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, and threats to pricing and market stability created by foreign state-sponsored producers. In 2018, several uranium miners, including Lost Creek ISR, LLC, implemented decisions to halt planned construction and development as well as to operate at lower rates of production. Cameco's November 2017 announcement to suspend production at McArthur River, the world's largest uranium mine, for at least ten months in 2018, was emblematic of the conditions of the global market. Subsequently, in July 2018, Cameco confirmed that it would extend the planned 10-month production suspension of this operation for an indeterminate duration. Numerous other mines worldwide have announced cuts in production and/or plans to shut down production operations in the near term.

As discussed elsewhere in this report, we completed the development of the third header house in Lost Creek's second mine unit, while continuing to control annual production rates at a modest target of 250,000 to 300,000 pounds. Production at Lost Creek in 2018 totaled 302,164 pounds captured in the plant. While U.S. miners lowered production rates and halted development ensuring near-term production will remain lower, imports continued to dominate the U.S. market in 2018. Projections at year end suggest that U.S. uranium miners accounted for less than two percent of domestic uranium needs.

In response to the challenges of the market conditions, primary among them foreign imports into the U.S. emanating from state-sponsored producers in Russia, Kazakhstan and Uzbekistan, on January 16, 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.

The Petition for Relief with the U.S. Department of Commerce (DOC) under Section 232 of the Trade Expansion Act of 1962 (as amended) From Imports of Uranium Products that Threaten U.S. National Security ("Petition") 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. by 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.

On July 18, 2018, DOC announced it initiated an "investigation into whether the present quantity and circumstances of uranium ore and product imports into the United States threaten to impair national security." Thereafter, the DOC announced a public comment period which subsequently closed on September 25, 2018. Other aspects of the investigation are proceeding; the DOC investigation must be complete by April 15, 2019. Thereafter, the President has 90 days (until July 15, 2019) to act on the DOC's recommendations and, if

necessary, to act to "adjust the imports" and/or pursue other lawful, non-trade related actions necessary to address the import threat.

There can be no certainty of the outcome of the DOC investigation, the recommendation of the Secretary of Commerce, or actions to be taken by the President, and therefore the outcome of this process and its effects on the U.S. uranium market is uncertain.

2018 Developments

Lost Creek Property – Great Divide Basin, Wyoming

In August 2013, the Company was given operational approval by the NRC and commenced production operation activities. Through December 31, 2018, 2,675,652 pounds of U_3O_8 have been captured at Lost Creek in Mine Unit 1 ("MU1") and the first three headers houses ("HHs") in Mine Unit 2 ("MU2").

All of the original planned wells and 13 HHs in MU1 as well as three HHs and the related wells in MU2 have been completed and were available for operation at year end 2018. The first of the three HHs in MU2 began operations in August 2017; in January 2018, the second HH in MU2 came online; the third of the three MU2 HH started in 2017 came online in May 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 MU2 HHs, and the entirety of MU2 has been fenced. All of these activities will allow for a quick turn-around to ramp up production once market fundamentals change.

After more than five years of operations, Lost Creek captured 302,164 pounds captured during 2018 with a yearly average head grade of 31 ppm. The lower head grade and reduced flowrate during this period of operation is a typical result as a mine matures and older operating patterns, particularly in MU1 remain in the flow regime.

During 2018, the Company sold 470,000 purchased pounds under term contracts at an average price of $49.39. From production, Lost Creek sold 10,000 pounds during 2018 in a tax-driven spot sale. The 470,000 pounds sold into term contracts were purchased at an average price of $24.42 per pound. During 2018, 302,164 pounds of U_3O_8 were captured within the Lost Creek plant; 286,358 pounds were packaged in drums; and 287,873 pounds of drummed inventory were shipped from the Lost Creek processing plant to the converter. At December 31, 2018, inventory at the conversion facility was approximately 375,803 pounds.

In August 2018 we noted a one-year milestone with no lost-time accidents at Lost Creek. Calendar year 2018 also ended free from any lost-time accidents at Lost Creek and elsewhere in the Company.

Lost Creek Regulatory Proceedings

Subsequent to final approvals being received for operations at Lost Creek, in 2012-2013, 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 has participated 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. In early 2018 we withdrew the application insofar as it related to two of the eleven projected mine units – those for the KM Horizon at Lost Creek. The change was not anticipated to delay the completion of the permitting process with respect to the LC East Project (nine mine units total). The BLM issued its draft environmental

impact statement ("DEIS") in August 2018. Following public comment on the DEIS, the BLM completed its Final Environmental Impact Statement ("FEIS") and published its notice of the FEIS on January 28, 2019. We anticipate that all permits and authorizations for the amendment will be complete in 2019.

Shirley Basin Project

Baseline studies necessary for the permitting and licensing of the project were completed in 2014. 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 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. WDEQ continues with its technical review of our application for a permit to mine at Shirley Basin. Our application for a source material license for Shirley Basin is proceeding through its review with the State URP. We anticipate the state process to be complete, with necessary permits and authorizations received, in 2019. Work is well underway on initial engineering evaluations, designs and studies. The BLM is expected to initiate its review of the Plan of Operations immediately upon completion of its review of the LC East amendments.

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). 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. Here, 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 land acquisition activities beginning in 2017. Once a land position was obtained, rock sampling and geochemical soil sampling programs were conducted. We continue to analyze these initial assay results and conducted additional ground work at the project in 2018 and early 2019. We are currently considering alternatives to advance this exploration project.

Corporate Organization and Financing Developments

Trade Action

As described above under **Industry Updates and Trends**, together with Energy Fuels, we filed a trade action with the DOC in January 2018 in response to the challenges of uranium market conditions, primary among them imports to the U.S. emanating from state-sponsored producers in Russia, Kazakhstan, and Uzbekistan.

The DOC announced the commencement of its investigation in July 2018 and, to date, the trade action has proceeded through various phases of the investigation. In November 2018, as a part of the investigation, Lost Creek and several other uranium mines and mills were toured by the DOC investigation team.

Additionally, subsequent to the end of the year, we have received a request from a Congressional committee seeking documents related to our trade action as a part of an investigation of the current administration's actions regarding uranium.

There can be no certainty of the outcome of the DOC investigation, the recommendation of the Secretary of Commerce, or actions to be taken by the President, and therefore the outcome of this process and its effects on the U.S. uranium market is uncertain.

Changes to Our Board of Directors

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 agreed to extend the date of his retirement, which became effective March 30, 2018. Rob Chang joined our Board, also effective March 30, 2018. Mr. Chang is a well-recognized financial expert who most recently covered the uranium mining industry for many years. We believe that his broad-ranging finance and market credentials provide strengths which add depth and experience in critical areas to our Board. Mr. Chang has 23 years of experience in the financial services industry. He is currently the Chief Financial Officer of Riot Blockchain, Inc. Prior to his current position, he most recently served as the Managing Director and Head of Metals & Mining at Cantor Fitzgerald where he provided research coverage in precious metals, base metals, lithium, and uranium. He is well familiar with the uranium mining industry and is considered a subject matter expert by several media outlets. Mr. Chang previously served as a Director of Research and Portfolio Manager at Middlefield Capital, a Canadian investment firm which managed $3 billion in assets. He was also on a five-person multi-strategy hedge fund team where he specialized in equity and derivative investments. Mr. Chang completed his MBA at the University of Toronto's Rotman School of Management.

Reduction in Workforce

In February 2018, a third reduction in workforce ("RIF") was implemented due to continuing depressed uranium market conditions. RIFs conducted in 2016 and 2017 affected twelve and eight employees, respectively. Nine additional employees were laid off in the 2018 RIF, 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 in 2018 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. Production operations at Lost Creek proceeded uninterrupted throughout the year.

Equity Financing

In September, we completed a US$10 million public offering of Common Shares. The offering of 12,195,122 Common Shares and accompanying warrants to purchase up to 6,097,561 Common Shares, at a combined public offering price of $0.82 per common share and accompanying warrant, closed on September 25, 2018. Ur-Energy also granted the underwriters a 30-day option to purchase up to 1,829,268 additional common shares and warrants to purchase up to an aggregate of 914,634 Common Shares on the same terms. The underwriters exercised a portion of their option to purchase additional securities at closing, acquiring 867,756 additional warrants to purchase an aggregate of 433,878 Common Shares. Including the partial exercise of the option, Ur-Energy issued a total of 12,195,122 Common Shares and 13,062,878 warrants to purchase up to 6,531,439 Common Shares. Net proceeds from the offering was approximately $9.2 million. We anticipate that proceeds from the offering will be used to maintain and enhance operational readiness; additionally, proceeds may be used for working capital and general corporate purposes.

Off Take Sales Agreements

We continue to have multiple off-take sales agreements with various U.S. utilities. These agreements were completed between 2013 and 2015, and provide for deliveries between 2019 and 2021 as follows:

SUMMARY OF OFF TAKE SALES AGREEMENTS	
Production Year	Total Pounds Uranium Concentrates Contractually Committed
2019	500,000 pounds
2020	390,000 pounds
2021	25,000 pounds

2018 Results of Operations

U_3O_8 Production Costs

During 2018, 302,164 pounds of U_3O_8 were captured within the Lost Creek plant. A total of 286,358 pounds were packaged in drums and 287,873 pounds of the drummed inventory were shipped to the conversion facility where 10,000 produced pounds were sold on the spot market. The cash cost per pound and non-cash cost per pound for produced uranium presented in the following Production and Production Costs and 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. We have restated the cost of uranium sales in 2017 and the related costs per pound to exclude the lower of cost or net realizable value ("NRV") adjustments made during that year to provide better

comparisons to the current year. There were no changes to the financial statements for 2017. Please see the tables below for reconciliations of these measures to the US GAAP compliant financial measures.

Production and sales figures for the Lost Creek Project are as follows:

Production and Production Costs	Unit	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2018
Pounds captured	lb	48,304	80,604	89,209	84,047	302,164
Ad valorem and severance tax	$000	$ 30	$ 81	$ 133	$ 179	$ 423
Wellfield cash cost [1]	$000	$ 459	$ 422	$ 516	$ 671	$ 2,068
Wellfield non-cash cost [2]	$000	$ 400	$ 400	$ 400	$ 403	$ 1,603
Ad valorem and severance tax per pound captured	$/lb	$ 0.62	$ 1.00	$ 1.49	$ 2.13	$ 1.40
Cash cost per pound captured	$/lb	$ 9.50	$ 5.24	$ 5.78	$ 7.98	$ 6.84
Non-cash cost per pound captured	$/lb	$ 8.28	$ 4.96	$ 4.48	$ 4.79	$ 5.31
Pounds drummed	lb	53,654	78,441	74,302	79,961	286,358
Plant cash cost [3]	$000	$ 1,154	$ 1,109	$ 1,230	$ 1,226	$ 4,719
Plant non-cash cost [2]	$000	$ 484	$ 485	$ 493	$ 492	$ 1,954
Cash cost per pound drummed	$/lb	$ 21.51	$ 14.14	$ 16.57	$ 15.33	$ 16.48
Non-cash cost per pound drummed	$/lb	$ 9.02	$ 6.18	$ 6.64	$ 6.15	$ 6.82
Pounds shipped to conversion facility	lb	67,040	72,902	74,416	73,515	287,873
Distribution cash cost [4]	$000	$ 47	$ 36	$ 34	$ 19	$ 136
Cash cost per pound shipped	$/lb	$ 0.70	$ 0.49	$ 0.46	$ 0.26	$ 0.47
Pounds purchased	lb	-	-	100,000	370,000	470,000
Purchase costs	$000	$ -	$ -	$ 2,225	$ 9,251	$ 11,476
Cash cost per pound purchased	$/lb	$ -	$ -	$ 22.25	$ 25.00	$ 24.42

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 pounds prior to sale.

In total, wellfield, plant and distribution cash costs were very consistent quarter on quarter during 2018. The respective cash costs per pound increased overall during the year primarily driven by decreasing levels of production. The more significant increase in cash and non-cash costs per pound in Q4 was driven by lower quarterly production, which is a typical result as a mine matures and older operating patterns, particularly in MU1, remain in the flow regime.

Ad valorem and severance taxes fluctuate based on pounds extracted and the related sales value of those pounds. The $1.40 average cost per pound in 2018 was lower than the previous year's $2.81 per pound due to the tax driven 10,000 pound spot sale from production.

Wellfield cash costs in 2018 Q1 were somewhat elevated due to some non-recurring expenses and the annual labor bonus in Q1. The average cash cost per pound captured increased to $9.50 in 2018 Q4 and averaged $6.84 for the year, as compared to $10.99 in 2017. The annual decrease was due to higher production levels during the year and a reduction in labor costs as we moved to maintenance-focused operations. 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 but lower than 2017 as a portion of the capitalized costs became fully depreciated in 2017. The resulting non-cash cost per pound captured was $8.28 in Q4 and averaged $5.31 for the year, as compared to $10.78 in 2017. The decrease for the year was significantly impacted by production levels which were higher than 2017.

Plant cash costs generally decreased during the year as compared to 2017. The resulting cash cost per pound drummed increased to $21.51 in 2018 Q4 as a result of lower production but averaged $16.48 for the year, as compared to $20.02 in 2017 due to higher annual production and lower total cash costs. Plant non-cash costs did not change during the year. The non-cash cost per pound drummed increased to $9.02 in 2018 Q4 and averaged $6.82 for the year, as compared to $7.75 in 2017. The changes were directly tied to production rates.

Distribution costs during the year decreased as compared to 2017. The resulting cash cost per pound shipped in 2018 Q4 increased to $0.70 but averaged $0.47 per pound for the year, as compared to $0.56 in 2017. Distribution costs are tied to volume but may be impacted by the timing of receiving empty barrels and assays from the Converter.

U_3O_8 Sales and Cost of Sales

Sales and cost of sales	Unit	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2018
Pounds sold	lb	-	-	100,000	380,000	480,000
U3O8 sales	$000	$ -	$ -	$ 3,790	$ 19,663	$ 23,453
Average contract price	$/lb	$ -	$ -	$ 37.90	$ 52.50	$ 49.39
Average spot price	$/lb	$ -	$ -	$ -	$ 23.75	$ 23.75
Average price per pound sold	$/lb	$ -	$ -	$ 37.90	$ 51.74	$ 48.86
U3O8 cost of sales [1]	$000	$ -	$ -	$ 2,225	$ 9,659	$ 11,884
Ad valorem and severance tax cost per pound sold	$/lb	$ -	$ -	$ -	$ 1.66	$ 1.66
Cash cost per pound sold	$/lb	$ -	$ -	$ -	$ 25.37	$ 25.37
Non-cash cost per pound sold	$/lb	$ -	$ -	$ -	$ 13.77	$ 13.77
Cost per pound sold - produced	$/lb	$ -	$ -	$ -	$ 40.80	$ 40.80
Cost per pound sold - purchased	$/lb	$ -	$ -	$ 22.25	$ 25.00	$ 24.42
Average cost per pound sold	$/lb	$ -	$ -	$ 22.25	$ 25.42	$ 24.76
U3O8 gross profit	$000	$ -	$ -	$ 1,565	$ 10,004	$ 11,569
Gross profit per pound sold	$/lb	$ -	$ -	$ 15.65	$ 26.33	$ 24.10
Gross profit margin	%	0.0%	0.0%	41.3%	50.9%	49.3%
Ending Inventory Balances						
Pounds						
In-process inventory	lb	9,134	14,588	43,733	28,937	
Plant inventory	lb	7,559	20,944	15,391	15,504	
Conversion facility inventory	lb	375,803	308,762	233,712	159,296	
Total inventory	lb	392,496	344,294	292,836	203,737	
Total cost						
In-process inventory	$000	$ 160	$ 359	$ 518	$ 416	
Plant inventory	$000	$ 345	$ 665	$ 548	$ 538	
Conversion facility inventory	$000	$ 14,187	$ 11,143	$ 8,738	$ 6,044	
Total inventory	$000	$ 14,692	$ 12,167	$ 9,804	$ 6,998	
Cost per pound						
In-process inventory	$/lb	$ 17.52	$ 24.61	$ 11.84	$ 14.38	
Plant inventory	$/lb	$ 45.64	$ 31.75	$ 35.61	$ 34.70	
Conversion facility inventory	$/lb	$ 37.75	$ 36.09	$ 37.39	$ 37.94	

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 but excludes the lower of cost or NRV adjustments as the adjustments do not correspond with the timing of the sales of produced inventory.

There were no pounds sold in Q4. For the year, we sold 480,000 pounds, of which 470,000 were sold under term contracts at an average price per pound of $49.39 and 10,000 pounds were sold at a spot price of $23.75 per pound. Total uranium sales were $23.5 million at an average price per pound of $48.86. The 10,000 pounds sold at the spot rate were the only sales from produced inventory for the year.

For the year, our uranium cost of sales totaled $11.9 million and was comprised of $11.5 million of purchase costs and $0.4 million of production costs. In 2018, we purchased 470,000 pounds at an average price of $24.42 per pound, which were all sold into our term contracts. In 2018, we sold 10,000 pounds from production. The average cost per pound sold from production was $40.80, as compared to $41.08 in 2017.

The gross profit from uranium sales for 2018 was $11.6 million, which represents a gross profit margin of approximately 49%. This compares to a gross margin of $16.5 million or 43% in 2017.

At the end of the year, we had approximately 375,803 pounds of U_3O_8 at the conversion facility at an average cost per pound of $37.75. The following table shows the average cost per pound of the conversion facility inventory.

Ending Conversion Facility Inventory Cost Per Pound Summary	**Unit**	**31-Dec-18**	**30-Sep-18**	**30-Jun-18**	**31-Mar-18**
Ad valorem and severance tax cost per pound	$/lb	$ 1.52	$ 1.60	$ 1.73	$ 1.66
Cash cost per pound	$/lb	$ 23.85	$ 22.83	$ 23.66	$ 23.88
Non-cash cost per pound	$/lb	$ 12.38	$ 11.66	$ 12.00	$ 12.40
Total cost per pound	$/lb	$ 37.75	$ 36.09	$ 37.39	$ 37.94

Generally, the cost per pound in ending inventory at the conversion facility decreased during the year as compared to the ending cost per pound in 2017. The decrease was directly related to the higher production figures and lower production costs in 2018 in combination with the lower of cost or net realizable value adjustments recorded during the year.

Annual Results Comparison

The following table presents an annual comparison of a portion of the above information for the years ended December 31, 2018, 2017 and 2016:

Comparison of annual results	**Unit**	**2018**	**2017**	**2016**
Sales				
Sales per financial statements	$000	$ 23,496	$ 38,371	$ 27,297
Less disposal fees	$000	$ (43)	$ (80)	$ (20)
Less gain from sale of deliveries under contract	$000	$ -	$ -	$ (5,086)
U_3O_8 sales	$000	$ 23,453	$ 38,291	$ 22,191
Cost of sales				
Ad valorem & severance taxes	$000	$ 423	$ 747	$ 1,523
Wellfield costs	$000	$ 3,672	$ 5,777	$ 6,645
Plant and site costs	$000	$ 6,673	$ 7,054	$ 8,079
Distribution costs	$000	$ 136	$ 145	$ 365
Inventory change	$000	$ (10,496)	$ (3,000)	$ (763)
Cost of sales - produced	$000	$ 408	$ 10,723	$ 15,849
Cost of sales - purchased	$000	$ 11,476	$ 11,081	$ -
Total cost of sales	$000	$ 11,884	$ 21,804	$ 15,849
Gross profit from U3O8 sales	$000	$ 11,569	$ 16,487	$ 6,342
Production				
Pounds extracted	lb	302,164	265,391	538,004
Pounds drummed	lb	286,358	254,012	561,094
Pounds shipped	lb	287,873	257,213	579,179
Pounds sold - produced	lb	10,000	261,000	562,000
Pounds sold - purchased	lb	470,000	519,000	-
Per Pound Sold				
Average contract price	$/lb	$ 49.39	$ 49.09	$ 41.38
Average spot price	$/lb	$ 23.75	$ -	$ 30.75
Average price	$/lb	$ 48.86	$ 49.09	$ 39.49
Ad valorem and severance tax	$/lb	$ 1.66	$ 2.77	$ 2.86
Cash cost	$/lb	$ 25.37	$ 24.41	$ 17.15
Non-cash cost	$/lb	$ 13.77	$ 13.90	$ 8.19
Cost - Produced	$/lb	$ 40.80	$ 41.08	$ 28.20
Cost - Purchased	$/lb	$ 24.42	$ 21.35	$ -
Average cost	$/lb	$ 24.76	$ 27.95	$ 28.20
Gross profit [(1)]	$/lb	$ 24.10	$ 21.14	$ 11.29

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 as well as the exclusion of NRV adjustments made in the years 2017 and 2018.

In 2018, our production levels increased due to the addition of three HHs in MU2 but were declining again by year end as we reacted to a continuing weak market by not developing additional header houses. Based on existing spot prices, 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 the limited number of new HHs in MU2. The above analysis shows that we reduced our costs reflecting the reduced production levels and other cost saving measures, but not at the same rate we decreased sales from 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, 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, we are continuously surveying the market for opportunities to create future, long-term, contracts at favorable rates. However, long-term pricing remained weak in 2018 and we did not enter into any new contracts. As previously shown, the Company maintains a good book of contracts into 2021. The average contract price in 2018 was close to $50 per pound for the 470,000 pounds we sold under term contracts.

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**	**2018 Q4**	**2018 Q3**	**2018 Q2**	**2018 Q1**	**2018**
Sales per financial statements	$000	$ 14	$ 3	$ 3,807	$ 19,672	$ 23,496
Less disposal fees	$000	$ (14)	$ (3)	$ (17)	$ (9)	$ (43)
U_3O_8 sales	$000	$ -	$ -	$ 3,790	$ 19,663	$ 23,453
Pounds sold - produced	lb	-	-	-	10,000	10,000
Pounds sold - purchased	lb	-	-	100,000	370,000	470,000
Total pounds sold	lb	-	-	100,000	380,000	480,000
Average price per pound sold	$/lb	$ -	$ -	$ 37.90	$ 51.74	$ 48.86

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	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2018
Cost of sales per financial statements		$ 50	$ 170	$ 2,225	$ 9,758	$ 12,203
Less adjustments reflecting the lower of cost or NRV		$ (50)	$ (170)	$ -	$ (99)	$ (319)
U_3O_8 cost of sales		$ -	$ -	$ 2,225	$ 9,659	$ 11,884
Ad valorem & severance taxes	$000	$ 30	$ 81	$ 133	$ 179	$ 423
Wellfield costs	$000	$ 859	$ 823	$ 916	$ 1,074	$ 3,672
Plant and site costs	$000	$ 1,638	$ 1,594	$ 1,723	$ 1,718	$ 6,673
Distribution costs	$000	$ 47	$ 36	$ 34	$ 19	$ 136
Inventory change	$000	$ (2,574)	$ (2,534)	$ (2,806)	$ (2,582)	$ (10,496)
Cost of sales - produced	$000	$ —	$ —	$ —	$ 408	$ 408
Cost of sales - purchased	$000	$ —	$ —	$ 2,225	$ 9,251	$ 11,476
Total cost of sales	$000	$ —	$ —	$ 2,225	$ 9,659	$ 11,884
Pounds sold produced	lb	—	—	—	10,000	10,000
Pounds sold purchased	lb	—	—	100,000	370,000	470,000
Total pounds sold	lb	—	—	100,000	380,000	480,000
Average cost per pound sold - produced	$/lb	$ -	$ -	$ -	$ 40.80	$ 40.80
Average cost per pound sold - purchased	$/lb	$ -	$ -	$ 22.25	$ 25.00	$ 24.42
Total average cost per pound sold	$/lb	$ -	$ -	$ 22.25	$ 25.42	$ 24.76

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. It excludes the lower of cost or NRV adjustments as the adjustments do not correspond with the timing of the sales of produced inventory.

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, 2018 Compared to Year Ended December 31, 2017

The following table summarizes the results of operations for the years ended December 31, 2018 and 2017 (in thousands of U.S. dollars):

	Year ended December 31,	
	2018	**2017**
	$	**$**
Sales	23,496	38,368
Cost of sales	(12,203)	(24,401)
Gross profit	11,293	13,967
Exploration and evaluation expense	(2,431)	(2,623)
Development expense	(1,654)	(4,340)
General and administrative expense	(5,393)	(5,090)
Accretion expense	(508)	(527)
Net profit from operations	1,307	1,387
Net interest expense	(1,002)	(1,377)
Warrant mark to market gain	581	-
Loss from equity investment	(5)	(5)
Foreign exchange gain (loss)	43	(50)
Other income	3,610	121
Net income	4,534	76
Income per share – basic	0.03	-
Income per share – diluted	0.03	-
Revenue per pound sold	48.86	49.09
Total cost per pound sold	24.76	27.95
Gross profit per pound sold	24.10	21.14

Sales

We sold a total of 480,000 pounds of U_3O_8 during the year ended December 31, 2018 for an average price of $48.86 per pound as compared to 2017 when we sold 780,000 pounds for an average price of $49.09. The fluctuation in sales prices relates primarily to a lower-priced spot sale made in 2018.

For the year ended December 31, 2018, we recognized $43 thousand from disposal fees compared to $80 thousand during 2017.

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 2017, our cost per pound sold decreased $3.19 to $24.76 in 2018. The decrease for the year was driven by the purchase of 470,000 pounds at an average price of $24.42. The cost per pound of produced product was $40.80.

Gross Profit

The gross profit was $11.3 million for the year ended December 31, 2018, which represents a gross profit margin of approximately 48%. Gross profits of $14.0 million in 2017 represents a gross profit margin of approximately 36%. The primary reason for the increase in the gross profit margin was the purchase of most of the product sold during 2018.

Operating Expenses

Total operating expenses for the year ended December 31, 2018 were $10.0 million. Operating expenses include exploration and evaluation expense, development expense, G&A expense and mineral property write-offs. These expenses decreased by $2.6 million compared to 2017.

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 $0.2 million for the year ended December 31, 2018 compared to 2017. 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 $1.1 million of costs incurred at the Lost Creek Project not directly attributable to production activities, including wellfield construction, drilling and development costs. The decrease of $2.6 million from 2017 was related to the construction of the first three header houses in MU2, including the structures, wells and related infrastructure, which was primarily done in 2017. 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.

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 $0.3 million for the year ended December 31, 2018 compared to 2017. The increase was due to increased external consulting and legal expenses of $0.4 million, associated with the trade action filed in 2018 and the related costs to advance the action.

Other Income and Expenses

Net interest expense declined $0.4 million during 2018 compared to the prior year. The decline was due to principal payments on outstanding debt.

In June 2018, we monetized the present value from portions of agreements with one of our utility customers related to 165,000 pounds of U_3O_8 to be delivered in 2021. We received proceeds of $3.5 million when the transaction was executed.

As a part of the September 2018 public offering, we sold 13,062,878 warrants priced at $0.01 per warrant. Two warrants are redeemable for one Common Share of the Company's stock at a price of $1.00 per full share. As the warrants are priced in US$ and the functional currency of the Ur-Energy Inc. is C$, this created a derivative financial liability. The liability created and adjusted quarterly is a calculated fair value using the Black-Scholes technique described below as there is no active market for the warrants. Any income or loss is reflected in net income for the period. The revaluation as of December 31, 2018 resulted in a gain of $581 for the period ended December 31, 2018 which is reflected on the statement of operations.

Income per Common Share

The basic earnings per common share for the year 2018 was $0.03. Basic earnings per common share were $Nil for 2017. For the year ended December 30, 2018, there were a net of 578,118 options and 985,496 restricted share units (RSUs) included in the diluted earnings per share calculations using the treasury method. The result was diluted earnings per share of $0.03 for the year 2018. For the year ended December 30, 2017, there were a net of 539,620 options and 1,175,952 RSUs included in the diluted earnings per share calculations using the treasury method. The result was diluted earnings per share of $Nil for the year 2017.

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**
	$	**$**
Revenue	38,368	27,305
Cost of revenues	(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 income from operations	1,387	271
Interest income (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 gain (loss)	(50)	(278)
Other income (loss)	121	15
Income (loss) before income taxes	76	(3,027)
Income tax expense	-	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	27.95	28.20
Gross profit per pound sold	21.14	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 decreased $0.25 to $27.95 in 2017. The decrease for the year was due to the purchase of 519,000 pounds at an average price of $21.35. The cost per pound sold of produced product was $41.08.

Gross Profit

The gross profit from 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 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.

Material Changes in Financial Condition, Liquidity and Capital Resources

As at December 31, 2018, we had cash resources, consisting of cash and cash equivalents, of $6.4 million, an increase of $2.5 million from the December 31, 2017 balance of $3.9 million. The cash resources consist of Canadian and U.S. dollar denominated deposit accounts and money market funds. We used $5.4 million for operations during the year ended December 31, 2018. During the same period, we generated $3.4 million from investing activities and $4.4 million from 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 the assets at the Lost Creek Project. As of December 31, 2018, the balance of the State Bond Loan was $15.0 million.

During 2017, we filed a universal shelf registration statement on Form S-3 with the SEC 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 August 3, 2017 for a three-year period.

We entered into an At Market Issuance Sales Agreement ("At Market Agreement") with MLV & Co. LLC and B Riley FBR, Inc. (May 27, 2016, as amended August 2017), 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 At Market 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. There were no shares sold under this agreement in 2018.

In September, we completed a US$10 million public offering of Common Shares. The offering of 12,195,122 Common Shares and accompanying warrants to purchase up to 6,097,561 Common Shares, at a combined public offering price of $0.82 per common share and accompanying warrant, closed on September 25, 2018. We also granted the underwriters a 30-day option to purchase up to 1,829,268 additional common shares and warrants to purchase up to an aggregate of 914,634 Common Shares on the same terms. The underwriters exercised a portion of their option to purchase additional securities at closing, acquiring 867,756 additional warrants to purchase an aggregate of 433,878 Common Shares. Including the partial exercise of the option, The Company issued a total of 12,195,122 Common Shares and 13,062,878 warrants to purchase up to 6,531,439 Common Shares. Because the warrants are priced in US$ and the functional currency of Ur-Energy Inc. is C$, this created a derivative financial liability. The liability created, and adjusted quarterly, is a calculated fair value using the Black-Scholes technique described below as there is no active market for the warrants. Any income or loss from the quarterly adjustment is reflected in net income for the period. We anticipate that the public offering proceeds will be used to maintain and enhance operational readiness; additionally, proceeds may be used for working capital and general corporate purposes.

Collections for the year from U_3O_8 sales totaled $23.5 million.

Operating activities used $5.4 million of cash resources during the year ended December 31, 2018 as compared to generating $5.5 million in 2017. The net income for the 2018 was $4.4 million more than the corresponding income in 2017 but included a $3.5 million gain from the monetization of 2021 term contracts, which was not considered an operating activity. In addition, $9.8 million was used to increase inventory balances, primarily at the conversion facility.

Investing activities included receiving $3.5 million from the monetization of 2021 term contracts. The Lost Creek Project does not require significant capital expenditures and its sustaining capital expenditures have generally been less than $0.3 million per year.

During 2018, the Company raised net proceeds of $9.1 million from the sale of common shares and warrants. We used $4.9 million for principal payments on the State Bond Loan.

Liquidity Outlook

As at February 27, 2019, our unrestricted cash position was $6.4 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 2019

Although the average spot price per pound of U_3O_8, as reported by UxC, LLC and TradeTech, LLC, increased approximately 17% from $23.75 in December 2017 to about $27.75 per pound in December 2018, market fundamentals have not changed sufficiently to warrant further development of MU2.

In response to this persistently weak uranium market, we took aggressive measures in 2017 and 2018, and will again do so in 2019. In 2017, we deliberately slowed development activities at MU2, reduced costs, focused on enhancing production efficiencies from our operating MU1 HHs and complemented our production with cost effective purchases of uranium. In 2018, we implemented further cost reductions, purchased 100% of the uranium necessary to meet our 2018 contractual commitments, and increased our ending inventory position from 130 thousand pounds to 392 thousand pounds. For 2019, we have suspended further MU2 development activities, implemented further cost reductions, and secured purchase contracts for 100% of our 2019 delivery obligations.

We expect to sell 500,000 pounds under term contracts at an average price of approximately $49 per pound in 2019. We have corresponding purchase contracts in place for all 500,000 pounds at an average cost of approximately $26 per pound. We expect our gross profit in 2019 to be approximately $11.5 million from the sale of purchased product, which represents a cash-basis gross profit margin of between 45% and 50%. We are not currently forecasting any spot sales in 2019 at this time; we may, however, choose to sell additional produced product depending on market conditions.

We currently have over 375,000 pounds of finished, ready-to-sell, product inventory in storage at the conversion facility. The value of the product at today's $27.85 average spot price is approximately $10.4 million. Production from our operating MU1 and MU2 HHs, expected to be between 75,000 and 100,000 pounds, will be used to further build our inventory position of finished, ready-to-sell, product at the conversion facility. We intend to hold this inventory to satisfy our remaining contractual sales obligations of 415,000 pounds at an average sales price of $47 per pound, the majority of which are scheduled to be sold in 2020. The inventoried pounds, or the in-the-money contracts themselves, can readily be converted to cash on an as-needed basis.

Operating costs in 2019 are expected to be lower than 2018 because of the suspended MU2 development activities. Other costs including capital expenditures and loan repayments will be similar to 2018.

As at February 27, 2019, our unrestricted cash position was $6.4 million. Given our current cash resources, inventory position, 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.

The actions we have taken, together with our current cash, inventory, and sales contract positions, 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. Lost Creek operations could increase production rates in as little as six months following a go decision simply by developing additional header houses within the fully-permitted MU2. Development expenses during this time are estimated to be approximately $14 million and are almost entirely related to MU2 drilling and header house construction costs. Lost Creek does not require any significant capital expenditures in order to increase production. The Lost Creek plant has been very well maintained and is fully ready to receive additional flows for increased production when warranted.

As discussed above, the Company has contractual sales commitments of 500,000 pounds during 2019, at an average price of approximately $49 per pound. We have established the delivery 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, build inventory, and purchase uranium at favorable cost-effective 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 operational flexibility to respond to market conditions.

Table of Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2018:

	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	$ 14,996	$ 5,183	$ 9,813		$ -
Interest on notes payable	$ 1,324	$ 752	$ 572		$ -
Operating leases	$ 95	$ 95		$ -	$ -
Environmental remediation	$ 77	$ 77	$ -	$ -	$ -
Asset retirement obligations	$ 30,384	$ -	$ 3,558	$ 3,558	$ 23,268
	$ 46,876	$ 6,107	$ 13,943	$ 3,558	$ 23,268

Outstanding Share Data

As of December 31, 2018 and 2017, the Company's capital consisted of the following:

	December 31, 2018	December 31, 2017	Change
Common shares	159,729,403	146,531,933	13,197,470
Warrants [1]	6,531,439	5,844,567	686,872
RSUs	985,496	1,175,952	(190,456)
Stock options	9,731,612	9,459,401	272,211
Fully diluted shares outstanding	176,977,950	163,011,853	13,966,097

Note:

1. The number of warrants reflects the actual number of shares if all 13,062,878 warrants are exercised.

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, 2018	December 31, 2017
	$ (thousands)	$ (thousands)
Cash on deposit at banks	1,936	1,667
Money market funds	4,436	2,212
	6,372	3,879

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

	2018 Quarter ended			
	Dec. 31	Sep. 30	Jun. 30	Mar. 31
Revenue	$ 14	$ 3	$ 3,807	$ 19,672
Net income (loss) for the period	$ (1,666)	$ (2,809)	$ 2,591	$ 6,418
Income (loss) per share – basic and diluted	$ (0.01)	$ (0.02)	$ 0.02	$ 0.04

	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

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 $13.8 million at December 31, 2018. 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 $0.7 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 $13.1 million at risk at December 31, 2018 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, 2018.

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, 2018, the Company's financial liabilities consisted of trade accounts payable and accrued trade and payroll liabilities of $1.0 million which are due within normal trade terms of generally 30 to 60 days, a notes payable which will be payable over 0 to 3 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.

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 $0.2 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 $27.85 per pound as of February 27, 2019.

Transactions with Related Parties

During the fiscal year ended December 31, 2018, 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 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 a material 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 May 2014, the FASB issued Accounting Standards Update ("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 non-financial assets unless those contracts are within the scope of other standards (*e.g.,* insurance contracts or lease contracts). This ASU superseded 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 Company adopted Topic 606 effective January 1, 2018. The Company purchases and produces U_3O_8 and recognizes revenue at the point of transfer of control; revenue will continue to be recognized at that point under the new standard. The adoption of the new standard had no impact on either our current or prior revenue recognition processes or reporting. Electing the modified retrospective basis for implementing the standard results in no changes to prior financial reports.

Our revenues are primarily derived from the sale of U_3O_8 under either long-term (delivery in typically two to five years) or spot (immediate delivery) contracts with our customers. The contracts specify the quantity to be delivered, the price or specific calculation method of the price, payment terms and the year(s) of the delivery. There may be some variability in the dates of the delivery or the quantity to be delivered depending on the contract, but those issues are addressed before the delivery date. When a delivery is approved, the Company notifies the conversion facility with instructions 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.

We also receive a small amount of revenue from disposal fees. We have contracts with our customers which specify the type and volume of material which can be disposed. Monthly, we invoice those customers based on deliveries of material to the disposal site by the customer. Materials are measured and categorized at the time of delivery and verified by the customer. We recognize the revenue at the end of the month in which the material was received.

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, 2018, the current and long-term prices of uranium were $27.75 and $32.00, respectively. This compares to prices of $23.75 and $31.00 as of December 31, 2017. 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.

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 or 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.

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

None.