate a better understanding of these measures, the table below presents a reconciliation of these measures to the financial results as presented in our financial statements.

Sales per the statement of operations include revenue from sources other than the sale of U₃O₈. The sales footnotes in the financial statements separate the U₃O₈ sales from other revenues.

Average Price Realized Per Pound Reconciliation	Unit	2014 Q2	2014 Q1	Year to date
U ₃ O ₈ Sales (a) ¹	\$000	\$7,197	\$6,723	\$13,920
Pounds sold (b)	lb.	207,760	110,000	317,760
Average price realized per pound (a ÷ b)	\$/lb.	\$34.64	\$61.12	\$43.81

Notes:

¹ Gross sales amounts are used for all periods. Does not include \$1.3 million recognized from the gain on assignment of deliveries under long-term contracts or the out of period adjustments because the additional revenue would distort the average realized price per pound.

Cost Per Pound Sold R