

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

**Management's Discussion and Analysis**

September 30, 2012

(expressed in Canadian dollars)

**Ur-Energy Inc.**  
(an Exploration Stage Company)  
**Management's Discussion and Analysis**  
**For the Three and Nine Months Ended September 30, 2012**

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(Information as at October 29, 2012 unless otherwise noted)

## **Introduction**

The Company was incorporated on March 22, 2004 and completed its first year-end on December 31, 2004. The Company is headquartered in Littleton, CO with assets predominantly located in the United States. The consolidated financial statements 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 "Ur-Energy" or the "Company."

The following provides management's discussion and analysis of results of operations and financial condition for the nine months ended September 30, 2012 and 2011. The Management Discussion and Analysis ("MD&A") was prepared by Company management and approved by the board of directors on October 29, 2012. This discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2011, 2010, and 2009. All figures are presented in Canadian dollars, unless otherwise noted. The financial statements and related information herein have been prepared in accordance with United States generally accepted accounting principles ("US GAAP").

To this point, the Company has used the Canadian dollar as its functional currency based on the guideline that the United States operations would not be possible without the proceeds from the sale of the stock of the Canadian parent and because the Company has not had sufficiently significant changes in its economic facts and circumstances to clearly indicate that its functional currency has changed. The consolidations have been prepared accordingly. During 2013, the Company is anticipating the start of production and sales in its U.S. subsidiaries now that permitting and licensing is complete and the construction at the Lost Creek Project has begun. As such, the U.S. operations should become self sustaining. Therefore, effective January 1, 2013, the Company expects to use the U.S. dollar as the functional currency of its U.S. entities. It expects to continue to use the Canadian dollar as its reporting currency.

## **Forward-Looking Information**

This MD&A contains "forward-looking statements" within the meaning of applicable United States and Canadian securities laws, and these forward-looking statements can be identified by the use of words such as "expect", "anticipate", "estimate", "believe", "may", "potential", "intends", "plans" and other similar expressions or statements that an action, event or result "may", "could" or "should" be taken, occur or be achieved, or the negative thereof or other similar statements. These statements are only predictions and involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. Such statements include, but are not limited to: (i) the technical and economic viability of the Lost Creek Property (including the projections contained in the preliminary economic analysis of the Lost Creek Property); (ii) the Company's procurement and construction plans at the Lost Creek Project; (iii) whether Lost Creek Project will advance to production, the production rates and timeline of the project; (iv) the potential of exploration targets at and the results from exploration and development drilling on the Lost Creek Property including the exploration drilling program at LC East; (v) the ability to complete additional uranium sales agreements, and upon what terms; (vi) timing, completion, funding for and results of exploration programs outside the Lost Creek Property; (vii) the ability to complete the acquisition of Pathfinder Mines pursuant to the definitive agreement, and the timing for closing of the transaction and (viii) the ability to obtain financing at favorable terms to complete the construction and development of the

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Lost Creek Project including the progression of the state bonds process. These other factors include, among others, the following: future estimates for production, production start-up and operations (including any difficulties with startup), capital expenditures, operating costs, mineral resources, recovery rates, grades and prices; business strategies and measures to implement such strategies; competitive strengths; estimates of goals for expansion and growth of the business and operations; plans and references to the Company's future successes; the Company's history of operating losses and uncertainty of future profitability; the Company's status as an exploration stage company; the Company's lack of mineral reserves; risks associated with obtaining permits in the United States and Canada; risks associated with current variable economic conditions; the possible impact of future financings; the hazards associated with mining construction and production; compliance with environmental laws and regulations; uncertainty regarding the pricing and collection of accounts; risks associated with dependence on sales in foreign countries; the possibility for adverse results in potential litigation; fluctuations in foreign exchange rates; uncertainties associated with changes in government policy and regulation; uncertainties associated with a Canada Revenue Agency or U.S. Internal Revenue Service audit of any of the Company's cross border transactions; adverse changes in general business conditions in any of the countries in which the Company does business; changes in the Company's size and structure; the effectiveness of the Company's management and its strategic relationships; risks associated with the Company's ability to attract and retain key personnel; uncertainties regarding the Company's need for additional capital; uncertainty regarding the fluctuations of the Company's quarterly results; uncertainties relating to the Company's status as a non-U.S. corporation; uncertainties related to the volatility of the Company's share price and trading volumes; foreign currency exchange risks; ability to enforce civil liabilities under U.S. securities laws outside the United States; ability to maintain the Company's listing on the NYSE MKT LLC ("NYSE MKT") and Toronto Stock Exchange ("TSX"); risks associated with the Company's expected classification as a "passive foreign investment company" under the applicable provisions of the U.S. Internal Revenue Code of 1986, as amended; risks associated with the Company's status as a "controlled foreign corporation" under the applicable provisions of the U.S. Internal Revenue Code of 1986, as amended; risks associated with the Company's investments and other risks and uncertainties described under the heading "Risk Factors" of the Company's Annual Information Form and its Annual Report on Form 40-F, dated March 2, 2012, which are filed, respectively, on SEDAR at <http://www.sedar.com> and with the U.S. Securities and Exchange Commission at <http://www.sec.gov/edgar.shtml>.

**Cautionary Note to U.S. Investors – Resource Estimates:** The terms "Mineral Resource," "Measured Mineral Resource," "Indicated Mineral Resource" and "Inferred Mineral Resource," as used in the Company's disclosure are Canadian mining terms that are defined in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Best Practice Guidelines for the Estimation of Mineral Resource and Mineral Reserves, adopted by the CIM Council on November 23, 2003. These Canadian terms are not defined terms under United States Securities and Exchange Commission ("SEC") Industry Guide 7 and normally are not permitted to be used in reports and registration statements filed with the SEC by U.S. registered companies. The SEC permits U.S. companies, in their filings with the SEC, to disclose only those mineral deposits that a company can economically and legally extract or produce. Accordingly, note that information contained in this disclosure describing the Company's "Mineral Resources" is not directly comparable to information made public by U.S. companies subject to reporting requirements under U.S. securities laws (wherein "reserves and not "resources" may be disclosed and discussed). Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically

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mineable. U.S. investors are urged to consider closely the disclosure in our Annual Report on Form 40-F which may be secured from us, or online at <http://www.sec.gov/edgar.shtml>.

### **Nature of Operations and Description of Business**

The Company is an exploration stage junior mining company engaged in the identification, acquisition, exploration, evaluation and development of uranium mineral properties in the United States and Canada. The Company is primarily focused on exploration within the geological uranium province centered on Wyoming. The Company's Lost Creek Project has received all necessary licenses and permits for construction which began in October 2012.

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 CIM Definition Standards, the Company has not determined whether the property contains mineral reserves. However, the Company's April 30, 2012 NI 43-101 "Preliminary Economic Assessment of the Lost Creek Property, Sweetwater County, Wyoming" outlines the possible economics of the Lost Creek Property. The recoverability of amounts recorded for mineral properties is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to develop the properties, and to achieve future profitable production from the properties or sufficient proceeds from disposition of the properties.

### **Selected Information**

The following table contains selected financial information as of September 30, 2012 and December 31, 2011.

	<b>As of September 30, 2012</b>	<b>As of December 31, 2011</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	
Total assets	74,889,690	65,850,132
Total liabilities	(1,900,644)	(1,607,200)
Net assets	72,989,046	64,242,932
Capital stock and contributed surplus	191,738,561	173,568,286
Deficit	(118,749,515)	(109,325,354)
Shareholders' equity	72,989,046	64,242,932

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The following table contains selected financial information for the three and nine months ended September 30, 2012 and 2011 and cumulative information from inception of the Company on March 22, 2004 through September 30, 2012.

	<b>Three months ended September 30, 2012</b> (unaudited) \$	<b>Three months ended September 30, 2011</b> (unaudited) \$	<b>Nine months ended September 30, 2012</b> (unaudited) \$	<b>Nine months ended September 30, 2011</b> (unaudited) \$	<b>March 22, 2004 Through September 30, 2012</b> (unaudited) \$
Revenue	Nil	Nil	Nil	Nil	Nil
Total expenses <sup>(1)</sup>	(4,093,936)	(4,330,444)	(10,109,214)	(12,846,722)	(129,929,882)
Interest income	85,142	55,187	240,302	191,990	9,818,403
Loss on equity investment	(22,357)	(298)	(56,508)	(27,023)	(414,736)
Foreign exchange gain (loss)	(456,457)	1,122,547	(461,287)	437,297	226,660
Other income (loss)	(1,774)	(10,908)	962,546	(72,201)	1,845,580
Loss before income taxes	(4,489,382)	(3,163,916)	(9,424,161)	(12,316,659)	(118,453,975)
Income tax expense	Nil	Nil	Nil	Nil	(295,540)
Net loss for the period	(4,489,382)	(3,163,916)	(9,424,161)	(12,316,659)	(118,749,515)
Loss per common share:					
Basic and diluted	(0.04)	(0.03)	(0.08)	(0.12)	
Cash dividends per common share	Nil	Nil	Nil	Nil	
<sup>(1)</sup> Stock based compensation included in total expenses	516,921	598,243	1,902,272	1,853,919	20,768,839

The Company has not generated any revenue from its operating activities to date. The Company's expenses include general and administrative ("G&A") expense, exploration and evaluation expense, development expense and write-off of mineral property costs. Acquisition costs of mineral properties are capitalized.

No cash dividends have been paid by the Company. The Company has no present intention of paying cash dividends on its common shares as it anticipates that all available funds will be invested to finance new and existing exploration, development and construction activities.

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Summary of Quarterly Financial Information

The following table contains summary quarterly financial information for each of the eight most recently completed quarters.

	<b>Quarter Ended</b>							
	<b>Sep. 30 2012</b>	<b>Jun. 30 2012</b>	<b>Mar. 31 2012</b>	<b>Dec. 31 2011</b>	<b>Sep. 30 2011</b>	<b>Jun. 30 2011</b>	<b>Mar. 31 2011</b>	<b>Dec. 31 2010</b>
	\$	\$	\$	\$	\$	\$	\$	\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total expenses	(4,093,936)	(2,998,435)	(3,016,843)	(3,446,960)	(4,330,444)	(4,694,371)	(3,821,907)	(3,227,656)
Interest income	85,142	91,637	63,523	48,606	55,187	65,597	71,206	70,302
Loss on equity investment	(22,357)	(2,327)	(31,824)	(283,918)	(298)	(6,629)	(20,096)	(2,401)
Foreign exchange gain (loss)	(456,457)	380,428	(385,258)	(253,370)	1,122,547	98,947	(784,197)	(819,035)
Other income (loss)	(1,774)	(11,625)	975,945	(4,575)	(10,908)	(9,913)	(51,380)	60,375
Loss before income taxes	(4,489,382)	(2,540,322)	(2,394,457)	(3,940,217)	(3,163,916)	(4,546,369)	(4,606,374)	(3,918,415)
Income tax expense	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss for the period	(4,489,382)	(2,540,322)	(2,394,457)	(3,940,217)	(3,163,916)	(4,546,369)	(4,606,374)	(3,918,415)
Loss per common share:								
Basic and diluted	(0.04)	(0.02)	(0.02)	(0.04)	(0.03)	(0.05)	(0.04)	(0.04)

Overall Performance and Results of Operations

From inception through September 30, 2012, the Company has raised net cash proceeds of \$165.9 million from the issuance of common shares and warrants and from the exercise of warrants and stock options. As at September 30, 2012, the Company held cash and cash equivalents, and short-term investments of \$29.2 million. The Company's cash resources are invested with financial institutions in Canada and the United States in deposit accounts, guaranteed investment certificates, certificates of deposit, and money market accounts.

Because we are not yet in production, our expenses will vary based on drilling and exploration activities, permitting and monitoring obligations and merger and acquisition evaluations which are not consistently done throughout all quarters of the year. The first quarter brought expansion to the Company as it completed a \$17.3 million private placement of common shares. The Company also completed an exchange of data for land adjacent to the Lost Creek Project and recognized a gain which is reflected in other income for the period. The second quarter was spent completing an updated NI 43-101 Technical Report on Lost Creek, "*Preliminary Economic Assessment of the Lost Creek Property, Sweetwater County, Wyoming*," (the "April 2012 PEA") as well as planning, designing and setting the groundwork for the start of construction.

On October 5, 2012, the Bureau of Land Management ("BLM") Record of Decision was published which was the final approval necessary to begin construction at the Lost Creek Project. Expenses were higher during the quarter as the Company began to hire additional employees in anticipation of the start of construction. In addition, the Company began an exploration program in the newly acquired LC East Project.

On July 24, 2012, the Company executed 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 COGEMA Resources, Inc., an AREVA Mining affiliate, for US\$13,250,000. The initial payment of US\$1,325,000 was made upon execution of the SPA and will be held in escrow pending closing, which is

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anticipated six to twelve months from the time of signature. The closing may proceed following receipt of various regulatory and governmental approvals, including approval by the Nuclear Regulatory Commission ("NRC") for the change of control of an NRC License for the Shirley Basin mine site owned by Pathfinder. The closing is also contingent upon other customary closing conditions.

Pathfinder owns the Shirley Basin and Lucky Mc mine sites in the Shirley Basin and Gas Hills mining districts of Wyoming, respectively, for which internal historic reports prepared by Pathfinder estimate the presence of mineral resources at the two projects totalling approximately 15 million pounds  $U_3O_8$ . These historic reports estimate that the Shirley Basin project holds over 10 million pounds  $U_3O_8$  at a GT (grade-thickness) cut off of 0.25%  $U_3O_8$ . The average grade reported for the property is 0.21%  $U_3O_8$ . Lucky Mc is estimated to have an additional 4.7 million pounds  $U_3O_8$ . These historic resource calculations were reviewed by Ur-Energy during due diligence, but a qualified person has not completed sufficient work to classify the historical estimates as current mineral resources under NI 43-101 and Ur-Energy is not treating the historic estimate as current mineral resources or mineral reserves.

The tailings facility at the Shirley Basin site is one of the few remaining facilities in the U.S. that is licensed by the NRC to receive and dispose of byproduct waste material from other in situ uranium mines.

Together with property holdings totalling more than 5,100 acres, the Company acquires all historic geologic, engineering and operational data related to the two projects held by Pathfinder. Additionally, Ur-Energy acquires all historic Pathfinder U.S. exploration and development data in a database estimated to comprise hundreds of project descriptions in more than twenty states, including thousands of drill logs and geologic reports.

Both Lucky Mc and Shirley Basin conventional mine operations were suspended in the 1990s due to low uranium pricing and facility reclamation was substantially completed. After closing of the transaction, the Company will assume remaining reclamation responsibilities including financial surety for reclamation, at Shirley Basin and the Lucky Mc mine site. The Lucky Mc tailings site was fully reclaimed and has been transferred to the U.S. Department of Energy. Ur-Energy will therefore assume no obligations with respect to the NRC License at the Lucky Mc tailings site, which will either be terminated or will be assumed by COGEMA or an affiliate prior to the closing of the transaction.

### **Mineral Properties**

The Company holds mineral properties in the United States and Canada totalling approximately 244,000 acres (99,000 hectares).

#### Lost Creek Property – Great Divide Basin, Wyoming

The Lost Creek Property is located in the Great Divide Basin, Wyoming and comprises six projects covering a total of approximately 42,000 acres (17,000 hectares): Lost Creek permit area ("Lost Creek Project"), EN, LC South, LC North, LC East and LC West. In recent months, the Company has expanded its land position at the Lost Creek Property through the location of more than 250 additional unpatented mining claims and the acquisition, in February 2012, of approximately 5,250 acres (2,125 hectares) through an asset exchange. These lands primarily comprise the LC West and LC East projects. The Company now controls 2,106 unpatented mining claims and four State of Wyoming uranium leases in the Lost Creek Property.

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At the Lost Creek Project, the uranium deposit's Main Mineral Trend ("MMT") is approximately three miles (4.8 kilometers) long with the mineralization occurring between 315 feet (96 meters) and 700 feet (213 meters) in depth. Production from the first mine unit is expected in early summer, 2013. The East Mineral Trend (the "EMT") is a newly acquired, second, mineral trend of significance. It was identified by historic drilling on the newly acquired lands forming LC East. Although geologically similar, it appears to be a separate and independent trend from the MMT. The EMT assumes a generalized northeast-southwest orientation extending for approximately six and one-half miles (10.4 kilometers) with the mineralization occurring between 100 feet (33 meters) and 700 feet (213 meters) in depth.

A royalty on future production of 1.67% is in place with respect to 20 mining claims at the Lost Creek Project. 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.

Lost Creek Property Preliminary Economic Assessment and Mineral Resources

In 2012, through two new NI 43-101 reports, mineral resources have been estimated for the first time on four of the Lost Creek area projects: LC North, LC South, LC East and LC West. As well, earlier mineral resource estimates at Lost Creek Project were updated following drilling in 2011 and further analysis of historic drill data.

Most recently, the April 2012 PEA authored by John K. Cooper, P.G., SME Registered Member and Catherine L. Bull, P.E. SME Registered Member (both, Ur-Energy) included the following updated mineral resource estimate for the Lost Creek Property:

PROJECT	MEASURED			INDICATED			INFERRED		
	AVG GRADE % eU <sub>3</sub> O <sub>8</sub>	SHORT TONS (X 1000)	POUNDS (X 1000)	AVG GRADE % eU <sub>3</sub> O <sub>8</sub>	SHORT TONS (X 1000)	POUNDS (X 1000)	AVG GRADE % eU <sub>3</sub> O <sub>8</sub>	SHORT TONS (X 1000)	POUNDS (X 1000)
LOST CREEK	0.055	2,692.1	2,942.9	0.058	2,413.8	2,822.4	0.054	937.5	1,015.7
LC EAST	0.054	1,158.3	1,255.9	0.043	1,551.3	1,327.0	0.045	910.8	815.3
LC NORTH	-----	-----	-----	-----	-----	-----	0.048	413.8	398.2
LC SOUTH	-----	-----	-----	-----	-----	-----	0.042	710.0	602.6
LC WEST	-----	-----	-----	-----	-----	-----	0.109	17.2	37.4
EN	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>GRAND TOTAL</b>	<b>0.055</b>	<b>3,850.4</b>	<b>4,198.8</b>	<b>0.053</b>	<b>3,965.1</b>	<b>4,149.4</b>	<b>0.049</b>	<b>2,989.2</b>	<b>2,869.1</b>
			<b>MEASURED + INDICATED =</b>		<b>7,815.5</b>	<b>8,348.2</b>			

Notes:

1. Sum of Measured and Indicated tons and pounds may not add to the reported total due to rounding.
2. Mineral resources that are not mineral reserves do not have demonstrated economic viability.
3. Based on grade cutoff of 0.02 percent eU<sub>3</sub>O<sub>8</sub> and a grade x thickness cutoff of 0.3 GT.
4. Typical ISR-industry practice is to apply a GT cutoff in the range of 0.3 which has generally been determined to be an economical cutoff value. A 0.3 GT cutoff was used in this report without direct relation to an associated price.
5. Measured, Indicated, and Inferred Mineral Resources as defined in NI 43-101, Section 1.2 (CIM Definition Standards).

Based upon the updated mineral resource and economic analyses (of the MMT and EMT only), the Lost Creek Property now is estimated to generate net earnings over the life of the mine, before income tax, of US\$283.0 million. Payback is estimated during the third quarter of the third year of operations (two years from start of construction). It is estimated that Lost Creek has an IRR of 87% and a NPV of US\$181.0 million



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applying an eight percent discount rate. The estimated cost of uranium produced is US\$36.52 per pound including all costs, with an estimated operation cost of US\$16.12 per pound.

*Cautionary statement pursuant to NI 43-101: this Preliminary Economic Assessment is preliminary in nature, and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. The estimated mineral recovery used in this Preliminary Economic Assessment is based on site-specific laboratory recovery data as well as Ur-Energy personnel and industry experience at similar facilities. There can be no assurance that recovery at this level will be achieved.*

The April 2012 PEA is filed on the Company's profile on [www.sedar.com](http://www.sedar.com) and on <http://www.sec.gov/edgar.shtml>.

#### Lost Creek Regulatory

At this time, all of the licenses and permits necessary to begin construction and operations have been issued for the Lost Creek Project.

In October 2012, the BLM issued a Record of Decision for the Lost Creek Project. With the receipt of this authorization, Lost Creek is fully permitted to commence construction and operations. The BLM selected the Drying Yellowcake On-Site Alternative as the preferred alternative within its final environmental impact statement.

During 2011, the NRC issued the Source and Byproduct Materials License ("NRC License") for the Lost Creek Project. The Company anticipates receipt of the NRC License amendment for the yellowcake drying and packaging circuit at the Lost Creek plant prior to the end of the year. The Company also expects to submit its application for an amendment to the NRC License to allow for mineral recovery from the KM horizon which is immediately below the approved HJ horizon.

The WDEQ Permit to Mine for Lost Creek ("WDEQ Permit") also was issued in 2011. The WDEQ Permit includes the approval of the first mine unit, as well as the Wildlife Management Plan, including a positive determination of the protective measures at the project for the greater sage grouse species.

The EPA issued an aquifer exemption for the Lost Creek project. The WDEQ's separate approval of the aquifer reclassification is a part of the WDEQ Permit. The Company has received approval from the EPA and the Wyoming State Engineer's Office for the construction and operation of two holding ponds at Lost Creek.

Other permits and authorizations previously received by the Company for the Lost Creek ISR project include: WDEQ-Air Quality Division Air Quality Permit (January 2010) and WDEQ-Water Quality Division Class I Underground Injection Control Permit (May 2010). The latter permit allows Lost Creek to drill, complete and operate up to five Class I injection wells to meet the anticipated disposal requirements for the life of the Lost Creek project.

#### Lost Creek Project Development and Construction

In addition to the historic drill data it owns with regard to the Lost Creek Project (approximately 563 holes), the Company has drilled 1,181 drill holes totalling approximately 789,141 feet (240,530 meters). A part of this drilling has been the completion of necessary delineation drilling for the planning of the first and second mine units.

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Design work for the initial mine units and plant facilities is complete. Further procurement of lead-time equipment has been pursued, in anticipation of the receipt of the final regulatory authorization and the commencement of construction at Lost Creek. Hiring for Lost Creek has commenced and includes Lost Creek Mine Manager, Mike Lueders, a mining professional with thirty-one years of in situ uranium recovery experience, including start-up operations, mine planning, wellfield construction & operation, safety compliance, staffing, supervision, and training.

During the period, an updated bid process was conducted in relation to construction of the Lost Creek facilities, which resulted in the selection of Wyoming-based Groathouse Construction, Inc. as the general construction contractor for both road construction and construction of the plant facilities. Ur-Energy has also mobilized contractors to the site for installation of power lines, fences and the installation of deep disposal wells. Construction activities commenced after receipt of the Record of Decision in October, including the dirt work at the plant site in preparation to pour foundation concrete. Well installation for the first mine unit is also underway.

The Company has secured four uranium sales agreements related to production from Lost Creek. These long-term contracts call for deliveries over multi-year periods at defined prices.

The Company, through its wholly-owned subsidiary Lost Creek ISR, LLC, submitted a bond-financing application to the Wyoming Business Council for up to US\$34 million to be funded through the State of Wyoming's Industrial Development Bond financing program. The application included a letter of support from Sweetwater County, the issuing authority.

In September 2012, the Wyoming Business Council approved the application, subject to certain conditions and covenants, and issued a letter of recommendation to the Governor, Treasurer and Attorney General. Final approval is subject to the completion of due diligence and satisfaction of various other approvals and transactional matters.

Other Lost Creek Property Activities: LC East Project

Exploration was recommended in the April 2012 PEA for several areas of the Property. The Company conducted a drill program at its LC East project which is planned for twenty monitor wells and one hundred eighty exploration drill holes, of which the monitor wells and one hundred seventy six of the holes have been drilled as of October 29, 2012. Analysis of the exploration drill results is ongoing. Additionally, the Company commenced baseline studies at LC East, which have included archeology, topsoil, and gamma and other radiation surveys (all complete), and wildlife, air quality, and radon surveys which are ongoing. Groundwater monitoring will begin during fourth quarter 2012, and a vegetation survey will be performed in spring 2013.

Company Ventures: Hauber Project LLC and The Bootheel Project, LLC

NCA Nuclear, Inc., a subsidiary of Bayswater Uranium Corporation, has resigned its position as a member and the manager of Ur-Energy's Hauber Project and will not achieve its earn-in to ownership. As of July 25, 2012, the Company is again managing the project and, as the sole owner, is responsible for all related expenses.

In March 2011, the Company declined to fund its portion of The Bootheel Project, LLC budget for the venture's budget year ending March 31, 2012. As a result, at March 31, 2012 the Company's interest was reduced to 19.115%. The Project's 2012-2013 program and budget was approved and the Company is participating financially in the program and budget.

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**Three and Nine Months Ended September 30, 2012 Compared to Three and Nine Months Ended September 30, 2011**

The following table summarizes the results of operations for the three months ended September 30, 2012 and 2011.

	<b>Three months ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
Revenue	Nil	Nil
Exploration and evaluation expense	(984,758)	(1,553,163)
Development expense	(1,897,908)	(1,453,623)
General and administrative expense	(1,211,270)	(1,323,658)
Net loss from operations	(4,093,936)	(4,330,444)
Interest income	85,142	55,187
Loss from equity investment	(22,357)	(298)
Foreign exchange gain (loss)	(456,457)	1,122,547
Other income (loss)	(1,774)	(10,908)
Loss before income taxes	(4,489,382)	(3,163,916)
Income tax expense	Nil	Nil
Net loss for the period	(4,489,382)	(3,163,916)
Loss per share – basic and diluted	(0.04)	(0.03)

The following table summarizes the results of operations for the nine months ended September 30, 2012 and 2011.

	<b>Nine months ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
Revenue	Nil	Nil
Exploration and evaluation expense	(2,636,604)	(3,845,149)
Development expense	(2,937,016)	(2,909,010)
General and administrative expense	(4,535,594)	(6,092,563)
Net loss from operations	(10,109,214)	(12,846,722)
Interest income	240,302	191,990
Loss from equity investment	(56,508)	(27,023)
Foreign exchange gain (loss)	(461,287)	437,297
Other income (loss)	962,546	(72,201)
Loss before income taxes	(9,424,161)	(12,316,659)
Income tax expense	Nil	Nil
Net loss for the period	(9,424,161)	(12,316,659)
Loss per share – basic and diluted	(0.08)	(0.12)

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Expenses

Total expenses for the three months and nine months ended September 30, 2012 were \$4.1 million and \$10.1 million, respectively, which include G&A expense, exploration and evaluation expense and development expense. These expenses decreased by \$0.2 million and \$2.7 million compared to the respective periods in 2011.

Exploration and evaluation expenses consist of labor 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. These expenses decreased \$0.6 million and \$1.2 million for the three and nine month periods ended September 30, 2012, compared to the respective periods in 2011. Drilling costs declined \$0.4 million for both the three and nine month periods ended September 30, 2012 compared to the comparable periods in 2011 as the Company was engaged in exploration drilling in LC North in 2011. Payroll and stock based compensation costs declined by \$0.2 million for the three month period and \$0.4 million for the nine month period compared to the comparable periods in 2011 due to a decline in the stock price which reduces the values used in stock compensation expense as well as the allocation of more payroll to projects in development or pre-construction. In addition, \$0.3 million was incurred on evaluation of a merger and acquisition opportunity during the second quarter of 2011 resulting in a decrease in expense of that amount for the nine month period ended September 30, 2012.

Development expense relates to the Company's Lost Creek and LC East projects which are more advanced in terms of permitting and development. Overall expenses increased by \$0.4 million for the three month period and changed less than \$0.1 million for the nine month period ended September 30, 2012, respectively, compared to the respective periods in 2011. The increases for the three month period ended September 30, 2012 were created by additional labor costs of \$0.2 million and outside contractor costs of \$0.2 million

G&A expense relates to the Company's administration, finance, investor relations, land and legal functions and consists principally of personnel, facility and support costs. Expenses decreased \$0.1 million for the three month period and \$1.6 million for nine month periods, respectively. A restructuring of executives and other management and professional positions resulted in severance and related costs of approximately \$1.5 million in the second quarter 2011. In addition, costs associated with a withdrawn offering in the amount of \$0.3 million were incurred in early 2011. These were partially offset by an increase in stock based compensation of \$0.2 million for the nine month period in 2012 compared to 2011.

Other income and expenses

The Company's cash resources are invested with financial institutions in deposit accounts, guaranteed investment certificates, certificates of deposit, and money market accounts. The increase in interest income was driven by higher average cash resources in 2012 as compared to those in 2011 as well as an increase in the average interest rate arising due to market fluctuations.

The net foreign exchange loss for the three and nine months ended September 30, 2012 was primarily due to cash resources held in U.S. dollar accounts, which fluctuate relative to the Canadian dollar. During the three and nine month periods ended September 30, 2012, the U.S. dollar weakened with respect to the Canadian dollar creating the loss. During the same periods in 2011, the U.S. dollar had strengthened creating gains in those periods

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The Company exchanged its database of geologic information in the Southwest Powder River Basin, Wyoming for mineral claims, state leases and related data. The fair value of the property received was \$1.0 million which is reported in other income for the period ended September 30, 2012.

Income taxes

In 2012 and 2011, the Company recorded operating losses in both Canada and the United States. Management has concluded that it is more likely than not that the remaining losses, and prior years' loss carryforwards and other tax assets will not be realized, and therefore the Company has recorded a full valuation allowance against these amounts.

Loss per Common Share

Both basic and diluted loss per common share for the three and nine months ended September 30, 2012 were \$0.04 and \$0.08, respectively (2011 – \$0.03 and \$0.12, respectively). The diluted loss per common share is equal to the basic loss per common share due to the anti-dilutive effect of all convertible securities outstanding given that net losses were experienced.

**Liquidity and Capital Resources**

As of September 30, 2012, the Company had cash resources, consisting of cash and cash equivalents and short-term investments, of \$29.2 million, an increase of \$6.1 million from the December 31, 2011 balance of \$23.1 million. The Company's cash resources consist of Canadian and U.S. dollar denominated deposit accounts, guaranteed investment certificates, money market funds and certificates of deposit. During the three and nine months ended September 30, 2012, the Company used \$3.2 million and \$8.0 million of its cash resources to fund operating activities. During those same respective periods, the Company used \$2.9 million and \$1.8 million for investing activities (excluding short-term investment transactions) and generated nil and \$16.3 million through financing activities. The remaining decreases of \$0.3 million in cash during both the three and nine month periods related to the effects of foreign exchange rate changes on cash resources.

The Company has financed its operations from its inception primarily through the issuance of equity securities 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 its properties. Construction and development of the Lost Creek Project was commenced in October 2012 after receiving the Record of Decision from the BLM. Initial production is anticipated in second half of 2013 and while the Company maintains a well-funded treasury, additional funding will be required in order to achieve production at Lost Creek and complete the acquisition of the Pathfinder Mines Corporation. As a result, the Company is currently in discussions with several financial sources to secure debt financing. The Company is most actively pursuing funding through the State of Wyoming's Industrial Development Bond financing program, while continuing its evaluation of additional opportunities.

In June 2012, the Company, through its wholly-owned subsidiary Lost Creek ISR, LLC, submitted a bond-financing application to the Wyoming Business Council for up to US\$34 million to be funded through the State of Wyoming's Industrial Development Bond financing program. The application included a letter of support from Sweetwater County, the issuing authority. In September 2012, the Wyoming Business Council approved the application, subject to certain conditions and covenants, and issued a letter of recommendation to the Governor, Treasurer and Attorney General. Final approval is subject to the completion of due diligence and satisfaction of

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various other approvals and transactional matters.

Operating activities used \$3.2 million and \$8.0 million of cash resources during the three and nine months ended September 30, 2012, respectively, as compared to \$3.6 million and \$9.3 million for the same periods in 2011. Overall, expenditures were greater in 2011 due to severance payments (\$0.5 million), potential mergers and acquisitions (\$0.3 million) and the withdrawn financing (\$0.3 million).

During the nine months ended September 30, 2012, the Company had a net decrease in restricted cash of \$2.2 million due to \$0.5 million payment of accrued severance from a trust and obtaining surety bond coverage for future reclamation activities which reduced the required restricted cash necessary to support the reclamation obligations by \$1.7 million. The Company made a \$1.3 million deposit for the acquisition of the Pathfinder Mining Company during the three months ended September 30, 2012. In addition, the Company invested \$1.6 million and \$2.7 million in mineral properties, capital assets and pre-construction, for the three and nine month periods ended September 30, 2012, respectively.

During the nine months ended September 30, 2012, the Company raised a net of \$16.2 million through a private placement of Company stock.

### **Financing Transactions**

In September 2012, the Company purchased two backhoes and a wheel loader pursuant to financing arrangements whereby the equipment manufacturer provided payment terms of three years with no interest. As of September 30, 2012, the aggregate amount outstanding under these arrangements approximated \$0.4 million, net of imputed interest at 4.25%, or an aggregate discount of approximately \$24,000. The underlying notes are secured by the equipment purchased.

The Company maintains a shareholder rights plan (the "Rights Plan") designed to encourage the fair and equal treatment of shareholders in connection with any take-over bid for the Company's outstanding securities. The Rights Plan is intended to provide the Company's board of directors with adequate time to assess a take-over bid, to consider alternatives to a take-over bid as a means of maximizing shareholder value, to allow competing bids to emerge, and to provide the Company's shareholders with adequate time to properly assess a take-over bid without undue pressure. The Rights Plan was reconfirmed by shareholders at the Company's annual and special meeting of shareholders on May 10, 2012.

The Company has a corporate credit card facility with a U.S. bank. This facility has an aggregate borrowing limit of US\$100,000 and is used for corporate travel and incidental expenses. The Company has provided a promissory note secured by a certificate of deposit in the amount of US\$100,000 which is included in restricted cash as collateral for this facility.

### **Outstanding Share Data**

As of October 29, 2012, the Company had 121,134,276 common shares and 6,928,150 stock options outstanding.

### **Off-Balance Sheet Arrangements**

The Company has 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.

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**Financial Instruments and Other Instruments**

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

	<b>As of September 30, 2012 \$</b>	<b>As of December 31, 2011 \$</b>
Cash on deposit at banks	237,789	595,982
Money market funds	20,172,379	15,573,497
	20,410,168	16,169,479

The Company's short-term investments are composed of:

	<b>As of September 30, 2012 \$</b>	<b>As of December 31, 2011 \$</b>
Guaranteed investment certificates	6,508,656	4,925,267
Certificates of deposit	2,245,506	2,002,256
	8,754,162	6,927,523

**Credit risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, short-term investments and restricted cash. These assets consist of 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 0.25% to 1.4% and mature at various dates up to September 4, 2013. 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. Another \$5.2 million is guaranteed by a Canadian provincial government leaving approximately \$25.1 million at risk at September 30, 2012 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 September 30, 2012.

**Liquidity risk**

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

As at September 30, 2012, the Company's financial liabilities consisted of trade accounts payable and accrued trade and payroll liabilities of \$1.1 million which are due within normal trade terms of generally 30 to 60 days. In addition, the company has \$0.1 million due within one year as the current portion of equipment financing liabilities.

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The Company manages liquidity risk through regular cash flow forecasting of cash requirements to fund its exploration and development projects and operating costs. Currently, the Company is in the process of preparing its annual business plan, budget and cash forecast, which will include the construction, development and start-up of the Lost Creek Project as well as the estimated costs to complete the acquisition of the Pathfinder Mines Corporation. As noted in the Liquidity and Capital Resources section, additional funding will be required in order to achieve production at Lost Creek and complete the acquisition of the Pathfinder Mines Corporation. The Company is actively pursuing debt financing with several financial sources, including the State of Wyoming's Industrial Development Bond financing program, to mitigate this risk. While the Company maintains a well-funded treasury, the debt instruments being considered would provide additional flexibility to advance the Pathfinder acquisition and pursue other prospective development and acquisition opportunities.

**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. Market risk arises as a result of the Company incurring a significant portion of its expenditures and a significant portion of its cash equivalents and short-term investments in U.S. dollars, and holding cash equivalents and short-term investments which earn interest.

*Interest rate risk*

Financial instruments that expose the Company to interest rate risk are its cash equivalents, short-term investments and restricted cash. 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 incurs expenses and expenditures in Canada and the United States and is exposed to risk from changes in foreign currency rates. In addition, the Company holds financial assets and liabilities in Canadian and U.S. dollars. The Company does not utilize any financial instruments or cash management policies to mitigate the risks arising from changes in foreign currency rates.

At September 30, 2012, the Company had cash and cash equivalents, short-term investments and restricted cash of approximately US\$7.4 million (US\$18.9 million as at December 31, 2011) and had accounts payable, accrued liabilities and notes payable of US\$1.4 million (US\$0.9 million as at December 31, 2011) which were denominated in U.S. dollars.

*Sensitivity analysis*

The Company has completed a sensitivity analysis to estimate the impact that a change in foreign exchange rates would have on the net loss of the Company, based on the Company's net U.S. dollar denominated assets and



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liabilities at period end. This sensitivity analysis assumes that changes in market interest rates do not cause a change in foreign exchange rates. This sensitivity analysis shows that a change of +/- 10% in U.S. dollar foreign exchange rate would have a +/- \$0.6 million impact on net loss for the nine months ended September 30, 2012. This impact is primarily as a result of the Company having cash and investment balances denominated in U.S. dollars and U.S. dollar denominated trade payables. The financial position of the Company may vary at the time that a change in exchange rates occurs causing the impact on the Company's results to differ from that shown above.

The Company has also 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 assumes that changes in market foreign exchange rates do not cause a change in interest rates. This sensitivity analysis shows that a change of +/- 100 basis points in interest rate would have a +/- \$0.2 million impact on net loss for the nine months ended September 30, 2012. This impact is primarily as a result of the Company having cash and short-term investments invested in interest bearing accounts. 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.

### **Transactions with Related Parties**

During the nine months ended September 30, 2012 and 2011, the Company did not participate in any material transactions with related parties.

### **Proposed Transactions**

As is typical of the mineral exploration and development industry, the Company is continually reviewing potential merger, acquisition, investment and venture transactions and opportunities that could enhance shareholder value. Timely disclosure of such transactions is made as soon as reportable events arise.

### **Critical Accounting Policies and Estimates**

#### Mineral Properties

Acquisition costs of mineral properties are capitalized. When production commences, these costs will be amortized on the unit-of-production method based upon the estimated recoverable resource of the mineral property.

As of September 30, 2012, the current and long term price of uranium was approximately US\$46.50 and US\$61.00, respectively. This compares to prices of US\$52.00 and US\$61.00 as of December 31, 2011. As our production is not anticipated until the latter portion of 2013, we continue to focus our attention on the long-term prices as the current spot price will not necessarily affect profitability once production is achieved. Management has reviewed the cash flow projections for mineral properties which indicates no impairment is required. Management also did not identify any other impairment indicators for any of the Company's mineral properties during the nine months ended September 30, 2012.

#### Share-Based Compensation

The Company is required to record all equity instruments including warrants, RSUs and stock options at fair value in the financial statements.

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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.

### **Evaluation of Disclosure Controls and Procedures**

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

### **Management's Report on Internal Control over Financial Reporting**

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

All internal control systems, no matter how well designed, have inherent limitations. Therefore even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Changes in Internal Control over Financial Reporting**

There has been no change in the Company's internal control over financial reporting during the nine months ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Risks and Uncertainties**

The Company is subject to a number of risks and uncertainties due to the nature of its business and the present

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stage of development of its business. Investment in the natural resource industry in general, and the exploration and development sector in particular, involves a great deal of risk and uncertainty. Current and potential investors should give special consideration to the risk factors involved. These factors are discussed more fully in our Annual Information Form and our Annual Report on Form 40-F dated March 2, 2012 which are filed, respectively, on SEDAR at [www.sedar.com](http://www.sedar.com) and the SEC's website at <http://www.sec.gov/edgar.shtml>.

**Other Information**

Other information relating to the Company may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com) or on the SEC's website at <http://www.sec.gov/edgar.shtml>.

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**Directors and Officers**

Jeffrey T. Klenda, B.A. – Chairman and Executive Director  
W. William Boberg, M.Sc., P. Geo. – Director  
Thomas Parker, M.Sc., P.E. – Director and Audit Committee Chair  
James M. Franklin, PhD, FRSC, P. Geo. – Director and Technical Committee Chair  
Paul Macdonell, Diploma Public Admin. – Director, Compensation Committee Chair and Corporate Governance and Nominating Committee Chair  
Wayne W. Heili, B.Sc. – President, Chief Executive Officer and Director  
Roger L. Smith, CPA, MBA – Chief Financial Officer and Chief Administrative Officer  
Steven M. Hatten, B.Sc. – Vice President Operations  
John W. Cash, M.Sc. – Vice President of Regulatory Affairs, Exploration & Geology  
Penne A. Goplerud, J.D. – General Counsel and Corporate Secretary

**Corporate Offices**

<i>Corporate Headquarters:</i> 10758 West Centennial Road, Suite 200 Littleton (Denver), Colorado 80127 Phone: 720- 981-4588	<i>Wyoming Operations Office:</i> 5880 Enterprise Drive, Suite 200 Casper, Wyoming 82609 Phone: 307- 265-2373
<i>Registered Canadian Office:</i> 55 Metcalfe Street, Suite 1300 Attn: Virginia K. Schweitzer Ottawa, Ontario K1P 6L5 Phone: 613-236-3882	

Website

[www.ur-energy.com](http://www.ur-energy.com)

Trading Symbols

TSX: URE

NYSE MKT: URG

Independent Auditors

PricewaterhouseCoopers LLP, Vancouver

Corporate Legal Counsel

Fasken Martineau DuMoulin LLP, Ottawa

Corporate Banker

Royal Bank of Canada, Ottawa

Transfer Agent

Computershare Investor Services Inc., Toronto

Computershare Trust Company N.A. (U.S. Co-Transfer Agent and Co-Registrar), Golden, CO