Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Business Overview

The following discussion is designed to provide information that we believe necessary for an understanding of our financial condition, changes in financial condition and results of our operations. The following discussion and analysis should be read in conjunction with the accompanying audited consolidated financial statements and related notes. The financial statements have been prepared in accordance with US GAAP.

2016 Developments

Lost Creek Property – Great Divide Basin, Wyoming

Following receipt of the final regulatory authorization in October 2012, we commenced construction at Lost Creek. Construction included the plant facility and office building, installation of all process equipment, installation of two access roads, additional power lines and drop lines, deep disposal wells, construction of two holding ponds, warehouse building, and drill shed building. In August 2013, the Company was given operational approval by the NRC and commenced production operation activities.

Production operations in MU1 within the HJ Horizon began on August 2, 2013 and, through December 31, 2016, 2,108,095 pounds of uranium have been captured from this mine unit. For the Lost Creek PEA, all resources produced through September 30, 2015 were subtracted from total Measured Resources from the HJ Horizon in MU1 in order to accurately reflect remaining resources. All of the original wells as well as the planned 13 header houses ("HHs") have been completed and are in operation.

All monitor ring wells have been installed and pump-tested in MU2 allowing for submittal of the appropriate operating permits. In addition, development work in the form of well, pipeline and infrastructure installation has various levels of completion in the first three header houses of MU2. Specifically, a majority of planned pattern wells have been piloted and cased within that area, the main trunkline has been installed to the first five header houses and the entirety of MU2 has been fenced. During 2016, project drilling was limited to wells related to permitting activities, recompletions and workovers, and other data gathering. All of these activities will allow for a quick turn-around to production once market fundamentals change.

Two applications for amendments to the license and permits have been submitted; as described in the Lost Creek PEA, the two applications primarily seek to authorize production in the KM Horizon within the Lost Creek Project and to authorize production in the HJ and KM Horizons within the EMT in the LC East Project.

During 2016, the Company had 662,000 pounds under contract at an average price of $47.58. In the first quarter of 2016, a customer pushed the timing of two, high-priced, contract deliveries from the first half of the year to the second half of the year. The contracts were for 100,000 pounds each at $62.00 per pound, which meant that $12.4 million of expected cash receipts shifted to the back half of the year. This created a cash flow timing issue for the Company. As a result, we completed two financing transactions.

In February 2016, we completed a bought deal financing for aggregate gross proceeds to the Company in the amount of $6.5 million.

In March 2016, we assigned those two contract deliveries to a third party for cash proceeds of $5.1 million. These financing transactions resolved the cash flow timing issue brought about by the change in the contractual delivery dates. Assigning the pounds to a third party also relieved the Company from any further delivery obligation on the assigned pounds, which allowed the Company the flexibility to either build inventory or sell into the spot market, as needed. The following table shows our contract and spot sales before and after the assignment:

U_3O_8 Sales summary [1]	**Pounds**	**Price per pound**		**Gross sales value** (thousands)	
Contract sales before the assignment	662,000	$	47.58	$	31,516
Less assigned contract sales	(200,000)	$	62.00	$	(12,400)
Contract sales after the assignment	462,000	$	41.38	$	19,116
Spot sales	100,000	$	30.75	$	3,075
U_3O_8 sales from production	562,000	$	39.49	$	22,191

Note:

1 The above table includes non-GAAP measurements. See Reconciliation of Non-GAAP sales and inventory presentation with US GAAP statement presentation below.

From production, Lost Creek sold a total of 562,000 pounds U_3O_8 during 2016 at an average price of $39.49 per pound. After the assignment of the two contract deliveries to a third party, our remaining contract sales were 462,000 pounds at an average price of $41.38 per pound. Additionally, we sold 100,000 pounds into the spot market at an average price of $30.75 per pound.

During 2016, 538,004 pounds of U_3O_8 were captured within the Lost Creek plant; 561,094 pounds U_3O_8 were packaged in drums; and 579,179 pounds U_3O_8 of drummed inventory were shipped from the Lost Creek processing plant to the converter. At December 31, inventory at the conversion facility was approximately 84,689 pounds U_3O_8. Production levels for the year were lower than 2015 but were consistent with our anticipated contract and spot sales after taking into account the assigned contracts.

A significant amount of work has been done to prepare MU2 for production. However, the uranium market and related uranium prices deteriorated significantly in 2016. As a result, we deliberately slowed additional development activities in MU2 and instead focused on enhancing production from the 13 operating header houses in MU1. During 2017, we plan to proceed with a controlled rate development of MU2, which will allow us to produce at a level that will satisfy a portion of our sales contracts.

Only one header house (HH 1-13) was brought on line in 2016. Following its commissioning, staff initiated refinements to other header houses and production processes based upon results at HH 1-13. After more than three years of operations, MU1 still produced a yearly average head grade of 58 ppm. However, the head grade during Q4 averaged 39 ppm. The lower head grade during this period of operation, as well as varying month-to-month grades, is a typical result as a mine matures and older operating patterns remain in the flow regime.

Lost Creek Regulatory Proceedings

After receiving notice of final operational clearance from the NRC, we commenced production activities at Lost Creek in August 2013. Subsequent to those final approvals, we have made necessary additional filings for approvals of ongoing operations at Lost Creek (*e.g.,* wellfield development; authorizations related to the new deep disposal well; permits and authority for new Class V wells). In September 2014, we filed applications for amendment of all Lost Creek permits and licenses to include recovery from the KM horizon and LC East operations. In 2015, the BLM issued a notice of intent to complete an environmental impact statement for the application. The NRC will participate in this review as a cooperating agency. A permit amendment requesting approval to mine at the LC East Project and within the KM Horizon at the Lost Creek Project was also submitted to the WDEQ for review and approval. Approval will include an aquifer exemption. At this time, all of those applications continue through the regulatory process; we are responding to additional comments from the agencies, including providing data from additional monitor wells which were drilled for data-gathering purposes.

By the end of 2016, all general regulatory authorizations for Underground Injection Control (UIC) Class V wells have been completed for Lost Creek. Following receipt of the final such approval from NRC in September, we conducted pre-operational analyses and final testing, upon which final operational approvals were received from regulators in December 2016. These relatively shallow Class V wells will allow for the onsite recirculation of up to 200 gpm of fresh permeate (*i.e.,* clean water) from operations. Site operators will use the reverse osmosis (RO) circuits, which were installed during initial construction of the plant, to process waste water into brine and permeate streams. The brine stream will continue to be disposed of in the UIC Class I deep wells while the clean, permeate stream will be injected into the UIC Class V wells. Subsequent to year's end, the wells and RO system have been brought online and are now operational. We anticipate that this new water recycling system will enhance waste water disposition at the site.

Shirley Basin Project

In 2014, we commissioned and issued an independent, NI 43-101 technical report on Shirley Basin, reporting the initial mineral resource on the project. Subsequently, on January 27, 2015, we issued a second independent, NI 43-101 report on Shirley Basin: the *"Preliminary Economic Assessment Shirley Basin Uranium Project Carbon County, Wyoming,"* ("Shirley Basin PEA"). The Shirley Basin PEA suggests the possible viability of the project, based upon analyses of metallurgy and recoverability, engineering, and economics including costs of capital expenditures and operating costs. The mineral resources for the Shirley Basin Project were estimated in the Technical Report, and considered for economics and recoverability in the Shirley Basin PEA. The mineral resource estimate is set forth above, in *Items 1 and 2. Business and Properties – Shirley Basin Project.*

Baseline studies necessary for the permitting and licensing of the project commenced in 2014 and were completed in 2015. Subsequently, in December 2015, our application for a permit to mine was submitted to the WDEQ. While the Shirley Basin PEA contemplates that the Lost Creek processing facility may be utilized for the drying and packaging of uranium from Shirley Basin (for which we would currently anticipate the need only for a satellite plant) the Shirley Basin permit application contemplates the construction of a full processing facility, providing greater construction and operating flexibility as may be dictated by market conditions.

In addition to the WDEQ application for permit to mine, work is well underway on other applications for all necessary authorizations to mine at Shirley Basin. We have watched with interest the development of the Wyoming "agreement state" program, by which the NRC will delegate its authority for source material licensure and other radiation safety issues to the WDEQ. We understand that the development of the Wyoming URP remains on schedule for full implementation and transition likely occurring in 2018. Based upon that timing,

we currently anticipate submitting our application for a source material license for Shirley Basin to the State URP.

Under the terms of our acquisition of Pathfinder from AREVA in 2013, we were obligated to pay a five percent production royalty on production at the Shirley Basin Project under certain market conditions, if such conditions were triggered prior to June 30, 2016. That contingent royalty was capped to the various triggers and could have been repurchased at our election. On June 30, 2016, the royalty lapsed and was terminated because the market conditions had not been triggered.

The Bootheel Project, LLC

In April 2016, the Management Committee of the Bootheel Project determined to continue the ownership and maintenance on the Bootheel property for the fiscal year ending March 31, 2017, which is the fiscal year end of The Bootheel Project, LLC. No additional exploration or development activities are expected at this time for 2017. Due to the continuing decline in the spot price of uranium combined with the reduction in minerals when the related lease was not renegotiated, the Company examined the valuation of the investment and determined that as a standalone investment, it had an insignificant value and was therefore fully impaired during 2016 resulting in a loss on investment of $1.1 million.

Other Mineral Properties

In June 2016, we elected to not renew our claims in the area known as the Hauber Project. As a result, we have written off our investment of $62 thousand in that project. We maintain the related geologic database for the project to support future activities if warranted. In addition to the claims at the Hauber Project and those mentioned above at the EN Project (*Items 1 and 2*), we also chose to abandon certain non-essential claims at other projects. The carrying value of the properties affected by this decision was not affected.

Corporate Transactions and Financing Developments

Bought Deal Financing

In February 2016, we completed a bought deal financing in which a syndicate of investment dealers purchased 12,921,000 Common Shares at a purchase price of $0.50 per Common Share, for aggregate proceeds of $6.5 million.

At Market Financing

In May 2016, we entered into an At Market Issuance Sales Agreement with MLV & Co. LLC and FBR Capital Markets & Co. under which we may, from time to time, issue and sell Common Shares at market prices on the NYSE MKT or other U.S. market through the distribution agents for aggregate sales proceeds of up to $10,000,000. During 2016, we sold 164,979 Common Shares under the sales agreement. See discussion below under *Material Changes in Financial Condition, Liquidity and Capital Resources*.

RMB Australia Holdings Limited

We established a banking relationship with RMB Australia Holdings Limited ("RMB") in 2013 which allowed for various financings during 2013. The first facility remained available for redraw as necessary for the Pathfinder acquisition, and $5.0 million was redrawn in December 2013 for that purpose. The facility was amended in March 2014 and an additional $1.5 million was drawn down at that time and, following the

completion of the Technical Report (NI 43-101) on the Shirley Basin Project, an additional $3.5 million was drawn down as a revolver in September 2014. In October 2015, the facility was amended to extend the maturity date of the $3.5 million revolver and spread the balance originally due March 2016 over four quarterly payments commencing March 2016 and concluding December 2016. This loan was paid in full in December 2016.

Off Take Sales Agreements

As of December 31, 2016, we have multiple off take sales agreements with various U.S. utilities. These agreements were completed between 2012 and 2015 for deliveries between 2017 and 2021 as follows:

SUMMARY OF OFF TAKE SALES AGREEMENTS	
Production Year	Total Pounds Uranium Concentrates Contractually Committed
2017	600,000 pounds
2018	500,000 pounds
2019	600,000 pounds
2020	450,000 pounds
2021	250,000 pounds

Corporate Organization and Management

In December 2016, Jeffrey T. Klenda, our Chair and Acting Chief Executive Officer was appointed President and Chief Executive Officer of the Company. Mr. Klenda is a founding director of the Company and has served as Executive Director and Chairman since 2006. He also will continue to serve as the Chairman of the Board of Directors.

In June 2016, reductions in workforce were implemented due to continuing depressed uranium market conditions. Twelve employees were laid off, and several other employees were asked to change job responsibilities or carry additional responsibilities. Operations at Lost Creek proceeded uninterrupted. A further, smaller, reduction in force has been implemented in 2017; again, the focus was on those departments not directly related to production.

2016 Results of Operations

U_3O_8 Production Costs

During 2016, 538,004 pounds of U_3O_8 were captured within the Lost Creek plant. A total of 561,094 pounds were packaged in drums and 579,179 pounds of the drummed inventory were shipped to the conversion facility where 562,000 pounds were sold to utility customers. The cash cost per pound and non-cash cost per pound for produced uranium presented in the following Production Costs and U_3O_8 Sales and Cost of Sales tables are non-US GAAP measures. These measures do not have a standardized meaning within US GAAP or a defined basis of calculation. These measures are used by management to assess business performance and determine production and pricing strategies. They may also be used by certain investors to evaluate performance. Please

see the tables, below, for reconciliations of these measures to the US GAAP compliant financial measures. Production figures for the Lost Creek Project are as follows:

Production and Production Costs	Unit	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2016
Pounds captured	lb	103,558	141,774	133,341	159,331	538,004
Ad valorem and severance tax	$000	$ 247	$ 552	$ 304	$ 420	$ 1,523
Wellfield cash cost [1]	$000	$ 864	$ 858	$ 846	$ 1,013	$ 3,581
Wellfield non-cash cost [2]	$000	$ 777	$ 778	$ 778	$ 731	$ 3,064
Ad valorem and severance tax per pound captured	$/lb	$ 2.39	$ 3.89	$ 2.28	$ 2.64	$ 2.83
Cash cost per pound captured	$/lb	$ 8.34	$ 6.05	$ 6.34	$ 6.36	$ 6.66
Non-cash cost per pound captured	$/lb	$ 7.50	$ 5.49	$ 5.83	$ 4.59	$ 5.70
Pounds drummed	lb	111,049	145,893	130,308	173,844	561,094
Plant cash cost [3]	$000	$ 1,336	$ 1,564	$ 1,505	$ 1,696	$ 6,101
Plant non-cash cost [2]	$000	$ 493	$ 494	$ 494	$ 497	$ 1,978
Cash cost per pound drummed	$/lb	$ 12.03	$ 10.72	$ 11.55	$ 9.76	$ 10.87
Non-cash cost per pound drummed	$/lb	$ 4.44	$ 3.39	$ 3.79	$ 2.86	$ 3.53
Pounds shipped to conversion facility	lb	98,775	149,540	148,714	182,150	579,179
Distribution cash cost [4]	$000	$ 68	$ 86	$ 123	$ 88	$ 365
Cash cost per pound shipped	$/lb	$ 0.69	$ 0.58	$ 0.83	$ 0.48	$ 0.63

Notes:

1. Wellfield cash costs include all wellfield operating costs. Wellfield 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.
2. Non-cash costs include the amortization of the investment in the mineral property acquisition costs and the depreciation of plant equipment, and the depreciation of their related asset retirement obligation costs. The expenses are calculated on a straight line basis so the expenses are typically constant for each quarter. The cost per pound from these costs will therefore typically vary based on production levels only.
3. Plant cash costs include all plant operating costs and site overhead costs.
4. Distribution cash 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.

Production costs have remained fairly consistent over the past four quarters while the production costs per pound generally increased during the year. In total, wellfield, plant and distribution cash costs were very consistent quarter on quarter during 2016. The respective cash costs per pound increased overall during the year and the increases were primarily driven by decreasing levels of production.

Ad valorem and severance taxes fluctuate based on pounds extracted and the related sales value of those pounds. The increase in ad valorem and severance taxes during the third quarter was due to an increase to the ad valorem tax rate that was announced during the quarter. Fluctuations in the ad valorem and severance taxes per pound in the other quarters were primarily due to fluctuations in the average price per pound sold during those same quarters.

Wellfield cash costs in 2016 Q1 were somewhat elevated due to some non-recurring expenses and the annual labor bonus. They then decreased significantly in 2016 Q2 and remained at normal levels in the last two quarters. The average cash cost per pound captured increased to $8.34 2016 Q4 and averaged $6.66 for the year, as compared to $5.00 in 2015. The increase was due to lower average production levels during the year. As previously discussed, production levels were deliberately maintained at levels sufficient to satisfy our expected contract and spot sales in light of the depressed uranium market. Wellfield non-cash costs were relatively fixed during the year, which is typical. The resulting non-cash cost per pound captured increased to $7.50 in 2016 Q4 and averaged $5.70 for the year, as compared to $5.58 in 2016. Again, the increase was due to lower production levels.

Plant cash costs generally decreased during the year with the higher costs in 2016 Q1 being driven by the annual labor bonus. Despite the lower cash costs, the resulting cash cost per pound drummed increased to $12.03 in 2016 Q4 as a result of lower production and averaged $10.87 for the year, as compared to $9.92 in 2015. Plant non-cash costs did not change during the year. The non-cash cost per pound drummed increased to $4.44 in 2016 Q4 and averaged $3.53 for the year, as compared to $2.74 in 2015. The increase was again due to lower production rates.

With the exception of 2016 Q2, distribution costs decreased during the year, as did pounds shipped. The resulting cash cost per pound shipped in 2016 Q4 increased to $0.69 and averaged $0.63 per pound for the year, as compared to $0.69 in 2015.

U_3O_8 Sales and Cost of Sales

Sales and cost of sales	Unit	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2016
Pounds sold	lb	100,000	200,000	187,000	75,000	562,000
U3O8 sales	$000	$ 3,270	$ 9,471	$ 6,741	$ 2,709	$ 22,191
Average contract price	$/lb	$ 32.70	$ 47.36	$ 39.35	$ 39.35	$ 41.38
Average spot price	$/lb	$ -	$ -	$ 27.00	$ 34.50	$ 30.75
Average price per pound sold	$/lb	$ 32.70	$ 47.36	$ 36.05	$ 36.12	$ 39.49
U3O8 cost of sales [1]	$000	$ 3,082	$ 5,818	$ 5,094	$ 1,855	$ 15,849
Ad valorem and severance tax cost per pound sold	$/lb	$ 2.98	$ 3.09	$ 2.65	$ 2.61	$ 2.86
Cash cost per pound sold	$/lb	$ 18.27	$ 17.50	$ 16.88	$ 15.41	$ 17.15
Non-cash cost per pound sold	$/lb	$ 9.57	$ 8.50	$ 7.71	$ 6.71	$ 8.19
Average cost per pound sold	$/lb	$ 30.82	$ 29.09	$ 27.24	$ 24.73	$ 28.20
U3O8 gross profit	$000	$ 188	$ 3,653	$ 1,647	$ 854	$ 6,342
Gross profit per pound sold	$/lb	$ 1.88	$ 18.27	$ 8.81	$ 11.39	$ 11.29
Gross profit margin	%	5.7%	38.6%	24.4%	31.5%	28.6%
Ending Inventory Balances						
Pounds						
In-process inventory	lb	29,891	57,647	62,028	71,602	
Plant inventory	lb	12,274	-	3,654	22,062	
Conversion facility inventory	lb	84,689	84,808	135,723	173,178	
Total inventory	lb	126,854	142,455	201,405	266,842	
Total cost						
In-process inventory	$000	$ 897	$ 866	$ 929	$ 977	
Plant inventory	$000	$ 461	$ -	$ 115	$ 569	
Conversion facility inventory	$000	$ 2,751	$ 2,539	$ 3,846	$ 4,388	
Total inventory	$000	$ 4,109	$ 3,405	$ 4,890	$ 5,934	
Cost per pound						
In-process inventory	$/lb	$ 30.01	$ 15.02	$ 14.98	$ 13.64	
Plant inventory	$/lb	$ 37.56	$ -	$ 31.47	$ 25.79	
Conversion facility inventory	$/lb	$ 32.48	$ 29.94	$ 28.32	$ 25.34	

Note:

1. Costs of sales include all production costs (notes 1, 2, 3 and 4 in the previous Production and Production Costs table) adjusted for changes in inventory values.

U_3O_8 sales in 2016 Q4 were based on selling 100,000 pounds at an average price per pound of $32.70. The sale was in to one of our lower-priced contracts for the year. For the year, we sold 562,000 pounds at an average price per pound of $39.49 for total uranium sales of $22.2 million. Total 2016 contract deliveries were 662,000

pounds at an average price per pound of $47.58. As discussed above two 100,000 pound contracts at $62 per pound were assigned to a third party for net cash proceeds of $5.1 million.

In 2016 Q4, our cost of sales totaled $3.1 million based on selling 100,000 pounds from production at an average cost per pound of $30.82. For the year, our average cost per pound sold averaged $28.20, as compared to $29.53 in 2015. In 2015, the cost per pound sold trended down as production levels increased and in 2016, the cost per pound sold trended up as production levels decreased. As stated before, our cost per pound sold will tend to decrease as our production levels increase, and increase as our production levels decrease, so long as our production costs remain relatively stable, which has been the case.

The gross profit from uranium sales for 2016 Q4 was $0.2 million, which represents a gross profit margin of approximately six percent. This was lower than previous quarters due to the lower sales prices and higher cost per pound sold during the quarter. For the year, the gross profit from uranium sales was $6.3 million and the average gross profit margin was 29%, as compared to 30% in 2015.

At the end of the year, we had approximately 84,689 pounds of U_3O_8 at the conversion facility at an average cost per pound of $32.48. The following table shows the average cost per pound of the conversion facility pounds.

Ending Conversion Facility Inventory Cost Per Pound Summary	**Unit**	**31-Dec-16**	**30-Sep-16**	**30-Jun-16**	**31-Mar-16**
Ad valorem and severance tax cost per pound	$/lb	$ 2.72	$ 3.30	$ 2.68	$ 2.57
Cash cost per pound	$/lb	$ 19.44	$ 17.80	$ 17.50	$ 15.85
Non-cash cost per pound	$/lb	$ 10.32	$ 8.84	$ 8.14	$ 6.92
Total cost per pound	$/lb	$ 32.48	$ 29.94	$ 28.32	$ 25.34

Generally, the cost per pound in ending inventory at the conversion facility increased during the year. The increase was directly related to the lower production figures as production costs were relatively consistent, or decreasing slightly, during the year.

Annual Results Comparison

The following table presents and annual comparison of a portion of the above information for the years ended December 31, 2016, 2015 and 2014:

Comparison of annual results	Unit	2016	2015	2014
Sales				
Sales per financial statements	$000	$ 27,297	$ 41,877	$ 29,349
Less disposal fees	$000	$ (20)	$ (69)	$ (323)
Less gain from sale of deliveries under contract	$000	$ (5,086)	$ -	$ (2,507)
U_3O_8 sales	$000	$ 22,191	$ 41,808	$ 26,519
Cost of sales				
Ad valorem & severance taxes	$000	$ 1,523	$ 1,604	$ 2,425
Wellfield costs	$000	$ 6,645	$ 8,291	$ 9,399
Plant and site costs	$000	$ 8,079	$ 9,202	$ 8,799
Distribution costs	$000	$ 365	$ 494	$ 350
Inventory change	$000	$ (763)	$ 1,823	$ (3,115)
Cost of sales - produced	$000	$ 15,849	$ 21,414	$ 17,858
Cost of sales - purchased	$000	$ -	$ 7,878	$ -
Total cost of sales	$000	$ 15,849	$ 29,292	$ 17,858
Gross profit from U3O8 sales	$000	$ 6,342	$ 12,516	$ 8,661
Production				
Pounds extracted	lb	538,004	783,547	596,176
Pounds drummed	lb	561,094	727,245	547,992
Pounds shipped	lb	579,179	717,125	562,533
Pounds sold - produced	lb	562,000	725,000	517,760
Pounds sold - purchased	lb	-	200,000	-
Per Pound Sold				
Average contract price	$/lb	$ 41.38	$ 49.42	$ 51.22
Average spot price	$/lb	$ 30.75	$ 36.18	$ -
Average price	$/lb	$ 39.49	$ 45.20	$ 51.22
Ad valorem and severance tax	$/lb	$ 2.86	$ 3.14	$ 2.48
Cash cost	$/lb	$ 17.15	$ 16.27	$ 19.73
Non-cash cost	$/lb	$ 8.19	$ 10.12	$ 12.28
Cost - Produced	$/lb	$ 28.20	$ 29.53	$ 34.49
Cost - Purchased	$/lb	$ -	$ 39.39	$ -
Average cost	$/lb	$ 28.20	$ 31.67	$ 34.49
Gross profit [(1)]	$/lb	$ 11.29	$ 13.53	$ 16.73

Note:

1. For comparative purposes, gross profit and gross profit per pound for the years 2014 and 2016 exclude the profit recognized on the assignment of deliveries.

Through 2015, the volume of pounds captured, drummed and shipped steadily increased as issues associated with the start-up of operations were addressed and remediated. Similarly, the cash costs and non-cash costs continued to decrease on a per pound basis as most of our operating expenses are fixed, so greater production continues to lead to lower costs per pound. The sole exception is ad valorem and severance taxes which are based on industry factors and tax rates determined by the state as well as the average sales price we receive for the sale of U_3O_8. In 2014, the state significantly increased the industry factor for extraction, then subsequently revised it to a lower amount in early 2015. As a result, the rate has varied between years, but should begin to stabilize as the industry factor is set for several years, however the taxes paid may still vary due to changes in the average sales price received and volume of pounds extracted.

In 2016, our production levels decreased as we produced at rates consistent with our anticipated contract and spot sales after taking into account the assigned contracts. As a result, we only needed to bring one header house (HH 1-13) on line during the year. We continued to produce from the other 12 header houses during the year, although at declining rates, which is a typical result as the mine matures and older operating patterns remain in the flow regime. Our costs in 2016 were either consistent with or lower than previous years, which resulted in a lower, over-all, cost per pound sold average for the year; going from $29.53 per pound sold from production in 2015 to $28.20 in 2016. The cost per pound sold from production was trending up at the end of the year and will continue to do so until production rates are returned to higher levels.

As discussed previously, we are continuously surveying the market for opportunities to create future, long-term, contracts at favorable rates. However, long-term pricing weakened during 2016 and we did not enter into any new contracts during 2016. But as discussed above, the Company maintains a good book of contracts into 2021. Our 2014 and 2015 contract prices averaged $50 per pound, which was what we had targeted. Our average contract price in 2016 was also close to $50 per pound for the 662,000 pounds we had under contract. However, as noted, we assigned two of the higher priced contracts to a third party, which left 462,000 pounds to be sold into contracts at an average price of $41.38 per pound. Additionally, in 2016, we also made spot sales into a weaker market as compared to 2015 (there were no spot sales in 2014), which resulted in a reduction of our average sales price as well as our average gross profit per pound despite reducing our per pound costs.

Reconciliation of Non-GAAP sales and inventory presentation with US GAAP statement presentation

As discussed above, the cash costs, non-cash costs and per pound calculations are non-US GAAP measures we use to assess business performance. To facilitate a better understanding of these measures, the tables below present a reconciliation of these measures to the financial results as presented in our financial statements.

Average Price Per Pound Sold Reconciliation	**Unit**	**2016 Q4**	**2016 Q3**	**2016 Q2**	**2016 Q1**	**2016**
Sales per financial statements	$000	$ 5,776	$ 12,068	$ 6,747	$ 2,714	$ 27,305
Less disposal fees	$000	$ (9)	$ (9)	$ (6)	$ (5)	$ (29)
Less revenue from sale of deliveries under contract	$000	$ (2,497)	$ (2,588)	$ -	$ -	$ (5,085)
U_3O_8 sales	$000	$ 3,270	$ 9,471	$ 6,741	$ 2,709	$ 22,191
Total pounds sold	lb	100,000	200,000	187,000	75,000	562,000
Average price per pound sold	$/lb	$ 32.70	$ 47.36	$ 36.05	$ 36.12	$ 39.49

The Company delivers U_3O_8 to a conversion facility and receives credit for a specified quantity measured in pounds once the product is confirmed to meet the required specifications. When a delivery is approved, the Company notifies the conversion facility with instruction for a title transfer to the customer. Revenue is recognized once a title transfer of the U_3O_8 is confirmed by the conversion facility.

Total Cost Per Pound Sold Reconciliation 1	**Unit**	**2016 Q4**	**2016 Q3**	**2016 Q2**	**2016 Q1**	**2016**
Ad valorem & severance taxes	$000	$ 247	$ 552	$ 304	$ 420	$ 1,523
Wellfield costs	$000	$ 1,641	$ 1,636	$ 1,624	$ 1,744	$ 6,645
Plant and site costs	$000	$ 1,829	$ 2,059	$ 1,998	$ 2,193	$ 8,079
Distribution costs	$000	$ 68	$ 86	$ 123	$ 88	$ 365
Inventory change	$000	$ (704)	$ 1,485	$ 1,045	$ (2,590)	$ (764)
Total cost of sales	$000	$ 3,081	$ 5,818	$ 5,094	$ 1,855	$ 15,848
Total pounds sold	lb	100,000	200,000	187,000	75,000	562,000
Total average cost per pound sold	$/lb	$ 30.82	$ 29.09	$ 27.24	$ 24.73	$ 28.20

Note:

1. The cost per pound sold reflects both cash and non-cash costs, which are combined as cost of sales in the statement of operations included in this filing. The cash and non-cash cost components are identified in the above production cost table.

The cost of sales includes ad valorem and severance taxes related to the extraction of uranium, all costs of wellfield, plant and site operations including the related depreciation and amortization of capitalized assets, reclamation and mineral property costs, plus product distribution costs. These costs are also used to value inventory and the resulting inventoried cost per pound is compared to the estimated sales prices based on the

contracts or spot sales anticipated for the distribution of the product. Any costs in excess of the calculated market value are charged to cost of sales.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

The following table summarizes the results of operations for the years ended December 31, 2016 and 2015 (in thousands of U.S. dollars):

	Year ended December 31,	
	2016	**2015**
	$	**$**
Sales	27,305	41,877
Cost of sales	(15,848)	(29,292)
Gross profit	11,457	12,585
Exploration and evaluation expense	(2,964)	(2,853)
Development expense	(2,886)	(5,358)
General and administrative expense	(4,740)	(5,715)
Accretion expense	(534)	(515)
Write-off of mineral properties	(62)	-
Net profit (loss) from operations	271	(1,856)
Interest expense (net)	(1,977)	(2,557)
Warrant mark to market gain	36	307
Loss from equity investment	(5)	(8)
Write-off of equity investments	(1,089)	-
Foreign exchange loss	(278)	(1)
Other income	15	5
Loss before income taxes	(3,027)	(4,110)
Income tax recovery (net)	17	3,315
Net loss	(3,010)	(795)
Loss per share – basic and diluted	(0.02)	(0.01)
Revenue per pound sold	39.49	45.20
Total cost per pound sold	28.20	31.67
Gross profit per pound sold	11.29	13.53

Sales

We sold a total of 562,000 pounds of U_3O_8 from production during the year ended December 31, 2016 for an average price of $39.49 per pound as compared to 2015 when we sold 925,000 pounds for an average price of $45.20. The fluctuation in sales prices relates primarily to lower priced spot sales made in 2016. In 2016, we assigned two contract deliveries totaling 200,000 pounds of U_3O_8 to a third-party trader. The deliveries were made during the year and we recognized $5.1 million in sales from those contracts. The sales in 2015 included the sale of 200,000 pounds of U_3O_8 which were purchased from a third-party trader.

For the year ended December 31, 2016, we recognized $29 thousand compared to $69 thousand from disposal fees during 2015.

Cost of Sales

The cost of sales includes all costs of wellfield operations and maintenance, severance and ad valorem taxes, plant operations and maintenance and mine site overhead including depreciation on the related capital assets, capitalized reclamation costs and amortization of mineral property costs, the cost of inventory purchased for resale and distribution costs. Wellfield costs, plant costs, site overhead costs and distribution costs are included in inventory and the resulting inventoried cost per pound is compared to the estimated sales prices based on the contracts or spot sales anticipated for the distribution of the product. Any costs in excess of the calculated market value are charged to expense.

As compared to 2015, our cost per pound sold decreased $3.47 to $28.20 in 2016. The year 2015 includes one sale of purchased product, which was at a cost of $39.39 per pound. Excluding this sale, the 2015 cost per pound sold from produced inventory was $29.53, which adjusts the 2016 cost per pound sold to a decrease of $1.33 per pound from 2015.

The reduction in our cost per pound sold from produced inventory is primarily a function of decreased non-cash costs in 2016 as compared to 2015 resulting from the accelerated depreciation of capitalized reclamation costs attributable to MU1. As stated in previous filings, most of our production costs are relatively fixed. Therefore, decreased production in 2016 yielded higher cash costs per pound.

Gross Profit

The gross profit from uranium sales was $6.3 million for the year ended December 31, 2016, which represents a gross profit margin of approximately 29%. Gross profits of $12.5 million in 2015 represents a gross profit margin of approximately 30%. The primary reason for the decrease in the gross profit margin was the lower-priced spot sales in 2016, which more than offset the decrease in the cost per pound sold.

Operating Expenses

Total operating expenses for the year ended December 31, 2016 were $11.2 million. Operating expenses include exploration and evaluation expense, development expense, G&A expense and mineral property write-offs. These expenses decreased by $3.2 million compared to 2015.

Exploration and evaluation expense consists of labor and the associated costs of the exploration and evaluation departments as well as land holding and exploration costs including drilling and analysis on properties which have not reached the permitting or operations stage. These expenses increased $0.1 million for the year ended December 31, 2016 compared to 2015. All costs associated with the geology and geological information systems departments as well as the costs incurred on specific projects as described above are reflected in this category. Costs increased due to higher labor related costs.

Development expense includes $2.4 million of costs incurred at the Lost Creek Project not directly attributable to production activities, including wellfield construction, drilling and development costs. It also includes $0.5 million of costs associated with the Shirley Basin and Lucky Mc properties which are considered development properties as they previously reached the permitting stage or operations stage. Development expenses decreased by $2.5 million in the year ended December 31, 2016 compared to 2015. The decrease was primarily related to the deferral of development activities at Lost Creek in response to depressed uranium prices.

G&A expense relates to administration, finance, investor relations, land and legal functions and consists principally of personnel, facility and support costs. Expenses decreased by $1.0 million for the year ended December 31, 2016 compared to 2015. The decrease was due to reduced external consulting and legal expenses of $0.3 million combined with $0.6 million in lower labor costs due to reductions in force.

Other Income and Expenses

Net interest expense declined $0.6 million during 2016 compared to the prior year. The decline was due to a reduction in the outstanding principal which was slightly offset by increases in the interest rate on the RMB debt, which was tied to the quarterly LIBOR rate.

In December 2013, the Company sold equity units which included one Common Share and one-half warrant for the purchase of stock at $1.35 per Common Share. As the warrants were priced in U.S. dollars and not Canadian dollars, which is the currency of the Company's Common Shares, these warrants are considered a derivative and are therefore treated as a liability. The gain for 2016 represents the balance of the liability at December 31, 2015 which was written off in 2016 as the warrants expired without being exercised in 2016.

In April 2016, the Management Committee of the Bootheel Project determined to continue the ownership and maintenance on the Bootheel property for the fiscal year ending March 31, 2017, which is the fiscal year end of The Bootheel Project, LLC. No additional exploration or development activities are expected at this time for 2017. Due to the continuing decline in the spot price of uranium combined with the reduction in minerals when the related lease was not renegotiated, the Company examined the valuation of the investment and determined that as a standalone investment, it had an insignificant value and was therefore fully impaired during 2016 resulting in a loss on investment of $1.1 million.

Income tax recovery

When we acquired Pathfinder in 2013, we recorded a deferred income tax liability as the Pathfinder assets had no tax basis and accounting guidance indicated that the potential liability should be recorded due to Pathfinder not being integrated into our operations and the likelihood that Pathfinder would have a going concern issue as a stand-alone entity. The costs were capitalized as a part of the mineral property acquisition costs and will be amortized for reporting purposes once production commences. The amortization will not be deductible for tax reporting, therefore creating a permanent book versus tax difference.

We did preliminary drilling and baseline testing in 2014, and we filed our permit application with the WDEQ in 2015, therefore demonstrating the intent of incorporating uranium recovery operations at Shirley Basin into our other ongoing operations within the next few years pending the approval of the permit application. As Pathfinder was integrated into our operations, the guidance was no longer applicable and we used a portion of our accumulated net operation losses to offset the liability in 2015. The filing of the permit is an indication that the offset will be used within a few years and is therefore more probable than not that it will be used.

Loss per Common Share

The basic and diluted losses per Common Share for the year ended December 31, 2016 was $0.02 compared to a loss of $0.01 in 2015. The diluted loss per Common Share is equal to the basic loss per Common Share due to the anti-dilutive effect of all convertible securities outstanding given that net losses were experienced.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

The following table summarizes the results of operations for the years ended December 31, 2015 and 2014 (in thousands of U.S. dollars):

	Year ended December 31,	
	2015	2014
	$	$
Revenue	41,877	29,349
Cost of revenues	(29,292)	(17,858)
Gross profit	12,585	11,491
Exploration and evaluation expense	(2,853)	(3,277)
Development expense	(5,358)	(7,672)
General and administrative expense	(5,715)	(6,541)
Accretion expense	(515)	(497)
Write-off of mineral properties	-	(483)
Net loss from operations	(1,856)	(6,979)
Interest income (expense) (net)	(2,557)	(2,699)
Mark to market loss	307	946
Loss from equity investment	(8)	(5)
Foreign exchange gain (loss)	(1)	(12)
Other income (loss	5	-
Net loss	(4,110)	(8,749)
Loss per share – basic and diluted	(0.01)	(0.07)

Sales

We sold a total of 925,000 pounds of U_3O_8 during the year ended December 31, 2015 for an average price of $45.20 per pound as compared to 2014 when we sold 517,760 pounds for an average price of $51.22. The fluctuation in sales prices relates primarily to lower priced spot sales made in 2015.

For the year ended December 31, 2015, we recognized $70 thousand compared to $323 thousand from disposal fees during 2014. In 2014, we also recognized sales of $2.5 million from deliveries under off take agreements which had been assigned to a third party for cash consideration during 2013.

Cost of Sales

The cost of sales includes all costs of wellfield operations and maintenance, severance and ad valorem taxes, plant operations and maintenance and mine site overhead including depreciation on the related capital assets, capitalized reclamation costs and amortization of mineral property costs, the cost of inventory purchased for resale and distribution costs. Wellfield costs, plant costs, site overhead costs and distribution costs are included in inventory and the resulting inventoried cost per pound is compared to the estimated sales prices based on the contracts or spot sales anticipated for the distribution of the product. Any costs in excess of the calculated market value are charged to expense.

As compared to 2014, our cost per pound sold decreased $2.82 to $31.67 in 2015. The year 2015 includes one sale of purchased product, which was at a cost of $39.39 per pound. Excluding this sale, our cost per pound sold from produced inventory was $29.53, which represents a decrease from 2014 of $4.95 per pound.

The reduction in our cost per pound sold from produced inventory is primarily a function of increased production in 2015 as compared to 2014. As stated in previous filings, most of our production costs are relatively fixed. Therefore, increased production yields lower costs per pound which is reflected in our operations during 2015.

Gross Profit

The gross profit from uranium sales was $12.5 million for the year ended December 31, 2015, which represents a gross profit margin of approximately 30%. Gross profits of $11.5 million in 2014 included $2.5 million from the delivery of uranium by a third party that related to contractual delivery commitments from 2013. Excluding these deferred revenues, the gross profit from uranium sales was $8.7 million, which represents a gross profit margin of approximately 33%. The primary reason for the decrease in the gross profit margin was the lower-priced spot sales in 2015, which more than offset the decrease in the cost per pound sold. Generally, cost per pound sold declined with the exception of the purchased inventory which was at a higher cost per pound than the cost to produce and therefore also negatively affected the gross profit percentage in 2015.

Operating Expenses

Total operating expenses for the year ended December 31, 2015 were $14.4 million. Operating expenses include exploration and evaluation expense, development expense, G&A expense and mineral property write-offs. These expenses decreased by $4.0 million compared to 2014 which included costs associated with developing an additional disposal well and a potential severance liability that was recorded.

Exploration and evaluation expense consists of labor and the associated costs of the exploration and evaluation departments as well as land holding and exploration costs including drilling and analysis on properties which have not reached the permitting or operations stage. These expenses decreased $0.4 million for the year ended December 31, 2015 compared to 2014. All costs associated with the geology and geological information systems departments as well as the costs incurred on specific projects as described above are reflected in this category. Costs decreased due to a reduction in land lease costs associated with the Mustang property which was abandoned in 2014 as well as a decrease in labor related costs.

Development expense includes costs of $4.5 million incurred at the Lost Creek Project not directly attributable to production activities, including wellfield construction, drilling and development costs. It also includes $0.9 million of costs associated with the Shirley Basin and Lucky Mc properties as they previously reached the permitting stage or operations stage. Development expenses decreased by $2.3 million in the year ended December 31, 2015 compared to 2014. The decrease was primarily related to the cost of a disposal well which was constructed in 2014.

G&A expense relates to administration, finance, investor relations, land and legal functions and consists principally of personnel, facility and support costs. Expenses decreased by $0.8 million for the year ended December 31, 2015 compared to 2014. The decrease was due to reduced external consulting and legal expenses of $0.3 million combined with $0.5 million in lower labor costs.

Other Income and Expenses

Net interest expense declined $0.1 million during 2015 compared to the prior year. The decline was primarily due to a reduction in the outstanding principal which was slightly offset by increases in the interest rate on the RMB debt which is tied to the quarterly LIBOR rate.

In December 2013, the Company sold equity units which included one Common Share and one half warrant for the purchase of stock at US$1.35 per Common Share. As the warrants were priced in U.S. dollars and not Canadian dollars, which is the currency of the Company's Common Shares, these warrants are considered a derivative and are therefore treated as a liability. The gains declined by $0.6 million for the year ended December 31, 2015 compared to 2014 based on changes in the exchange rates and the other factors used in the calculation of Black Scholes valuations which are not directly related to the Company's results of operations. The gain or loss will continue to decline as the warrants near expiry as changes in the exchange rates and a shorter volatility period continue to decrease the total liability.

Income Tax Recovery

When we acquired Pathfinder in 2013, we recorded a deferred income tax liability as the Pathfinder assets had no tax basis and accounting guidance indicated that the potential liability should be recorded due to Pathfinder not being integrated into our operations and would have a going concern issue as a stand-alone entity. The costs were capitalized as a part of the mineral property acquisition costs and will be amortized for reporting purposes once production commences. The amortization will not be deductible for tax reporting therefore creating a permanent book versus tax difference.

We did preliminary drilling and baseline testing in 2014, and we filed our permit application with the WDEQ in 2015, therefore demonstrating the intent of incorporating the uranium recovery operations into our other ongoing operations within the next few years pending the approval of the permit application. As Pathfinder is being integrated into our operations, the guidance was no longer applicable and we used a portion of our accumulated net operation losses to offset the liability. The filing of the permit is an indication that the offset will be used within a few years and is therefore more probable than not that it will be used.

Loss per Common Share

The basic and diluted losses per Common Share for the year ended December 31, 2015 was $0.01 compared to a loss of $0.07 in 2014. The diluted loss per Common Share is equal to the basic loss per Common Share due to the anti-dilutive effect of all convertible securities outstanding given that net losses were experienced.

Material Changes in Financial Condition, Liquidity and Capital Resources

As at December 31, 2016, we had cash resources, consisting of cash and cash equivalents, of $1.6 million, an increase of $0.2 million from the December 31, 2015 balance of $1.4 million. The cash resources consist of Canadian and U.S. dollar denominated deposit accounts, money market funds and certificates of deposit. We generated $3.3 million from operations during the year ended December 31, 2016. During the same period, we used $0.3 million for investing activities and $3.0 million for financing activities.

On October 23, 2013, we closed a $34.0 million Sweetwater County, State of Wyoming, Taxable Industrial Development Revenue Bond financing program ("State Bond Loan"). The State Bond Loan calls for payments of interest at a fixed rate of 5.75% per annum on a quarterly basis which commenced January 1, 2014. The principal is payable in 28 quarterly installments which commenced January 1, 2015 and continue through

October 1, 2021. The State Bond Loan is secured by all of the assets at the Lost Creek Project. As of December 31, 2016, the balance of the State Bond Loan was $24.5 million.

Prior to closing the State Bond Loan, we had obtained interim financing from RMB which was paid off from the proceeds of the State Bond Loan. On December 19, 2013, we redrew $5.0 million from the RMB loan facility. We subsequently renegotiated the loan amount to $6.5 million together with an additional line of credit of $3.5 million. The RMB loan facility calls for payments of interest at 8.5% plus the three month LIBOR rate recalculated at the start of each calendar quarter (approximately 9.13% in total) plus eight equal quarterly principal payments which commenced June 30, 2014. On October 15, 2015, the loan was again 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 under the same terms as agreed to in September 2014. As of December 29, 2016 the loan was fully repaid.

On August 19, 2014, we filed a universal shelf registration statement on Form S-3 in order that we may offer and sell, from time to time, in one or more offerings, at prices and terms to be determined, up to $100 million of our Common Shares, warrants to purchase our Common Shares, our senior and subordinated debt securities, and rights to purchase our Common Shares and/or our senior and subordinated debt securities. The registration statement became effective September 12, 2014. The 12,921,000 Common Shares offered in the February 2016 financing were sold for $0.50 per share raising $5.7 million (net of issue costs of $0.8 million) under the shelf registration statement.

On May 27, 2016, we entered into an At Market Issuance Sales Agreement with MLV & Co. LLC and FBR Capital Markets & Co. under which we may, from time to time, issue and sell Common Shares at market prices on the NYSE MKT or other U.S. market through the distribution agents for aggregate sales proceeds of up to $10,000,000. During 2016, we sold 164,979 Common Shares under the sales agreement at an average price of $0.65 per share for gross proceeds of $108 thousand. After deducting transaction fees and commissions we received net proceeds of $105 thousand. After deducting all other costs associated with the initial completion of the agreement and filing the related prospectus supplement, we received $13 thousand.

Collections for the year from U_3O_8 sales totaled $27.3 million.

Operating activities generated $3.3 million of cash resources during the year ended December 31, 2016 as compared to $5.4 million in 2015. The change is due primarily to an increase in inventory of $0.8 million in 2016 combined with a decrease in inventory of $1.8 million in 2015. Offsetting the inventory value decrease was a reduction in depreciation and amortization of $1.4 million.

During 2016, the Company invested $0.3 million in equipment. The Lost Creek Project does not require significant capital expenditures and its sustaining capital expenditures have generally been less than $0.5 million per year.

During 2016, the Company used a net of $3.0 million for financing activities which was due to principal payments on debt of $8.7 million in debt repayments which was offset by net proceeds from the sale of common shares of $5.7 million.

Liquidity Outlook

As at March 2, 2017, our unrestricted cash position was $11.3 million. We expect that any major capital projects will be funded by operating cash flow, cash on hand and additional financing as required. If these cash sources

are not sufficient, certain capital projects could be delayed, or alternatively we may need to pursue additional debt or equity financing and there is no assurance that such financing will be available at all or on terms acceptable to us. We have no immediate plans to issue additional securities or obtain additional funding other than that which may be required due to the uneven nature of cash flows generated from operations; however, we may issue additional debt or equity securities at any time.

Outlook for 2017

In 2016, the average spot price per pound of U_3O_8, as reported by Ux Consulting Company, LLC and TradeTech, LLC, decreased approximately 47% to about $18.00 per pound in November. As a result, we deliberately reduced costs and slowed development activities at MU2, and focused on enhancing production efficiencies from our operating MU1 header houses.

Thus far in 2017, the average spot price per pound of U_3O_8 increased to about $26.50, but subsequently decreased to $23.00 as of February 27, indicating the fundamentals of market pricing have not changed sufficiently to warrant the accelerated development of MU2. In response, we will instead develop MU2 at a controlled rate, which will allow us to produce at a level that will satisfy a portion of our sales contracts.

In addition, we will further reduce costs by implementing a limited reduction in force, which will serve to further streamline our operations. The reduction in force affects personnel in all three company locations and is primarily focused on those departments not directly related to production. It is expected to reduce our labor costs by approximately $0.8 million per year.

In 2017, we have 600,000 pounds of U_3O_8 under contract at an average price of approximately $51 per pound. We expect 2017 production from MU1 and MU2 to be between 250,000 and 300,000 pounds. We have taken advantage of the low prices at the end of 2016 and in early 2017 to enter into purchase agreements for 410,000 pounds at an average cost of $22 per pound. We have already delivered a portion of these pounds and can readily deliver the remaining pounds from our current inventory and anticipated production.

Together, these actions will give the Company the additional flexibility necessary to quickly react to changing market conditions and accelerate the further development of MU2 when warranted.

We are not forecasting any spot sales at this time, although we may choose to do so if market conditions improve. We estimate the cost per pound sold from inventory will be higher in 2017 because we are producing at lower rates, which will lead to a higher cost per pound sold from production. This will continue to be the case until MU2 becomes operational and production rates increase again. We expect our average gross profit in 2017 to be between $13 and $15 million, which represents a gross profit margin of between 45% and 50%. On a cash basis, we expect our gross profit margin to be between 50% and 55%.

Operating costs in 2017 are expected to be higher than 2016 because of the controlled development of MU2, which is expected to result in the first three header houses of MU2 becoming operational in the second half of the year. Other costs including capital expenditures and loan repayments will be similar to 2016, with the exception of the RMB loan facility, which was paid off in December 2016.

As at March 2, 2017, our unrestricted cash position was $11.3 million. Given our current cash resources, contracted sales positions and expected margins, we do not anticipate the need for additional funding in the near term unless it is advantageous to do so.

As discussed above, the Company has contractual sales commitments of 600,000 pounds during 2017, at an average price of approximately $51 per pound. We have established the schedule for those commitments and determined that an effective model for dealing with the current pricing environment is to maximize production from our fully operational first mine unit, and to begin production from the first three header houses of our second mine unit, which have already been partially developed. This operating strategy for Lost Creek, coupled with cost effective purchases of uranium from the market, will allow us to control costs, minimize development expenditures and maximize cash flow.

Table of Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2016:

	Payments due (by period) in thousands				
	Total	**Less than 1 year**	**1 to 3 years**	**3 to 5 years years**	**More than 5 years**
Notes payable	$ 24,514	$ 4,623	$ 10,078	$ 9,813	$ -
Interest on notes payable	$ 3,674	$ 1,311	$ 1,791	$ 572	$ -
Operating leases	$ 476	$ 288	$ 188	$ -	$ -
Environmental remediation	$ 86	$ 86	$ -	$ -	$ -
Asset retirement obligations	$ 26,441	$ -	$ 3,558	$ 3,558	$ 19,325
	$ 55,191	$ 6,308	$ 15,615	$ 13,943	$ 19,325

Outstanding Share Data

As of December 31, 2016 and 2015, the Company's capital consisted of the following:

	December 31, 2016	December 31, 2015	Change
Common shares	143,676,384	130,188,775	13,487,609
Warrants	5,844,567	8,224,112	(2,379,545)
RSUs	1,273,990	1,072,898	201,092
Stock options	9,748,934	9,974,407	(225,473)
Fully diluted shares outstanding	160,543,875	149,460,192	11,083,683

Off Balance Sheet Arrangements

We have not entered into any material off-balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

Financial Instruments and Other Instruments

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

	As at	
	December 31, 2016	December 31, 2015
	$ (thousands)	$ (thousands)
Cash on deposit at banks	580	1,202
Money market funds	972	241
	1,552	1,443

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

	2016 Quarter ended			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Revenue	$ 5,776	$ 12,068	$ 6,747	$ 2,714
Net income (loss) for the period	$ 104	$ 1,802	$ (1,927)	$ (2,989)
Income (loss) per share – basic and diluted	$ -	$ 0.01	$ (0.01)	$ (0.02)

	2015 Quarter ended			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Revenue	$ 7,786	$ 8,491	$ 18,213	$ 7,387
Net income (loss) for the period	$ 591	$ (287)	$ 1,025	$ (2,124)
Income (loss) per share – basic and diluted	$ -	$ -	$ 0.01	$ (0.02)

Credit risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, deposits and restricted cash, which together totaled approximately $9.1 million at December 31, 2016. These assets include Canadian dollar and U.S. dollar denominated certificates of deposit, money market accounts and demand deposits. These instruments are maintained at financial institutions in Canada and the United States. Of the amount held on deposit, approximately $0.6 million is covered by the Canada Deposit Insurance Corporation, the Securities Investor Protection Corporation or the United States Federal Deposit Insurance Corporation which leaves approximately $8.5 million at risk at December 31, 2016 should the financial institutions with which these amounts are invested be rendered insolvent. We do not consider any of our financial assets to be impaired as of December 31, 2016.

Liquidity risk

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

As at December 31, 2016, our financial liabilities consisted of trade accounts payable and accrued trade and payroll liabilities of $1.3 million which are due within normal trade terms of generally 30 to 60 days, notes payable which will be payable over periods from three months to seven years and asset retirement obligations with estimated completion dates until 2033.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk

Market risk is the risk to the Company of adverse financial impact due to changes in the fair value or future cash flows of financial instruments as a result of fluctuations in interest rates and foreign currency exchange rates. As the US$ is now the functional currency of our U.S. operations, the currency risk has been significantly reduced.

Interest rate risk

Financial instruments that expose the Company to interest rate risk are its cash equivalents, deposits, restricted cash and debt financings. Our objectives for managing our cash and cash equivalents are to maintain sufficient funds on hand at all times to meet day to day requirements and to place any amounts which are considered in excess of day to day requirements on short-term deposit with the Company's financial institutions so that they earn interest.

Currency risk

We maintain a balance of less than $0.1 million in foreign currency resulting in a low currency risk.

Commodity Price Risk

The Company is subject to market risk related to the market price of uranium. We have multiple uranium supply contracts with pricing fixed or based on inflation factors applied to a fixed base. Additional future sales would be impacted by both spot and long-term uranium price fluctuations. Historically, uranium prices have been subject to fluctuation, and the price of uranium has been and will continue to be affected by numerous factors beyond our control, including the demand for nuclear power, political and economic conditions, and governmental legislation in uranium producing and consuming countries and production levels and costs of production of other producing companies. The spot market price for uranium has demonstrated a large range since January 2001. Prices have risen from $7.10 per pound at January 2001 to a high of $136.00 per pound as of June 2007. The spot market price was $23.00 per pound as of February 27, 2017.

Transactions with Related Parties

Jeff Klenda, CEO, purchased 1,000,000 Common Shares under the bought-deal financing in February 2016 for gross proceeds of $500,000 at the same price as other investors. There were no other reportable transactions with related parties in 2016.

During the fiscal year ended December 31, 2015, we did not participate in any reportable transactions with related parties.

Proposed Transactions

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

Recent Accounting Pronouncements Not Yet Adopted

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 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, including interim periods within that reporting period. Early application is not permitted. We have reviewed our contracts as well as our procedures and do not anticipate any changes in the manner or timing with which we reflect our revenues.

In July 2015, the FASB issued Accounting Standards Update No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. ASU 2015-11 requires that inventory within the scope of this ASU be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments in this ASU do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. For all entities, the guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Early adoption is permitted. Therefore, the amendments in ASU 2015-11 will become required for us as of the beginning of our 2017 fiscal year. This is consistent with our current policies and is not expected to have a material impact upon our financial condition or results of operations.

In January 2016, the FASB issued ASU 2016-1, *Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825)*. The amendments in this ASU 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. At this time, the only leases we hold are for equipment, office space in one location and a limited number of leases on selected mineral properties. We do not anticipate the additional disclosures to reflect those leases will have an impact on our statement of financial position as the total future lease payments are not material.

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 regard 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.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows – Restricted Cash a consensus of the FASB Emerging Task Force (Topic 230)*, which addresses the presentation of restricted cash in the statement of cash flows. Under the new standard, restricted cash will be presented with cash and cash equivalents in the statement of cash flows instead of being reflect as non-cash investing or financing activities. A reconciliation of the make-up of the end ending cash, cash equivalent and restricted cash balance will be required for entities who reflect restricted cash as separate items on the statement of financial position. In addition, a description of the restrictions on the cash will be required. This ASU is effective for fiscal years beginning after December 15, 2017 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.

Critical Accounting Policies and Estimates

We have established the existence of mineral resources at the Lost Creek Project, but because of the unique nature of in situ recovery mines, we have not established, and have no plans to establish the existence of proven and probable reserves at this project.

Mineral Properties

Acquisition costs of mineral properties are capitalized. When production is attained at a property, these costs will be amortized over a period of estimated benefit.

As of December 31, 2016, the current and long term price of uranium was $20.25 and $30.00, respectively. This compares to prices of $34.23 and $44.00 as of December 31, 2015. Senior management updates production, revenue and cash projections on a regular basis, in some cases weekly, but at least monthly. The Company reviews the impairment indicators outlined in GAAP guidance. The sole indication of possible impairment was the decline in industry-wide reported sales price. While this has no immediate effect on the Company since it has sales contracts until 2021, a cash flow analysis for each of Lost Creek and Shirley Basin was performed. The mine life used was consistent with that reported in the respective NI 43-101 Preliminary Economic Assessment for each property. Cash flows were calculated on a sales price of $30 per pound which was the long-term quoted price in related industry periodicals as of December 31, 2016. Based on these undiscounted cash flow models, no impairments were indicated for any of the respective properties.

For other properties which have reported mineral resources supported by NI 43-101 Technical Reports, we applied the estimated market pricing to the mineral resource estimates as well as realization percentages which were taken from a previous valuation completed by a third party with respect to the Lost Creek Project in conjunction with obtaining our Wyoming bond.

Our remaining properties, which have no established mineral resource, continue to be carried at their acquisition cost.

Development costs including, but not limited to, production wells, header houses, piping and power will be expensed as incurred as we have no proven and probable reserves.

Exploration, evaluation and development costs

Exploration and evaluation expenses consist of labor, annual exploration lease and maintenance fees and associated costs of the exploration geology department as well as land holding and exploration costs including drilling and analysis on properties which have not reached the permitting or operations stage. Development expense relates to the Company's Lost Creek, LC East and Shirley Basin projects, which are more advanced in terms of permitting and preliminary economic assessments. Development expenses include all costs associated with exploring, delineating and permitting new or expanded mine units, the costs associated with the construction and development of permitted mine units including wells, pumps, piping, header houses, roads and other infrastructure related to the preparation of a mine unit to begin extraction operations as well as the cost of drilling and completing disposal wells.

Capital assets

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

equipment. Depreciation on the plant enclosure and related equipment is calculated on a straight-line basis. Estimated lives for depreciation purposes range from three years for computer equipment and software to 20 years for the plant enclosure and the name plate life of the related equipment.

Depreciation

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

Inventory and Cost of Sales

Our inventories are measured at the lower of cost and net realizable value based on projected revenues from the sale of that product. We are allocating all costs of operations of the Lost Creek facility to the inventory valuation at various stages of production with the exception of wellfield and disposal well costs which are treated as development expenses when incurred. Depreciation of facility enclosures, equipment and asset retirement obligations as well as amortization of the acquisition cost of the related property is also included in the inventory valuation. We do not allocate any administrative or other overhead to the cost of the product.

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

Share-Based Compensation

We are required to initially record all equity instruments including warrants, restricted share units and stock options at fair value in the financial statements.

Management utilizes the Black-Scholes model to calculate the fair value of the warrants and stock options at the time they are issued. Use of the Black-Scholes model requires management to make estimates regarding the expected volatility of the Company's stock over the future life of the equity instrument, the estimate of the expected life of the equity instrument and the number of options that are expected to be forfeited. Determination of these estimates requires significant judgment and requires management to formulate estimates of future events based on a limited history of actual results.

Income taxes

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

In 2013, we acquired Pathfinder as a corporate entity. In terms for the acquisition, there were no net operating losses or other tax attributes that carried forward to the Company with the acquisition. In addition, the assets acquired had no tax basis within the corporation. The seller also did not make the Sec. 338(h)(10) election to allow us to push the purchase price down to the asset level for tax purposes. As a result, it was determined that the acquisition should not be treated as a business combination since Pathfinder was not a going concern. A tax of $3.3 million was calculated as a potential liability of the acquisition and was recorded as a deferred tax

liability and an increase in basis. For accounting/reporting purposes, this value was added to the accounting basis in the assets acquired.

In early 2015, we completed and filed the Shirley Basin PEA based on drilling data purchased as a part of the acquisition combined with data gathered during the exploration / confirmation program undertaken in 2014. After filing the Shirley Basin PEA, we continued to do baseline and confirmation work at Shirley Basin and in late 2015 we submitted a permit application to the state of Wyoming to begin construction and operations at the project. Based on the filing of those permits, we anticipate that we will be in a position to commence construction of a plant facility and the related wellfields within several years. Once operations commence, the cost of the property will be amortized over the anticipated productive life of the property for accounting / reporting purposes. At this point, the asset now has an identifiable life and the associated DTL is available to offset the DTA recorded before the application of the valuation allowance. We therefore applied a portion of the valuation allowance to the DTL arising from the Pathfinder acquisition.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of the fiscal year ended December 31, 2016, under the supervision of the Chief Executive Officer and the Chief Financial Officer, the Company evaluated the effectiveness of its disclosure controls and procedures, as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information the Company is required to disclose in reports that are filed or submitted under the Exchange Act: (1) is recorded, processed and summarized effectively and reported within the time periods specified in SEC rules and forms, and (2) is accumulated and communicated to Company management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company's disclosure controls and procedures include components of internal control over financial reporting. No matter how well designed and operated, internal controls over financial reporting can provide only reasonable, but not absolute, assurance that the control system's objectives will be met.

(b) Management's Report on Internal Control over Financial Reporting

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, the Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP.