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Department of Commerce 232 Investigation: Effect of Imports of Uranium on the National Security

Presented by John Cash
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This presentation contains “forward-looking statements,” within the meaning of applicable securities laws, regarding events or conditions that may occur in the future. Such statements include without limitation whether the expected increases in foreign state-subsidized imports of uranium occurs in coming years; the expected further negative impacts of such imports on U.S. uranium production and national security; whether the Section 232 filing with the Department of Commerce will proceed to a favorable recommendation and action taken by the President. These statements are based on current expectations that, while considered reasonable by management at this time, inherently involve a number of significant business, economic and competitive risks, uncertainties and contingencies. Numerous factors could cause actual events to differ materially from those in the forward-looking statements. Factors that could cause such differences, without limiting the generality of the following, include: risks inherent in exploration activities; volatility and sensitivity to market prices for uranium; volatility and sensitivity to capital market fluctuations; the impact of exploration competition; the ability to raise funds through private or public equity financings; imprecision in resource and reserve estimates; environmental and safety risks including increased regulatory burdens; unexpected geological or hydrological conditions; a possible deterioration in political support for nuclear energy; changes in government regulations and policies, including trade laws and policies; demand for nuclear power; weather and other natural phenomena; delays in obtaining or failures to obtain required governmental, environmental or other project approvals; and other exploration, development, operating, financial market and regulatory risks. Although Ur-Energy Inc. believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this presentation. Ur-Energy Inc. disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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The attention of investors is drawn to the Risk Factors set out in the Company's Annual Report on Form 10-K, filed March 1, 2019, which is filed with the U.S. Securities and Exchange Commission on EDGAR (http://www.sec.gov/edgar.shtml) and the regulatory authorities in Canada on SEDAR (www.sedar.com).
Itinerary

- Progression of trade law
- What is Section 232
- The need for a uranium Section 232 investigation
- Section 232 schedule
GATT (General Agreement on Tariffs and Trade)

Article 21, in reference to signatory nations, states in part:

“Nothing in this agreement shall … prevent … any action which it considers necessary for the protection of its essential security interests….relating to fissionable materials or the materials from which they are derived.”
Other Trade Agreements

NAFTA

- Article 607 says imports can be restricted in order to respond to threats of disruption of the supply of nuclear material for defense purposes.
- Article 2102 exempts trade necessary for protection of essential security interests.
Other Trade Agreements, Cont’d

Pending USMCA (U.S. Mexico, Canada Agreement)

A side letter in November 2018 states in part,

“The U.S. shall not adopt or maintain a measure imposing tariffs or import restrictions on goods or services of Canada under Section 232 … for at least 60 days after imposition of a measure….During that 60-day period, the U.S. and Canada shall seek to negotiate an appropriate outcome … Canada may take a measure of equivalent commercial effect in response.”
Other Trade Agreements, Cont’d

U.S. – Australia Free Trade Agreement

Article 22.2 States in part,

“Nothing is this agreement shall be construed to preclude a Party from applying measures that it considers necessary for the fulfilment of its obligations with respect to… the protection of its own essential security interests.”
Trade Expansion Act of 1962

Section 232 gives the executive branch the ability to conduct investigations to “determine the effects on the national security of imports” and adjust imports to address national security concerns.
“to stimulate the economic growth of the U.S. and maintain and enlarge foreign markets for the products of U.S. agriculture, industry, mining, and commerce;

to strengthen economic relations with foreign countries through the development of open and nondiscriminatory trading in the free world; and

to prevent Communist economic penetration.”
Process of Sec. 232 Statute (19 U.S.C.§ 1862)

- An investigation can be initiated at the request of an agency, interested party or the Secretary of Commerce.
- DOC shall consult with DOD and may seek public input.
- DOC has 270 days to complete investigation.
- President has 90 days to determine what actions, if any, will be taken to adjust imports.
- Corrective actions must be taken within 15 days.
- President has 180 days to complete trade negotiations or take unilateral or other action.
What Does Commerce Consider?

- domestic production needed for projected national defense requirements;
- domestic industry’s capacity to meet those requirements;
- related human and material resources;
- the importation of goods in terms of their quantities and use;
- the close relation of national economic welfare to U.S. national security;
- loss of skills or investment, substantial unemployment and decrease in government revenue; and
- the impact of foreign competition on specific domestic industries and the impact of displacement of any domestic products by excessive imports.
FAQ

- At least 23 investigations completed. At least 16 resulted in a recommendation of **no action** to adjust trade.
- Investigations into Libyan oil, steel and aluminum resulted in recommendations to adjust trade.
- Investigation on uranium imports in 1989.
- Other investigations were into imports of iron ore, oil (x4), Cr and Mn ferroalloys (x4), semiconductors, bearings (x3), etc.
- Ongoing investigations into titanium sponge and uranium.
- The statute does not define “national security.”
1989 Section 232 Uranium Investigation

- The AEA required DOE determine the viability of the mining industry from 1983 thru 1992 based on four tests.

- In 1988, the DOE Secretary was required to seek an investigation because import levels >37.5% of domestic requirements and the industry wasn’t financially solvent.

- U.S. production was 13.1 million pounds $\text{U}_3\text{O}_8$ in 1988.

- In 1987 23 firms were exploring, 11 firms were mining and there were 6 operable mills.

- Commerce determined uranium is essential to national security but no actions were taken to adjust trade – Final report not public.
The U.S. Uranium Market

- U.S. demand is dependent on imports
  - Annual import levels commonly >50 million lbs. prior to filing of 232
  - 2018 U.S. mined production $721k\ lbs\ U_3\O_8$

- Not a level playing field. Result: Section 232 filing.

Figure 1. Uranium concentrate production in the United States, 1996–1st quarter of 2019

Cheap Russian, Kazakh, and Uzbek imports only possible because of state-subsidies, devalued currency and lax environmental constraints

2019Q1 58,481 lbs

Source: Industry guidance; U.S. EIA Information 2019
The U.S. is at Risk of Losing the Front End of the Nuclear Fuel Cycle

- Ur-Energy and Energy Fuels are the two primary domestic producers still operating.
- Only domestic uranium conversion facility shut down in 2017.
- The U.S. lacks any domestic uranium enrichment capability.
- We import ~40% of our uranium from Russia and Russian satellites, and more all the time. China is now targeting U.S.
- Production of allied countries being significantly curtailed

We are perilously dependent on Russia and its allies for U.S. nuclear fuel supply – and the situation is only worsening with China also targeting the U.S. It can be corrected by appropriate remedies in trade action.

See Disclaimer re Forward-looking Statements and Projections (slide 2)
National Security Arguments

- Fuel security for 20% of our electricity is being threatened as we become increasingly dependent on SOEs in antagonistic countries.

- A viable industrial base necessary to supply defense needs must be maintained.

- As the U.S. cedes its leadership role in the global nuclear arena, the vacuum is being filled by Russia and China. This plays into their geopolitical goals and also weakens non-proliferation efforts.
Proposed Remedies

- A Buy American policy requiring all federal agencies and federally-chartered utilities to source 100% of their uranium needs from U.S. mines.

- A quota that, in effect, reserves a relatively small 25% of the domestic commercial market for U.S. miners.
Section 232 Schedule

- Petition filed January 16, 2018
- Commerce initiated the investigation on July 18, 2018
- Public comment period ended September 10, 2018
- Commerce must complete its investigation within 270 days and make recommendations to the President (April 14, 2019)
- The President has up to 90 days to act on Commerce’s recommendations or substitute his own judgment
- The process will be complete no later than July 13, 2019
- Remedies would likely take effect within 15 days, per statute

For more information, please contact:

John Cash, Vice President Regulatory Affairs

By Mail:
Ur-Energy Inc.
5880 Enterprise Drive, Suite 200
Casper, WY 82609 USA

By Phone:
Office  307-265-2373, ext. 303
Toll-Free  866.981.4588

By E-mail:
John.cash@ur-energy.com