

DELCATH SYSTEMS INC  
Form DFAN14A  
September 18, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**

**Consent Solicitation Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**DELCATH SYSTEMS, INC.**  
(Name of Registrant as Specified In Its Charter)

**ROBERT B. LADD  
JONATHAN A. FOLTZ  
MICHAEL KARPf, M.D.  
PAUL WILLIAM FREDERICK NICHOLLS  
FRED S. ZEIDMAN  
LADDCAP VALUE ASSOCIATES LLC  
LADDCAP VALUE PARTNERS LP**

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1)	Title of each class of securities to which transaction applies: N/A
(2)	Aggregate number of securities to which transaction applies: N/A
(3)	

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Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule

0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

N/A

(4) Proposed maximum aggregate value of transaction: N/A

(5) Total fee paid: N/A

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing:

(1) Amount previously paid: N/A

(2) Form, Schedule or Registration Statement No.: N/A

(3) Filing party: N/A

(4) Date Filed: N/A

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**LADDCAP IS PREPARED TO USE INDEPENDENT PROXY ADVISORY FIRMS  
RECOMMENDATION AS A FRAMEWORK FOR A SETTLEMENT THAT WILL BENEFIT  
ALL DELCATH STOCKHOLDERS**

New York, September 18, 2006 - Laddcap Value Partners LP, Delcath Systems, Inc.'s (Nasdaq: DCTH) largest stockholder, is currently undertaking a written consent solicitation that, if successful, will remove all existing directors of Delcath and replace them with a new slate of directors.

Laddcap asks its fellow Delcath stockholders to continue to support effective change at Delcath by submitting their **BLUE** Consent Cards.

Despite Laddcap's ability to remove and replace Delcath's existing directors upon a successful consent solicitation, Laddcap is currently willing to agree to a settlement with Delcath that uses the Institutional Shareholder Services (ISS) and Glass Lewis & Co. reports as a framework for a settlement. ISS and Glass Lewis are leading independent global proxy advisory and voting services firms.

Both the ISS and Glass Lewis reports recommend that current Delcath directors Mark Corigliano and Victor Nevins resign from Delcath's Board and be replaced by two directors from the Laddcap slate.

"Laddcap is committed to increasing stockholder value for all Delcath stockholders. A compromise settlement, which would bring a fresh perspective onto Delcath's Board, will be a big step in achieving that result. Moreover, the settlement will end the expenditures on litigation; funds that can be better used by Delcath for recruiting patients for its clinical trials and for testing new applications for its device. We look forward to working with Delcath, Mr. Koly, and their counsel, to negotiate a settlement on an expedited and good faith basis," stated Robert B. Ladd, Board nominee.

Notwithstanding Laddcap's willingness to negotiate a settlement with Delcath, Delcath has not agreed to any such settlement. Therefore, it is imperative that you continue to send in your **BLUE** Consent Cards.

PLEASE SIGN, DATE AND RETURN YOUR **BLUE** CONSENT CARD

If you have any questions or require any assistance in executing your written consent,  
please call:

**The Altman Group, Inc.**

1200 Wall Street West, 3rd Floor, Lyndhurst, NJ 07071

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**Laddcap Value Partners LP**

650 Fifth Avenue, Suite 600

New York, NY 10019

(212) 259-2070

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In connection with our consent solicitation, on August 17, 2006 we filed a definitive consent solicitation statement with the Securities and Exchange Commission (the "SEC"). In addition, we may file other consent solicitation materials regarding this consent solicitation. **STOCKHOLDERS ARE URGED TO READ THE DEFINITIVE CONSENT SOLICITATION STATEMENT BECAUSE IT CONTAINS IMPORTANT INFORMATION.** Definitive consent solicitation statements and **BLUE** consent cards have been mailed to Delcath stockholders. Stockholders are also able to obtain a free copy of the definitive consent solicitation statement at the SEC's website, [www.sec.gov](http://www.sec.gov). The definitive consent solicitation statement may also be obtained free of charge from our offices by contacting us via the contact information set forth above.

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Total cash compensation includes base salary and any variable short-term cash incentive compensation. During 2009, the Corporation initiated its short-term incentive plan ("STIP") with the payment of bonuses to the executive officers and employees of the Corporation. The bonuses awarded for 2009, paid in 2010, were nominal. No bonuses were awarded for 2010 or paid in 2011. Bonuses were awarded for 2011, paid in 2012, based upon performance in relation to corporate objectives set by the Chief Executive Officer and executive management and approved by the Board of Directors, and in relation to personal objectives. The STIP program is designed to recognize and reward both corporate and individual, personal performance results. The bonuses paid in 2012 to executive officers and eligible employees of the Corporation in recognition of 2011 performance were based upon a pre-established formula, then reduced by 80% in recognition that the Corporation was not yet in operations.

In February 2013, performance and execution of the 2012 corporate objectives were reviewed by executive management and the Board of Directors. The objectives included an emphasis on safety; the advancement of the Corporation's Lost Creek Project toward production; increasing the minable resources available to Lost Creek; growth in production profile of the Corporation outside the Lost Creek area; development of a marketing strategy; and determination of a strategy for financing. Each objective was reviewed in light of multiple related objectives. When reviewed and assessed, corporate performance was gauged to have met or exceeded performance objectives, with a rating of 5.6 on a scale of 7. The Board of Directors then determined to award STIP bonus payments to all eligible, non-executive, employees, but took no action with respect to STIP awards to executive officers. Consistent with last year, the STIP awards paid to eligible, non-executive employees were based upon a pre-established formula, then reduced by 75% in recognition that the Corporation is not yet in operations.

- 15 -

### ***Long-Term Equity Incentives***

The long-term incentive plan (“LTIP”) includes the Corporation’s Option Plan and the RSU Plan. A more detailed discussion of the Option Plan and RSU Plan can be found under the heading “Stock Options and RSUs.” The Option Plan and the RSU Plan form a long-term incentive plan for employees including executive officers and, in the case of the Option Plan, consultants of the Corporation. Participation in the Option Plan and the RSU Plan is determined by the Compensation Committee, taking into account the recommendations of the Chief Executive Officer. The purpose of the Option Plan and the RSU Plan is to provide eligible participants with the opportunity to own shares of the Corporation, enhance the Corporation’s ability to attract, retain and motivate key personnel, and align the participant’s interests with those of the shareholders. Awards made under the Option Plan and RSU Plan were based upon a pre-established formula.

### ***Perquisites Including Benefits***

The Corporation provides employees, including its executive officers, with perquisites including personal benefits that the Corporation believes are reasonable and consistent with its overall compensation program to better enable the Corporation to attract and retain quality employees. The Corporation periodically reviews the levels of perquisites provided to the employees and executive officers to ensure competitiveness and value.

Executive officers who are employees of the Corporation participate in healthcare and other benefit programs on the same terms as other employees of the Corporation.

### **Review of Compensation Program**

The Compensation Committee from time to time undertakes a comprehensive review of the Corporation’s compensation program which includes competitive market data, pay grades, share ownership guidelines and short-term and long-term incentives. Most recently, a comprehensive review of compensation of all employees, including executive officers, was completed during 2012, which utilized inflation factors as indicated by consumer price indices for relevant regions, as well as a variety of compensation surveys.

This review updated an earlier review from 2008 conducted by a consulting firm, 3XCD Inc. (“3XCD”). There, the Compensation Committee compared key elements of total compensation for the executive officers against peer group survey data provided by 3XCD. Following the earlier review, in 2009, the Compensation Committee recommended to the Board of Directors a compensation program which continues in 2013. The key elements of the Compensation

Program include base salary, short-term incentive plan, long-term equity incentives and perquisites which includes personal benefits. In early 2012, the Compensation Committee recommended and the Board of Directors approved refinement of the Share Ownership Guidelines for executive officers and non-executive directors, including revisions to the ownership requirements for non-executive directors, as discussed below and under the heading “Compensation of Directors.”

***Base Salary***

The Compensation Committee’s approach to base salary remained unchanged in 2012. The Compensation Committee will continue to review the base salary for each executive officer of the Corporation annually or upon a promotion or other change in job responsibility, based on the individual’s level of responsibility, the importance of the position to the Corporation and the individual’s contribution to the Corporation’s performance. The Compensation Committee also will continue to review periodically the base salary relative to a group of peer companies with similar scope and operations to ensure that it is positioned competitively with executive officers in similar roles at the peer companies.

### ***Short-Term Incentive Plan***

The Corporation maintains a variable STIP which comprises the variable component of total cash compensation and is performance based. The STIP remains largely as introduced in 2009. The purpose of including performance-based incentive compensation as part of the total cash compensation is to encourage and reward individual contributions and drive behaviors to meet corporate objectives and business strategy, while at the same time promoting teamwork and shareholder value.

Corporate objectives and business strategy are determined by the Board of Directors, taking into account the recommendations of the Chief Executive Officer and executive management. The STIP program is based on corporate objectives, personal objectives, and where appropriate operating objectives, and correlates directly to the Corporation's business strategy. Payouts within the STIP program are based upon individual and team performance on year-over-year achievement of set objectives. The Compensation Committee and the Board of Directors will determine and exercise discretion over each executive officer's STIP payout.

### ***Long-Term Incentive Plan***

The Corporation maintains both an RSU Plan and Option Plan as the components of the Corporation's LTIP program. The RSU Plan was approved by the shareholders in 2010 to be added to the Corporation's Option Plan as a part of the LTIP program. See discussion below under the heading "Stock Options and RSUs". The Option Plan and RSU Plan are equity-based incentive plans. The Option Plan and RSU Plan provide additional means of attracting highly-qualified directors, executive officers and employees who will be motivated toward the success of the Corporation and encourage share ownership in the Corporation by the participant. In addition, through share ownership, the Option Plan and RSU Plan also encourage the alignment of the participant's interests with those of the shareholders. The LTIP program includes awards under the RSU Plan and/or the Option Plan as determined by the Compensation Committee and as recommended to and approved by the Board of Directors.

Concerning the Corporation's STIP and LTIP programs, the Compensation Committee and the Board of Directors have the power to determine, among other things (i) those individuals who will participate, (ii) the level of participation of each participant, and (iii) the time or times when the participant's rights will vest. The Compensation Committee determines annually the portion of the incentive pool to be allocated to the executive officers and employees, based upon the recommendations of the Chief Executive Officer and executive management. These determinations are primarily based upon the participant's level of seniority and responsibility within the Corporation.

The Board of Directors also may amend, suspend or discontinue the STIP and LTIP programs at any time, subject to the receipt of regulatory approvals and not in contravention of the requirements of the Toronto Stock Exchange or any

other applicable law.

*Share Ownership Guidelines*

All executive officers and directors are encouraged to have a significant long-term financial interest in the Corporation. To encourage alignment of the interests of the executive officers, directors and shareholders, in 2009, the Board of Directors mandated that each executive officer of the Corporation, whether currently appointed or appointed in the future, is required to invest an amount equal to one times the executive officer's annual base salary in shares or securities exercisable into shares on or before the later of (i) December 31, 2013, or (ii) the fifth anniversary of the executive officer's appointment. The investment amount is calculated using the amount of the base salary of the executive officer at the later of (i) January 1, 2009, or (ii) the date of executive officer's appointment. The share ownership requirements are also applicable to the non-executive directors. See discussion under the heading of "Compensation of Directors," below.

- 17 -

In February 2012, the Board of Directors approved Share Ownership Guidelines which provide greater detail to the ownership requirements of the directors and executive officers, and approved a modification to the ownership requirements of the non-executive directors. All executive directors and executive officers meet the Share Ownership Guidelines or are on-track to meet the Share Ownership Guidelines within the prescribed timeframes.

Although the executive officers and directors of the Corporation are not prohibited from hedging or otherwise offsetting a decrease in market value of the equity securities granted as compensation, no executive officer or director has purchased such financial instruments or prepaid variables for that purpose.

### *2012 Compensation Program Objectives*

The Compensation Committee has implemented and overseen the foregoing compensation program in an effort to balance the motivational elements of the performance-based STIP program with retention awards under the LTIP program in an effort to align the interests of its executive officers and employees with those of the shareholders while promoting shareholder value. The Corporation's executive officer compensation program is designed to provide motivation and incentives to its executives with a view to:

- enhancing shareholder value and successfully implementing the Corporation's business strategy and objectives;
- attracting and retaining key employees;
- recognizing the scope and level of responsibility of each position;
- providing a competitive level of total compensation to all executives; and
- rewarding superior performance and achievement.

The Corporation evaluates both performance and compensation to ensure that the Corporation's compensation philosophy and objectives are met.

The Compensation Committee recommended and the Board of Directors approved, on February 28, 2012, the inclusion in the Compensation Committee Charter of an additional review, by the Committee, to consider the implications of the risks associated with the Corporation's compensation policies and practices in order to avoid encouraging inappropriate risk taking by executive officers. The Committee has undertaken reviews of this type in conjunction with its periodic reviews of the compensation program.

## **EXECUTIVE COMPENSATION**

**Compensation of Executive Officers**

The following table sets forth the summary information concerning compensation paid to or earned during the financial years ended December 31, 2012, 2011 and 2010 by the Corporation's Chief Executive Officer, Chief Financial Officer and the three highest paid executive officers, who were serving as executive officers at December 31, 2012 (collectively, the "Named Executive Officers").

- 18 -

Summary Compensation Table <sup>(1)</sup>

Name and principal position	Year	Salary (\$)	Share-	Option-	Non-equity	Long-term incentive plans (\$)	Pension Value (\$)	All other compensation (\$)	Total compensation (\$)
			based awards <sup>(2)</sup> (\$)	based awards <sup>(2)</sup> (\$)	Annual incentive plans <sup>(3)</sup> (\$)				
<b>Wayne W. Heili</b> <sup>(4) (5)</sup> Director, President, and Chief Executive Officer	2012	256,882	50,502	98,707	17,025	Nil	Nil	Nil	423,116
	2011	238,353	73,440	340,509	16,838	Nil	Nil	Nil	652,302
	2010	227,415	Nil	26,190	Nil	Nil	Nil	Nil	256,933
<b>Roger L. Smith</b> <sup>(6) (7)</sup> Chief Financial Officer and Chief Administrative Officer	2012	251,297	44,465	86,905	15,325	Nil	Nil	Nil	397,992
	2011	240,992	78,684	345,653	15,157	Nil	Nil	Nil	665,329
	2010	243,660	Nil	22,449	Nil	Nil	Nil	Nil	269,675
<b>Jeffrey T. Klenda</b> <sup>(8) (9)</sup> Chair and Executive Director	2012	256,882	50,502	98,707	17,025	Nil	Nil	Nil	423,116
	2011	231,160	93,258	253,773	16,838	Nil	Nil	Nil	578,191
	2010	207,923	Nil	21,284	Nil	Nil	Nil	Nil	232,250
<b>Penne A. Goplerud</b> <sup>(10) (11)</sup> General Counsel and Corporate Secretary	2012	205,651	35,289	68,241	10,599	Nil	Nil	Nil	319,780
	2011	161,265	26,499	175,400	10,483	Nil	Nil	Nil	363,164
	2010	153,287	Nil	9,544	Nil	Nil	Nil	Nil	165,083
<b>Steven M. Hatten</b> <sup>(12) (13)</sup> Vice President, Operations	2012	180,101	31,866	62,282	10,982	Nil	Nil	Nil	285,231
	2011	164,647	28,947	181,837	10,862	Nil	Nil	Nil	375,431
	2010	151,120	Nil	9,222	Nil	Nil	Nil	Nil	162,518

(1)

United States dollar figures have been converted to Canadian dollar figures at the average exchange rate for 2012 of US\$1.00 = CDN\$1.00019, for 2011 of US\$1.00 = CDN\$0.98903 and for 2010 of US\$1.00=CDN\$1.03075 as quoted by OANDA Corporation on its website [www.oanda.com](http://www.oanda.com).

(2) The issuance of share-based and option-based awards in conjunction with the LTIP are shown in the year they were issued. The 2011 awards were issued in January 2012 while the 2012 awards were issued in December 2012 resulting in two years' worth of awards in 2012. For various planning and administrative reasons, the Corporation intends to continue issuing the awards in December in future years.

(3) Annual incentive plan awards were earned in the years shown and are typically paid in the first quarter of the following year.

(4) Mr. Heili joined the Corporation in February 2007 pursuant to an employment agreement with the Corporation and was appointed to the position of Vice President, Mining & Engineering. In May 2011, Mr. Heili was appointed to be the President and Chief Operating Officer of the Corporation, as well as being named a director of the Corporation. He became President and Chief Executive Officer on August 1, 2011. See heading "Employment Contracts" below.

In 2012, Mr. Heili received options for 130,077 Common Shares on December 7, 2012 at an exercise price of \$0.76. These options expire on December 7, 2017. Mr. Heili received a grant of 32,694 RSUs on December 7, 2012. In addition, Mr. Heili received options for 112,767 Common Shares on January 12, 2012 at an exercise price of \$0.91. These options expire on January 12, 2017. Mr. Heili received a grant of 28,192 RSUs on January 12, 2012. In 2011, Mr. Heili received options for 102,354 Common Shares on January 28, 2011 at an exercise price of (5) \$2.87. These options expire on January 28, 2016. Mr. Heili received a grant of 25,589 RSUs on January 28, 2011. In addition, Mr. Heili received options for 150,000 Common Shares on July 7, 2011 at an exercise price of \$1.57. These options expire on July 7, 2016. Mr. Heili also received options for 81,847 Common Shares on September 9, 2011 at an exercise price of \$1.17. These options expire on September 9, 2016. In 2010, Mr. Heili received options for 60,539 Common Shares on March 5, 2010 at an exercise price of \$0.81. These options expire on March 5, 2015.

Roger Smith joined the Corporation in May 2007 and was appointed to the position of Chief Financial Officer pursuant to an employment agreement with the Corporation. In August 2007, Mr. Smith was further appointed as (6) Vice President, Finance, IT & Administration. In May 2011, Mr. Smith assumed additional responsibilities, and in addition to continuing to serve as Chief Financial Officer was appointed Chief Administrative Officer. See heading "Employment Contracts" below.

In 2012, Mr. Smith received options for 115,139 Common Shares on December 7, 2012 at an exercise price of \$0.76. These options expire on December 7, 2017. Mr. Smith received a grant of 28,786 RSUs on December 7, 2012. In addition, Mr. Smith received options for 99,284 Common Shares on January 12, 2012 at an exercise price of \$0.91. These options expire on January 12, 2017. Mr. Smith received a grant of 24,822 RSUs on January 12, 2012. In 2011, Mr. Smith received options for 109,666 Common Shares on January 28, 2011 at an exercise price of (7) \$2.87. These options expire on January 28, 2016. Mr. Smith received a grant of 27,416 RSUs on January 28, 2011. In addition, Mr. Smith received options for 150,000 Common Shares on July 7, 2011 at an exercise price of \$1.57. These options expire on July 7, 2016. Mr. Smith also received options for 72,061 Common Shares on September 9, 2011 at an exercise price of \$1.17. These options expire on September 9, 2016. In 2010, Mr. Smith received options for 51,891 Common Shares on March 5, 2010 at an exercise price of \$0.81. These options expire on March 5, 2015.

Mr. Klenda became a director of the Corporation in August 2004 and Chair of the Board of Directors and Executive Director in January 2006. Mr. Klenda was a consultant to the Corporation from August 2004 to (8) December 31, 2006. Mr. Klenda entered into an employment agreement with the Corporation on January 1, 2007, as amended. See heading "Employment Contracts" below.

In 2012, Mr. Klenda received options for 130,777 Common Shares on December 7, 2012 at an exercise price of \$0.76. These options expire on December 7, 2017. Mr. Klenda received a grant of 32,694 RSUs on December 7, 2012. In addition, Mr. Klenda received options for 112,767 Common Shares on January 12, 2012 at an exercise price of \$0.91. These options expire on January 12, 2017. Mr. Klenda received a grant of 28,192 RSUs on January (9) 12, 2012. In 2011, Mr. Klenda received options for 129,974 Common Shares on January 28, 2011 at an exercise price of \$2.87. These options expire on January 28, 2016. Mr. Klenda received a grant of 32,494 RSUs on January 28, 2011. In addition, Mr. Klenda received options for 81,847 Common Shares on September 9, 2011 at an exercise price of \$1.17. These options expire on September 9, 2016. In 2010, Mr. Klenda received options for 49,200 Common Shares on March 5, 2010 at an exercise price of \$0.81. These options expire on March 5, 2015.

Ms. Goplerud joined the Corporation in August 2007 as Associate General Counsel. In May 2011, Ms. (10) Goplerud was appointed General Counsel and Corporate Secretary. Ms. Goplerud entered into an employment agreement with the Corporation on May 17, 2011, as amended. See heading "Employment Contracts" below.

(11) In 2012, Ms. Goplerud received options for 103,516 Common Shares on December 7, 2012 at an exercise price of \$0.76. These options expire on December 7, 2017. Ms. Goplerud received a grant of 25,880 RSUs on December 7, 2012. In addition, Ms. Goplerud received options for 68,667 Common Shares on January 12, 2012 at an exercise price of \$0.91. These options expire on January 12, 2017. Ms. Goplerud received a grant of 17,166 RSUs

on January 12, 2012. In 2011, Ms. Goplerud received options for 36,934 Common Shares on January 28, 2011 at an exercise price of \$2.87. These options expire on January 28, 2016. Ms. Goplerud received a grant of 9,233 RSUs on January 28, 2011. In addition, Ms. Goplerud received options for 100,000 Common Shares on July 7, 2011 at an exercise price of \$1.57. These options expire on July 7, 2016. Ms. Goplerud also received options for 49,838 Common Shares on September 9, 2011 at an exercise price of \$1.17. These options expire on September 9, 2016. In 2010, Ms. Goplerud received options for 21,845 Common Shares on March 5, 2010 at an exercise price of \$0.81. These options expire on March 5, 2015.

(12) Mr. Hatten joined the Corporation in April 2007 as the Engineering Manager and was subsequently named Director of Engineering & Operations in 2010. In May 2011, Mr. Hatten was named Vice President Operations. Mr. Hatten entered into an employment agreement with the Corporation on May 17, 2011, as amended. See heading "Employment Contracts" below.

(13) In 2012, Mr. Hatten received options for 82,523 Common Shares on December 7, 2012 at an exercise price of \$0.76. These options expire on December 7, 2017. Mr. Hatten received a grant of 20,630 RSUs on December 7, 2012. In addition, Mr. Hatten received options for 71,150 Common Shares on January 12, 2012 at an exercise price of \$0.91. These options expire on January 12, 2017. Mr. Hatten received a grant of 17,788 RSUs on January 12, 2012. In 2011, Mr. Hatten received options for 40,343 Common Shares on January 28, 2011 at an exercise price of \$2.87. These options expire on January 28, 2016. Mr. Hatten received a grant of 10,086 RSUs on January 28, 2011. In addition, Mr. Hatten received options for 100,000 Common Shares on July 7, 2011 at an exercise price of \$1.57. These options expire on July 7, 2016. Mr. Hatten also received options for 51,641 Common Shares on September 9, 2011 at an exercise price of \$1.17. These options expire on September 9, 2016. In 2010, Mr. Hatten received options for 21,707 Common Shares on March 5, 2010 at an exercise price of \$0.81. These options expire on March 5, 2015.

## **Stock Options and RSUs**

The Corporation adopted the Ur-Energy Inc. Amended and Restated Stock Option Plan 2005 in order to advance the interests of the Corporation by providing directors, officers, employees and consultants with a financial incentive tied to the long-term financial performance of the Corporation and continued service to or employment with the Corporation.

The Corporation adopted the Ur-Energy Inc. Amended Restricted Share Unit Plan as part of the Corporation's overall stock-based compensation plan. The RSU Plan allows participants to earn Common Shares over time, rather than options that give participants the right to purchase shares at a set price.

A total of up to 10% of the Corporation's issued and outstanding Common Shares may be reserved for issuance pursuant to the Option Plan and the RSU Plan, in the aggregate. On April 25, 2012, the Corporation listed and reserved 12,106,000 Common Shares in the aggregate with the TSX, of which 9,684,000 Common Shares were notionally reserved under the Option Plan, and 2,422,000 Common Shares were notionally reserved under the RSU Plan. The Corporation has historically allocated, and expects going forward will allocate, approximately 80% of those reserved shares to the Option Plan and 20% to the RSU Plan. Of those currently reserved, 8,508,351 options for Common Shares have been granted and are outstanding, and 548,127 RSUs have been granted and are outstanding as at March 19, 2013. The number of shares reserved is subject to adjustment if the Common Shares are subdivided, consolidated, converted or reclassified or the number of Common Shares varies as a result of a stock dividend or an increase or a reduction in the share capital of the Corporation.

### *Option Plan*

Under the Option Plan, options may be granted to all directors, executive officers, eligible employees and consultants of the Corporation. The maximum number of Common Shares that may be reserved for issuance to any one person under the Option Plan is five percent of the number of Common Shares outstanding at the time of reservation. The exercise price for Common Shares subject to an option is determined by the Board of Directors at the time of grant and may not be less than the market price of the Common Shares at the time the option is granted. Options are generally exercisable as to 10% immediately on the date of grant; with an additional 22% becoming exercisable four and one-half months after the date of grant; 22% becoming exercisable nine months after the date of grant; 22% thirteen and one-half months after the date of grant; and, the balance of 24% exercisable eighteen months after the date of grant, subject to the right of the Board of Directors to determine at the time of a particular grant that such options will become exercisable on different dates. An option may be for a term of up to five years and may not be assigned.

Options granted under the Option Plan are subject to early termination under certain circumstances, including (i) one year after the death of the option holder, (ii) three months after the option holder's resignation or dismissal without cause as an employee or consultant, or (iii) immediately upon the option holder's dismissal for cause as an employee. In each case, only options vested at the time of the event which gave rise to such early termination may be exercised by the option holder during such period. The Option Plan also provides that upon a change of control all options under the Option Plan vest immediately and are immediately exercisable.

The Option Plan and the terms of any outstanding option may be amended at any time by the Board of Directors subject to any required regulatory or shareholder approvals, provided that where such an amendment would prejudice the rights of an option holder under any outstanding option, the consent of the option holder is required to be obtained.

In October 2011, the Board of Directors last amended the Option Plan by making certain non-substantive, clarifying, edits particularly in respect of U.S. tax consequences. These amendments did not require shareholder approval.

#### *RSU Plan*

The RSU Plan was adopted by the Board of Directors on May 7, 2010 and approved by the shareholders of the Corporation on June 24, 2010. Certain non-substantive, clarifying edits were made and approved by the Board of Directors, effective October 24, 2011. These amendments did not require shareholder approval. The RSU Plan is a plan which includes directors and employees, including executive officers, of the Corporation. The Board of Directors has appointed the Compensation Committee to determine which persons are entitled to participate in the RSU Plan and the number of RSUs to be awarded to each participant. RSUs awarded to participants are credited to a notional account that is established on their behalf and maintained in accordance with the RSU Plan. Each RSU awarded conditionally entitles the participant to the delivery of one Common Share (or cash in lieu of such share at the Compensation Committee's discretion) upon attainment of the RSU vesting period. RSUs awarded to participants vest in accordance with the terms of the RSU Plan over a two year period: 50% vest on the first anniversary and 50% vest on the second anniversary of the date of grant. On voluntary termination of employment, or resignation of a director from the Board of Directors, all unvested RSUs are forfeited.

The RSU Plan provides for the Corporation to redeem RSUs for cash or Common Shares from treasury to satisfy all or any portion of the RSU awards. In the event of a change of control, as defined in the RSU Plan, the Corporation shall redeem 100% of the RSUs granted to participants; and in the event of an involuntary termination of an employee of the Corporation, other than for cause, or a director who is not re-elected the Corporation shall redeem the RSUs for cash.

The following table sets forth information concerning option-based and share-based awards granted by the Corporation to each of the Named Executive Officers outstanding as of December 31, 2012.

- 22 -

## Option Based and Share Based Awards Outstanding as of December 31, 2012

Name	Option-based Awards				Share-based Awards <sup>(1)</sup>	
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
	(#)	(\$)	date	(\$)	(#)	(\$)
Wayne W. Heili	Nil	Nil	Nil	Nil	73,680	61,154
	130,777	0.76	07-Dec-2017	9,154	Nil	Nil
	112,767	0.91	12-Jan-2017	Nil	Nil	Nil
	81,847	1.17	09-Sep-2016	Nil	Nil	Nil
	150,000	1.57	07-Jul-2016	Nil	Nil	Nil
	102,354	2.87	28-Jan-2016	Nil	Nil	Nil
	60,539	0.81	05-Mar-2015	1,211	Nil	Nil
	101,250	0.90	02-Sep-2014	Nil	Nil	Nil
Roger L. Smith	40,000	1.65	08-May-2013	Nil	Nil	Nil
	Nil	Nil	Nil	Nil	67,316	55,872
	115,139	0.76	07-Dec-2017	8,060	Nil	Nil
	99,284	0.91	12-Jan-2017	Nil	Nil	Nil
	72,061	1.17	09-Sep-2016	Nil	Nil	Nil
	150,000	1.57	07-Jul-2016	Nil	Nil	Nil
	109,666	2.87	28-Jan-2016	Nil	Nil	Nil
	36,891	0.81	05-Mar-2015	738	Nil	Nil
Jeffrey T. Klenda	57,321	0.90	02-Sep-2014	Nil	Nil	Nil
	40,000	1.65	08-May-2013	Nil	Nil	Nil
	Nil	Nil	Nil	Nil	77,133	64,020
	130,777	0.76	07-Dec-2017	9,154	Nil	Nil
	112,767	0.91	12-Jan-2017	Nil	Nil	Nil
	81,847	1.17	09-Sep-2016	Nil	Nil	Nil
	129,974	2.87	28-Jan-2016	Nil	Nil	Nil
	49,200	0.81	05-Mar-2015	984	Nil	Nil
Penne A. Goplerud	68,571	0.90	02-Sep-2014	Nil	Nil	Nil
	68,571	0.71	09-Feb-2014	8,229	Nil	Nil
	80,000	1.65	08-May-2013	Nil	Nil	Nil
	Nil	Nil	Nil	Nil	47,662	39,559
	103,516	0.76	07-Dec-2017	7,246	Nil	Nil
	68,667	0.91	12-Jan-2017	Nil	Nil	Nil
	49,838	1.17	09-Sep-2016	Nil	Nil	Nil
	100,000	1.57	07-Jul-2016	Nil	Nil	Nil
	36,934	2.87	28-Jan-2016	Nil	Nil	Nil
	21,845	0.81	05-Mar-2015	437	Nil	Nil
	30,710	0.90	02-Sep-2014	Nil	Nil	Nil

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	10,710	0.71	09-Feb-2014	1,285	Nil	Nil
	15,000	1.65	08-May-2013	Nil	Nil	Nil
Steven M. Hatten	Nil	Nil	Nil	Nil	43,461	36,073
	82,523	0.76	07-Dec-2017	5,777	Nil	Nil
	71,150	0.91	12-Jan-2017	Nil	Nil	Nil
	51,641	1.17	09-Sep-2016	Nil	Nil	Nil
	100,000	1.57	07-Jul-2016	Nil	Nil	Nil
	40,343	2.87	28-Jan-2016	Nil	Nil	Nil
	21,107	0.81	05-Mar-2015	422	Nil	Nil
	36,771	0.90	02-Sep-2014	Nil	Nil	Nil
	25,000	1.65	08-May-2013	Nil	Nil	Nil
	62,500	3.00	09-Aug-2012	Nil	Nil	Nil

(1) The aggregate market value or payout value of vested share-based awards that have not yet been paid out or distributed is nil for all officers in this table.

The following table sets forth information concerning the value vested or earned in respect of incentive plan awards during the financial year ended December 31, 2012 by each of the Named Executive Officers.

## Incentive Plan Awards - Value Vested or Earned During the Financial Year Ended December 31, 2012

Name	Option-based Awards		Share-based Awards		Non-equity incentive plan compensation
	Number of Securities Underlying Options Vested (#)	Value vested during the year (\$)	Number of Shares or Units of Shares Vested (#)	Value vested during the year (\$)	Value earned during the year (\$)
Wayne W. Heili	241,074	198,103	12,795	36,722	17,025
Roger L. Smith	229,133	195,224	13,708	39,342	15,325
Jeffrey T. Klenda	187,779	160,824	16,247	46,629	17,025
Penne A. Goplerud	141,315	106,616	4,617	13,251	10,599
Steven M. Hatten	143,314	109,734	5,043	14,473	10,982

**Employment Contracts**

The Corporation entered into an employment agreement with Mr. Wayne Heili dated February 19, 2007, as amended, when he was hired to be the Vice President Mining & Engineering. Most recently, Mr. Heili's employment agreement was amended effective in 2011 to reflect his new positions as President and Chief Executive Officer. Currently, Mr. Heili is entitled to a salary of US\$258,284 per year and a discretionary bonus to be set by the Board of Directors of the Corporation. Mr. Heili is entitled to receive stock option grants under the terms and conditions of the Option Plan, and RSUs under the terms and conditions of the RSU Plan, and as determined by the Board of Directors. In the event the Corporation terminates the employment agreement with Mr. Heili for non-causal reasons, Mr. Heili will be entitled to a lump sum payment equivalent to two years base salary (a total of US\$516,568). In the event of change of control of the Corporation, and Mr. Heili's termination by, or resignation from, the Corporation within 12 months of the change of control, Mr. Heili will be entitled to a lump sum payment equivalent to two years base salary (a total of US\$516,568). Mr. Heili is subject to non-competition and non-solicitation restrictions for a period of one year upon termination of the employment agreement.

The Corporation entered into an employment agreement with Mr. Roger Smith dated May 15, 2007, as amended, when he was hired to be the Chief Financial Officer of the Corporation. Most recently, Mr. Smith's employment agreement was amended in 2011 to reflect his new positions as Chief Financial Officer and Chief Administrative Officer. Currently, Mr. Smith is entitled to a salary of US\$252,668 per year and a discretionary bonus to be set by the Board of Directors. Mr. Smith is entitled to receive stock option grants under the terms and conditions of the Option Plan, and RSUs under the terms and conditions of the RSU Plan, and as determined by the Board of Directors. In the event that the Corporation terminates the employment agreement with Mr. Smith for non-causal reasons, Mr. Smith will be entitled to a lump sum payment equivalent to two years base salary (a total of US\$505,336). In the event of a change of control of the Corporation, and Mr. Smith's termination by, or resignation from, the Corporation within 12

months of the change of control, Mr. Smith will be entitled to a lump sum payment equivalent to two years base salary (a total of US\$505,336). Mr. Smith is subject to non-solicitation restrictions for a period of one year upon termination of the employment agreement.

The Corporation entered into an employment agreement with Mr. Jeffrey Klenda dated January 1, 2007, as amended. Most recently, Mr. Klenda's employment agreement was amended in 2011 to reflect his full-time status. Currently, Mr. Klenda is entitled to a salary of US\$258,284 per year and a discretionary bonus to be set by the Board of Directors. Mr. Klenda is entitled to receive stock option grants under the terms and conditions of the Option Plan, and RSUs under the terms and conditions of the RSU Plan, and as determined by the Board of Directors. In the event that the Corporation terminates the employment agreement with Mr. Klenda for non-causal reasons, Mr. Klenda will be entitled to a lump sum payment equivalent to two years base salary (a total of US\$516,568). In the event of a change of control of the Corporation and Mr. Klenda's termination by, or resignation from, the Corporation within 12 months of the change of control Mr. Klenda will be entitled to a lump sum payment equivalent to two years base salary (a total of US\$516,568). Mr. Klenda is subject to non-solicitation restrictions for a period of one year upon termination of the employment agreement.

The Corporation entered into an employment agreement with Ms. Penne A. Goplerud dated May 17, 2011, as amended. Currently, Ms. Goplerud is entitled to a salary of US\$227,162 per year and a discretionary bonus to be set by the Board of Directors. Ms. Goplerud is entitled to receive stock option grants under the terms and conditions of the Option Plan, and RSUs under the terms and conditions of the RSU Plan, and as determined by the Board of Directors. In the event that the Corporation terminates the employment agreement with Ms. Goplerud for non-causal reasons, Ms. Goplerud will be entitled to a lump sum payment equivalent to 18 months base salary (a total of US\$340,743). In the event of a change of control of the Corporation and Ms. Goplerud's termination by, or resignation from, the Corporation within 12 months of the change of control Ms. Goplerud will be entitled to a lump sum payment equivalent to 18 months base salary (a total of US\$340,743). Ms. Goplerud is subject to non-solicitation restrictions for a period of one year upon termination of the employment agreement.

The Corporation entered into an employment agreement with Mr. Steven M. Hatten dated May 17, 2011, as amended. Currently, Mr. Hatten is entitled to a salary of US\$181,090 per year and a discretionary bonus to be set by the Board of Directors. Mr. Hatten is entitled to receive stock option grants under the terms and conditions of the Option Plan, and RSUs under the terms and conditions of the RSU Plan, and as determined by the Board of Directors. In the event that the Corporation terminates the employment agreement with Mr. Hatten for non-causal reasons, Mr. Hatten will be entitled to a lump sum payment equivalent to 18 months base salary (a total of US\$271,635). In the event of a change of control of the Corporation and Mr. Hatten's termination by, or resignation from, the Corporation within 12 months of the change of control Mr. Hatten will be entitled to a lump sum payment equivalent to 18 months base salary (a total of US\$271,635). Mr. Hatten is subject to non-competition and non-solicitation restrictions for a period of one year upon termination of the employment agreement.

The employment agreements have been amended from time to time. In December 2008, all executive employment agreements then in place were amended to insert necessary provisions for compliance with Section 409A provision of the Internal Revenue Code of 1986 ("IRC"), as amended, including the timing of payments or deferred compensation in the event of a change of control or termination from the Corporation. In November 2009, the executive employment agreements in place were amended to insert provisions to provide for the establishment of a trust to hold and invest certain separation payments which the Corporation becomes obligated to pay because of a voluntary termination by the executive or involuntary termination by the Corporation or in the event of a change of a control but which payments have been delayed under Section 490A of the IRC.

In May 2011, existing employment agreements were amended to reflect the assumption of new responsibilities and/or new titles by the serving executive officers. Additionally, three new agreements were completed in May 2011, as described above. In November 2011, all the employment agreements of the executive officers were amended to provide that the Corporation will bear the costs of a mediator in the event of informal dispute resolution, with each party to bear its own attorney fees or other expenses. This amendment was recommended for approval by the Compensation Committee and approved by the Board of Directors. In February 2013, the Compensation Committee recommended, and the Board of Directors approved a change to the employment agreements regarding "paid time off" benefits to more directly coincide with the structure and accruals of paid time off benefits available to eligible employees of the Corporation.



**Performance Graph**

The following graph illustrates the period from December 31, 2007 to December 31, 2012 and reflects the cumulative shareholder return of an investment in Common Shares of the Corporation compared to the cumulative return of an investment in the S&P/TSX Composite Index since December 31, 2007 assuming that C\$100 was invested and, where applicable, reinvestment of dividends.

	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012
Ur-Energy Inc.	\$ 100	\$ 19	\$ 23	\$ 84	\$ 25	\$ 23
S&P/TSX Composite	\$ 100	\$ 65	\$ 85	\$ 97	\$ 86	\$ 90

For the time period (2008 – 2012) reflected in the Performance Graph above, comparative cash compensation, in the aggregate, for full-time executive officers is comparable, largely as a result of the Corporation's restructuring in 2011. As discussed above, executive compensation has remained relatively static over this five-year period as a result of concerted budgetary constraints while the Corporation remained focused on obtaining all necessary regulatory authorizations, and proceeding through construction to operations.

**Indebtedness of Directors, Executive Officers and Others**

At no time since the beginning of the Corporation's last financial year was any director, executive officer, proposed nominee for election as a director, or any of their respective associates, indebted to the Corporation or any of its subsidiaries, nor was the indebtedness of any such person to another entity the subject of any guarantee, support agreement, letter of credit or similar arrangement provided by the Corporation or any of its subsidiaries.

## Compensation of Directors

In October 2011, the Compensation Committee approved the retention of Roger Gurr & Associates (“RG&A”) to review the compensation of the non-executive directors. The review compared the compensation of the Corporation’s non-executive directors with a comparator group of 20 junior mining exploration and development companies with exploration activities focused mainly in North America, with similar market capitalization and similar primary interests in uranium, base metals and/or rare earth minerals. The results of the comparative study indicate that the Corporation’s non-executive director compensation was below market on average and, as a result, RG&A recommended adjustments to retainer compensation, meeting attendance fees and equity compensation. The Compensation Committee began its initial review of the comparative study in February 2012.

The review and consideration of the recommendations was completed mid-year, after which the Compensation Committee recommended and the Board approved, effective September 1, 2012, an increase for non-executive directors in the base cash retainer compensation to \$24,000. Meeting fees were also adjusted: meeting fees for board attendance now are set at \$1,000 (without distinction whether attending in person or by telephone). Additionally, committee meeting attendance is compensated at \$500 per Audit Committee meeting and \$250 per meeting for other committees. Working time spent for committee participation, not attendant to regular meetings, will be compensated at the rate of \$250/half day and \$500/full day to be monitored by the Compensation Committee and reported to the Board of Directors.

In addition to other compensation received by directors of the Corporation, a 2008 resolution provides that non-management directors participating on ad hoc or special committees of the Board of Directors, which may be constituted from time to time, are entitled to additional director fees, to be determined in accordance with additional duties and requirements requested of those individuals from time to time. There currently are no such ad hoc or special committees of the Board of Directors.

The following table sets forth the summary information concerning compensation paid to or earned during the financial year ended December 31, 2012 by the Corporation’s non-executive directors.

### Non-Executive Director Compensation For the Financial Year Ended December 31, 2012

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
W. William Boberg <sup>(1)</sup>	27,250	27,503	53,653	Nil	Nil	504,300	612,706
James M. Franklin	28,750	27,503	53,653	Nil	Nil	Nil	109,906

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Paul Macdonell	28,750	27,503	53,653	Nil	Nil	Nil	109,906
Thomas Parker	28,500	27,503	53,653	Nil	Nil	Nil	109,656

Mr. Boberg is the former President and Chief Executive Officer of the Corporation, who ceased to be an executive (1) officer as of July 31, 2011. The “other compensation,” above, reflects severance which was paid in February 2012. Commencing August 1, 2011, Mr. Boberg became a non-executive director.

All non-executive directors are encouraged to have a significant long-term financial interest in the Corporation. In 2009, the Compensation Committee recommended, and Board of Directors adopted, a resolution requiring mandatory minimum share ownership by the non-executive directors to encourage the alignment of interests between the Corporation and its shareholders. Thereafter, non-executive directors were required to invest an amount equal to the non-executive director’s annual retainer in shares or securities exercisable into shares on or before the later of (i) December 31, 2013, or (ii) the fifth anniversary of the non-executive director’s election or appointment. The retainer amount was to be calculated using the amount of the annual retainer at the later of (i) January 1, 2009, or (ii) the date of the non-executive director’s election or appointment.

As discussed above under the heading “Share Ownership Guidelines,” in February 2012 the Compensation Committee recommended, and the Board of Directors approved, Share Ownership Guidelines which provide greater detail concerning these ownership requirements. Additionally, the Board of Directors approved a recommendation that the share ownership requirement be adjusted with respect to the non-executive directors, to require each to acquire and own three times their annual retainer (current retainer, \$24,000; previously, \$18,000 (January 2009 – September 2012)). All non-executive directors meet the share ownership guidelines or are on-track to meet the share ownership guidelines within the prescribed timeframes.

The following table sets forth information concerning the option-based and share-based awards granted by the Corporation to each of the non-executive directors outstanding as of December 31, 2012:

Option Based and Share Based Awards Outstanding as of December 31, 2012

Name	Option-based Awards				Share-based Awards <sup>(1)</sup>	
	Number of securities underlying unexercised options	Option exercise price	Option expiration	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
	(#)	(\$)	Date	(\$)	(#)	(\$)
W. William Boberg	Nil	Nil	Nil	Nil	49,475	41,064
	72,911	0.76	07-Dec-2017	5,104	Nil	Nil
	60,000	0.91	12-Jan-2017	Nil	Nil	Nil
	31,355	1.17	09-Sep-2016	Nil	Nil	Nil
	129,974	2.87	28-Jan-2016	Nil	Nil	Nil
	61,500	0.81	05-Mar-2015	1,230	Nil	Nil
	107,143	0.90	02-Sep-2014	Nil	Nil	Nil
	107,143	0.71	09-Feb-2014	12,857	Nil	Nil
	80,000	1.65	08-May-2013	Nil	Nil	Nil
James M. Franklin	Nil	Nil	Nil	Nil	38,238	31,738
	72,911	0.76	07-Dec-2017	5,104	Nil	Nil
	60,000	0.91	12-Jan-2017	Nil	Nil	Nil
	31,355	1.17	09-Sep-2016	Nil	Nil	Nil
	40,082	2.87	28-Jan-2016	Nil	Nil	Nil
	9,000	0.81	05-Mar-2015	180	Nil	Nil
	12,857	0.90	02-Sep-2014	Nil	Nil	Nil
	12,857	0.71	09-Feb-2014	1,543	Nil	Nil
	40,000	1.65	08-May-2013	Nil	Nil	Nil
Paul Macdonell	Nil	Nil	Nil	Nil	38,238	31,738
	72,911	0.76	07-Dec-2017	5,104	Nil	Nil
	60,000	0.91	12-Jan-2017	Nil	Nil	Nil
	31,355	1.17	09-Sep-2016	Nil	Nil	Nil

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	40,082	2.87	28-Jan-2016	Nil	Nil	Nil
	9,000	0.81	05-Mar-2015	180	Nil	Nil
	12,857	0.90	02-Sep-2014	Nil	Nil	Nil
	12,857	0.71	09-Feb-2014	1,543	Nil	Nil
	40,000	1.65	08-May-2013	Nil	Nil	Nil
Thomas Parker	Nil	Nil	Nil	Nil	38,238	31,738
	72,911	0.76	07-Dec-2017	5,104	Nil	Nil
	60,000	0.91	12-Jan-2017	Nil	Nil	Nil
	31,355	1.17	09-Sep-2016	Nil	Nil	Nil
	40,082	2.87	28-Jan-2016	Nil	Nil	Nil
	9,000	0.81	05-Mar-2015	180	Nil	Nil
	12,857	0.90	02-Sep-2014	Nil	Nil	Nil
	12,857	0.71	09-Feb-2014	1,542	Nil	Nil
	40,000	1.65	08-May-2013	Nil	Nil	Nil

(1) The aggregate market value or payout of vested share-based awards that have not yet been paid or distributed is nil for all directors in this table.

The non-executive directors are eligible to receive grants of options and RSUs at the discretion of the Board of Directors, and did so as indicated in the following table:

### Incentive Plan Awards - Value Vested or Earned During the

#### Financial Year Ended December 31, 2012

Name	Option-based Awards		Share-based Awards		Non-equity incentive plan compensation
	Number of Securities Underlying Options Vested (#)	Value vested during the year ended (\$)	Number of Shares or Units of Shares Vested (#)	Value vested during the year ended (\$)	Value earned during the year (\$)
W. William Boberg	120,173	124,019	16,247	46,629	Nil
James M. Franklin	78,823	59,808	5,011	14,382	Nil
Paul Macdonell	78,823	59,808	5,011	14,382	Nil
Thomas Parker	78,823	59,808	5,011	14,382	Nil

#### *Executive Compensation – Related Fees*

As above, the Compensation Committee utilized the consulting services of RG&A to review and analyze the overall compensation of the non-executive directors. This review was completed in fourth quarter 2011 and was initially presented to the Compensation Committee and the Board of Directors at meetings on February 28, 2012. RG&A was paid \$11,300 for this analysis.

### EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain summary information concerning the Corporation's equity compensation plans as at December 31, 2012. Directors, officers, employees and consultants are eligible to participate in the Option Plan, while directors and employees including executive officers are eligible to participate in the RSU Plan.

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Equity compensation plans approved by securityholders	Number of Common Shares to be Issued Upon Exercise of Outstanding Options Warrants and Rights	Weighted Average Exercise Price of Outstanding Options Warrants and Rights (C\$)	Number of Common Shares Remaining for Future Issuance (Excluding Common Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights)
Ur-Energy Inc. Amended and Restated Stock Option Plan 2005	8,511,722	1.32	1,100,736
Ur-Energy Amended Restricted Share Unit Plan	826,425	0.00	1,595,575
Warrants	150,000	1.13	N/A

**INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed in this Circular, no insider of the Corporation or proposed nominee for election as a director of the Corporation, nor any of their respective associates or affiliates, has had any material interest, direct or indirect, in any transaction since the commencement of the Corporation's last financial year or in any proposed transaction which has materially affected or will materially affect the Corporation or any of its subsidiaries.

Certain of the Corporation's directors and officers also serve as directors and officers of one or more mining and exploration companies. Such directors and officers are also in many cases shareholders of one or more of the foregoing companies. While there is a potential for conflicts of interest to arise in such situations, that potential is minimized because of the nature of these other companies in other areas of mineral resources and precious metals. Except as otherwise disclosed in this Circular, no person who has been a director or officer of the Corporation since the commencement of the Corporation's last financial year, nor any proposed nominee for election as a director of the Corporation, nor any of their respective associates or affiliates, has any material interest, direct or indirect, in any matter to be acted upon at the Meeting.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

### Introduction

The Board of Directors believes that effective corporate governance contributes to improved corporate performance and enhanced shareholder value. The Board of Directors has reviewed the corporate governance best practices identified in National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices* (collectively, the "CSA Guidelines"). The Board of Directors is committed to ensuring that the Corporation follows best practices and is continuing to develop such practices.

### Board Mandate

The responsibility of the Board of Directors is to supervise the management of the business and affairs of the Corporation in accordance with the best interests of the Corporation and all of its shareholders. The Board of Directors does not currently have a written mandate or a written description for the Chair of the Board of Directors or the Chief Executive Officer. In discharging its responsibility, the Board of Directors reviews the performance and responsibilities of the President and Chief Executive Officer and oversees and reviews the development and implementation of the following significant corporate plans and initiatives:

- the Corporation's strategic planning and budgeting process;
- the identification of the principal risks to the Corporation's business and the implementation of systems to manage these risks;
- succession planning, including appointing, training and monitoring senior management of the Corporation;
- the public communications policies and continuous disclosure record of the Corporation; and
- the Corporation's internal controls and management information systems.

The Board of Directors meets at least four times a year and more frequently if required. In 2012, the Board of Directors met nine times. In addition, the Board of Directors took 16 actions by written resolution. The Board of Directors from time to time holds a portion of its meetings when management departs and the independent directors meet *in camera*. Management may be asked to depart a meeting for *in camera* sessions at such other meetings as the independent directors deem appropriate from time to time.

The Board of Directors recruits possible directors from contacts within the mining industry or other strategic areas that will complement the knowledge and depth of the Board of Directors. Currently, the Board of Directors has determined that six directors is an appropriate number of directors to oversee and provide guidance to management on the business and affairs of the Corporation. However, the Board of Directors continues to evaluate the size of the Board of Directors in conjunction with the continuing growth and development of the Corporation.

New directors who join the Board of Directors are provided with a basic orientation of the Corporation, the Board of Directors, the committees of the Board of Directors and meet with the other directors prior to joining the Board of Directors. In addition, new directors have the opportunity to meet with management of the Corporation to have an understanding of the business of the Corporation and its operations. Directors are encouraged to participate in corporate governance and education courses that will assist them in their role as directors of the Corporation or on various committees.

## **Board Composition**

As of the time of the Meeting, the Board of Directors is composed of six directors. All directors are elected annually.

The current six directors include Mr. Jeffrey T. Klenda, Chair of the Board of Directors of the Corporation; Mr. Wayne W. Heili, President and Chief Executive Officer of the Corporation; Dr. James M. Franklin; Mr. W. William Boberg; Mr. Paul Macdonell and Mr. Thomas Parker. Messrs. Macdonell and Parker and Dr. Franklin are independent directors as determined by the CSA Guidelines (*i.e.*, each is independent of management and free from any interest in and any business or other relationship with the Corporation which could reasonably be expected to interfere with the exercise of the director's judgment). In determining whether a director is independent, the Board of Directors considers the specific circumstances of a director and the nature, as well as materiality, of any relationship between the director and the Corporation.

From time to time, the Corporate Governance and Nominating Committee considers the functions customarily assigned to a director serving in the role of lead director and has determined that the establishment of the role of lead director at the Corporation, with the current makeup of the Board of Directors, would not enhance the communications within the Board, among its committees, and with management.

Several of the directors are directors for other reporting issuers, as disclosed in the biographies of the directors provided above under "Particulars to be Acted Upon – Election of Directors".

## **Board Committees**

There are five permanent committees of the Board of Directors: the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee, the Treasury & Investment Committee and the Technical Committee. The Board of Directors may also appoint other temporary or permanent committees from time to time for particular purposes.

The following sets out the Report of the Audit Committee as well as a summary of the responsibilities and activities of the other Board of Directors committees.

*Audit Committee*

The Audit Committee assists the Board of Directors in carrying out its responsibilities relating to corporate accounting and financial reporting practices, as well as oversight of internal controls, and the Whistleblower program. The duties and responsibilities of the Audit Committee include the following:

- reviewing for recommendation to the Board of Directors for its approval the principal documents comprising the Corporation's continuous disclosure record, including interim and annual financial statements and management's discussion and analysis;
- recommending to the Board of Directors a firm of independent auditors for appointment by the shareholders and reporting to the Board of Directors on the fees and expenses of such auditors. The Audit Committee has the authority and responsibility to select, evaluate and if necessary replace the independent auditor. The Audit Committee has the authority to approve all audit engagement fees and terms and the Audit Committee, or a member of the Audit Committee, must review and pre-approve any non-audit services provided to the Corporation by the Corporation's independent auditor and consider the impact on the independence of the auditor;

reviewing periodic reports from the Chief Financial Officer;  
discussing with management and the independent auditor, as appropriate, any audit problems or difficulties and management's response; and  
establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters.

The Audit Committee maintains direct communication during the year with the Corporation's independent auditor and the Corporation's officers responsible for accounting and financial matters.

During 2012, the members of the Audit Committee were Thomas Parker (Chair), Paul Macdonell and James Franklin. The members of the Audit Committee were in 2012, and are currently, independent directors pursuant to National Instrument 52-110 *Audit Committees* ("NI 52-110") and the listing standards of the NYSE MKT. Each of the members is financially literate as defined in NI 52-110. The Audit Committee designated Thomas Parker as an "audit committee financial expert" as that term is currently defined by the rules of the U.S. Securities and Exchange Commission regulating these disclosures.

#### Report of the Audit Committee

During 2012, the Audit Committee met five times. In addition, the Audit Committee took two actions by written resolution. The activities of the Audit Committee over the past year included the following:

reviewing annual financial statements of the Corporation and management's discussion and analysis prior to filing with the regulatory authorities;  
reviewing the quarterly interim financial statements of the Corporation and management's discussion and analysis prior to filing with regulatory authorities;  
reviewing periodic reports from the Chief Financial Officer;  
reviewing applicable Canadian corporate disclosure reporting and control processes, including Chief Executive Officer and Chief Financial Officer certifications;  
approving retention of an external firm for testing of internal controls and subsequently reviewing reports made by the firm;  
reviewing Audit Committee governance practices to ensure its terms of reference incorporate all regulatory requirements; and  
reviewing the engagement letter with the independent auditors and annual audit fees prior to approval by the Board of Directors, as well as pre-approving non-audit services and their cost prior to commencement.

The Audit Committee has reviewed and discussed with management and the independent auditors the consolidated financial statements of the Corporation as at December 31, 2012 and management's discussion and analysis. Based on that review and on the report of the independent auditor of the Corporation, the Audit Committee recommended to the

Board of Directors that such audited consolidated financial statements and management's discussion and analysis be approved and filed with Canadian regulatory authorities and the U.S. Securities and Exchange Commission.

The Audit Committee has recommended to the Board of Directors that the shareholders of the Corporation be requested to re-appoint PricewaterhouseCoopers LLP, Chartered Accountants, as the independent auditor for 2013.

The Audit Committee reviews its charter on a yearly basis, and did so most recently on December 7, 2012. A copy of the Amended and Restated Audit Committee Charter, as amended on December 7, 2012, is attached as an exhibit to the Annual Information Form of the Corporation (and the Annual Report on Form 40-F) for the year ended December 31, 2012, which is available electronically at [www.sedar.com](http://www.sedar.com), and at <http://www.sec.gov/edgar.shtml>, having been filed on March 1, 2013. The Annual Information Form and the Annual Report on Form 40-F for the year ended December 31, 2012 contains disclosure relating to the composition of the Audit Committee and the qualifications of each of its members.

#### *Compensation Committee*

The Compensation Committee assists the Board of Directors in carrying out its responsibilities relating to personnel matters, including performance, compensation and succession. The Compensation Committee has prepared terms of reference which include annual objectives against which to assess members of management including the President and Chief Executive Officer, reviewing and making recommendations to the Board of Directors with respect to employee and consultant compensation arrangements including stock options, restricted share units and management succession planning. The Compensation Committee reviews its charter on a yearly basis, and did so most recently on December 7, 2012.

The Compensation Committee met three times in 2012. In addition, the Compensation Committee took five actions by written resolution. Portions of meetings are conducted without management present, including for the purpose of specifically discussing the compensation of the President and Chief Executive Officer. During 2012, the members of the Committee were Paul Macdonell (Chair), Thomas Parker and James Franklin. The members of the Compensation Committee were in 2012, and are currently, independent pursuant to NI 52-110 and the listing standards of the NYSE MKT. The biographies of the members of the Compensation Committee are provided above and provide the qualifications of each of the members of the Compensation Committee.

#### *Corporate Governance and Nominating Committee*

The Corporate Governance and Nominating Committee assists the Board of Directors with determining the slate of director nominees for election to the Board of Directors, recommending candidates to fill vacancies, the composition of the committees of the Board of Directors and monitoring compliance with corporate governance regulatory requirements. The Corporate Governance and Nominating Committee Charter was adopted by the Board of Directors on December 17, 2007. The Corporate Governance and Nominating Committee reviews its charter on a yearly basis, and did so most recently on December 7, 2012.

During 2012, the members of the Committee were Paul Macdonell (Chair), Thomas Parker and James Franklin. The Corporate Governance and Nominating Committee met twice during 2012, and took one action by written resolution. The members of the Corporate Governance and Nominating Committee were in 2012, and are currently, independent pursuant to NI 52-110 and the listing standards of the NYSE MKT.

*Treasury & Investment Committee*

The Treasury & Investment Committee assists the Board of Directors by centralizing for oversight all treasury activities of the Corporation insofar as practical, and coordinating the banking, cash management, investment and funding arrangements of the Corporation. The Committee also formulates and implements the Treasury and Investment Policy of the Corporation, reviewing it from time to time. The Committee's Charter provides that the Committee consist of the Chief Financial Officer and at least two independent members of the Board of Directors. The Treasury & Investment Committee reviews its charter on an annual basis, and did so most recently on December 7, 2012.

During 2012, the members of the Treasury & Investment Committee were Thomas Parker (Chair) and Paul Macdonell, along with the Corporation's Chief Financial Officer. The Treasury & Investment Committee met twice during 2012.

*Technical Committee*

The Technical Committee assists the Board of Directors with reserve and resource matters relating to the Corporation's mineral properties; technical matters relating to the Corporation's exploration, development, permitting, construction, operations, reclamation and restoration activities; health, safety and environmental matters relating to the Corporation's operations and activities; and compliance with legal and regulatory requirements relating to the Corporation's reserve and resource matters, technical matters, and health, safety and environmental matters. The Technical Committee "Mandate and Guidelines" document was adopted by the Board of Directors on January 29, 2008, and subsequently became the Technical Committee Charter. Most recently, it was reviewed and revised in December 2012.

The members of the Technical Committee are James Franklin (Chair), Wayne Heili, William Boberg and Thomas Parker. There are several members of management who participate in the Technical Committee. The Technical Committee conducts many of its reviews by means of informal meetings, including as a part of the Corporation's periodic in-house technical review symposiums. The Technical Committee held three formal meetings during 2012. The members of the Technical Committee are not required to be independent pursuant to NI 52-110.

**Summary of Memberships on Permanent Committees and Record of Attendance for 2012**

During the year ended December 31, 2012, the Board of Directors and its permanent committees held the following numbers of meetings:

Board of Directors	9 (1)
Audit Committee ("AC")	5
Compensation Committee ("CC")	3
Corporate Governance and Nominating Committee ("CGN")	2
Technical Committee ("TC")	3
Treasury & Investment Committee ("TIC")	2
Total number of meetings held	24

(1) In addition to the nine meetings held by the Board of Directors, 16 actions were taken by resolution in writing.

Director

Committee Meetings Attended

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	Committee Memberships	Board Meetings Attended	
Jeffrey T. Klenda		9	
James M. Franklin	AC, CC, GCN, TC	9	AC – 5, CC – 3, CGN – 2, TC – 3;
Paul Macdonell	AC, CC, CGN, TIC	9	AC – 5, CC – 3, CGN – 2, TIC – 2
W. William Boberg	TC	9	TC – 3
Thomas Parker	AC, CC, CGN, TIC, TC	8	AC – 5, CC – 3, CGN – 2 TIC – 2, TC – 3
Wayne W. Heili	TC	9	TC – 2

**Other Policies**

The Corporation adopted a written Code of Business Conduct and Ethics (the “Code”) on August 9, 2007 which has been amended and restated from time to time, most recently amended effective May 17, 2011. All directors, officers and employees of the Corporation are expected to be familiar with the Code and to adhere to those principles and procedures set forth in the Code that apply to them. Directors, officers and appropriate personnel reaffirm their familiarity and adherence to the Code on an annual or other regular basis. The Corporate Governance and Nominating Committee oversees the implementation of the Code and compliance with various regulatory requirements. The Code is available at the Corporation’s website at <http://www.ur-energy.com/corporate-governance/>.

The Corporation also adopted various policies related to trading restrictions, disclosure requirements and confidentiality obligations on January 29, 2008 which have been amended and restated from time to time, most recently amended effective May 16, 2011. The Corporate Governance and Nominating Committee oversees the implementation and compliance of these policies. These policies, which are combined under the Corporation's "Ur-Energy Inc. Policies Concerning Confidentiality, Public Disclosure and Restrictions on Trading Securities," also are available at the Corporation's website at <http://www.ur-energy.com/corporate-governance/>. All directors, officers and employees of the Corporation are expected to be familiar with and adhere to the policies.

### **Shareholder Feedback**

The Board of Directors believes that management should speak for the Corporation in its communications with shareholders and others in the investment community and that the Board of Directors should be satisfied that appropriate investor relations programs and procedures are in place. The Board of Directors has approved these policies including the designation of spokespersons in behalf of the Corporation from time to time. Management meets regularly with shareholders and others in the investment community to receive and respond to shareholder feedback.

The Board of Directors regularly reviews the Corporation's major communications with shareholders and the public, including continuous disclosure documents and periodic press releases in accordance with the Corporation's policies.

### **Expectations of Management**

The Board of Directors believes that it is appropriate for management to be responsible for the development of long-term strategies for the Corporation. Meetings of the Board of Directors are held, as required, to specifically review and deal with long-term strategies of the Corporation as presented by senior members of management.

The Board of Directors appreciates the value of having selected executive officers attend board meetings to provide information and opinions to assist the directors in their deliberations. The Chair, in consultation with the President and Chief Executive Officer, arranges for the attendance of executive officers as well as managers for consultation including technical presentations at Board of Directors meetings.

### **SHAREHOLDER PROPOSALS**

All proposals of the Corporation's shareholders intended to be presented at the Corporation's annual meeting of shareholders in 2014, must be received by the Corporation's Corporate Secretary no later than January 15, 2014 for inclusion in the proxy circular related to that meeting. The Corporation's next annual meeting of shareholders is planned for April 2014.

#### **ADDITIONAL INFORMATION**

Additional financial information for the Corporation is available in the Corporation's audited consolidated financial statements for the year ended December 31, 2012 and related management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2012, which have been filed with Canadian securities regulators and are available under the Corporation's profile at [www.sedar.com](http://www.sedar.com), and are filed with the U.S. Securities and Exchange Commission at <http://www.sec.gov/edgar.shtml>.

Upon request made to the Corporate Secretary of Ur-Energy at 10758 West Centennial Road, Suite 200, Littleton, Colorado 80127 (Telephone: +1 720-981-4588 ext. 250), the Corporate Secretary will provide to any shareholder of the Corporation, free of charge, a copy of its audited consolidated financial statements for the year ended December 31, 2012 and related management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2012.

**APPROVAL BY BOARD OF DIRECTORS**

The contents and the sending of this Circular have been approved by the Board of Directors of the Corporation.

DATED at Littleton, Colorado, this 19th day of March, 2013.

By Order of the Board of Directors

*/s/ Wayne W. Heili*

President and Chief Executive Officer

SCHEDULE A

RSU Plan Resolution

**RESOLVED THAT:**

The renewal of the Ur-Energy Inc. Amended Restricted Share Unit Plan (the "RSU Plan"), which was adopted by  
1. resolution of the Board of Directors on May 7, 2010, approved by shareholders June 24, 2010, and last modified by the Board of Directors effective October 24, 2011, be and is hereby ratified, confirmed and approved; and

2. All unallocated restricted share units issuable pursuant to the RSU Plan be and are hereby approved and authorized until the third anniversary date of the adoption of the present resolution by the shareholders of the Corporation; and

3. Any director or officer of the Corporation be and each of them is hereby authorized, for and on behalf of the Corporation, to do such things and to sign, execute and deliver all such documents that such director or officer may, in their discretion, determine to be necessary or useful in order to give full effect to the intent and purpose of this resolution.

SCHEDULE B

Ur-Energy Inc.

Amended Restricted Share Unit Plan

Effective May 7, 2010

As amended October 24, 2011

Table of Contents

Article 1 GENERAL PROVISIONS	1
1.1 Purpose	1
1.2 Definitions	1
1.3 Effective Date	3
1.4 Governing Law; Subject to Applicable Regulatory Rules	3
Article 2 ELIGIBILITY AND PARTICIPATION	3
2.1 Eligibility	3
2.2 Rights Under the Plan	3
2.3 Copy of Plan	3
2.4 Limitation on Rights	3
2.5 Grant Agreements	3
2.6 Maximum Number of Common Shares	4
Article 3 RESTRICTED SHARE UNITS	4
3.1 Grant of Restricted Share Units	4
3.2 Redemption of Restricted Share Units	4
3.3 Compliance With Tax Requirements	4
3.4 Payment of Dividend Equivalents	5
3.5 Adjustments	5
3.6 Offer for Common Shares – Change of Control	5
Article 4 EVENTS AFFECTING ENTITLEMENT	6
4.1 Termination of Employment or Election as a Director	6
4.2 Death	6
4.3 No Grants Following Last Day of Active Employment	6
Article 5 ADMINISTRATION	7
5.1 Transferability	7
5.2 Administration	7
5.3 Records	7
5.4 Statements	7
5.5 Legal Compliance	7
Article 6 AMENDMENT AND TERMINATION	7
6.1 Amendment	7
6.2 Termination of Plan	8
Article 7 GENERAL	9
7.1 Rights to Common Shares	9
7.2 No Right to Employment	9

7.3 Right to Funds	9
7.4 Successors and Assigns	9
7.5 Severability	9
7.6 Code Section 409A	9

Article 1  
GENERAL PROVISIONS

1.1 Purpose

This Restricted Share Unit Plan is established as a vehicle by which equity-based incentives may be awarded to retain employees, to recognize and reward their significant contributions to the long-term success of the Corporation including to align the employees and directors interests more closely with the shareholders of the Corporation.

1.2 Definitions

As used in the Plan, the following terms have the following meanings:

(a) "Board" means the Board of Directors of the Corporation;

(b) "Change of Control" includes:

(i) the acquisition by any persons acting jointly or in concert (as determined by the Securities Act (Ontario)), whether directly or indirectly, of voting securities of the Corporation that, together with all other voting securities of the Corporation held by such persons, constitute in the aggregate more than 50% of all outstanding voting securities of the Corporation;

(ii) an amalgamation, arrangement or other form of business combination of the Corporation with another corporation that results in the holders of voting securities of that other corporation holding, in the aggregate, more than 50% of all outstanding voting securities of the corporation resulting from the business combination;

(iii) the sale, lease or exchange of all or substantially all of the property of the Corporation to another person, other than in the ordinary course of business of the Corporation or to a Related Entity; or

(iv) any other transaction that is deemed to be a "Change of Control" for the purposes of this Plan by the Board in its sole discretion.

(c) "Code" means the US Internal Revenue Code of 1986, as amended;

(d) “Committee” means the Compensation Committee of the Board or such other persons designated by the Board;

(e) “Common Share” means a common share in the capital of the Corporation;

(f) “Corporation” means Ur-Energy Inc. and its successors and assigns;

(g) “Director” means a non-Employee director of the Board of the Corporation;

(h) “Dividend” means a dividend declared and payable on a Common Share in accordance with the Corporation’s dividend policy as the same may be amended from time to time (an “Ordinary Dividend”), and may, in the discretion of the Committee, include a special or stock dividend (a “Special Dividend”) declared and payable on a Common Share;

(i) “Eligible Person” means an Employee or a Director who is designated as an Eligible Person pursuant to Section 2.1;

(j) “Employee” means an employee of the Corporation or a Subsidiary;

“Fair Market Value” means the closing price of the Common Shares on the Toronto Stock Exchange on the Business Day immediately prior to the Redemption Date, or if the shares are not listed on the Toronto Stock Exchange, then (k) on such other stock exchange or quotation system as may be selected by the Committee, provided that, if the Common Shares are not listed or quoted on any other stock exchange or quotation system, then the Fair Market Value will be the value determined by the Committee in its sole discretion acting in good faith;

(l) “Grant Date” means any date determined from time to time by the Committee as a date on which a grant of Restricted Share Units will be made to one or more Eligible Persons under this Plan;

(m) “Plan” means the Ur-Energy Inc. Restricted Share Unit Plan, as amended from time to time;

“Redemption Date” in respect of any Restricted Share Unit means (A) 50% of such Restricted Share Unit on the first anniversary of the Grant Date on which such Restricted Share Unit was granted to the Eligible Person, and (B) 50% of such Restricted Share Unit on the second anniversary of the Grant Date on which such Restricted Share Unit was granted to the Eligible Person, unless (i) an earlier date has been approved by the Committee as the Redemption Date in respect of such Restricted Share Unit, or (ii) Section 3.6, 4.1, 4.2 or 6.2, is applicable, in (n) which case the Redemption Date in respect of such Restricted Share Unit shall be the date established as such in accordance with the applicable Section; provided that, notwithstanding any other provision hereof, in no event will the Redemption Date in respect of any Restricted Share Unit be after the end of the calendar year which is three years following the end of the year in which services to which the grant of such Restricted Share Unit relates were performed by the Employee or Director to whom such Restricted Share Unit was granted;

“Reorganization” means any declaration of any stock dividend (other than a Special Dividend in respect of which the Committee, in its discretion, determines that Eligible Persons are to be paid a cash amount pursuant to Section 3.4), stock split, combination or exchange of shares, merger, consolidation, recapitalization, amalgamation, plan of (o) arrangement, reorganization, spin-off or other distribution (other than Ordinary Dividends) of the Corporation assets to shareholders or any other similar corporate transaction or event which the Committee determines affects the Common Shares such that an adjustment is appropriate to prevent dilution or enlargement of the rights of Eligible Persons under this Plan;

“Restricted Share Unit” means one notional Common Share (without any of the attendant rights of a shareholder of such Common Share, including the right to vote such Common Share and the right to receive dividends thereon, (p) except to the extent otherwise specifically provided herein) credited by bookkeeping entry to a notional account maintained by the Corporation in respect of an Eligible Person in accordance with this Plan; and

(q) “Subsidiary” has the meaning set out in the Securities Act (Ontario).



1.3

Effective Date

The Plan shall be effective May 7, 2010 with respect to the Eligible Person payable commencing in and with respect to the 2010 fiscal year; provided that no Common Shares may be issued under the Plan until and unless all required regulatory and shareholder approvals have been obtained with respect to the issuance of Common Shares hereunder.

1.4

Governing Law; Subject to Applicable Regulatory Rules

The Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The provisions of the Plan shall be subject to the applicable by-laws, rules and policies of the Toronto Stock Exchange and applicable securities legislation.

Article 2

ELIGIBILITY AND PARTICIPATION

2.1

Eligibility

This Plan applies to those Employees and Directors whom the Committee designates as eligible for a grant of Restricted Share Units pursuant to Section 3.1. The Committee shall make such a designation prior to each Grant Date.

2.2

Rights Under the Plan

Subject to Article 4 and Article 5, an Eligible Person who has been granted Restricted Share Units shall continue to have rights in respect of such Restricted Share Units until such Restricted Share Units have been redeemed for cash or shares in accordance with this Plan.

2.3

Copy of Plan

The Corporation shall provide each Eligible Person with a copy of this Plan following the initial grant of Restricted Share Units to such Eligible Person and shall provide each Eligible Person with a copy of all amendments to this Plan.

2.4

Limitation on Rights

Nothing in this Plan shall confer on any Employee or Director any right to be designated as an Eligible Person or to be granted any Restricted Share Units. There is no obligation for uniformity of treatment of Eligible Persons or any group of Employees, Directors or Eligible Persons, whether based on salary or compensation, grade or level or organizational position or level or otherwise. A grant of Restricted Share Units to an Eligible Person on one or more Grant Dates shall not be construed to create a right to a grant of Restricted Share Units on a subsequent Grant Date.

2.5

Grant Agreements

Each grant of Restricted Share Units shall be evidenced by a written agreement executed by the Eligible Person in substantially the form appended hereto. An Eligible Person will not be entitled to any grant of Restricted Share Units or any benefit of this Plan unless the Eligible Person agrees with the Corporation to be bound by the provisions of this Plan. By entering into an agreement described in this Section 2.5, each Eligible Person shall be deemed conclusively to have accepted and consented to all terms of this Plan and all bona fide actions or decisions made by the Committee. Such terms and consent shall also apply to and be binding on the legal representative, beneficiaries, heirs and successors of each Eligible Person.

2.6 Maximum Number of Common Shares

Notwithstanding any provision herein, the aggregate number of Common Shares which may be issuable upon the redemption of all Restricted Share Units under the Plan, in combination with the aggregate number of Common Shares which may be issuable under any and all of the Corporation's equity incentive plans in existence from time to time, including the Corporation's Stock Option Plan 2005, as amended from time to time, shall not exceed ten percent (10%) of the issued and outstanding shares of the Corporation as at the Grant Date of each Restricted Share Unit under the Plan or such greater number of Common Shares as shall have been duly approved by the Board and, if required by the rules or policies of the Toronto Stock Exchange or any other stock exchange on which the Common Shares of the Corporation may then be listed, by the shareholders of the Corporation. No fractional Common Shares may be issued under the Plan.

Article 3

RESTRICTED SHARE UNITS

3.1 Grant of Restricted Share Units

On each Grant Date, the Committee shall designate Eligible Persons and determine the number of Restricted Share Units to be granted to each Eligible Person in the Committee's sole discretion.

3.2 Redemption of Restricted Share Units

Unless redeemed earlier in accordance with this Plan, the Restricted Share Units of each Eligible Person will be (a) redeemed on or within thirty (30) days after the Redemption Date for cash or Common Shares, as determined by the Committee, for an amount equal to the Fair Market Value of a Restricted Share Unit.

If the Committee determines that any Restricted Share Units are to be redeemed for Common Shares, the Eligible Person will be entitled to receive and the Corporation will issue to the Eligible Person a number of Common (b) Shares equal to the Fair Market Value of the Restricted Share Units (net of any applicable statutory withholdings) that have vested on the Redemption Date.

3.3 Compliance With Tax Requirements

In taking any action hereunder, or in relation to any rights hereunder, the Corporation and each Eligible Person shall comply with all provisions and requirements of any income tax, pension plan, or employment or unemployment insurance legislation or regulations of any jurisdiction which may be applicable to the Corporation or Eligible Person,

as the case may be. The Corporation shall have the right to deduct from all payments made to the Employee in respect of the Restricted Share Units, whether in cash or Common Shares, any federal, provincial, local, foreign or other taxes, Canadian Pension Plan or Employment Insurance Commission or other deductions required by law to be withheld with respect to such payments. The Corporation may take such other action as the Board or the Committee may consider advisable to enable the Corporation and any Eligible Person to satisfy obligations for the payment of withholding or other tax obligations relating to any payment to be made under this Plan. Each Eligible Person (or the heirs and legal representatives of the Eligible Person) shall bear any and all income or other tax imposed on amounts paid to the Eligible Person (or the heirs and legal representatives of the Eligible Person) under this Plan, including any taxes, interest or penalties resulting from the application of Section 409A of the Code. If the Board or the Committee so determines, the Corporation shall have the right to require, prior to making any payment under this Plan, payment by the recipient of the excess of any applicable Canadian or foreign federal, provincial, state, local or other taxes over any amounts withheld by the Corporation, in order to satisfy the tax obligations in respect of any payment under this Plan. If the Corporation does not withhold from any payment, or require payment of an amount by a recipient, sufficient to satisfy all income tax obligations, the Eligible Person shall make reimbursement, on demand, in cash, of any amount paid by the Corporation in satisfaction of any tax obligation. Notwithstanding any other provision hereof, in taking such action hereunder, the Board and the Committee shall endeavour to ensure that the payments to be made hereunder will not be subject to the “salary deferral arrangement” rules under the Income Tax Act (Canada), as amended, or income tax legislation of any other jurisdiction.

3.4 Payment of Dividend Equivalents

When Dividends are paid on Common Shares, an Eligible Person shall be credited with Dividend equivalents in respect of the Restricted Share Units credited to the Eligible Person's account as of the record date for payment of Dividends. Such Dividend equivalents shall be converted into additional Restricted Share Units (including fractional Restricted Share Units) based on the Fair Market Value per Common Share on the date credited.

3.5 Adjustments

If any change occurs in the outstanding Common Shares by reason of a Reorganization, the Committee, in its sole discretion, and without liability to any person, shall make such equitable changes or adjustments, if any, as it considers appropriate, in such manner as the Committee may consider equitable, to reflect such change or event including, without limitation, adjusting the number of Restricted Share Units credited to Eligible Persons and outstanding under the Plan, provided that any such adjustment will not otherwise extend the Redemption Date otherwise applicable. The Corporation shall give notice to each Eligible Person of any adjustment made pursuant to this section and, upon such notice, such adjustment shall be conclusive and binding for all purposes. The existence of outstanding Restricted Share Units shall not affect in any way the right or power and authority of the Corporation or its shareholders to make or authorize any alteration, recapitalization, reorganization or any other change in the Corporation's capital structure or its business or any merger or consolidation of the Corporation, any issue of bonds, debentures or preferred or preference shares (ranking ahead of the Common Shares or otherwise) or any right thereto, or the dissolution or liquidation of the Corporation, any sale or transfer of all or any part of its assets or business or any corporate act or proceeding whether of a similar character or otherwise.

3.6 Offer for Common Shares – Change of Control

Notwithstanding anything else herein to the contrary, in the event of a Change of Control, then the Corporation shall redeem 100% of the Restricted Share Units granted to the Eligible Persons and outstanding under the Plan as soon as reasonably practical, but no later than thirty (30) days following the Redemption Date for cash. For the purposes of this Section 3.6: (i) the Redemption Date shall be the date on which the Change of Control occurs, and (ii) the Fair Market Value of a Restricted Share Unit shall be the greater of (i) the closing price per Common Share on the Toronto Stock Exchange on the Business Day immediately preceding the Redemption Date, and (ii) the price at which Common Shares are taken up under the Change of Control, as applicable.

Article 4  
EVENTS AFFECTING ENTITLEMENT

4.1 Termination of Employment or Election as a Director

(a) Voluntary Termination or Termination for Cause. If an Eligible Person is terminated by the Corporation for cause (as determined by the Corporation), or if an Eligible Person, voluntarily terminates employment for any reason or resigns as a Director, as applicable, all of the Eligible Person's Restricted Share Units shall be cancelled and no amount shall be paid by the Corporation to the Eligible Person in respect of the Restricted Share Units so cancelled.

(b) Involuntary Termination. The Restricted Share Units of an Eligible Person, other than a Director, who is involuntarily terminated by the Corporation, for reasons other than cause, shall be redeemed for cash at the Fair Market Value of a Restricted Share Unit on the Redemption Date. For the purposes of this Section 4.1(b) the Redemption Date shall be the date on which the employment of the Eligible Person, other than a Director, is terminated irrespective of any entitlement of the Eligible Person to notice, pay in lieu of notice or benefits beyond the termination date.

(c) Termination related to Directors. The Restricted Share Units of a Director, who is not re-elected at an annual or special meeting of shareholders shall be redeemed for cash at the Fair Market Value of a Restricted Share Unit on the Redemption Date. For purposes of this Section 4.1(c), the Redemption Date shall be the date on which the annual or special meeting is held.

4.2 Death

All of the Restricted Share Units of an Eligible Person who dies shall be redeemed in accordance with Section 3.2. For the purposes of the foregoing, the Redemption Date shall be the date of the Eligible Person's death.

4.3 No Grants Following Last Day of Active Employment

In the event of termination of any Eligible Person's employment with the Corporation, such Eligible Person shall not be granted any Restricted Share Units pursuant to Section after the last day of active employment of such Eligible Person. Without limiting the generality of the foregoing and of Section 2.4, notwithstanding any other provision hereof, and notwithstanding any provision of any employment agreement between any Eligible Person and the Corporation, no Eligible Person will have any right to be awarded additional Restricted Share Units, and shall not be awarded any Restricted Share Units, pursuant to Section 3.1 after the last day of active employment of such Eligible Person on which such Eligible Person actually performs the duties of the Eligible Person's position, whether or not such Eligible Person receives a lump sum payment of salary or other compensation in lieu of notice of termination, or continues to receive payment of salary, benefits or other remuneration for any period following such last day of active

employment. Notwithstanding any other provision hereof, or any provision of any employment agreement between the Corporation and an Eligible Person, in no event will any Eligible Person have any right to damages in respect of any loss of any right to be awarded Restricted Share Units pursuant to Section 3.1 after the last day of active employment of such Eligible Person and no severance allowance, or termination settlement of any kind in respect of any Eligible Person will include or reflect any claim for such loss of right and no Eligible Person will have any right to assert, claim, seek or obtain, and shall not assert, claim, seek or obtain, any judgment or award in respect of or which includes or reflects any such right or claim for such loss of right.

Article 5  
ADMINISTRATION

5.1 Transferability

Rights respecting Restricted Share Units shall not be transferable or assignable other than by will or the laws of decent and distribution.

5.2 Administration

The Committee shall, in its sole and absolute discretion, but subject to applicable corporate, securities and tax law requirements: (i) interpret and administer the Plan; (ii) establish, amend and rescind any rules and regulations relating to the Plan; and (iii) make any other determinations that the Committee deems necessary or desirable for the administration and operation of the Plan. The Committee may delegate to any person any administrative duties and powers under this Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems, in its sole and absolute discretion, necessary or desirable. Any decision of the Committee with respect to the administration and interpretation of the Plan shall be conclusive and binding on the Eligible Person and his or her legal representative. The Board may establish policies respecting minimum ownership of Common Shares of the Corporation by Eligible Persons and the ability to elect Restricted Share Units to satisfy any such policy.

5.3 Records

The Corporation will maintain records indicating the number of Restricted Share Units credited to an Eligible Person under the Plan from time to time and the Grant Dates of such Restricted Share Units. Such records shall be conclusive as to all matters involved in the administration of this Plan.

5.4 Statements

The Corporation shall furnish annual statements to each Eligible Person indicating the number of Restricted Share Units credited to the Eligible Person and the Grant Dates of the Restricted Share Units and such other information that the Corporation considers relevant to the Eligible Person.

5.5 Legal Compliance

Without limiting the generality of the foregoing, the Committee may take such steps and require such documentation from Eligible Persons as the Committee may determine are desirable to ensure compliance with all applicable laws and legal requirements, including all applicable corporate and securities laws and regulations of any country, and any political subdivisions thereof, and the by-laws, rules and regulations of any stock exchanges or other organized market on which Common Shares may from time to time be listed or posted and any applicable provisions of the Income Tax Act (Canada), as amended or income tax legislation or any other jurisdiction.

Article 6

AMENDMENT AND TERMINATION

6.1

Amendment

The Board reserves the right, in its sole discretion, to amend, suspend or terminate the Plan or any portion thereof at any time, in accordance with applicable legislation, without obtaining the approval of shareholders.

- (a) Notwithstanding the foregoing, the Corporation will be required to obtain the approval of holders of a majority of shares present and voting in person or by proxy at a meeting of the shareholders of the Corporation for any amendment related to:

- (i) the percentage of the issued and outstanding Common Shares available to be granted under the Plan;
  - (ii) a change in the method of calculation of redemption of Restricted Share Units held by Eligible Persons; and
  - (iii) an extension to the term for redemption of Restricted Share Units held by Eligible Persons.
- (b) Unless an Eligible Person otherwise agrees, any amendment to the Plan or Restricted Share Unit shall apply only in respect of Restricted Share Units granted on or after the date of such amendment.
- (c) Without limiting the generality of the foregoing, the Board may make the following amendments to the Plan, without obtaining shareholder approval:
- (i) amendments to the terms and conditions of the Plan necessary to ensure that the Plan complies with the applicable regulatory requirements, including the rules of the TSX, in place from time to time;
  - (ii) amendments to the provisions of the Plan respecting administration of the Plan and eligibility for participation under the Plan;
  - (iii) amendments to the provisions of the Plan respecting the terms and conditions on which Restricted Share Units may be granted pursuant to the Plan, including the provisions relating to the payment of the Restricted Share Units; and
  - (iv) amendments to the Plan that are of a “housekeeping” nature.

## 6.2

## Termination of Plan

The Board may from time to time amend or suspend this Plan in whole or in part and may at any time terminate this Plan. No such amendment, suspension or termination shall adversely affect the rights of any Eligible Person at the time of such amendment, suspension or termination with respect to outstanding and unredeemed Restricted Share Units credited to such Eligible Person without the consent of the affected Eligible Person. If the Board terminates the Plan, no new Restricted Share Units will be awarded to any Eligible Person, but outstanding and unredeemed previously credited Restricted Share Units shall remain outstanding, be entitled to payments as provided under Section 3.4, and be paid in accordance with the terms and conditions of this Plan existing at the time of termination. This Plan will finally cease to operate for all purposes when the last remaining Eligible Person receives a payment in satisfaction of all outstanding and unredeemed Restricted Share Units credited to such Eligible Person, or all outstanding and unredeemed Restricted Share Units credited to such Eligible Person are cancelled pursuant to the provisions thereof.



Article 7  
GENERAL

7.1 Rights to Common Shares

This Plan shall not be interpreted to create any entitlement of any Eligible Person to any Common Shares, or to the dividends payable pursuant thereto, except as expressly provided herein. A holder of Restricted Share Units shall not have rights as a shareholder of the Corporation with respect to any Common Shares which may be issuable pursuant to the Restricted Share Units so held, whether voting, right on liquidation or otherwise.

7.2 No Right to Employment

This Plan shall not be interpreted as either an employment or trust agreement. Nothing in this Plan nor any Committee guidelines or any agreement referred to in Section 2.5 nor any action taken hereunder shall be construed as giving any Eligible Person the right to be retained in the continued employ or service of the Corporation or any of its subsidiaries, or giving any Eligible Person or any other person the right to receive any benefits not specifically expressly provided in this Plan nor shall it interfere in any way with any other right of the Corporation to terminate the employment or service of any Eligible Person at any time.

7.3 Right to Funds

Neither the establishment of this Plan nor the granting of Restricted Share Units under this Plan shall be deemed to create a trust. Amounts payable to any Eligible Person under the Plan shall be a general, unsecured obligation of the Corporation. The right of the Employee to receive payment pursuant to this Plan shall be no greater than the right of other unsecured creditors of the Corporation.

7.4 Successors and Assigns

The Plan shall be binding on all successors and assigns of the Corporation and an Eligible Person, including without limitation, the estate of such Eligible Person and the legal representative of such estate, or any receiver or trustee in bankruptcy or representative of the Corporation's or Eligible Person's creditors.

7.5 Severability

If any provision of the Plan or part hereof is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part thereof.

7.6

Code Section 409A

The payments hereunder in redemption of the Restricted Share Units are intended to be exempt from the provisions of Section 409A of the Code, and all such payments will be made no later than the 15th day of the third month after the later of the end of (i) the first calendar year in which the Eligible Person's right to the payment is no longer subject to a substantial risk of forfeiture or (ii) the first taxable year of the Corporation in which the Eligible Person's right to payment is no longer subject to a substantial risk of forfeiture. Notwithstanding the foregoing, neither the Corporation, nor its subsidiaries or affiliates, nor any of their officers, directors, employees or representatives shall be liable to the Eligible Person for any interest, taxes or penalties resulting from non-compliance with Section 409A of the Code.

RESTRICTED SHARE UNIT GRANT AGREEMENT

This Restricted Share Unit Grant Agreement is made as of the \_\_\_ day of \_\_\_\_\_, 20\_\_ between \_\_\_\_\_, the undersigned "Eligible Person" (the "Eligible Person"), being an employee or director of Ur-Energy Inc. (the "Corporation"), named or designated pursuant to the terms of the Restricted Share Unit Plan of Ur-Energy Inc. (which Plan, as the same may from time to time be modified, supplemented or amended and in effect is herein referred to as the "Plan"), and the Corporation.

In consideration of the grant of Restricted Share Units made to the Eligible Person pursuant to the Plan (the receipt and sufficiency of which are hereby acknowledged), the Eligible Person hereby agrees and confirms that:

1. The Eligible Person has received a copy of the Plan and has read, understands and agrees to be bound by the provisions of the Plan.

2. The Eligible Person accepts and consents to and shall be deemed conclusively to have accepted and consented to, and agreed to be bound by, the provisions and all terms of the Plan and all bona fide actions or decisions made by the Board, the Committee, or any person to whom the Committee may delegate administrative duties and powers in relation to the Plan, which terms and consent shall also apply to and be binding on the legal representatives, beneficiaries and successors of the undersigned.

3. On \_\_\_\_\_, 20\_\_, the Eligible Person was granted \_\_\_\_\_ Restricted Share Units, which grant is evidenced by this Agreement.

4. This Restricted Share Unit Grant Agreement shall be considered as part of and an amendment to the employment agreement between the Eligible Person and the Corporation and the Eligible Person hereby agrees that the Eligible Person will not make any claim under that employment agreement for any rights or entitlement under the Plan or damages in lieu thereof except as expressly provided in the Plan.

This Agreement shall be determined in accordance with the laws of Ontario and the laws of Canada applicable therein.

Words used herein which are defined in the Plan shall have the respective meanings ascribed to them in the Plan.

IN WITNESS WHEREOF, Ur-Energy Inc. has executed and delivered this Agreement, and the Eligible Person has signed, sealed and delivered this Agreement, as of the date first above written.

**UR-ENERGY  
INC.**

Per:  
Name:

<Name>





**Colorado Office**

**10758 W. Centennial Rd., Ste. 200**

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**5880 Enterprise Dr., Ste. 200**

**Casper, WY 82609**

**Tel: (307) 265-2373**

**Fax: (307) 265-2801**

March 19, 2013

Dear Fellow Shareholder,

I am pleased to present to you this 2012 year-end report for Ur-Energy. The Board of Directors and our management team truly appreciate our shareholders' continued support and confidence in the Company.

In 2012, the Company achieved significant growth in identified resources available for recovery at our flagship Lost Creek Property. We also realized the completion of the permitting and regulatory approval process which allowed us to initiate construction of the project facilities. Along the way, we entered into several product sales agreements which should secure a strong rate of return for our investment in the Lost Creek Property. All the while, we maintained a watchful eye on spending and exercised concerted budgetary constraints. Nevertheless, the success and strengthening fundamentals of the Corporation went largely overlooked by the equity market as macro-economic concerns kept investors on the sidelines.

This year, Ur-Energy management will continue to focus on advancing our core business objectives. Growth is planned through the commencement of production operations at Lost Creek and through acquisition. At this time, facility construction is moving at a rapid pace with the expectation that we will be able to achieve first production at Lost Creek this summer. We also expect to close the announced acquisition of the Pathfinder Mines assets during the second quarter of 2013. Following our strategic planning, we will move quickly to demonstrate the inherent value of these substantial assets.

Ur-Energy concluded 2012 as a strong company with an exciting future, well positioned to capitalize on the strengthening nuclear fuel markets. I am excited to share with you the highlights of our corporate accomplishments from 2012 and those ongoing in the first quarter of 2013. On the strength of those accomplishments, I am looking forward to continued success and the completion of several major milestones in 2013.

Accomplishments in 2012 and Early 2013

The year 2012 was filled with significant growth developments for Ur-Energy. The Company acquired substantial property interests and mineral rights adjacent to our Lost Creek Property. Our talented technical team produced significant expansions of the compliant resource estimate for our flagship property. The Company took measures to fortify our balance sheet during a period of strength in a generally soft market, and we implemented a marketing strategy that secures a meaningful future revenue stream in an uncertain market. Finally, we realized a long anticipated objective with the completion of the final regulatory approval necessary to commence construction at Lost Creek.

**Lost Creek Property**

*Regulatory Achievements:* The principal focus of the Company continues to be the advancement of the Lost Creek Project to production. We were pleased to announce the receipt of the US Bureau of Land Management (BLM) Final Environmental Impact Statement in August and the Record of Decision early in October, 2012. The BLM approval was the final major regulatory authorization necessary to allow construction and production at the site.

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*Uranium Resource Base Increases:* Lost Creek Property expansion efforts resulted in a 58% aggregate growth of the Lost Creek Property Measured and Indicated resources from 5.3 Mlbs U<sub>3</sub>O<sub>8</sub> to 8.35 Mlbs U<sub>3</sub>O<sub>8</sub>. We also added over 2.0 Mlbs U<sub>3</sub>O<sub>8</sub> to our Inferred resource inventory in 2012. Our ongoing work leads us to project that there is significant potential for the definition of additional resources through exploration and expansion of the Lost Creek Property. Resource growth in 2012 was realized through our two-pronged approach:

Resource Drilling: In February 2012, we completed an update to the NI 43-101 Preliminary Economic Assessment (PEA) of the Lost Creek Property, primarily based upon the 2011 drill program. The PEA expanded the Lost Creek Property Measured and Indicated Resource by 11%. For the first time, we reported resources within our Lost Creek Property holdings but outside of the Lost Creek Project area. The Inferred Resource at the Lost Creek Property was increased significantly with the inclusion of Inferred Resources on our LC North and LC South Projects.

Property Expansion: In February 2012, the Company acquired property interests adjacent to the Lost Creek Project in an asset exchange with Uranium One Americas. The acquired property and other newly staked federal mining claims were incorporated into the Lost Creek Property, primarily as our new LC East and LC West Projects. The Company's historic database contained over 1,100 drill holes located on these new project areas. The database was utilized to estimate the mineral resources for LC East and LC West. In April 2012, the Company reported a 45% increase (from the February 2012 PEA) in Measured and Indicated Resources along with a 42% increase in Inferred Resources for the Lost Creek Property. A limited drill program was conducted on the LC East project area in 2012, resulting in an approximate nine percent increase in the Inferred Mineral resource for the project. Reported mineral resources in the Measured and Indicated categories did not change from the April 2012 PEA figures for LC East.

*Economic Assessment:* Our April 2012 update to the PEA for the Lost Creek Property continues to demonstrate the technical viability and possible economics of Lost Creek. The PEA estimates direct operating costs which place Lost Creek in the lowest quartile of all uranium production facilities worldwide at under \$16.50 per pound.<sup>1</sup>

*Project Construction:* Project construction commenced in early October 2012. Our technical team and selected contractors have demonstrated their proficiency by moving the project forward as scheduled. Many aspects of construction are now completed with the major efforts advancing as expected for an on-time completion in June of this year.

## **Company Finance**

In February 2012 we closed a private placement financing in which we raised C\$17 million. At year's end the Company had a cash position of approximately C\$18 million to continue to advance our Company growth objectives. Our internal finance team has created exceptional opportunity for funding future growth in the Company by initiating an application to the State of Wyoming for state funded industrial development bonds. Our application for US\$34 million of funding out of this seldom-utilized program is a demonstration of the creativity that characterizes the

Company in all of our business dealings. Ur-Energy has enjoyed the strong support of the State of Wyoming as we work through the application process and we look forward to finalization of the bond terms and approvals, followed by the availability of this funding, in the coming weeks.

<sup>1</sup> *Cautionary statement pursuant to NI 43-101:* the 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 PEA is based on site-specific laboratory recovery data as well as Company personnel and industry experience at similar facilities. There can be no assurance that recovery at this level will be achieved.

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## **Acquisitions**

The Company's approach to growth through acquisition can be defined by the expectation that any investment will only be committed to target projects that have technical and economic viability for production in the near term. Simply put, we hold numerous high quality exploration projects in our portfolio today and we will invest our treasury "at home" unless a valid opportunity for near-term production growth is available. One such opportunity was identified and, in mid-2012, the Company entered into an agreement with AREVA to acquire AREVA's wholly-owned Pathfinder Mines Corporation. This transaction represents an exceptional opportunity for Ur-Energy. Pathfinder's Wyoming based uranium projects and extensive historical exploration databases are expected to provide near term and long term growth opportunities for the Company. Today, both parties await approval and license transfer by the US Nuclear Regulatory Commission before the final steps to closing the transaction can be completed.

## **Uranium Markets and Contract Sales**

In two years following the events at Fukushima in Japan, the global uranium market has endured the impact of the temporary suspension of nuclear reactor operations in that country and other reactionary responses around the world. While a greater understanding of the root causes of the event were gained, the nuclear energy industry demonstrated its resiliency, and growth in the usage of nuclear energy worldwide has resumed. New reactor development continues to outpace the retirement of the oldest reactors in the global fleet and the best estimates indicate a growth in demand for Ur-Energy's product now and in the decades to come.

The market price of uranium has remained soft during this period with a resulting significant negative impact on the supply side of the uranium market. I believe that new growth by the small universe of uranium producing companies will be limited in the near term to the few projects which are expected to generate low production costs from the outset. Our Lost Creek project is counted among the few in this elite group.

In the latter part of 2011, Ur-Energy developed a strategic marketing initiative designed to reduce the Company's exposure to future negative turns in uranium pricing due to unforeseen events like Fukushima. By January 2012, Ur-Energy had secured several multi-year sales agreements with major North American nuclear utilities. These contracts feature fixed pricing that will readily support ongoing production at the Company's Lost Creek Property. The very nature of these contracts has made them a substantial asset for the Company moving forward in a low spot market price environment. The Company expects to continue to expand its portfolio of supply contracts when the proper opportunities are presented.

## **A Look Ahead: 2013**

We expect that this year will hold several major milestones for the Company. The completion of construction and the advancement of our flagship project to production will take center stage. It is rare when a junior exploration company successfully emerges as a producer, even more so when the commodity is one as challenging as uranium. The employees and management team at Ur-Energy appreciate the long and challenging path we have travelled together in arriving at this point and we fully respect the opportunities that lay ahead. I personally believe that the true strength of this Company will be demonstrated in the months ahead as our production team is handed the torch and is allowed to advance the Company objectives.

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Our objectives for 2013 are similar to those we set out and accomplished in 2012. As we transition to first production, the Company looks to continue its efforts to systematically expand the minable resources that will be accessible to the Lost Creek processing plant. This objective will be achieved through implementation of our continued exploration drilling and property acquisition strategies. Ur-Energy will also continue to target growth in our production profile through strategic acquisitions and exploration on the significant land and resource positions held outside of the Lost Creek Property.

#### Closing Thoughts

Ur-Energy has all of the fundamental building blocks of growth in place. I believe that the Company will be producing a steady stream of positive news in 2013. The robust Lost Creek Property combined with fundamentally sound product marketing strategies, superb technical and support staff, our solid financial base and funding opportunities, and the ability to expand our mineral resources will enable us to continue moving steadily ahead with the growth of the Company.

Finally, I would like to thank all of Ur-Energy's employees for their continued dedication in building this thriving uranium company. It is their abilities and hard work that have sustained our pace of activities in 2012. It will only be with their constant effort that we will reach the goal of generating revenues from uranium production in 2013.

Enclosed are our Management Proxy Circular and other documents relating to the Ur-Energy Inc. Annual and Special Meeting of Shareholders scheduled for April 25, 2013. These documents are also available on our website, [www.ur-energy.com](http://www.ur-energy.com).

As always, we appreciate the support of our existing shareholders and invite new investors to take a look at Ur-Energy. Building shareholder value is our highest priority. Stay informed, and view the latest photos of our Lost Creek construction activities by visiting our website at [www.ur-energy.com](http://www.ur-energy.com). Contact us by emailing [info@ur-energy.com](mailto:info@ur-energy.com) or calling +1-866-981-4588.

On Behalf of the Board,

*/s/ Wayne W. Heili*

Wayne W. Heili

President and Chief Executive Officer, Director

#### Cautionary Note to U.S. Investors Concerning Resource Estimates

This document uses the terms “measured mineral resource,” “indicated mineral resource” and “inferred mineral resource.” The Company advises US investors that while these terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission (SEC) does not recognize them. US investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their legal and 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. *US Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically minable.*

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### **Cautionary Note Regarding Forward-Looking Information**

This document contains “forward-looking statements” within the meaning of applicable securities laws regarding events or conditions that may occur in the future (*e.g.*, timeframe culminating in the commencement of production at Lost Creek (including procurement, construction and commissioning); ability and timing of the Company to secure project financing including the state bond process; technical and economic viability of Lost Creek (including the projections contained in the preliminary analysis of economics of the property); ability to complete the acquisition of Pathfinder Mines Corporation, timing for closing the transaction and whether the projects will become near term producers; ability to complete additional favorable uranium sales agreements and the ability to reduce exposure to volatile market conditions; the ability to expand resources throughout the Lost Creek Property), and are based on current expectations that, while considered reasonable by management at this time, inherently involve a number of significant business, economic and competitive risks, uncertainties and contingencies. Factors that could cause actual results to differ materially from any forward-looking statements include, but are not limited to, capital and other costs varying significantly from estimates; failure to establish estimated resources and reserves; the grade and recovery of ore which is mined varying from estimates; production rates, methods and amounts varying from estimates; delays in obtaining or failures to obtain required governmental, environmental or other project approvals; inflation; changes in exchange rates; fluctuations in commodity prices; delays in development and other factors. Readers should not place undue reliance on forward-looking statements. The forward-looking statements contained herein are based on the beliefs, expectations and opinions of management as of the date hereof, and Ur-Energy disclaims any intent or obligation to update them or revise them to reflect any change in circumstances or in management’s beliefs, expectations or opinions that occur in the future.

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