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

Business Overview

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

Industry Update and Trends

The uranium industry continues to be characterized by persistently low pricing. In 2017, several uranium miners, including Lost Creek, implemented reductions in planned construction and development as well as lower rates of production operations. Both early and late in the year, announcements of such reductions were made by leading producers, including Cameco's November 2017 plan to shut-in production at McArthur River, the world's largest uranium mine for at least ten months in 2018. As discussed elsewhere in this report, we determined to proceed with a moderated level of development in Lost Creek's second mine unit to initiate operations in only the first three header houses, while controlling annual production rates at a modest target of 250,000 to 300,000 pounds. Production at Lost Creek in 2017 totaled 265,391 pounds captured in the plant. While U.S. miners lowered production rates, foreign imports continued to dominate the U.S. market in 2017, with U.S. miners accounting for less than five percent of domestic uranium needs.

In response to the challenges of the market conditions, primary among them foreign imports to the U.S. emanating from state-sponsored producers in Russia, Kazakhstan and Uzbekistan, in January 2018, Ur-Energy USA and Energy Fuels Resources (USA) Inc. (Energy Fuels) initiated a trade action with the U.S. Department of Commerce pursuant to Section 232 of the Trade Expansion Act. We chose this statutory framework for relief because we recognized that the current imbalance in the U.S. uranium market has created a very real threat to our national security.

On January 16, 2018, we announced the filing of a Petition for Relief with the U.S. Department of Commerce under Section 232 of the Trade Expansion Act of 1962 (as amended) From Imports of Uranium Products that Threaten U.S. National Security. The Petition, which was filed jointly with Energy Fuels, describes how uranium and nuclear fuel from state-owned and state-subsidized enterprises in Russia, Kazakhstan, Uzbekistan, and China represent a threat to U.S. national security. The Petition seeks a remedy which will set a quota to limit imports of uranium into the U.S., effectively reserving 25% of the U.S. nuclear market for U.S. uranium production. Additionally, the Petition suggests implementation of a requirement for U.S. federal utilities and agencies to buy U.S. uranium in accordance with the Administration's Buy American Policy. There can be no certainty of the outcome of the Department of Commerce investigation or the recommendation of the Secretary of Commerce, and therefore the outcome of this process and its effects on the U.S. uranium market is uncertain

2017 Developments

<u>Lost Creek Property – Great Divide Basin, Wyoming</u>

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, 2017, 2,334,611 pounds of uranium have been captured from this mine unit, and an additional 38,875 pounds recovered from the first header house in MU2, which came online in August 2017.

All of the original planned wells and 13 header houses ("HHs") in MU1 as well as one header house and the related wells in MU2 have been completed and were in operation at year end 2017. In January 2018, the second header house in MU2 came online; the third of three MU2 houses developed in 2017 will come online in Q1 2018. Additional work in MU2 had been completed earlier, allowing for submittal of the appropriate operating permits. The main trunkline which has been installed services the first five header houses, and the entirety of MU2 has been fenced. All of these activities will allow for a quick turn-around to production once market fundamentals change.

After more than four years of operations, MU1 still produced 226,516 pounds during 2017 with a yearly average head grade of 25 ppm. Together with the first of the MU2 production coming online in Q3, the annual average head grade for Lost Creek was 28 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.

During 2017, the Company sold 780,000 pounds under contract at an average price of $49.09. From production, Lost Creek sold a total of 261,000 pounds U_3O_8 during 2017 at an average price of $48.81 per pound. The balance was purchased for resale, at an average price of $21.35 per pound. During 2017, 265,391 pounds of U_3O_8 were captured within the Lost Creek plant; 254,012 pounds U_3O_8 were packaged in drums; and 257,213 pounds U_3O_8 of drummed inventory were shipped from the Lost Creek processing plant to the converter. At December 31, 2017, inventory at the conversion facility was approximately 94,077 pounds U_3O_8.

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 is participating 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. Approval will include an aquifer exemption. At this time, all of those applications continue through the regulatory process, except we have recently withdrawn the application insofar as it relates to two of the eleven projected mine units – those for the KM Horizon at Lost Creek. This change should not delay the completion of the permitting process with respect to the LC East Project (nine mine units total). It is anticipated that permits and authorizations will be completed in 2018.

By the end of 2016, all general regulatory authorizations for Underground Injection Control (UIC) Class V wells were completed for Lost Creek. Following pre-operational analyses and final testing, final operational approvals were received from regulators in December 2016. These relatively shallow Class V wells, which are the first of their kind at an ISR uranium facility, allow for the onsite recirculation of up to 200 gpm of fresh permeate (*i.e.,* clean water) from operations. The wells and the reverse osmosis ("RO") system were brought online in early 2017 and were operational for much of the year. Site operators use the 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. The system ultimately reduces injection requirements in our Class I deep disposal wells and extends the life of those valuable assets.

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, which would mean we would only 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 worked cooperatively with others in our industry to assist with 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 in 2018.

The Bootheel Project, LLC

In April 2017, 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, 2018, which is the fiscal year end of The Bootheel Project, LLC. No additional exploration or development activities are expected at this time for 2018. 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.

Excel Gold Project

In January 2018, we announced the acquisition of a gold exploration project in west-central Nevada, comprising 102 federal lode mining claims (approximately 2,100 acres) currently. The Excel Project is located within the Excelsior Mountains, in proximity to the Camp Douglas and Candelaria Mining Districts. We became aware of the mineral potential of this project area from exploration data contained within the large geologic database acquired as a part of our 2013 purchase of Pathfinder. Compiled over several decades of exploration work by major mining companies, the database contains valuable information on hundreds of mineral deposits and historical exploration and development programs in more than 20 states in the U.S. In this instance, we identified an exploration program in the area of the Excel Project which encountered high-grade gold and silver assays from trenching activities. Company geologists conducted geologic literature research and field examinations, resulting in the initiation of land acquisition activities in March 2017. Once a land position was obtained, rock sampling and geochemical soil sampling programs were conducted. We continue to review and analyze the assay results from the sampling programs, and are considering all alternatives to advance this new exploration project, including drilling the project, identifying a venture partner, or through a sale process.

Corporate Transactions and Financing Developments

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 American or other U.S. market through the distribution agents for aggregate sales proceeds of up to $10,000,000. During 2017, we sold 1,536,169 Common Shares under the sales agreement. In conjunction with filing for a renewed shelf registration statement in 2017, the At Market Issuance Sales Agreement was amended and remains in place. See discussion below under *Material Changes in Financial Condition, Liquidity and Capital Resources*.

Off Take Sales Agreements

As of December 31, 2017, we have multiple off take sales agreements with various U.S. utilities. These agreements were completed between 2012 and 2015, and now provide for deliveries between 2018 and 2021 as follows:

SUMMARY OF OFF TAKE SALES AGREEMENTS	
Production Year	Total Pounds Uranium Concentrates Contractually Committed
2018	470,000 pounds
2019	540,000 pounds
2020	390,000 pounds
2021	190,000 pounds

Corporate Organization and Management

In September 2017, Kathy E. Walker was appointed to our Board. The appointment expanded the size of the Board to seven. Ms. Walker is the president and chief executive officer of Elm Street Resources Inc., an energy marketing company based in Paintsville, Kentucky. She brings more than 30 years' experience in various energy-related business endeavors to our Board.

In January 2018, one of our founding directors, Paul Macdonell provided notice of his retirement from our Board after more than 13 years of service. Originally projected to become effective March 1, 2018, Mr. Macdonell has agreed to extend the effective date of his retirement.

In March 2017, reductions in workforce were implemented due to continuing depressed uranium market conditions. Eight 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 reduction in force was implemented in February 2018, in which nine employees were laid off, following our Board's decision to defer any further development at Lost Creek while the uranium market remains at its current depressed levels. Because of the deferral of construction and development, the focus of the layoffs was on positions in the construction and development teams, with additional positions eliminated in departments where the absence of field work will affect workload. Additionally, several employees were asked to change job responsibilities and/or team assignments. We anticipate that Lost Creek operations, at the controlled levels of production will continue uninterrupted.

2017 Results of Operations

U_3O_8 Production Costs

During 2017, 265,391 pounds of U_3O_8 were captured within the Lost Creek plant. A total of 254,012 pounds were packaged in drums and 257,213 pounds of the drummed inventory were shipped to the conversion facility where 261,000 produced 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	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2017 YTD
Pounds captured	lb	67,982	52,812	65,257	79,340	265,391
Ad valorem and severance tax	$000	$ 160	$ 119	$ 227	$ 241	$ 747
Wellfield cash cost [1]	$000	$ 686	$ 743	$ 599	$ 889	$ 2,917
Wellfield non-cash cost [2]	$000	$ 574	$ 730	$ 780	$ 776	$ 2,860
Ad valorem and severance tax per pound captured	$/lb	$ 2.35	$ 2.25	$ 3.48	$ 3.04	$ 2.81
Cash cost per pound captured	$/lb	$ 10.09	$ 14.07	$ 9.18	$ 11.20	$ 10.99
Non-cash cost per pound captured	$/lb	$ 8.44	$ 13.82	$ 11.95	$ 9.78	$ 10.78
Pounds drummed	lb	60,461	48,336	70,833	74,382	254,012
Plant cash cost [3]	$000	$ 1,210	$ 1,120	$ 1,267	$ 1,488	$ 5,085
Plant non-cash cost [2]	$000	$ 493	$ 494	$ 491	$ 491	$ 1,969
Cash cost per pound drummed	$/lb	$ 20.01	$ 23.17	$ 17.93	$ 20.00	$ 20.02
Non-cash cost per pound drummed	$/lb	$ 8.15	$ 10.20	$ 6.93	$ 6.61	$ 7.75
Pounds shipped to conversion facility	lb	73,367	36,797	74,406	72,643	257,213
Distribution cash cost [4]	$000	$ 48	$ 24	$ 26	$ 47	$ 145
Cash cost per pound shipped	$/lb	$ 0.65	$ 0.65	$ 0.35	$ 0.65	$ 0.56
Pounds purchased	lb	-	109,000	210,000	200,000	519,000
Purchase costs	$000	$ -	$ 2,196	$ 4,870	$ 4,015	$ 11,081
Cash cost per pound purchased	$/lb	$ -	$ 20.15	$ 23.19	$ 20.08	$ 21.35

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.

In total, wellfield, plant and distribution cash costs were very consistent quarter on quarter during 2017. The respective cash costs per pound increased overall during the year 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.

Wellfield cash costs in 2017 Q1 were somewhat elevated due to some non-recurring expenses and the annual labor bonus in Q1. They were again elevated in Q3 due to increased activity related to the development of MU2 but declined in Q4 as most of the drilling for the three planned header houses in MU2 was complete in Q3. The average cash cost per pound captured increased to $10.09 in 2017 Q4 and averaged $10.99 for the year, as compared to $6.66 in 2016. 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 sales in light of the depressed uranium market. Wellfield non-cash costs were relatively fixed until Q4 when a portion of the capitalized ARO costs became fully depreciated. The resulting non-cash cost per pound captured was $8.44 in Q4 and averaged $10.78 for the year, as compared to $5.70 in 2016. Again, the increase for the year was due to lower production levels.

Plant cash costs generally decreased during the year with the higher costs in 2017 Q1 being driven by the annual labor bonus. Despite the lower cash costs, the resulting cash cost per pound drummed increased to $20.01 in 2017 Q4 as a result of lower production and averaged $20.02 for the year, as compared to $10.87 in 2016. Plant non-cash costs did not change during the year. The non-cash cost per pound drummed increased to $8.15 in 2017 Q4 and averaged $7.75 for the year, as compared to $3.53 in 2016. The increase was again due to lower production rates.

With the exception of 2017 Q4, distribution costs decreased during the year, as did pounds shipped. The resulting cash cost per pound shipped in 2017 Q4 increased to $0.65 and averaged $0.56 per pound for the year, as compared to $0.63 in 2016. Distribution costs are closely tied to volume, and the resulting cash cost per pound did not change significantly.

U_3O_8 Sales and Cost of Sales

Sales and cost of sales	Unit	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2017 YTD
Pounds sold	lb	-	289,000	241,000	250,000	780,000
U3O8 sales	$000	$ -	$ 11,674	$ 11,797	$ 14,819	$ 38,290
Average contract price	$/lb	$ -	$ 40.39	$ 48.95	$ 59.28	$ 49.09
Average price per pound sold	$/lb	$ -	$ 40.39	$ 48.95	$ 59.28	$ 49.09
U3O8 cost of sales [1]	$000	$ 376	$ 11,157	$ 6,573	$ 6,295	$ 24,401
Ad valorem and severance tax cost per pound sold	$/lb	$ -	$ 3.15	$ 4.26	$ 4.00	$ 3.60
Cash cost per pound sold	$/lb	$ -	$ 29.11	$ 31.54	$ 26.12	$ 29.51
Non-cash cost per pound sold	$/lb	$ -	$ 17.52	$ 19.13	$ 15.48	$ 17.92
Cost per pound sold - produced	$/lb	$ -	$ 49.78	$ 54.93	$ 45.60	$ 51.03
Cost per pound sold - purchased	$/lb	$ -	$ 20.15	$ 23.19	$ 20.08	$ 21.35
Average cost per pound sold	$/lb	$ -	$ 38.61	$ 27.26	$ 25.18	$ 31.28
U3O8 gross profit	$000	$ (376)	$ 517	$ 5,224	$ 8,524	$ 13,889
Gross profit per pound sold	$/lb	$ -	$ 1.78	$ 21.68	$ 34.10	$ 17.81
Gross profit margin	%	0.0%	4.4%	44.3%	57.5%	36.3%
Ending Inventory Balances						
Pounds						
In-process inventory	lb	26,796	22,306	19,010	28,164	
Plant inventory	lb	9,043	21,948	10,446	14,019	
Conversion facility inventory	lb	94,077	17,813	160,094	113,528	
Total inventory	lb	129,916	62,067	189,550	155,711	
Total cost						
In-process inventory	$000	$ 315	$ 221	$ 352	$ 712	
Plant inventory	$000	$ 369	$ 824	$ 479	$ 670	
Conversion facility inventory	$000	$ 3,831	$ 675	$ 6,620	$ 4,379	
Total inventory	$000	$ 4,515	$ 1,720	$ 7,451	$ 5,761	
Cost per pound						
In-process inventory	$/lb	$ 11.76	$ 9.92	$ 18.46	$ 25.28	
Plant inventory	$/lb	$ 40.81	$ 37.53	$ 45.85	$ 47.79	
Conversion facility inventory	$/lb	$ 40.72	$ 37.89	$ 41.35	$ 38.57	

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.

There were no U_3O_8 sales in Q4. For the year, we sold 780,000 pounds all of which were under contract at an average price per pound of $49.09 for total uranium sales of $38.3 million. There were no spot sales during the year. A total of 261,000 pounds were sold from Lost Creek production. Additionally, we sold 519,000 purchased pounds into our contractual obligations.

In 2017 Q4, our cost of sales totaled $0.3 million. This is the result of lower of cost or net realizable value inventory adjustments which are included in our cost of sales, recorded during the quarter. For the year, our average cost per pound sold was $31.28, as compared to $28.20 in 2016. In 2017, we purchased 519,000 pounds at an average price of $21.35 per pound. The average cost of the 261,000 pounds we sold from production was $51.03 per pound. As previously discussed, our produced costs per pound were substantially higher than in 2016 due to lower volumes. This, combined with the write down of $2.6 million from lower of cost or net realizable value adjustments, increased our cost of produced product sold by $10.34 per pound.

On a combined basis, the total average cost per pound sold of $31.28 was composed of $1.20 per pound for ad valorem and severance taxes, $24.08 per pound of cash costs from production and purchases, and $6.00 per pound of non-cast costs related to production.

The gross profit from uranium sales for 2017 was $13.9 million, which represents a gross profit margin of approximately 36%. This compares to a gross margin of $6.3 million or 29% in 2016.

At the end of the year, we had approximately 94,077 pounds of U_3O_8 at the conversion facility at an average cost per pound of $40.72. 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-17**	**30-Sep-17**	**30-Jun-17**	**31-Mar-17**
Ad valorem and severance tax cost per pound	$/lb	$ 1.65	$ 2.41	$ 2.82	$ 2.74
Cash cost per pound	$/lb	$ 25.31	$ 22.47	$ 24.62	$ 23.48
Non-cash cost per pound	$/lb	$ 13.76	$ 13.01	$ 13.91	$ 12.35
Total cost per pound	$/lb	$ 40.72	$ 37.89	$ 41.35	$ 38.57

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, 2017, 2016 and 2015:

Comparison of annual results	Unit	2017	2016	2015
Sales				
Sales per financial statements	$000	$ 38,371	$ 27,297	$ 41,877
Less disposal fees	$000	$ (80)	$ (20)	$ (69)
Less gain from sale of deliveries under contract	$000	$ -	$ (5,086)	$ -
U_3O_8 sales	$000	$ 38,291	$ 22,191	$ 41,808
Cost of sales				
Ad valorem & severance taxes	$000	$ 747	$ 1,523	$ 1,604
Wellfield costs	$000	$ 5,777	$ 6,645	$ 8,291
Plant and site costs	$000	$ 7,054	$ 8,079	$ 9,202
Distribution costs	$000	$ 145	$ 365	$ 494
Inventory change	$000	$ (405)	$ (763)	$ 1,823
Cost of sales - produced	$000	$ 13,318	$ 15,849	$ 21,414
Cost of sales - purchased	$000	$ 11,081	$ -	$ 7,878
Total cost of sales	$000	$ 24,399	$ 15,849	$ 29,292
Gross profit from U3O8 sales	$000	$ 13,892	$ 6,342	$ 12,516
Production				
Pounds extracted	lb	265,391	538,004	783,547
Pounds drummed	lb	254,012	561,094	727,245
Pounds shipped	lb	257,213	579,179	717,125
Pounds sold - produced	lb	261,000	562,000	725,000
Pounds sold - purchased	lb	519,000	-	200,000
Per Pound Sold				
Average contract price	$/lb	$ 49.09	$ 41.38	$ 49.42
Average spot price	$/lb	$ -	$ 30.75	$ 36.18
Average price	$/lb	$ 49.09	$ 39.49	$ 45.20
Ad valorem and severance tax	$/lb	$ 3.60	$ 2.86	$ 3.14
Cash cost	$/lb	$ 29.51	$ 17.15	$ 16.27
Non-cash cost	$/lb	$ 17.92	$ 8.19	$ 10.12
Cost - Produced	$/lb	$ 51.03	$ 28.20	$ 29.53
Cost - Purchased	$/lb	$ 21.35	$ -	$ 39.39
Average cost	$/lb	$ 31.28	$ 28.20	$ 31.67
Gross profit [(1)]	$/lb	$ 17.81	$ 11.29	$ 13.53

Note:

1. For comparative purposes, gross profit and gross profit per pound for the year 2016 excludes the profit recognized on the assignment of deliveries.

In 2017, our production levels decreased as we reacted to a continuing weak market. Based on spot prices in effect, we were able to purchase uranium at prices that were less than our cost of production. We therefore felt that rather than reducing our resources, it was prudent to purchase pounds to complement our current production, which was based on existing wellfield assets in MU1 as well as a limited number of new header houses in MU2. The above analysis shows that we reduced some of our costs reflecting the reduced production, but not at the same rate we decreased production. This is consistent with what we have previously reported, in that most of our costs are fixed so that when our production increases, our cost per pound declines and where production is scaled back, as in 2017, our cost per pound will increase. Compounding this is the fact that as our cost per pound increases, the carrying cost of our inventories may be subject to lower of cost or net realizable value adjustments which are reflected in our cost of goods sold and push the cost per pound of produced product sold higher. As we allocate these adjustments to taxes, cash costs and non-cash costs, all cost types show increases. Probably the most profound is in non-cash costs as all of our depletion and amortization expenses are calculated on a straight-line basis per SEC guidelines so if production is decreased by half, the related cost per pound will double. As many of our costs are fixed costs, we are not able to reduce their impact on the overall cost per pound of our products.

As discussed previously, we are continuously surveying the market for opportunities to create future, long-term, contracts at favorable rates. However, long-term pricing remained weak in 2017 and we did not enter into any new contracts. But as previously shown, the Company maintains a good book of contracts into 2021. The average contract price in 2017 was close to $50 per pound for the 780,000 pounds we sold under contract.

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**	**2017 Q4**	**2017 Q3**	**2017 Q2**	**2017 Q1**	**2017 YTD**
Sales per financial statements	$000	$ 26	$ 11,693	$ 11,821	$ 14,828	$ 38,368
Less disposal fees	$000	$ (26)	$ (18)	$ (24)	$ (9)	$ (77)
U_3O_8 sales	$000	$ -	$ 11,675	$ 11,797	$ 14,819	$ 38,291
Pounds sold - produced	lb	-	180,000	31,000	50,000	261,000
Pounds sold - purchased	lb	-	109,000	210,000	200,000	519,000
Total pounds sold	lb	-	289,000	241,000	250,000	780,000
Average price per pound sold	$/lb	$ -	$ 40.40	$ 48.95	$ 59.28	$ 49.09

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	2017 Q4	2017 Q3	2017 Q2	2017 Q1	2017 YTD
Ad valorem & severance taxes	$000	$ 160	$ 119	$ 227	$ 241	$ 747
Wellfield costs	$000	$ 1,260	$ 1,473	$ 1,379	$ 1,665	$ 5,777
Plant and site costs	$000	$ 1,703	$ 1,614	$ 1,761	$ 1,979	$ 7,057
Distribution costs	$000	$ 48	$ 24	$ 26	$ 47	$ 145
Inventory change	$000	$ (2,795)	$ 5,731	$ (1,690)	$ (1,652)	$ (406)
Cost of sales - produced	$000	$ 376	$ 8,961	$ 1,703	$ 2,280	$ 13,320
Cost of sales - purchased	$000	$ —	$ 2,196	$ 4,870	$ 4,015	$ 11,081
Total cost of sales	$000	$ 376	$ 11,157	$ 6,573	$ 6,295	$ 24,401
Pounds sold produced	lb	—	180,000	31,000	50,000	261,000
Pounds sold purchased	lb	—	109,000	210,000	200,000	519,000
Total pounds sold	lb	—	289,000	241,000	250,000	780,000
Average cost per pound sold - produced [(1)]	$/lb	$ -	$ 49.78	$ 54.93	$ 45.60	$ 51.03
Average cost per pound sold - purchased	$/lb	$ -	$ 20.15	$ 23.19	$ 20.08	$ 21.35
Total average cost per pound sold	$/lb	$ -	$ 38.61	$ 27.27	$ 25.18	$ 31.28

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, 2017 Compared to Year Ended December 31, 2016

The following table summarizes the results of operations for the years ended December 31, 2017 and 2016 (in thousands of U.S. dollars):

	Year ended December 31,	
	2017	**2016**
	$	**$**
Sales	38,368	27,305
Cost of sales	(24,401)	(15,848)
Gross profit	13,967	11,457
Exploration and evaluation expense	(2,623)	(2,964)
Development expense	(4,340)	(2,886)
General and administrative expense	(5,090)	(4,740)
Accretion expense	(527)	(534)
Write-off of mineral properties	-	(62)
Net profit (loss) from operations	1,387	271
Interest expense (net)	(1,377)	(1,977)
Warrant mark to market gain	-	36
Loss from equity investment	(5)	(5)
Write-off of equity investments	-	(1,089)
Foreign exchange loss	(50)	(278)
Other income	121	15
Income (loss) before income taxes	76	(3,027)
Income tax recovery (net)	-	17
Net income (loss)	76	(3,010)
Income (loss) per share – basic	0.00	(0.02)
Income (loss) per share – diluted	0.00	(0.02)
Revenue per pound sold	49.09	39.49
Total cost per pound sold	31.28	28.20
Gross profit per pound sold	17.81	11.29

Sales

We sold a total of 780,000 pounds of U_3O_8 during the year ended December 31, 2017 for an average price of $49.09 per pound as compared to 2016 when we sold 562,000 pounds for an average price of $39.49. The fluctuation in sales prices relates primarily to lower priced spot sales made in 2016 as well as the fulfillment of some lower-priced, shorter-term contracts 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 2016 and we recognized $5.1 million in sales from those contracts.

For the year ended December 31, 2017, we recognized $80 thousand from disposal fees compared to $29 thousand during 2016.

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 2016, our cost per pound sold increased $3.08 to $31.28 in 2017. The increase for the year was mitigated by the purchase of 519,000 pounds at an average price of $21.35. The cost per pound of produced product was $51.03.

Gross Profit

The gross profit from uranium sales was $13.9 million for the year ended December 31, 2017, which represents a gross profit margin of approximately 36%. Gross profits of $6.3 million in 2016 represents a gross profit margin of approximately 29%. The primary reason for the increase in the gross profit margin was the higher average sales price per pound in 2017.

Operating Expenses

Total operating expenses for the year ended December 31, 2017 were $12.6 million. Operating expenses include exploration and evaluation expense, development expense, G&A expense and mineral property write-offs. These expenses increased by $1.4 million compared to 2016.

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 $0.3 million for the year ended December 31, 2017 compared to 2016. 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. A reduction in labor and related costs was the primary reason for the decline.

Development expense includes $3.9 million of costs incurred at the Lost Creek Project not directly attributable to production activities, including wellfield construction, drilling and development costs. This is an increase of $1.9 million from 2016 and was related to the construction of the first three header houses in MU2 including the structures, wells and infrastructure. It also includes $0.4 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.

G&A expense relates to administration, finance, investor relations, land and legal functions and consists principally of personnel, facility and support costs. Expenses increased by $0.4 million for the year ended December 31, 2017 compared to 2016. The increase was due to increased external consulting and legal expenses of $0.4 million, a substantial portion of which relates to the trade action filed in early January 2018.

Other Income and Expenses

Net interest expense declined $0.6 million during 2017 compared to the prior year. The decline was due to principal payments on outstanding debt.

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 2017, 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, 2018, which is the fiscal year end of The Bootheel Project, LLC. No additional exploration or development activities are expected at this time for 2018. Due to the continuing decline in the spot price of uranium combined with the reduction in minerals when a 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

Income tax refunds in 2016 relates to the refund of alternative minimum taxes paid in prior years.

Income (Loss) per Common Share

The basic earnings per common share for the year 2017 was $Nil. Basic and diluted loss per common share was $0.02 for 2016. The diluted loss per common share for the year 2016 was 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. For the year ended December 30, 2017, there were a net of 539,620 options using the treasury method and 1,175,952 RSUs included in the diluted earnings per share calculations. The result was diluted earnings per share of $Nil for the year.

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**
	$	**$**
Revenue	27,305	41,877
Cost of revenues	(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 loss from operations	271	(1,856)
Interest income (expense) (net)	(1,977)	(2,557)
Mark to market loss	36	307
Loss from equity investment	(5)	(8)
Write-off of equity investments	(1,089)	-
Foreign exchange gain (loss)	(278)	(1)
Other income (loss	15	5
Loss before income taxes	(3,027)	(4,110)
Income tax expense	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.

Material Changes in Financial Condition, Liquidity and Capital Resources

As at December 31, 2017, we had cash resources, consisting of cash and cash equivalents, of $3.9 million, an increase of $2.3 million from the December 31, 2016 balance of $1.6 million. The cash resources consist of Canadian and U.S. dollar denominated deposit accounts, money market funds and certificates of deposit. We generated $5.6 million from operations during the year ended December 31, 2017. During the same period, we used $0.2 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, 2017, the balance of the State Bond Loan was $19.9 million.

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 for a three-year period and was extended for a subsequent three-year term on July 27, 2017. 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 American or other U.S. market through the distribution agents for aggregate sales proceeds of up to $10,000,000. During 2017, we sold 1,536,169 Common Shares under the sales agreement at an average price of $0.76 per share for gross proceeds of $1.2 million. After deducting transaction fees and commissions and all other costs, we received net proceeds of $1.1 million.

Collections for the year from U_3O_8 sales totaled $38.3 million.

Operating activities generated $5.5 million of cash resources during the year ended December 31, 2017 as compared to $3.3 million in 2016. The change is due primarily to an increase in net income and smaller increases in inventory and decreases in current liabilities.

During 2017, 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 2017, the Company used $3.0 million for financing activities including principal payments on debt of $4.6 million, which was partially offset by net proceeds from the sale of common shares of $1.1 million and proceeds from stock option exercises of $0.5 million.

Liquidity Outlook

As at February 28, 2018, our unrestricted cash position was $7.5 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 2018

In 2017, the average spot price per pound of U_3O_8, as reported by Ux Consulting Company, LLC and TradeTech, LLC, increased approximately 17% from $20.25 in December 2016 to about $23.75 per pound in December 2017. In early 2017, spot pricing moved higher on news of supply-side reductions, only to retreat to the $20 level, where it remained until November 2017. In November, spot prices again increased following several new supply-side announcements. Thus far in 2018, the average spot price per pound of U_3O_8 decreased to $21.63 as of February 26, indicating the fundamentals of market pricing have not changed sufficiently to warrant further development of MU2.

In response to this persistently weak uranium market, we took aggressive measures in 2016 and 2017, and will again do so in 2018. In 2016, we deliberately slowed development activities at MU2, reduced costs, and focused on enhancing production efficiencies from our operating MU1 header houses. In 2017, we continued to employ this limited-development strategy, implemented further cost reductions, and supplemented existing mine production with favorably priced uranium purchases to meet our 2017 contractual commitments. For 2018, we have suspended further MU2 development activities, implemented further cost reductions, and secured purchase contracts for nearly 100% of our 2018 delivery obligations.

For 2018, we expect to sell 470,000 pounds under term contracts at an average price of approximately $49 per pound. We have entered into purchase contracts to cover 460,000 pounds at an average price of approximately $24 per pound. Production from our operating MU1 and MU2 header houses, expected to be between 250,000 and 350,000 pounds, will be used to build an inventory position of finished, ready-to-sell, product at the conversion facility.

We recently implemented a limited reduction in force to further streamline our operations and reduce costs. This is the third reduction in force in force in two years; the layoffs since 2016 have affected personnel in all three company locations. The most recent reduction was focused on those departments not directly related to production and is expected to reduce our labor costs by approximately $0.6 million per year.

Together, these actions will give the Company the additional flexibility necessary to quickly react to changing market conditions and easily re-start development activities in MU2 when warranted. With future development and construction in mind, the staff who were retained had the greatest level of experience and adaptability allowing for an easier transition back to full operations.

Although we made a small (10,000 pound) spot sale in January 2018, we are not forecasting any further spot sales for 2018 at this time; we may, however, choose to do so if market conditions improve. We expect our average gross profit in 2018 to be between $10 and $12 million, which represents a cash-basis gross profit margin of between 45% and 50%.

Operating costs in 2018 are expected to be lower than 2017 because of the suspended MU2 development activities. Other costs including capital expenditures and loan repayments will be similar to 2017.

As at February 28, 2018, our unrestricted cash position was $7.5 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 470,000 pounds during 2018, at an average price of approximately $49 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 continue production from our fully operational header houses in MU1 and MU2, and purchase uranium at favorable low-prices in order to meet our sales commitments. This operating strategy for Lost Creek will allow us to control production costs, minimize development expenditures, maximize cash flows and maintain the flexibility to respond to market conditions.

Table of Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2017:

	Payments due (by period) in thousands				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Notes payable	$ 19,891	$ 4,895	$ 10,670	$ 4,326	$ -
Interest on notes payable	$ 2,363	$ 1,039	$ 1,199	$ 125	$ -
Operating leases	$ 447	$ 352	$ 95	$ -	$ -
Environmental remediation	$ 72	$ 72	$ -	$ -	$ -
Asset retirement obligations	$ 27,036	$ -	$ 3,558	$ 3,558	$ 19,920
	$ 49,809	$ 6,358	$ 15,522	$ 8,009	$ 19,920

Outstanding Share Data

As of December 31, 2017 and 2016, the Company's capital consisted of the following:

	December 31, 2017	December 31, 2016	Change
Common shares	146,531,933	143,676,384	2,855,549
Warrants	5,844,567	5,844,567	-
RSUs	1,175,952	1,273,990	(98,038)
Stock options	9,459,401	9,748,934	(289,533)
Fully diluted shares outstanding	163,011,853	160,543,875	2,467,978

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, 2017	December 31, 2016
	$ (thousands)	$ (thousands)
Cash on deposit at banks	1,667	580
Money market funds	2,212	972
	3,879	1,552

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

	2017 Quarter ended			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Revenue	$ 26	$ 11,693	$ 11,821	$ 14,828
Net income (loss) for the period	$ (3,426)	$ (3,004)	$ 1,317	$ 5,189
Income (loss) per share – basic and diluted	$ (0.02)	$ (0.02)	$ 0.01	$ 0.03

	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	$ 1,803	$ (1,928)	$ (2,989)
Income (loss) per share – basic and diluted	$ 0.00	$ 0.01	$ (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 $11.4 million at December 31, 2017. 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 $10.8 million at risk at December 31, 2017 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, 2017.

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, 2017, the Company's financial liabilities consisted of trade accounts payable and accrued trade and payroll liabilities of $1.2 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 5 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 $0.3 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 $21.63 per pound as of February 26, 2018.

Transactions with Related Parties

During the fiscal year ended December 31, 2017, we did not participate in any reportable transactions with related parties.

Proposed Transactions

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

New accounting pronouncements which may affect future reporting

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 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 2018. 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. Now, 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.

New accounting pronouncements which were implemented this year

In July 2015, the FASB issued ASU 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 apply to all inventory, measured using average cost which is how the Company measures inventory. For all entities, the guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. This is consistent with our past policies and had no financial or reporting impact when implemented during the first quarter.

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. Regarding 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. We currently recognize no income tax expense or benefit due to significant income tax credits and net operating losses which are fully reserved under a valuation allowance. There was therefore no effect on our accounting or reporting at the time of implementation earlier this year. We have made the election to continue to recognize losses from forfeitures at inception rather than when they vest or occur.

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 elected to adopt this standard as of the first quarter. Accordingly, the cash balances reflected in the Statement of Cash Flows have been increased by $7.6 million which has been the restricted cash balance since December 31, 2015. In addition, we have added note 14 – Supplemental Information to the Statement of Cash Flows which reconciles the cash balances shown on the Statement of Cash Flows with the appropriate balances on the Balance Sheet.

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, 2017, the current and long-term prices of uranium were $23.75 and $31.00, respectively. This compares to prices of $20.25 and $30.00 as of December 31, 2016. 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 US 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 $31.00 per pound which was the long-term quoted price in industry periodicals as of December 31, 2017. 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.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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