

Ur-Energy Inc.
(an Exploration Stage Company)
Headquartered in Littleton, Colorado

Unaudited Interim Consolidated Financial Statements

June 30, 2013

(expressed in Canadian dollars)

Ur-Energy Inc.
(an Exploration Stage Company)
Unaudited Interim Consolidated Balance Sheets

(expressed in Canadian dollars)

	June 30, 2013 \$	December 31, 2012 \$
Assets		
Current assets		
Cash and cash equivalents (note 4)	12,424,213	11,500,275
Short-term investments (note 4)	10,789	6,440,379
Amounts receivable	43,181	16,489
Current deferred financing costs	1,534,991	-
Prepaid expenses	442,507	196,442
	14,455,681	18,153,585
Restricted cash (note 5)	5,321,388	2,047,816
Mineral properties (note 6)	30,209,027	33,397,645
Capital assets (note 7)	48,037,903	16,193,033
Equity investment (note 8)	1,185,347	2,623,553
Deposits (note 9)	1,394,695	1,326,208
Deferred financing costs (note 11)	2,241,114	-
	88,389,474	55,588,255
	102,845,155	73,741,840
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	9,672,066	2,480,741
Current portion of notes payable (note 11)	5,385,361	113,454
	15,057,427	2,594,195
Notes payable (note 11)	15,949,435	210,503
Deferred revenue (note 12)	5,412,995	-
Asset retirement and reclamation obligations (note 13)	2,846,231	1,029,797
	39,266,088	3,834,495
Commitments (note 16)		
Shareholders' equity (note 14)		
Share Capital		
Class A preferred shares, without par value, unlimited shares authorized. No shares issued and outstanding		
	-	-
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 122,368,806 at June 30, 2013 and 121,134,276 at December 31, 2012		
	178,345,610	177,138,617
Warrants	2,181,916	61,946
Contributed surplus	15,319,895	15,095,940
Accumulated other comprehensive loss	(2,868,081)	-
Deficit	(129,400,273)	(122,389,158)
	63,579,067	69,907,345
	102,845,155	73,741,840
Going concern (note 2)		

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

Approved by the Board of Directors

(signed) /s/ Jeffrey T. Klenda, Director

(signed) /s/ Thomas Parker, Director

Ur-Energy Inc.

(an Exploration Stage Company)

Unaudited Interim Consolidated Statements of Operations and Comprehensive Loss

(expressed in Canadian dollars except for share data)

	Three Months Ended June 30, 2013 \$	Three Months Ended June 30, 2012 \$	Six Months Ended June 30, 2013 \$	Six Months Ended June 30, 2012 \$	March 22, 2004 Through June 30, 2013 \$
Expenses					
Exploration and evaluation	606,869	838,468	1,205,806	1,651,846	59,002,351
Development	673,029	672,452	1,631,576	1,039,108	30,891,601
General and administrative	1,390,950	1,487,515	2,926,219	3,324,324	48,768,864
Write-off of investments	1,000,348	-	1,000,348	-	1,000,348
Write-off of mineral properties	269,804	-	269,804	-	1,073,140
	(3,941,000)	(2,998,435)	(7,033,753)	(6,015,278)	(140,736,304)
Interest income	19,309	91,637	38,017	155,160	9,924,265
Loss on equity investment (note 8)	(1,836)	(2,327)	(2,076)	(34,151)	(424,390)
Foreign exchange gain (loss)	(2,349)	380,428	(2,309)	(4,830)	302,202
Other income (loss)	(5,751)	(11,625)	(10,994)	964,320	1,829,494
Loss before income taxes	(3,931,627)	(2,540,322)	(7,011,115)	(4,934,779)	(129,104,733)
Recovery of future income taxes	-	-	-	-	(295,540)
Net loss and comprehensive loss for the period	(3,931,627)	(2,540,322)	(7,011,115)	(4,934,779)	(129,400,273)
Loss per common share:					
Basic and diluted	(0.03)	(0.02)	(0.06)	(0.04)	
Weighted average number of common shares outstanding:					
Basic and diluted	122,083,092	121,073,896	121,685,294	115,911,195	
COMPREHENSIVE LOSS					
Net loss	(3,931,627)	(2,540,322)	(7,011,115)	(4,934,779)	(129,400,273)
Translation adjustment as of date of adoption of US\$ as functional currency	-	-	-	-	(5,961,291)
Translation adjustment for foreign operations	2,026,209	-	3,093,210	-	3,093,210
Comprehensive loss for the period	(1,905,418)	(2,540,322)	(3,917,905)	(4,934,779)	(132,268,354)

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Ur-Energy Inc.
(an Exploration Stage Company)
Unaudited Interim Consolidated Statements of Shareholders' Equity

(expressed in Canadian dollars except for share data)

	Capital Stock		Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Shareholders' Equity
	Shares #	Amount \$					
Balance, December 31, 2012	121,134,276	177,138,617	61,946	15,095,940	-	(122,389,158)	69,907,345
Adjustment to beginning balances due to change in functional currency	-	-	-	-	(5,961,291)	-	(5,961,291)
Redemption of vested RSUs	234,530	426,993	-	(465,659)	-	-	(38,666)
Issuance of warrants	-	-	2,119,970	-	-	-	2,119,970
Common shares issued for royalty interest	1,000,000	780,000.00	-	-	-	-	780,000
Non-cash stock compensation	-	-	-	689,614	-	-	689,614
Net loss and comprehensive loss	-	-	-	-	3,093,210	(7,011,115)	(3,917,905)
Balance, June 30, 2013	122,368,806	178,345,610	2,181,916	15,319,895	(2,868,081)	(129,400,273)	63,579,067

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

Ur-Energy Inc.
(an Exploration Stage Company)
Unaudited Interim Consolidated Statements of Cash Flow

(expressed in Canadian dollars)

	Three Months Ended June 30, 2013 \$	Three Months Ended June 30, 2012 \$	Six Months Ended June 30, 2013 \$	Six Months Ended June 30, 2012 \$	March 22, 2004 Through June 30, 2013 \$
Cash provided by (used in)					
Operating activities					
Net loss for the period	(3,931,627)	(2,540,322)	(7,011,115)	(4,934,779)	(129,400,273)
Items not affecting cash:					
Stock based compensation	323,000	673,654	689,614	1,385,351	21,983,212
Depreciation of capital assets	(24,304)	106,146	54,739	214,068	2,723,323
Provision for reclamation	-	-	-	-	1,447,049
Write-off of investments	1,000,348	-	1,000,348	-	1,000,348
Write-off of mineral properties	269,804	-	269,804	-	1,073,140
Loss on equity investment	1,836	-	2,076	31,831	371,484
Foreign exchange loss (gain)	40	(380,547)	-	4,573	(312,241)
Loss (gain) on disposition of assets	11	-	1,420	(970,320)	(2,035,732)
Non-cash exploration costs	-	-	-	-	2,726,280
Other loss (income)	2,625	11,625	3,000	6,000	29,873
RSUs redeemed for cash	(301)	-	(39,207)	(18,868)	(58,075)
Proceeds from assignment of sales contract	-	-	5,183,640	-	5,183,640
Change in non-cash working capital items:					
Amounts receivable	(14,063)	14,075	(25,397)	5,196	(30,974)
Prepaid expenses	170,549	(252,619)	(67,820)	(223,354)	(272,779)
Accounts payable and accrued liabilities	(77,068)	(32,975)	(301,378)	(302,405)	527,532
	<u>(2,279,150)</u>	<u>(2,400,963)</u>	<u>(240,276)</u>	<u>(4,802,707)</u>	<u>(95,044,193)</u>
Investing activities					
Mineral property costs	-	(8,960)	-	(253,810)	(14,205,897)
Purchase of short-term investments	25,688	(6,784,967)	-	(8,322,706)	(200,971,371)
Sale of short-term investments	3,283,811	3,836,118	6,430,161	6,422,379	202,411,591
Decrease (increase) in restricted cash	(23,410)	1,730,209	(3,048,706)	2,244,413	(5,368,521)
Deposit for Pathfinder acquisition	-	-	-	-	(1,333,021)
Funding of equity investment	(2,183)	-	(2,532)	(1,734)	(59,034)
Payments to/from venture partner	-	-	-	-	146,806
Proceeds from sale of property and equipment	-	-	-	-	1,127,318
Purchase of capital assets	(11,881,120)	(416,064)	(21,472,389)	(864,589)	(38,890,916)
	<u>(8,597,214)</u>	<u>(1,643,664)</u>	<u>(18,093,466)</u>	<u>(776,047)</u>	<u>(57,143,045)</u>
Financing activities					
Issuance of common shares and warrants for cash	-	-	-	17,250,000	144,306,538
Share issue costs	-	(54,282)	-	(980,458)	(3,854,332)
Proceeds from exercise of warrants and stock options	-	10,950	-	26,460	25,521,400
Proceeds from debt financing	26,051,700	-	26,051,700	-	26,051,700
Cost of debt financing	(1,540,994)	-	(1,540,994)	-	(1,540,994)
Repayment of debt	(5,279,966)	-	(5,308,190)	-	(22,900,782)
	<u>19,230,740</u>	<u>(43,332)</u>	<u>19,202,516</u>	<u>16,296,002</u>	<u>167,583,530</u>
Effects of foreign exchange rate changes on cash	56,014	265,042	55,164	(23,606)	(2,972,079)
Net change in cash and cash equivalents	8,410,390	(3,822,917)	923,938	10,693,642	12,424,213
Beginning cash and cash equivalents	4,013,823	30,686,038	11,500,275	16,169,479	-
Ending cash and cash equivalents	<u>12,424,213</u>	<u>26,863,121</u>	<u>12,424,213</u>	<u>26,863,121</u>	<u>12,424,213</u>
Capitalized construction period interest	322,794	-	322,794	-	322,794
Non-cash financing and investing activities:					
Common shares issued for properties	1,000,000	-	1,000,000	-	3,230,250
Mineral property acquired in asset exchange	-	-	-	970,320	970,320

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

(expressed in Canadian dollars)

1. Nature of operations

Ur-Energy Inc. (the "Company") was incorporated on March 22, 2004 under the laws of the Province of Ontario. The Company continued under the Canada Business Corporations Act on August 8, 2006. The Company is an exploration stage junior mining company headquartered in Littleton, Colorado engaged in the identification, acquisition, exploration, evaluation and development of uranium mineral properties located primarily in Wyoming in the United States with additional exploration interests in Canada. Due to the nature of the uranium mining methods to be used by the Company on the Lost Creek property, and the definition of "mineral reserves" under National Instrument 43-101 ("NI 43-101"), which uses the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards, the Company has not determined whether the properties contain mineral reserves. However, the Company's April 30, 2012 NI 43-101 Technical Report on Lost Creek, "*Preliminary Economic Assessment of the Lost Creek Property, Sweetwater County, Wyoming*," outlines the potential economic viability of the Lost Creek Property. The recoverability of amounts recorded for mineral properties is dependent upon the discovery of economic resources, the ability of the Company to obtain the necessary financing to develop the properties and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

2. Going Concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business, which assumes the Company will be able to meet the mandatory Loan Facility payments beginning March 31, 2014 (note 11). As at June 30, 2013, the Company has a working capital deficiency of \$0.6 million. The working capital deficiency results primarily from the Company's principal payments of US\$5.0 million due under the Senior Secured Loan Facility (the "Loan Facility") (note 11) that are classified as a current liability as their contractual repayment terms are due in less than one year.

As a part of the Company's plan to finance its construction, operations and acquisitions the Company is most actively pursuing funding, estimated at up to US\$34 million, through the State of Wyoming's Industrial Development Bond financing program. The Company is currently working with the State and Sweetwater County to advance documents for the closing of the loan facility. In addition, the Company is in negotiations with RMB Australia Holdings Limited ("RMBAH") to expand the recently obtained US\$20 million Loan Facility and continues to explore other financing opportunities. There can be no assurance that the Company will be able to finalize and close any of these financial arrangements at the terms currently specified, or at all. The uncertainty of being able to close these financial arrangements casts substantial doubt as to the Company's ability to continue as a going concern. If the Company is unable to finalize and close any of these financial arrangements, it would be required to obtain additional sources of financing (debt or equity) on a timely basis, and it may become necessary to defer certain expenditures to preserve working capital. A delay in funding may also impact the Company's ability to complete the Pathfinder acquisition (note 9).

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

3. Summary of Significant Accounting Policies

Basis of presentation

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

These unaudited interim consolidated financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements. The unaudited interim financial statements reflect all normal adjustments which in the opinion of management are necessary for a fair statement of the results for the periods presented. These unaudited interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2012.

Ur-Energy Inc.
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Notes to Unaudited Interim Consolidated Financial Statements
June 30, 2013

(expressed in Canadian dollars)

Functional Currency

The Company changed its functional currency prospectively, beginning January 1, 2013, from the Canadian dollar to the U.S. dollar with respect to its operations in the United States. The change in functional currency had a significant impact on the Company's consolidated financial statements as most of the non-current assets of the Company are situated in the United States and were previously accounted for using the Canadian dollar as the functional currency. As a result, these items had been carried in the consolidated financial statements based on the average exchange rate in place at the time the assets were purchased. As a result of this change, these assets will now be included in the financial statements using the spot rate at the end of the period.

Translation adjustments will result from the process of translating the financial statements into Canadian dollars for reporting. These adjustments will not be included in determining net income, but will be reported separately and accumulated in other comprehensive income. As of January 1, 2013, the Company recorded a cumulative transaction adjustment ("CTA") of approximately C\$6.0 million, which is shown in the consolidated statement of shareholders' equity.

The functional currency for Canadian operations as well as the reporting currency will remain the Canadian dollar.

4. Cash and cash equivalents and short-term investments

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

	As of June 30, 2013	As of December 31, 2012
	\$	\$
Cash on deposit at banks	1,315,483	261,209
Money market funds	11,108,730	11,239,066
	<u>12,424,213</u>	<u>11,500,275</u>

The Company's short-term investments consist of the following:

	As of June 30, 2013	As of December 31, 2012
	\$	\$
Guaranteed investment certificates	-	6,430,161
Certificates of deposit	10,789	10,218
	<u>10,789</u>	<u>6,440,379</u>

Cash and cash equivalents and short-term investments bear interest at annual rates ranging from 0.18% to 0.75% and mature at various dates up to February 5, 2014. The instruments with initial maturity over ninety days have been classified as short-term investments.

5. Restricted cash

The Company's restricted cash consists of the following:

	As of June 30, 2013	As of December 31, 2012
	\$	\$
Money market account (a)	5,203,765	1,936,454
Certificates of deposit (a,b)	117,623	111,362
	<u>5,321,388</u>	<u>2,047,816</u>

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(expressed in Canadian dollars)

- (a) The bonding requirements for reclamation obligations on various properties have been agreed to by the Wyoming Department of Environmental Quality and United States Department of the Interior. The restricted certificates of deposits and money market accounts are pledged as collateral against performance surety bonds, letters of credit and/or promissory notes underlying letters of credit which are used to secure potential costs of reclamation related to those properties. Surety bonds providing US\$9,887,450 of coverage towards specific reclamation obligations are collateralized by US\$4,943,725 of the restricted cash at June 30, 2013.
- (b) A certificate of deposit (\$105,260) provides security for the Company's credit cards.

6. Mineral properties

The Company's mineral properties consist of the following:

	USA		Canada	Total
	Lost Creek Property \$	Other US Properties \$	Canadian Properties \$	\$
Balance, December 31, 2012	15,456,790	17,417,188	523,667	33,397,645
Property acquired for common stock	802,804	-	-	802,804
Mineral property written off	-	(269,804)	-	(269,804)
Exchange rate adjustment (see note 3)	(1,708,586)	(2,013,032)	-	(3,721,618)
Balance, June 30, 2013	14,551,008	15,134,352	523,667	30,209,027

As a result of the change in functional currency, a CTA as of the date of conversion reduced the reported cost of the U.S. mineral properties by C\$5,259,161. The above adjustment reflects both the initial adjustment and the adjustment as of period end.

United States

Lost Creek Property

The Company acquired certain Wyoming properties when Ur-Energy USA Inc. entered into the Membership Interest Purchase Agreement ("MIPA") with New Frontiers Uranium, LLC in 2005. Under the terms of the MIPA, the Company purchased 100% of NFU Wyoming, LLC. Assets acquired in this transaction include the Lost Creek Project, other Wyoming properties and development databases. NFU Wyoming was acquired for aggregate consideration of US\$20,000,000 plus interest. Since 2005, the Company has increased its holdings adjacent to the initial Lost Creek acquisition through staking additional claims and additional property purchases and leases.

In April 2013, the Company executed a royalty purchase agreement with the royalty holder who owned the only private royalty reserved on the Lost Creek Project. The 1.67% royalty had existed with respect to future production of uranium on 20 mining claims at the Lost Creek Project. The Company issued one million common shares of the Company with a fair value of US\$762,867 in full consideration of the conveyance and termination of the royalty interest. There is a royalty on the State of Wyoming section under lease at the project, as required by law; however, no production from the state lease is currently proposed. Other royalties exist on certain mining claims on the LC South and EN Projects, and the State of Wyoming leases at the LC West and EN Projects. There are no royalties on the mining claims in the LC North, LC East or LC West Projects.

In June, the Company decided to abandon the South Granite Mountain project by not paying the claim fees due later in 2013. The cost of that project of \$269,804 was therefore written off.

Ur-Energy Inc.
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Notes to Unaudited Interim Consolidated Financial Statements
June 30, 2013

(expressed in Canadian dollars)

7. Capital assets

The Company's capital assets consist of the following:

	As of June 30, 2013			As of December 31, 2012		
	Cost \$	Accumulated Depreciation \$	Net Book Value \$	Cost \$	Accumulated Depreciation \$	Net Book Value \$
Rolling stock	3,779,475	2,190,671	1,588,804	3,391,524	1,816,212	1,575,312
Buildings and enclosures	51,780	2,719	49,061	-	-	-
Machinery and equipment	435,288	326,808	108,480	418,143	338,594	79,549
Furniture, fixtures and leasehold improvements	77,005	57,383	19,622	81,516	54,929	26,587
Information technology	725,146	484,913	240,233	715,828	510,492	205,336
Construction in progress	46,031,703	-	46,031,703	14,306,249	-	14,306,249
	51,100,397	3,062,494	48,037,903	18,913,260	2,720,227	16,193,033

In October 2012, the Company received the Record of Decision from the Bureau of Land Management which was the final approval required to begin construction at the Lost Creek project. Construction began thereafter on the permitted wellfields, additional disposal wells and main plant site including grading, road construction, power lines and fencing. Construction in progress includes all the expenditures incurred prior to receiving the final approval related to plant design and engineering, off-site header house construction and payments on long lead time equipment as well as costs incurred.

As a result of the change in functional currency, a CTA reduced the reported cost of capital assets as of the date of conversion by C\$303,379 and the related accumulated depreciation by C\$136,570.

8. Equity investment

Following its earn-in to the Bootheel Project in 2009, Crosshair Energy Corporation ("Crosshair") was required to fund 75% of the Project's expenditures and the Company the remaining 25%. The Project has been accounted for using the equity accounting method with the Company's proportionate share of the Project's loss included in the Statement of Operations since the date of earn-in and the Company's net investment is reflected on the Balance Sheet. Under the terms of the agreement, the Company elected not to participate financially for the year ended March 31, 2012 which reduced the Company's ownership percentage to 19.115%. The equity accounting method has been continued because of the Company's ability to directly influence the budget process and therefore the operations of the Project. The Company resumed participation financially for the year ended March 31, 2013.

As a result of the change in functional currency, a CTA as of the date of conversion reduced the reported cost of the equity investment by C\$535,084.

In February 2013, a mineral lease at the Bootheel property expired and was not renewed by the landholder. The Company had no cost base in the lease and is therefore not reflecting a loss on the non-renewal. As a result of the expiration, a portion of the mineral resources which were previously reported by an NI 43-101 Technical Report by Crosshair is no longer controlled by the venture. At the June venture management meeting, it was decided that the expired private lease will not be further pursued and a portion of the claims held on the Bootheel property, but determined not to contain economic mineralization would be abandoned. Additionally, it was decided that all of the mining claims at the Buck Point property, none of which contain economic mineralization will be abandoned. Mining claims at the Bootheel property on which mineral resources were reported will be maintained. As a result of these actions, the Company has written off the cost (US\$969,329) of the Buck Point property originally contributed to the venture. In addition, the Company has performed an impairment analysis on its remaining investment in the venture using its interest in the portion of the remaining estimated mineral resources and determined that the fair value of the remaining minerals is sufficient to not warrant an impairment of the cost at this time. The remaining state leases and claims are being held by the venture. The Company will continue to consider further impairment analysis as warranted.

(expressed in Canadian dollars)

9. Deposits

On July 24, 2012, the Company announced the execution of a Share Purchase Agreement (“SPA”) to acquire Pathfinder Mines Corporation (“Pathfinder”). The transaction calls for the purchase of all issued and outstanding shares of Pathfinder from its sole shareholder, COGEMA Resources, Inc., an AREVA Mining affiliate, for US\$13,250,000 and the assumption of the existing reclamation liabilities at the Shirley Basin site. The initial payment of US\$1,325,000 was made upon execution of the SPA and is included in deposits. It will be held in an AREVA interest bearing account which bears interest at the minimum of their current rate or the 1 year LIBOR rate plus one percent pending the receipt of required governmental approvals including the approval of the Nuclear Regulatory Commission (“NRC”) for the change of controls of Pathfinder licenses, and the satisfaction of other closing conditions. Interest earned on the escrow payment will be credited to the Company against the Closing Purchase Price at the Closing. The deposit is refundable if the required governmental approvals are not received in a timely basis, if AREVA breaches the agreement or the transaction cannot be completed due to circumstances outside the control or responsibility of the Company. Should all closing conditions of the SPA be met but the Company elects not to proceed with the acquisition, the deposit will be forfeited.

The NRC has approved the transfer of the licenses and the Company and AREVA are working on obtaining the additional governmental approvals and satisfying other closing conditions to complete the transaction as described above.

10. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	As of June 30, 2012 \$	As of December 31, 2011 \$
Accounts payable - Capital assets	7,442,557	1,479,419
Retainage on construction contract	1,202,684	309,761
Accounts payable	633,130	420,410
Vacation pay payable	295,246	214,084
Payroll and other taxes	98,449	57,067
	9,672,066	2,480,741

11. Notes Payable

On May 13, 2013, the Company entered into a bridge loan agreement (the "Bridge Loan") with RMBAH. The Bridge Loan was in the amount of US\$5.0 million and was funded on May 14, 2013. The Bridge Loan was intended to provide for interim working capital for Lost Creek project development prior to receiving funds to be provided by either the State of Wyoming or the RMBAH Loan Facility discussed below. The Bridge Loan provided for interest at 7.5% per annum in addition to a 4% origination fee all of which was capitalized as construction period interest. The Company was required to repay the Bridge Loan upon receipt of funds from any source in an amount exceeding US\$6.0 million or at the maturity date of July 31, 2013. Accordingly, the Bridge Loan was paid with proceeds from the Senior Secured Loan Facility (the “Loan Facility”) described below. The Bridge Loan was collateralized by a general security agreement in favor of the lender.

On June 24, 2013, the Company entered into a US\$20.0 million Loan Facility with RMBAH. The Loan Facility is intended to fund the acquisition and advancement of the Pathfinder assets in Wyoming, and provide other interim Lost Creek development costs pending final approval of the Wyoming State Industrial Development Bond financing. The Loan Facility was fully drawn out as of June 30, 2013.

The Loan Facility carries interest at 7.5% plus the three month LIBOR rate recalculated at the start of each calendar quarter. For the quarter ending September 30, 2013, the rate is approximately 7.77%. In addition, the Company issued 4,294,167 warrants at an exercise price of C\$1.20 per common share and a five-year expiry. Using the Black-Scholes calculations as discussed in note 14, the warrants were calculated to have a value of approximately US\$2.0 million. The Company also paid an arrangement fee of 6% (US\$1.2 million) and legal fees to RMBAH totalling approximately US\$0.2 million. The total effective interest rate on the Loan Facility is 18.2%. All loan fees are being amortized over the life of the loan.

(expressed in Canadian dollars)

Interest on the Loan Facility is due and payable at the end of each calendar quarter commencing September 30, 2013. The Loan Facility principal is payable at the rate of US\$2.5 million per quarter. The first principal payment will be due March 31, 2014. The loan matures on December 31, 2015. The Loan Facility is collateralized by the assets associated with the Lost Creek property and will be secured by a general security interest and pledge agreement over Pathfinder Mines Corporation when the acquisition closes.

Deferred financing costs consists of the loan fees attributable to the Loan Facility. Current deferred financing costs represent costs which will be included in expense or capitalized construction period interest within the next twelve months. The balance of the deferred financing costs, which will not be included in expense in the next twelve months, is shown as deferred financing costs.

In September 2012, the Company purchased mobile construction equipment pursuant to financing arrangements whereby the equipment manufacturer provided payment terms of three years with no interest. As of June 30, 2013, the aggregate amount outstanding under these arrangements approximated \$0.3 million, net of imputed interest at 4.25%, or an aggregate discount of approximately US\$20,000. The underlying notes are collateralized by the equipment purchased.

12. Deferred revenue

In March 2013, the Company assigned a portion of the contractual delivery obligations under two of its sales contracts to a natural resources trading company in exchange for a cash payment of US\$5.1 million. The remainder of the contractual delivery obligations under the two contracts remain in place as well as certain other performance obligations associated with the contracts. Therefore, the Company will reflect the payment as revenue when the contractual obligations under the contracts are settled.

13. Asset retirement and reclamation obligations

Asset retirement obligations ("ARO") are equal to the present value of all estimated future costs required to remediate any environmental disturbances that exist as of the end of the period, using discount rates applicable at the time of initial recognition of each component of the liability. Included in this liability are the costs of closure, reclamation, demolition and stabilization of the mines, processing plants, infrastructure, aquifer restoration, waste dumps and ongoing post-closure environmental monitoring and maintenance costs. While the majority of these costs will be incurred near the end of the property's life, it is expected that certain ongoing reclamation costs will be incurred prior to mine closure. These costs are recorded against the asset retirement obligation liability as incurred. At June 30, 2013, the total undiscounted amount of the estimated future cash needs was estimated to be US\$2.9 million. The rates used to calculate the ARO are 2.8% as a discount rate and 1.93% as an inflation rate. The schedule of payments required to settle the June 30, 2013, ARO liability extends through 2026.

In addition, the Company has recorded a liability of \$79,998 (December 31, 2012 – \$75,764) which represents an estimate of costs that would be incurred to remediate the Company's exploration and development properties. The retirement obligations recorded relate entirely to exploration and development drill holes, related monitor wells and site disturbance on the Company's U.S. properties.

The restricted cash as discussed in note 5 is related to surety bonds and letters of credit which provide security to the related governmental agencies on these obligations.

14. Shareholders' equity and capital stock

Issuances

During the six months ended June 30, 2013, the Company exchanged 234,530 common shares for vested Restricted Share Units ("RSUs").

In April 2013, the Company executed a royalty purchase agreement for the issue of one million common shares of the Company with a fair value of \$788,000 in full consideration of the conveyance and termination of the royalty interest with the royalty holder who owned the only private royalty reserved on the Lost Creek Project.

Stock options

In 2005, the Company's Board of Directors approved the adoption of the Company's stock option plan (the "Option Plan"). Eligible participants under the Option Plan include directors, officers, employees and consultants of the Company. Under the terms of the Option Plan, stock options generally vest with Option Plan participants as follows: 10% at the date of grant; 22% four and one-half

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months after grant; 22% nine months after grant; 22% thirteen and one-half months after grant; and, the balance of 24% eighteen months after the date of grant.

Activity with respect to stock options is summarized as follows:

	Options #	Weighted- average exercise price \$
Outstanding, December 31, 2012	8,511,722	1.32
Granted	681,327	0.77
Forfeited	(7,057)	0.76
Expired	(680,000)	1.65
Outstanding, June 30, 2013	<u>8,505,992</u>	1.25

The exercise price of a new grant is set at the closing price for the stock on the Toronto Stock Exchange (TSX) on the trading day immediately preceding the grant date so there is no intrinsic value as of the date of grant. The total fair value of options vested during the three and six months ended June 30, 2013 were \$0.4 million and \$0.6 million, respectively.

As of June 30, 2013, outstanding stock options are as follows:

Exercise price \$	Options outstanding			Options exercisable			Expiry
	Number of options	Weighted-average remaining contractual life (years)	Aggregate Intrinsic Value \$	Number of options	Weighted-average remaining contractual life (years)	Aggregate Intrinsic Value \$	
1.72	25,000	0.1	-	25,000	0.1	-	August 6, 2013
0.71	437,268	0.6	284,224	437,268	0.6	284,224	February 9, 2014
0.90	813,028	1.2	373,993	813,028	1.2	373,993	September 2, 2014
0.81	554,074	1.7	304,741	554,074	1.7	304,741	March 5, 2015
2.87	1,318,293	2.6	-	1,318,293	2.6	-	January 28, 2016
1.57	645,000	3.0	-	645,000	3.0	-	July 7, 2016
1.17	784,109	3.2	148,981	784,109	3.2	148,981	September 9, 2016
1.16	200,000	3.3	40,000	200,000	3.3	40,000	October 24, 2016
0.91	1,136,368	3.5	511,366	859,302	3.5	386,686	January 12, 2017
1.39	200,000	3.6	-	152,000	3.6	-	February 1, 2017
1.18	100,000	3.7	18,000	76,000	3.7	13,680	March 1, 2017
0.76	1,611,525	4.4	966,915	515,688	4.4	309,413	December 7, 2017
0.77	681,327	4.8	401,983	68,136	4.8	40,200	April 25, 2018
1.25	<u>8,505,992</u>	3.1	<u>3,050,203</u>	<u>6,447,898</u>	2.7	<u>1,901,918</u>	

The aggregate intrinsic value of the options in the preceding table represents the total pre-tax intrinsic value for stock options with an exercise price less than the Company's TSX closing stock price of \$1.36 as of the last trading day in the period ended June 30, 2013, that would have been received by the option holders had they exercised their options as of that date. The total number of in-the-money stock options outstanding as of June 30, 2013 was 6,317,699. The total number of in-the-money stock options exercisable as of June 30, 2013 was 4,307,605.

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Restricted Share Units

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

Activity with respect to RSUs is summarized as follows:

	RSUs #	Weighted Average Grant Date Fair Value \$
Unvested, December 31, 2012	826,425	1.15
Vested	(277,456)	1.85
Forfeited	(1,764)	0.76
	<u>547,205</u>	
Unvested, June 30, 2013	<u>547,205</u>	0.80

As of June 30, 2013, outstanding RSUs are as follows:

Grant Date	Number of Unvested Options	Weighted- average remaining amortization life (years)	Aggregate Intrinsic Value
January 12, 2012	144,309	0.79	196,260
December 7, 2012	402,896	1.69	547,939
	<u>547,205</u>	1.45	<u>744,199</u>

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

Warrants

The Company issued 25,000 warrants to purchase stock at US\$1.00 per share to its consultant EPOCH Financial Group Inc. on March 5, 2013. As discussed in note 11, the Company issued 4,294,167 warrants to RMBAH in June as a condition of the funding of the Loan Facility.

Activity with respect to warrants is summarized as follows:

	Warrants #	Weighted- average exercise price \$
Outstanding, December 31, 2012	150,000	1.13
Granted	<u>4,319,167</u>	1.20
Outstanding, June 30, 2013	<u>4,469,167</u>	1.20

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As of June 30, 2013, outstanding warrants are as follows:

Exercise price \$	Number of warrants	Weighted- average remaining contractual life (years)	Aggregate Intrinsic Value \$	Expiry
0.99	50,000	2.7	18,685	September 4, 2015
1.20	100,000	2.8	16,000	November 1, 2015
1.00	25,000	2.7	9,000	March 5, 2016
1.20	4,294,167	5.0	687,067	June 24, 2018
	4,444,167	4.9	721,752	

Share-Based Compensation Expense

Stock-based compensation expense was \$0.3 million and \$0.4 million for the three months ended June 30, 2013 and 2012, respectively and \$0.7 million and \$0.7 million for the six months ended June 30, 2013 and 2012, respectively.

As of June 30, 2013, there was approximately \$0.5 million of total unrecognized compensation expense (net of estimated pre-vesting forfeitures) related to unvested share-based compensation arrangements granted under the Option Plan and \$0.3 million under the RSU Plan. The expenses are expected to be recognized over a weighted-average period of 1.0 years and 1.2 years, respectively.

Cash received from stock options exercised during the six months ended June 30, 2012 was less than \$0.1 million. There were no options exercised during the six months ended June 30, 2013.

Total share-based compensation included in capitalized construction cost for the six months ended June 30, 2013 is less than \$0.1 million.

Fair Value Calculations

The fair value of options granted during the six months ended June 30, 2013 and 2012 was determined using the Black-Scholes option pricing model with the following assumptions:

	2013	2012
Expected RSU life (years)	-	2.00
Expected warrant life (years)	1.5-2.53	-
Expected option life (years)	3.41	3.29-3.30
Expected volatility	61-66%	73-78%
Risk-free interest rate	1.0-1.3%	1.0-1.3%
Forfeiture rate (options)	4.4%	4.7-4.8%
Expected dividend rate	0%	0%

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

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

Although the estimated fair values of stock options are determined as outlined above, these estimates are based on assumptions regarding a number of complex and subjective variables, including the Company's stock price volatility over the expected terms of the awards, estimates of the expected option terms, including actual and expected option exercise behaviors and estimates of pre-vesting

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forfeitures. Changes in any of these assumptions could materially affect the estimated value of stock options and, therefore, the valuation methods used may not provide the same measure of fair value observed in a willing buyer/willing seller market transaction.

The fair value used for the RSUs issued in January 2012 was \$0.91 per unit which was the closing price of the stock on the TSX as of the trading day immediately preceding the grant date.

15. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, marketable securities, amounts receivable, restricted cash, deposits, accounts payable and notes payable. The Company is exposed to risks related to changes in foreign currency exchange rates, interest rates and management of cash and cash equivalents and short-term investments. See the table in note 4 for the composition of the Company's cash and cash equivalents and short-term investments.

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, short-term investments, deposits and restricted cash. These assets include Canadian dollar and U.S. dollar denominated guaranteed investment certificates, certificates of deposits, money market accounts and demand deposits. They bear interest at annual rates ranging from 0.18% to 1.8% and mature at various dates up to February 5, 2014. These instruments are maintained at financial institutions in Canada and the United States. Of the amount held on deposit, approximately \$0.9 million is covered by the Canada Deposit Insurance Corporation, the Securities Investor Protection Corporation or the United States Federal Deposit Insurance Corporation leaving approximately \$19.1 million at risk at June 30, 2013 should the financial institutions with which these amounts are invested be rendered insolvent. The Company does not consider any of its financial assets to be impaired as of June 30, 2013.

Liquidity risk

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

The Company has financed its operations from its inception primarily through the issuance of equity securities and recently debt financing and has no source of cash flow from operations. The Company does not expect to generate any cash resources from operations until it is successful in commencing production from the Lost Creek Project. Construction and development of the Lost Creek Project commenced in October 2012 after receiving the Record of Decision from the United States Department of the Interior Bureau of Land Management ("BLM").

Additional funding will be required in order to achieve production at Lost Creek and complete the acquisition of the Pathfinder Mines Corporation ("Pathfinder") (note 9). As a result, the Company is currently in negotiations with certain financial sources to secure additional debt financing.

The Company is most actively pursuing funding, estimated at up to US\$34 million, through the State of Wyoming's Industrial Development Bond financing program. The Company is currently working with the State and Sweetwater County to advance documents for the closing of the loan facility.

To address its near-term liquidity requirements, the Company obtained on June 24, 2013, a US\$20.0 million Loan Facility. The Loan Facility was intended to fund the acquisition and advancement of the Pathfinder assets in Wyoming but is being used to finance other interim Lost Creek development costs pending final approval of the Wyoming State Industrial Development Bond financing.

Should the necessary financing not be available to the Company on a timely basis, it may be necessary to defer certain discretionary expenditures to preserve working capital. A delay in funding may also impact the Company's ability to complete the Pathfinder acquisition.

As at June 30, 2013, the Company's financial liabilities consisted of trade accounts payable and accrued trade and payroll liabilities of \$9.7 million which are due within normal trade terms of generally 30 to 60 days. In addition, the Company has \$5.4 million due within one year as the current portion of notes payable.

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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 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, short-term investments, deposits, restricted cash and debt financings. The Company's objectives for managing its 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. When placing amounts of cash and cash equivalents on short-term deposit, the Company only uses financial institutions chosen by the Company for financial stability (measured by independent rating services and reviews of the entity's financial statements, where appropriate) and approved by the Treasury and Investment Committee of the Board of Directors.

Currency risk

The Company maintains a balance of less than \$0.1 million in foreign currency resulting in a low currency risk.

Sensitivity analysis

The Company has completed a sensitivity analysis to estimate the impact that a change in interest rates would have on the net loss of the Company. This sensitivity analysis shows that a change of +/- 100 basis points in interest rate would a \$0.1 million impact for the six months ended June 30, 2013. This would impact the cost of construction as interest on the Loan Facility was capitalized during this period. Subsequent to the construction period, the impact would have been on the net loss of the Company. This impact is primarily as a result of the Company having a loan facility whose interest rate is tied to a published LIBOR rate. The financial position of the Company may vary at the time that a change in interest rates occurs causing the impact on the Company's results to differ from that shown above.

16. Commitments

In 2012, the Company entered into two construction contracts with Grothouse Construction, Inc. for the construction of a road through the Lost Creek property and the processing plant at the Lost Creek project. The contracts including change orders are for US\$1.3 million and US\$13.5 million, respectively, of which US\$1.3 million and US\$12.3 million, respectively, had been completed as of June 30, 2013. A total of US\$12.4 million had been billed on both contracts through June 30, 2013 of which US\$9.2 million was paid as of June 30, 2013. The road construction is substantially complete while the plant construction is scheduled to be completed by summer 2013. The remaining amounts to be billed under the contracts as of June 30, 2013 total \$2.4 million.

As discussed in note 9, the Company executed a Share Purchase Agreement ("SPA") to acquire Pathfinder. The transaction calls for the purchase of all issued and outstanding shares of Pathfinder from its sole shareholder, COGEMA Resources, Inc., an AREVA Mining affiliate, for US\$13,250,000 and the assumption of the existing reclamation liabilities at the Shirley Basin site. The initial payment of US\$1,325,000 was made upon execution of the SPA and will be held in escrow pending the receipt of all required governmental approvals. The balance of \$11,925,000 will be due at closing.

The Company has agreed to a Contingency and Development Agreement with Sweetwater County for the improvement of a county road servicing the Lost Creek facility. Following all required final agency approvals, the Company's portion of the cost will be \$166,667 and will be due after the work is completed.