

URANERZ ENERGY CORP.  
Form 10-K/A  
April 29, 2013

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

**FORM 10-K/A**  
(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the fiscal year ended **December 31, 2012**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: **001-32974**

**URANERZ ENERGY CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

**Nevada**

(State of other jurisdiction of incorporation or  
organization)

**98-0365605**

(I.R.S. Employer Identification No.)

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**1701 East E Street**  
**PO Box 50850, Casper, Wyoming**  
(Address of Principal Executive Offices)

**82605-0850**  
(Zip Code)

**(307) 265-8900**  
(Registrant's Telephone Number, including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
<b>Common Stock: \$0.001 par value</b>	<b>NYSE MKT</b>

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$88,432,240

The number of shares of the Registrant's common stock outstanding as of April 26, 2013 was 77,207,574.

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Explanatory Note: The Company hereby files this amendment number one to its annual report on Form 10-K for the year ended December 31, 2012, as originally filed with the United States Securities and Exchange Commission (the “SEC”) on March 28, 2013 (the “Original Report”), to amend and restate the audited annual consolidated financial statements for the year ended December 31, 2012 and to amend and restate the previously restated audited annual consolidated financial statements for the year ended December 31, 2011 by reclassifying costs from Property and Equipment and Construction in Progress to Mineral Property Expenditures. In relation thereto we have amended the audited annual consolidated financial statements contained in Item 15 of Part IV and made corresponding changes to the financial information disclosure contained in Items 6, 7 and 8 of Part II. Note 16 to our audited annual consolidated financial statements contains disclosure describing the specific financial statement line item adjustments that have been made to the consolidated financial statements to effect the restatement. Pursuant to Item 302(a)(2) of Regulation S-K, Note 16 to our audited annual financial statements also includes restated unaudited consolidated financial information for each of interim periods ended March 31, 2012, June 30, 2012 and September 30, 2012. This supplemental financial information includes each financial statement line item amendment affecting the unaudited interim consolidated financial statements for those periods. We have also amended the quarterly supplemental financial information appearing in Item 8 of Part II. As a result of the restatement of our audited annual financial statements for the fiscal year ended December 31, 2012, management has re-evaluated and amended its conclusions regarding disclosure controls and procedures and internal control over financial reporting as contained in Item 9A of Part II. We are also amending the Original Report to include Part III disclosure that was previously intended to be incorporated by reference to our Definitive Proxy Statement on Schedule 14A. As a result we have deleted previous Item 3A, Executive Officer disclosure which is now contained in Item 10 of Part III Other than the amendments stated above, no disclosure contained in any Item of the Original Report is being amended, updated or otherwise revised.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Report and the exhibits attached hereto contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements concern the Company's anticipated results and progress of the Company's operations in future periods, planned exploration and, if warranted, enhancement of its properties, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

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Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often, but not always, using words or phrases such as expects or does not expect, is expected, anticipates or does not anticipate, plans, estimates or intends certain actions, events or results may, could, would, might or will be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

- risks related to our limited operating history;
- risks related to the probability that our properties contain reserves;
- risks related to our past losses and expected losses in the near future;
- risks related to our need for qualified personnel for exploring for, starting and operating a mine;
- risks related to our lack of known reserves;
- risks related to the fluctuation of uranium prices;
- risks related to environmental laws and regulations and environmental risks;
- risks related to using our in-situ recovery mining process;
- risks related to exploration and, if warranted, development of our properties;
- risks related to our ability to acquire necessary mining licenses or permits;
- risks related to our ability to make property payment obligations;
- risks related to the competitive nature of the mining industry;
- risks related to our dependence on key personnel;
- risks related to requirements for new personnel;
- risks related to securities regulations;
- risks related to stock price and volume volatility;
- risks related to dilution;
- risks related to our lack of dividends;
- risks related to our ability to access capital markets;
- risks related to market events;
- risks related to our issuance of additional shares of common stock;
- risks related to acquisition and integration issues;
- risks related to defects in title to our mineral properties;
- risks related to the construction and delay in construction of the Nichols Ranch ISR Uranium Project;
- risks related to our ability to initiate production and achieve targeted production rates at our Nichols Ranch ISR Uranium Project;
- risks related to higher than expected operating costs at our Nichols Ranch ISR Uranium Project; and
- risks related to our ability to complete construction of the Nichols Ranch ISR Uranium Project if the Wyoming Business Council financing is not obtained.

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the section headings Item 1. Description of the Business, Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report (the **Annual Report**). Although we have attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Except as required by law, we disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. **We qualify all the forward-looking statements contained in this Annual Report by the foregoing cautionary statements.**



## PART 1

### ITEM 1. DESCRIPTION OF BUSINESS

#### Corporate Background

Uranerz Energy Corporation ( **Uranerz** , **Company** , **we** , **us** and **our** ) was incorporated under the laws of the State of Nevada on May 26, 1999. On July 5, 2005, we changed our name from Carleton Ventures Corp. to Uranerz Energy Corporation. Our executive and operations office is located at 1701 East E Street, P.O. Box 50850, Casper, Wyoming U.S.A. 82605-0850. Our administrative office is located at Suite 1410 - 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6. The telephone number for our executive office is (307) 265-8900. The telephone number for our administrative office is (604) 689-1659.

Our common stock is traded on the NYSE MKT and the Toronto Stock Exchange under the symbol **URZ** and on the Frankfurt Stock Exchange under the symbol **U9E** .

#### History

Uranerz was relatively inactive from 1999 until 2005 when it acquired mineral prospecting permits in Saskatchewan, mineral licenses in Mongolia and mining claims and leases in Wyoming. The Company commenced exploration in 2005 and has continued through 2012. In 2007 we filed uranium mining applications for a project in Wyoming. In 2008 we sold our Mongolian properties and have terminated exploration in Saskatchewan. We continued to acquire additional mineral properties and conduct exploration drilling while pursuing mining permits in Wyoming. In 2011 we received regulatory approvals for the construction of our first mine, the Nichols Ranch ISR Uranium Project, and began construction in August of that year.

#### Our Business

We are a United States based uranium company focused on constructing an in-situ recovery ( **ISR** ) uranium facility. ISR is a mining process that uses a leaching solution to extract uranium from underground sandstone-hosted uranium deposits; it is the generally accepted extraction technology used in the Powder River Basin area of Wyoming. We are currently constructing our first mine, our Nichols Ranch ISR Uranium Project in the Powder River Basin area of Wyoming. We expect to complete construction in the last half of 2013. We control a large strategic property position in the central Powder River Basin of Wyoming. Our management team has specialized expertise in the ISR uranium mining method, and a record of licensing, constructing, and operating ISR uranium projects.

Information regarding the location of and access to our Wyoming properties, together with the history of operations, present condition and geology of each of our properties, is presented in Item 2 of this Annual Report under the heading: **Description of Properties** . We have no proven or probable reserves as such terms are defined in the United States Securities and Exchange Commission's Industry Guide 7 ( **Guide 7** ). All of our properties are exploratory in nature.

We are principally focused on the exploitation of our properties in the Powder River Basin but we continually investigate other uranium opportunities as they arise.

In anticipation of receiving all of the approvals necessary to begin production at Nichols Ranch, we commenced a marketing program for conditional sales of uranium from the Nichols Ranch ISR project in late 2008. In July 2009, we entered into a sales agreement with Exelon Generation Company, LLC ( **Exelon** ) for the sale of uranium over a five year period at defined prices. The agreement with Exelon was subsequently amended to defer the delivery schedule by a year and adjust the pricing terms. On January 25, 2013 we entered into a second supply agreement with Exelon for the sale of uranium over an additional five year period commencing in 2016, at defined prices adjustable for inflation.

In August of 2009, we entered into what was then our second contract for the sale of uranium to another United States nuclear utility, also over a five year period, with a pricing structure, as amended, that references both spot and fixed prices and includes floor and ceiling prices. That agreement was also subsequently amended to defer the original five year delivery period by a year, reduce the annual volumes to be supplied, and adjust the pricing terms. The amendment included the cancellation of the first year's delivery quantity if we are unable to deliver during the first delivery year of the contract. These three long-term contracts for the sale of uranium are with two of the largest nuclear utilities in the United States. These three agreements do not represent a substantial portion of our targeted uranium production and our business is not substantially dependent on these agreements.

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The Nichols Ranch ISR Uranium Project originally comprised our Nichols Ranch Unit and our Hank Unit. Under the original plan, a central processing plant was to have been built at Nichols Ranch and a satellite processing facility built at Hank. In March 2010, we commenced preparation of the environmental permit and license applications for our Jane Dough Unit, which is adjacent to our Nichols Ranch Unit and which can share its infrastructure. This will provide us with the option to revise our original plan of operations by bringing our Jane Dough Unit into production before the Hank Unit, at our Nichols Ranch ISR Uranium Project. Due to the close proximity, Jane Dough fluids could be delivered directly to our Nichols Ranch processing facility by pipeline, thus eliminating the need for larger capital outlay as would be required to explore Hank. Our Jane Dough Unit includes the Doughstick, South Doughstick and North Jane properties. Additional units may be added to the mine plan as we assess our geological data. We plan to continue the exploration, enhancement and strategic portfolio planning of our other Wyoming Powder River Basin properties through a number of strategies including acquisitions or exchanges with other ISR uranium mining companies in the area.

In December 2010, we received a Permit to Mine from the Wyoming Department of Environmental Quality – Land Quality Division ( **WDEQ-LQD** ). In July 2011, we received our Source Material License from the United States Nuclear Regulatory Commission and immediately began construction of our Nichols Ranch ISR Uranium Project with an original start-up date of early 2013. Central processing plant construction will be substantially complete mid-2013, and production is expected to commence in the second half of 2013, after our deep disposal wells are installed. The Jane Dough exploration option described above will be progressed while mining the Nichols Ranch Unit.

In November 2011, we signed a processing agreement with Cameco Resources ( **Cameco** ), a wholly-owned Wyoming subsidiary of Cameco Corporation, the world’s largest publicly-traded uranium company. Under the agreement, we agreed to deliver uranium-loaded resin produced from our Nichols Ranch facility to Cameco’s Smith Ranch-Highland uranium mine for final processing into dried uranium concentrate packaged for shipping to a converter. Cameco’s Smith Ranch-Highland mine is located in the Powder River Basin of Wyoming approximately 25 air miles south of our Nichols Ranch Unit. Mining the Jane Dough Unit is compatible with this plan. The agreement is for a fixed term with a variable starting date depending on when we enter into production. Under the agreement, we and Cameco stipulate both a minimum quantity of resins and a maximum quantity of resins which will be delivered by us and processed by Cameco. Under the terms of the agreement, we may have all or substantially all of the resins produced at Nichols Ranch in its initial few years of production processed by Cameco. In the event that we fail to deliver the minimum quantities stipulated by the agreement, we will be required to compensate Cameco a stipulated sum of liquidated damages.

In September 2012 we submitted an application to the Wyoming Business Council ( **WBC** ) for a \$20,000,000 loan under the Wyoming Industrial Development Revenue Bond Program. If approved, the bond would have a seven year term and an interest rate of 4.25% per annum. We will be required to make interest-only payments during the first year and in the following years the debt would be amortized to include payments of principal and interest. The full approval process for the bond application is expected to take several months.

Our focus is on construction of our processing facility and installation of the environmental monitor, production and deep disposal wells for the Nichols Ranch ISR Uranium Project. At the present time, the production wells at the first wellfield have been substantially completed and the remaining wells are expected to be completed during the first half of 2013. The individual wells in the wellfield will be connected to header houses that are connected to the central processing plant with trunk lines that have been fused and buried. These trunk lines will carry solutions between the header houses and the central processing plant.

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The central processing plant is approximately 80% complete with tanks, pumps, ion exchange columns, sand filters and ancillary equipment fully installed. Installation of the process piping, electrical controls and the control room is ongoing.

The Nichols Ranch ISR Uranium Project is expected to be operational during the fourth quarter of 2013.

Regulatory milestones are being pursued in order to meet start-up requirements following completion of the central processing plant and wellfield construction activities, and installation of requisite deep disposal wells. The drilling pads for the two deep disposal wells have recently been completed and drilling is ready to begin. The two deep disposal wells will be drilled and completed before the start of production.

### **Recent Corporate Developments**

The following significant corporate developments occurred during our fiscal year ended December 31, 2012:

1. We issued 120,800 shares of our common stock issuable upon the exercise of certain outstanding stock options for gross cash proceeds of \$96,984;
2. We continued our exploration program in Wyoming see details under the section heading Item 2 Description of Properties ;
3. We obtained a deep disposal well permit and continued construction of our Nichols Ranch ISR Uranium Project;
4. We applied for, and received first level approval of, a \$20,000,000 Industrial Development Revenue Bond financing from the State of Wyoming;
5. We continued the licensing and permitting process to construct and operate ISR uranium facilities on our Jane Dough Unit; and
6. We hired key operational personnel to participate in construction management, and development of standard operating procedures and training plans.

Our focus during the fiscal year ended December 31, 2012 was on exploration in the Powder River Basin, licensing the Jane Dough Unit, construction of a processing facility and installation of the environmental monitor and production wells for the first wellfield at the Nichols Ranch ISR Uranium Project.

### **Competition**

Our industry is highly competitive. We compete with other mining and exploration companies in connection with the acquisition of uranium mineral properties and the equipment, materials and personnel necessary to explore and develop such properties. There is competition for the limited number of uranium acquisition opportunities, some of which is with other companies having substantially greater financial resources, staff and facilities than we do. As a result, we may have difficulty acquiring attractive exploration properties, staking claims related to our properties, and exploring and developing our properties. Due to our limited capital and personnel, we are at a competitive disadvantage compared to many other companies with regard to exploration and, if warranted, development of mining properties. We believe that competition for acquiring mineral prospects will continue to be intense in the future.

The availability of funds for exploration is sometimes limited, and we may find it difficult to compete with larger and more well-known companies for capital. Our inability to develop our mining properties due to lack of funding, even if warranted, could have a material adverse effect on our operation and financial position.



## **Minerals Exploration Regulation**

Our uranium mineral exploration and enhancement activities are, and our production activities (if and when they occur) will be, subject to extensive laws and regulations governing exploration, enhancement, production, exports, taxes, labor standards, occupational health, waste disposal, protection and remediation of the environment, protection of endangered and protected species, mine safety, toxic substances and other matters. Uranium minerals exploration is also subject to risks and liabilities associated with pollution of the environment and disposal of waste products occurring as a result of mineral exploration.

Compliance with these laws and regulations may impose substantial costs on us and will subject us to significant potential liabilities. Changes could require us to expend significant resources to comply with new laws or regulations and could have a material adverse effect on our business operations.

Minerals exploration operations are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated, causing an adverse effect on our business operations. Minerals exploration operations are subject to federal and state laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Minerals exploration operations are also subject to federal and state laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Various permits from government bodies are required for drilling operations to be conducted; no assurance can be given that such permits will be received. Environmental standards imposed by federal and state authorities may be changed and any such changes may have material adverse effects on our activities. As of the date of this Annual Report, other than with respect to the posting of a performance bond, we have not been required to spend material amounts on compliance with environmental regulations. However, we may be required to do so in future and this may affect our ability to expand or maintain our operations. Environmental regulation is discussed in further detail in the following section.

## **Environmental Regulation**

Exploration, enhancement and production activities are subject to certain environmental regulations which may prevent or delay the commencement or continuance of our operations. In general, our exploration and production activities are subject to certain federal and state laws and regulations relating to environmental quality and pollution control. Such laws and regulations increase the costs of these activities and may prevent or delay the commencement or continuance of a given operation. Compliance with these laws and regulations has not had a material effect on our operations or financial condition to date. Specifically, we are subject to legislation regarding emissions into the environment, water discharges, and storage and disposition of hazardous wastes. In addition, legislation has been enacted which requires facility sites to be abandoned and reclaimed to the satisfaction of state and federal authorities.

### ***Waste Disposal***

The Resource Conservation and Recovery Act ( **RCRA** ), and comparable state statutes, affect minerals exploration and production activities by imposing regulations on the generation, transportation, treatment, storage, disposal and cleanup of hazardous wastes and on the disposal of non-hazardous wastes. Under the auspices of the United States Environmental Protection Agency (the **EPA** ), the individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements.

### ***CERCLA***

The federal Comprehensive Environmental Response, Compensation and Liability Act ( **CERCLA** ) imposes joint and several liability for costs of investigation and remediation and for natural resource damages, without regard to fault or the legality of the original conduct, on certain classes of persons with respect to the release into the environment of substances designated under CERCLA as hazardous substances ( **Hazardous Substances** ). These classes of persons or

potentially responsible parties include the current and certain past owners and operators of a facility or property where there is or has been a release or threat of release of a Hazardous Substance and persons who disposed of or arranged for the disposal of the Hazardous Substances found at such a facility. CERCLA also authorizes the EPA and, in some cases, third parties to take actions in response to threats to the public health or the environment and to seek to recover the costs of such action. We may also in the future become an owner of facilities on which Hazardous Substances have been released by previous owners or operators. We may in the future be responsible under CERCLA for all or part of the costs to clean up facilities or property at which such substances have been released, and for natural resource damages.

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### ***Air Emissions***

Our operations are subject to state and federal regulations for the control of emissions of air pollution. Major sources of air pollutants are subject to more stringent, federally imposed permitting requirements. Administrative enforcement actions for failure to comply strictly with air pollution regulations or permits are generally resolved by payment of monetary fines and correction of any identified deficiencies. Alternatively, regulatory agencies could require us to forego construction, modification or operation of certain air emission sources.

### ***Clean Water Act***

The Clean Water Act ( **CWA** ) imposes restrictions and strict controls regarding the discharge of wastes, including mineral processing wastes, into waters of the United States, a term broadly defined. Permits must be obtained to discharge pollutants into federal waters. The CWA provides for civil, criminal and administrative penalties for unauthorized discharges of hazardous substances and other pollutants. It imposes substantial potential liability for the costs of removal or remediation associated with discharges of oil or hazardous substances. State laws governing discharges to water also provide varying civil, criminal and administrative penalties, and impose liabilities in the case of a discharge of petroleum or its derivatives, or other hazardous substances, into state waters. In addition, the EPA has promulgated regulations that require us to obtain permits to discharge storm water runoff. In the event of an unauthorized discharge of wastes, we may be liable for penalties and costs.

### ***Underground Injection Control ( UIC ) Permits***

The federal Safe Drinking Water Act creates a nationwide regulatory program protecting groundwater. This act is administered by the EPA. However, to avoid the burden of dual federal and state (or Indian tribal) regulation, the Safe Drinking Water Act allows for the UIC permits issued by states (and Indian tribes determined eligible for treatment as states) to satisfy the UIC permit required under the Safe Drinking Water Act under two conditions. First, the state's program must have been granted primacy. Second, the EPA must have granted, upon request by the state, an aquifer exemption. The EPA may delay or decline to process the state's application if the EPA questions the state's jurisdiction over the mine site.

### **Segment Information**

Segment information relating to us is provided in Note 15 to our financial statements under the section heading **Item 8. Financial Statements and Supplementary Data** below.

### **Employees**

Currently, we have thirty-seven full-time employees, five full-time consultants and one part-time consultant. We operate in established mining areas where we have found sufficient available personnel for our business plans.

### **Overview of Uranium Market**

The primary commercial use for uranium is to fuel nuclear power plants for the generation of electricity. All the uranium produced from our mines will be used to generate electricity.

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At present, nuclear power plants produce about 7% of the world's overall energy and 16% of its electricity. According to the World Nuclear Association, there are currently 433 reactors operating world-wide which will require approximately 150,000,000 pounds of uranium fuel in 2012. Worldwide there are currently 63 new reactors under construction with an additional 160 reactors on order or in the planned stage and another 329 in the proposed stage.

The world continues to consume more uranium than it produces and largely due to increasing energy demands in Asia, the World Nuclear Association expects world uranium consumption to grow so substantially that it would require mine production to double by 2020 to meet demand. Historically the gap between demand and supply has been filled by stock-piled inventories and secondary supplies; however these are finite and are being drawn down. Currently, one of the largest sources of secondary supply is the uranium derived from the Russia's Highly Enrich Uranium program with the United States. All the deliveries from this source are expected to be completed by the end of 2013. The United States has 104 operating reactors deriving less than 8% of their uranium needs from U.S. production.

Uranium is not traded on an open market or organized commodity exchange such as the London Metal Exchange. Buyers and sellers negotiate contracts privately and usually directly. Uranium prices, both spot prices and long-term prices, are however published by two independent market consulting firms, Tradetech and Ux Consulting, on a weekly basis.

The spot and long term price of uranium is influenced by a number of factors, some of which are international. For example, both the spot and long term price of uranium was impacted by the accident at the Fukushima Daiichi Nuclear Plant in March 2011. The events at Fukushima created heightened concerns regarding the safety of nuclear plants and lead to closures of nuclear plants. These plant closures have created uncertainty in the market.

Most nuclear utilities seek to purchase a portion of their uranium needs through long-term supply contracts with another portion being bought on the spot market in the short term. Like sellers, buyers are seeking to balance the security of long term supply with the opportunity to take advantage of price fluctuations. For this reason both buyers and sellers track current spot and long-term prices for uranium carefully, make considered projections as to future price changes, and then negotiate with one another to enter into a contract which each deems favorable to their respective interests.

The graph below shows the weekly spot uranium and long-term uranium price from 1969 until January 2013 as reported by Ux Consulting.

***Source: RBC Uranium Weekly Report on January 8, 2013.***

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Industry analysts endeavor to forecast future long and short term prices for uranium and many publish their analyses. The figure below sets out current forecasts of the spot uranium price until 2016 by certain industry analysts. An upward trend is expected by such analysts in 2013 and 2014; in 2015 and 2016 the majority expect that trend to continue upward, as shown.

*Source: Research Reports from the brokerages and banks listed in the legend above*

### **Available Information**

Detailed information about us is contained in our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other reports, and amendments to those reports, that we file with or furnish to the SEC. These reports are available free of charge on our website, [www.uranerz.com](http://www.uranerz.com), as soon as reasonably practicable after we electronically file such reports with or furnish such reports to the SEC. However, our website and any contents thereof should not be considered to be incorporated by reference into this document. We will furnish copies of such reports free of charge upon written request to our Investor Relations department. You can contact our Investor Relations department at:

Uranerz Energy Corporation  
Investor Relations  
Suite 1410 800 West Pender Street  
Vancouver, BC, Canada V6C 2V6  
Telephone: 1(800) 689 1659 Email: [investor@uranerz.com](mailto:investor@uranerz.com)

Additionally, our corporate governance guidelines, Code of Ethics and the charters of each of the standing committees of our Board of Directors are available on our website. We will furnish copies of such information free of charge upon written request to our Investor Relations department.

### **ITEM 1A. RISK FACTORS**

Stockholders should carefully consider the risks and uncertainties described below.

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Our failure to successfully address the risks and uncertainties described below would have a material adverse effect on our business, financial condition and/or results of operations, and the trading price of our common stock may decline and investors may lose all or part of their investment. We cannot assure you that we will successfully address these risks or other unknown risks that may affect our business.

### **Risks Related to Our Business**

#### ***Our future performance is difficult to evaluate because we have a limited operating history.***

We were incorporated in 1999 and we began to implement our current business strategy in the uranium industry in the beginning of 2005. Our operating cash flow needs have been financed primarily through issuances of our common stock. As a result, we have little historical financial and operating information available to help you evaluate our performance.

#### ***Because the probability of an individual prospect ever having reserves is remote, our properties may not contain any reserves, and any funds spent on exploration may be lost.***

We have no uranium producing properties and have never generated any revenue from our operations. Because the probability of an individual prospect ever having reserves is uncertain, our properties may not contain any reserves, and any funds spent on exploration may be lost. Notwithstanding our disclosures to Canadian authorities under National Instrument 43-101, we do not know with certainty that economically recoverable uranium exists on any of our properties. We may never discover uranium in commercially exploitable quantities and any identified deposit may never qualify as a commercially mineable (or viable) reserve. We will continue to attempt to acquire the surface and mineral rights on lands that we think are geologically favorable or where we have historical information in our possession that indicates uranium mineralization might be present.

The exploration and enhancement of mineral deposits involves significant financial and other risks over an extended period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a uranium or precious or base metal deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenditures are required to establish reserves by drilling and to construct mining and processing facilities at a site. Our uranium properties are all at the exploration stage and do not contain any reserves at this time. It is impossible to ensure that the current or proposed exploration programs on properties in which we have an interest will result in the delineation of mineral deposits or in profitable commercial operations. Our operations are subject to the hazards and risks normally incident to exploration and production of uranium, precious and base metals, any of which could result in damage to life or property, environmental damage and possible legal liability for such damage. While we may obtain insurance against certain risks, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which we cannot insure or against which we may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance, or in excess of insurance coverage, or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting our future earnings and competitive position and, potentially our financial viability.

#### ***We have a limited operating history and have losses which we expect to continue into the future. As a result, we may have to suspend or cease exploration activities.***

We were incorporated in 1999 and are engaged in the business of mineral exploration. We have not realized any revenue from our operations and have incurred losses since inception. We have a relatively limited exploration history upon which an evaluation of our future success or failure can be made. Our ability to achieve and maintain profitability and positive cash flow is dependent upon:

- our ability to locate a profitable mineral property;

- our ability to generate revenues; and
  - our ability to control costs.
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Based upon current plans, we expect to incur operating losses in future periods. This will happen because there are expenses associated with the research and exploration of our mineral properties plus enhancement costs to produce saleable product. We cannot guarantee we will be successful in generating revenues in the future. Failure to generate revenues may cause us to go out of business.

***Because some of our officers and directors do not have technical training or experience in exploring for, starting, and operating a mine, we may have to hire qualified personnel. If we can't locate qualified personnel, we may have to suspend or cease exploration activity.***

Some, but not all, of our officers and directors have experience with exploring for, starting, and operating a mine. Because some of our officers and directors are inexperienced with exploring for, starting, and operating a mine, we may have to hire qualified persons to perform surveying, exploration, and water management of our properties. Some of our officers and directors have no direct training or experience in these areas and as a result may not be fully aware of many of the specific requirements related to working within the industry. Their decisions and choices would typically take into account standard engineering or managerial approaches mineral exploration companies commonly use. However, our exploration activities, earnings and ultimate financial success could suffer irreparable harm due to certain of management's decisions. As a result we may have to suspend or cease exploration activities, or any future warranted activities.

***Our future profitability will be dependent on uranium prices.***

Because a significant portion of our anticipated revenues are expected to be derived from the sale of uranium, our net earnings, if any, can be affected by the long- and short-term market price of yellowcake (U<sub>3</sub>O<sub>8</sub>). Uranium prices are subject to fluctuation. The price of uranium has been and will continue to be affected by numerous factors beyond our control. With respect to uranium, such factors include the demand for nuclear power, political and economic conditions in uranium producing and consuming countries, uranium supply from secondary sources, uranium production levels and costs of production. Spot prices for U<sub>3</sub>O<sub>8</sub> were at \$20.00 per pound U<sub>3</sub>O<sub>8</sub> in December 2004, and then increased to \$35.25 per pound in December 2005 and \$72.00 per pound in December 2006. During 2007 the spot price reached a high of \$138.00 per pound. The spot price of U<sub>3</sub>O<sub>8</sub> was approximately \$90.00 per pound in December 2007. The spot price declined during 2008, reaching a low of \$44.00 per pound in October. In 2009, the spot price of U<sub>3</sub>O<sub>8</sub> had a high of \$51.50 and a low of \$42.00. In 2010 the spot price had a high of \$62.50 and a low of \$40.75. In 2011 the spot price had a high of \$74.00 and a low of \$48.00. In 2012 the spot price had a high of \$52.50 and a low of \$40.75. The spot price of U<sub>3</sub>O<sub>8</sub> was approximately \$43.38 per pound and the long term price was approximately \$56.50 per pound in December 2012.

***Public acceptance of nuclear energy is uncertain.***

The demand for uranium as a source of energy and growth in that demand is dependent on society's acceptance of nuclear technology as a means of generating electricity. A major incident at a nuclear power plant anywhere in the world, such as that which occurred at Japan's Fukushima Daiichi nuclear power station in March of 2011, following a major earthquake and tsunami, or an accident relating to the transportation of new or spent nuclear fuel, could negatively impact the continuing public acceptance of nuclear energy and the future prospects for nuclear power generation, which may have a material adverse effect on the nuclear industry and the results of the Company operations and revenues.

***Our operations are subject to environmental regulation and environmental risks.***

We are required to comply with applicable environmental protection laws and regulations and permitting requirements, and we anticipate that we will be required to continue to do so in the future. The material laws and regulations within the U.S. that the Company must comply with are the National Environmental Protection Act ( **NEPA** ), Atomic Energy Act, Uranium Mill Tailings Radiation Control Act of 1978 ( **UMTRCA** ), Clean Air Act,

Clean Water Act, Safe Drinking Water Act, Federal Land Policy Management Act, National Park System Mining Regulations Act, and the State Mined Land Reclamation Acts or State Department of Environmental Quality regulations, as applicable. We are required to comply with the Atomic Energy Act, as amended by UMTRCA, by applying for and maintaining a Source Material license from the US Nuclear Regulatory Commission. Uranium operations must conform to the terms of such license, which include provisions for protection of human health and the environment from endangerment due to radioactive materials. The license encompasses protective measures consistent with the Clean Air Act and the Clean Water Act. We intend to utilize specific employees and consultants in order to comply with and maintain our compliance with the above laws and regulations.

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The uranium industry is subject not only to the worker health and safety and environmental risks associated with all mining businesses, but also to additional risks uniquely associated with uranium mining and processing. The possibility of more stringent regulations exists in the areas of worker health and safety, the disposition of wastes, the decommissioning and reclamation of exploration and in-situ recovery mining sites, and other environmental matters, each of which could have a material adverse effect on the costs or the viability of a particular project. We cannot predict what environmental legislation, regulation or policy will be enacted or adopted in the future or how future laws and regulations will be administered or interpreted. The recent trend in environmental legislation and regulation, generally, is toward stricter standards and this trend is likely to continue in the future. This recent trend includes, without limitation, laws and regulations relating to air and water quality, mine reclamation, waste handling and disposal, the protection of certain species and the preservation of certain lands. These regulations may require the acquisition of permits or other authorizations for certain activities. These laws and regulations may also limit or prohibit activities on certain lands. Compliance with more stringent laws and regulations, as well as potentially more vigorous enforcement policies or stricter interpretation of existing laws, may necessitate significant capital outlays, may materially affect our results of operations and business, or may cause material changes or delays in our intended activities.

Our operations may require additional analysis in the future including environmental and social impact and other related studies. Certain activities require the submission and approval of environmental impact assessments. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers, and employees. There can be no assurance that we will be able to obtain or maintain all necessary permits that may be required to continue operations or exploration of properties or, if feasible, to commence construction and operation of mining facilities at such properties at economically justifiable costs.

***We intend to extract uranium from our properties using the in-situ recovery mining process which may not be successful.***

We intend to extract uranium from our properties using in-situ recovery mining, which is suitable for extraction of certain types of uranium deposits. This process requires in-situ recovery mining equipment and trained personnel. Competition and unforeseen limited sources of supplies in the industry could result in occasional spot shortages of supplies, and certain equipment such as drilling rigs and other equipment that we might need to conduct exploration and, if warranted, enhancement. We will attempt to locate additional products, equipment and materials as needed. If we cannot find the products and equipment we need, we will have to suspend our exploration and, if warranted, enhancement plans until we do find the products and equipment we need.

***We face risks related to exploration and mine construction, if warranted, on our properties.***

Our level of profitability, if any, in future years will depend to a great degree on uranium prices and whether any of our exploration stage properties can be brought into production. The exploration for and enhancement of mineral deposits involves significant risks. It is impossible to ensure that the current and future exploration programs and/or feasibility studies on our existing properties will establish reserves. Whether a uranium ore body will be commercially viable depends on a number of factors, including, but not limited to: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; uranium prices, which cannot be predicted and which have been highly volatile in the past; mining, processing and transportation costs; perceived levels of political risk and the willingness of lenders and investors to provide project financing; labor costs and possible labor strikes; and governmental regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting materials, foreign exchange, environmental protection, employment, worker safety, transportation, and reclamation and closure obligations.

We are subject to the risks normally encountered in the mining industry, such as:

- the discovery of unusual or unexpected geological formations;
- accidental fires, floods, earthquakes, volcanic eruptions, and other natural disasters;
- unplanned power outages and water shortages;
- controlling water and other similar mining hazards;
- operating labor disruptions and labor disputes;
- the ability to obtain suitable or adequate machinery, equipment, or labor;
- our liability for pollution or other hazards; and
- other known and unknown risks involved in the conduct of exploration, the operation of mines and the market for uranium.

The development of mineral properties is affected by many factors, including, but not limited to: the cost of operations; variations in the grade of ore; fluctuations in metal markets; costs of extraction and processing equipment; availability of equipment and labor; labor costs and possible labor strikes; government regulations, including without limitation, regulations relating to taxes, royalties, allowable production, importing and exporting of minerals; foreign exchange; employment; worker safety; transportation; and environmental protection. Depending on the price of uranium, we may determine that it is impractical to commence, or, if commenced, continue, operation of our Nichols Ranch project. Such a decision would negatively affect our profits and may affect the value of your investment.

***Because we may be unable to meet property payment obligations or be able to acquire or maintain necessary mining licenses, we may lose interests in our exploration properties.***

The agreements pursuant to which we acquired our interests in some of our properties provide that we must make a series of cash payments over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute our share of ongoing expenditures. If we fail to make such payments or expenditures in a timely fashion, we may lose our interest in those properties. Further, even if we do complete exploration activities, we may not be able to obtain the necessary licenses to conduct mining operations on the properties, and thus would realize no benefit from our exploration activities on the properties.

***Our mineral properties may be subject to defects in title.***

We own, lease, or have under option, mining claims, mineral claims or concessions and fee mineral leases which constitute our property holdings. The ownership and validity or title of unpatented mining claims and concessions are often uncertain and may be contested. We also may not have, or may not be able to obtain, all necessary surface rights to develop a property. We have not conducted title research in relation to many of our mining claims and concessions to ensure clean title. We cannot guarantee that title to our properties will not be challenged. Title insurance is generally not available for mineral properties and our ability to ensure that we have obtained secure claim to individual mineral properties or mining concessions may be severely constrained. Our mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. We may incur significant costs related to defending the title to our properties. A successful claim contesting our title to a property may cause us to compensate other persons or perhaps reduce our interest in the affected property or lose our rights to explore and, if warranted, develop that property. This could result in us not being compensated for our prior expenditures relating to the property. Also, in any such case, the investigation and resolution of title issues would divert our management's time from ongoing exploration and enhancement programs.

***Because we may be unable to secure access rights, we may be unable to explore and/or develop our properties.***

Our mineral rights do not always include rights of access or use of the surface of lands. We require agreements with land owners for these rights which may be difficult to obtain and which may require cash payments.



***Because mineral exploration and mine construction activities are inherently risky, we may be exposed to environmental liabilities.***

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, none of our properties has a known body of commercial ore. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, explosions and the inability to obtain suitable or adequate machinery, equipment or labor are other risks involved in extraction operations and the conduct of exploration programs. Although we intend to carry liability insurance with respect to our mineral exploration operations, we may become subject to liability for damage to life and property, environmental damage or hazards against which we cannot insure or against which we may elect not to insure. Previous mining operations may have caused environmental damage at certain of our properties. It may be difficult or impossible to assess the extent to which such damage was caused by us or by the activities of previous operators, in which case, any indemnities and exemptions from liability may be ineffective. If any of our properties is found to have commercial quantities of ore, we would be subject to additional risks respecting any mine construction and production activities. Most exploration projects do not result in the discovery of commercially mineable deposits of ore.

***Because we have not put a mineral deposit into production before, we may have to acquire outside expertise. If we are unable to acquire such expertise we may be unable to put our properties into production.***

Our Board of Directors includes six individuals, of whom two are in management, that have technical or financial experience in placing mining projects into production. However, we may also be dependent upon using the services of appropriately experienced personnel or entering into agreements with other companies that can provide such expertise. We have contracted an experienced uranium producer to strip, elute, precipitate and drum our uranium resins to produce dried uranium concentrate for sale. The success of processing our uranium resins depends upon the contractor's ability to provide services in accordance with the terms of our agreement.

***Acquisitions and integration issues may expose us to additional risks which could have a material adverse effect on our business.***

Our business strategy includes making targeted acquisitions. Any acquisition that we make may be of a significant size, may change the scale of our business and operations, and may expose us to new geographic, political, operating, financial and geological risks. The success of our acquisition activities depends on our ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition and integrate the acquired operations successfully with our own. Any acquisitions would be accompanied by risks which could have a material adverse effect on our business. For example, there may be significant decreases in commodity prices after we have committed to complete the transaction and have established the purchase price or exchange ratio; a material ore body may prove to be below expectations; we may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt our ongoing business and our relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. If we choose to use equity securities as consideration for such an acquisition, existing stockholders may suffer dilution. Alternatively, we may choose to finance any such acquisition with our existing resources. There can be no assurance that we would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

***The mining industry is highly competitive.***

The business of the acquisition, exploration, and enhancement of uranium properties is intensely competitive. We will be required to compete, in the future, directly with other corporations that may have better access to potential uranium resources, more developed infrastructure, more available capital, better access to necessary financing, and more



knowledgeable and available employees than us. We may encounter competition in acquiring uranium properties, hiring mining professionals, obtaining mining resources, such as manpower, drill rigs, and other mining equipment. Such competitors could outbid us for potential projects or produce minerals at lower costs. Increased competition could also affect our ability to attract necessary capital funding or acquire suitable producing properties or prospects for uranium exploration in the future.

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## **Risks Related to Corporate and Financial Structure**

*There could be problems with construction and delay in construction of the Nichols Ranch ISR Uranium Project which could result in cost overruns, production delays and require us to raise more capital to complete construction.*

We are subject to all of the risks associated with establishing new mining operations:

- the timing and cost, which can be considerable, of the construction of mining and processing facilities;
- the availability and costs of skilled labor and mining equipment;
- the availability and cost of appropriate processing and refining arrangements;
- compliance with environmental and other governmental approval and permit requirements;
- the availability of funds to finance additional construction and development activities;
- potential opposition from non-governmental organizations, environmental groups, local groups or local inhabitants which may delay or prevent development activities; and
- potential increases in operating costs due to changes in the cost of fuel, power, materials and supplies.

It is common in new mining operations to experience unexpected problems and delays in development and mine start-up. In addition, delays in the commencement of mineral production often occur. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which we depend, or lack of availability of required equipment, material, supplies or workers could delay or prevent completion of construction at our Nichols Ranch ISR Uranium Project. Any delays or other problems in completing the construction could result in cost overruns, delay or prevent production and require us to raise additional capital to complete construction. If we are unable to raise additional capital, as needed, we may not be able to complete our Nichols Ranch ISR Uranium Project.

*We are dependent upon key management employees.*

The success of our operations will depend upon numerous factors, many of which are beyond our control, including (i) our ability to enter into strategic alliances through a combination of one or more joint ventures, mergers or acquisition transactions; and (ii) our ability to attract and retain additional key personnel in sales, marketing, technical support and finance. We currently depend upon our management employees to seek out and form strategic alliances and find and retain additional employees. There can be no assurance of success with any or all of these factors on which our operations will depend. We have relied and may continue to rely, upon consultants and others for operating expertise.

*Our growth will require new personnel, which we will be required to recruit, hire, train and retain.*

We expect significant growth in the number of our employees if we determine that a mine at any of our properties is commercially feasible, we are able to raise sufficient funding and we elect to develop the property. This growth will place substantial demands on us and our management. Our ability to assimilate new personnel will be critical to our performance. We will be required to recruit additional personnel and to train, motivate and manage employees. We will also have to adopt and implement new systems in all aspects of our operations. This will be particularly critical in the event we decide not to use contract miners at any of our properties. We have no assurance that we will be able to recruit the personnel required to execute our programs or to manage these changes successfully.

*Legislation, including the Sarbanes-Oxley Act of 2002, may make it difficult for us to retain or attract officers and directors.*

We may be unable to attract and retain qualified officers, directors and members of board committees required to provide for our effective management as a result of the recent and currently proposed changes in the rules and regulations which govern publicly-held companies. Sarbanes-Oxley Act of 2002 has resulted in a series of rules and

regulations by the Securities and Exchange Commission that increased responsibilities and liabilities of directors and executive officers. The increased personal risk associated with these changes may deter qualified individuals from accepting these roles.

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***Stock market price and volume volatility.***

The market for our common stock may be highly volatile for reasons both related to our performance or events pertaining to the industry (i.e. mineral price fluctuation/high production costs/accidents) as well as factors unrelated to us or our industry. In particular, market demand for uranium fluctuates from one business cycle to the next, resulting in change of demand for the mineral and an attendant change in the price for the mineral. Our common stock can be expected to be subject to volatility in both price and volume arising from market expectations, announcements and press releases regarding our business, and changes in estimates and evaluations by securities analysts or other events or factors. In recent years, the securities markets in the United States have experienced a high level of price and volume volatility, and the market prices of securities of many companies, particularly small-capitalization companies, have experienced wide fluctuations that have not necessarily been related to the operations, performances, underlying asset values, or prospects of such companies. For these reasons, the price of our common stock can also be expected to be subject to volatility resulting from purely market forces over which we will have no control.

***Granting of options may negatively impact the value of our shares of common stock.***

Because our success is highly dependent upon our employees, we may in the future grant to some or all of our key employees, directors and consultants, options to purchase shares of our common stock as non-cash incentives. Those options may be granted at exercise prices equal to market prices at times when the public market is depressed. To the extent that significant numbers of such options may be granted and exercised, the interests of our other stockholders may be diluted.

***The issuance of additional shares of common stock may negatively impact the trading price of our shares of common stock.***

We have issued equity securities in the past and may continue to issue equity securities to finance our activities in the future, including to finance future acquisitions, or as consideration for acquisitions of businesses or assets. In addition, outstanding options and warrants to purchase shares of common stock may be exercised, resulting in the issuance of additional shares of common stock. The issuance by us of additional shares of common stock would result in dilution to our stockholders, and even the perception that such an issuance may occur could have a negative impact on the trading price of our shares of common stock.

***The value of an investment in our shares of common stock could decline substantially.***

The market price for shares of our common stock has been and can be expected to remain highly volatile. As a result, shareholders might experience an extreme variation in the value of their holdings. Trading prices of many exploration stage companies, including us, have experienced price and volume fluctuations which have, at times, been seemingly unrelated to the performance of the companies whose securities were affected.

***We do not intend to pay dividends in the foreseeable future.***

We have never paid a dividend to our shareholders, and we intend to retain our cash for the continued expansion of our business. We do not intend to pay cash dividends on our common stock in the foreseeable future. As a result, a return on investment will be solely determined by the ability to sell shares in a secondary market.

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***We depend on our ability to successfully access the capital and financial markets. Any inability to access the capital or financial markets may limit our ability to execute our business plan or pursue investments that we may rely on for future growth.***

We rely on access to long-term capital markets as a source of liquidity for capital and operating requirements. If we are not able to access financial markets at competitive rates, our ability to implement our business plan and strategy may be affected. Certain market disruptions may increase our cost of borrowing or affect our ability to access one or more financial markets. Such market disruptions could result from:

- adverse economic conditions;
- adverse general capital market conditions;
- poor performance and health of the uranium industry in general;
- bankruptcy or financial distress of unrelated uranium companies or marketers;
- significant decrease in the demand for uranium;
- adverse regulatory actions that affect our exploration and mine construction plans; and
- terrorist attacks on our potential customers.

***Market events and conditions, including disruptions in the U.S. and international credit markets and other financial systems and the deterioration of the U.S. and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on our ability to fund our working capital and other capital requirements.***

Since 2008, the credit markets in the United States have experienced serious disruption due to government regulation, government inaction, deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, subprime and non-prime mortgages) and a decline in the credit quality of mortgage backed securities. These problems led to a loss of confidence in the broader United States and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Various actions by the United States and foreign governments are targeting general conditions of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions to stabilize and improve the broader credit and stock markets. The general economic indicators, including low consumer sentiment, high unemployment and low economic growth indicate continued economic uncertainty.

These disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies. These disruptions could, among other things, make it more difficult for us to obtain, or increase our cost of obtaining, capital and financing for our operations. Our access to additional capital may not be available on terms acceptable to us or at all.

***We may not be able to initiate production or achieve targeted production rates at our Nichols Ranch ISR Uranium Project.***

Completion of construction of our Nichols Ranch ISR Uranium Project and initiating production is dependent on a number of factors, including construction delays, cost overruns, changes in governmental regulations, loss of key employees, environmental and mining hazards, lack of necessary materials and supplies, uncertainty in resource estimates and fluctuations in the price of uranium. Any changes in these factors could result in delays in initiating production or could prevent us from achieving targeted production amounts, which could result in us not being profitable.

***Operating Costs at the Nichols Ranch ISR Uranium Project could be higher than anticipated.***

We have estimated operating and sustaining capital costs for the Nichols Ranch ISR Uranium Project based on information available, and believe that these estimates are accurate. However, costs for labor, regulatory compliance, energy, mine and plant equipment and materials needed for mine operations and development have increased significantly industry-wide. In light of these factors, actual costs related to mine operations and development may differ from, and in some cases exceed our estimates.

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We have no operating history upon which it can base forecasts of estimated future production and operating costs for the Nichols Ranch ISR Uranium Project. Such forecasts derive estimates of production and cash operating costs from, among other things:

- anticipated grades and metallurgical characteristics of the ore to be mined and processed;
- anticipated recovery rates of uranium;
- cash operating costs of comparable facilities and equipment; and
- anticipated climatic conditions.

Capital and operating costs, production and economic returns, and other estimates contained in production and cost forecasts may differ significantly from actual costs, and there can be no assurance that actual capital and operating costs will not be higher than currently anticipated or disclosed.

*We may not be able to complete construction of our Nichols Ranch ISR Uranium Project if we do not receive the loan we have applied for from the WBC or another form of financing.*

In September 2012, we submitted an application to the WBC for a \$20,000,000 loan under the Wyoming Industrial Development Revenue Bond Program. If approved, the bond would have a seven year term and an interest rate of 4.25% per annum. We would be required to make interest-only payments during the first year and in the following years would be amortized to include payments of principal and interest. The full approval process for the bond application is expected to take several months.

The capital cost for the Nichols Ranch ISR Uranium Project is currently estimated to be approximately \$40,000,000. In order to complete the construction we will require additional financing. If we do not receive the WBC loan we will require additional financing which may not be available to us on acceptable terms or at all, which may delay or prevent development of the Nichols Ranch ISR Uranium Project and which could require us to discontinue our operations.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 2. DESCRIPTION OF PROPERTIES**

### **Overview**

We are an exploration stage company engaged in the acquisition, exploration and, if warranted, development of uranium properties. Uranium used in this context refers to  $U_3O_8$ .  $U_3O_8$ , also called yellowcake, is triuranium octoxide produced from uranium ore and is the most actively traded uranium-related commodity.

We are focused on both the exploration and enhancement of our properties in the Powder River Basin area of Wyoming. We are exploring these properties with the objective of assessing their viability for commercial ISR uranium mining. ISR is a low cost mining process that uses a leaching solution to extract uranium from underground sandstone-hosted uranium deposits.

Concurrent with our exploration activities, we are in the process of constructing a processing plant and first wellfield for the Nichols Ranch ISR Uranium Project. This construction began in early August 2011 after receiving our mine operating permits on two of our properties in the Powder River Basin area of Wyoming, known as the Nichols Ranch and Hank properties. We believe that these properties have the potential, based on data in our possession, of being developed into ISR uranium mines. Our permits will allow us to produce uranium yellowcake concentrate, which can be sold directly to utilities for fuel used in nuclear electrical generating facilities. Because of the long lead times for

environmental permitting of mining operations in North America, we filed applications to the State of Wyoming (WDEQ) and the US Nuclear Regulatory Commission (NRC) for permits for the Nichols Ranch Uranium ISR Project in December 2007. The status of our permitting activities is described more fully below under the heading Nichols Ranch ISR Uranium Project .

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Our Powder River Basin properties include:

- our 100% owned properties that totaled 20,121 acres; and
- our 81% interest in Arkose Mining Venture properties that totaled 59,288 acres as of December 31, 2012.

We conducted an exploration program on our Powder River Basin properties in 2012. A total of 84 drill holes were completed in 2012, representing approximately 85,365 feet of drilling at an average depth of 1,016 feet per hole. Uranium trend holes and delineation holes were drilled utilizing one drill rig and an electric log probing unit.

The objective of the 2012 drilling program was to find previously unknown or little-known uranium mineralization trends and to delineate known trends, which would provide data for permitting and eventual production operations in favorably identified areas. During the 2012 drilling program, approximately 2.2 miles of uranium roll front trends were investigated.

Our plan of operations during 2013 is to:

- continue with our exploration of our Powder River Basin Properties as detailed below under 2013 Exploration Program ;
- complete construction of our Nichols Ranch ISR Uranium Project; and
- file a mine application with the NRC and the WDEQ for our Jane Dough property.

All of our projects are at the exploration stage and there can be no assurance that a commercially viable mineral deposit, or reserve, exists on any of our properties until appropriate exploratory and enhancement work is done and results are assessed. Our economic, technical and legal feasibility of mining the Nichols Ranch ISR Uranium Project provides no assurance that it will result in a commercially viable mineral deposit and the construction of the project is exploratory in nature.

## **Operations**

Our exploration program in the Wyoming Powder River Basin is directed by Mr. Bruce Larson, Vice-President, Exploration and supervised by Mr. Kurt Brown our Senior Vice-President, Geology and Development. We engage contractors to carry out our exploration programs under Mr. Larson's supervision. Contractors that we plan to engage include drilling companies and, possibly, geophysical logging companies, each according to the specific exploration program on each property.

Our management will make determinations as to whether to proceed with the additional exploration of our Wyoming Powder River Basin mineral properties based on the results of the preliminary exploration that we undertake. In completing these determinations, we will make an assessment as to whether the results of the exploration are sufficiently positive for us to proceed with more advanced exploration.

## **Wyoming Properties**

We have several properties in the Powder River Basin of Wyoming as shown in the map below:

**Uranerz Energy Corporation Wyoming Property Locations December 2012**

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Legend:

A Powder River Basin Properties

We plan to maintain, explore and, if warranted, enhance our properties in the Powder River Basin area of Wyoming.

### **Powder River Basin Properties**

As of December 31, 2012, our Powder River Basin properties include both our 100% owned properties and those properties included within the Arkose Mining Venture. These principal properties comprise in total approximately 79,409 acres and consist of a combination of federal mining claims, state mineral leases and private fee mineral leases. A map showing the location of our 100% owned Powder River Basin and Arkose Mining Venture properties is provided below:

**Uranerz Energy Corporation Powder River Basin December 2012**

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An additional map showing the location of our properties within the general Powder Basin property area and our key property units is presented below:

**Uranerz Energy Corporation Powder River Basin Property Units December 2012**

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***Ownership Interests***

Our ownership interests in the properties within the Powder River Basin are summarized as follows:

***100% Owned Properties***

Our 100% owned properties are comprised of unpatented lode mining claims, state leases and fee (private) mineral leases, as summarized as follows:



<b>Property Composition</b>	<b>Ownership Interest (1)</b>	<b>Number of Claims/ Leases</b>	<b>Acreage (Approximate)</b>
Unpatented Lode Mining Claims	100%	826	16,520 acres
State Leases	100%	3	1,360 acres
Fee (private) Mineral Leases	100%	41	2,241 acres
<b>Total</b>			<b>20,121 acres</b>

(1) Subject to royalties, as discussed further below.

These 100% owned properties in the Powder River Basin include the following core property units:

<b>Property</b>	<b>No. Claims</b>	<b>Approximate Acreage</b>
Jane Dough	22	440
Collins Draw	32	640
North Rolling Pin	54	1,080
Hank	66	1,320
Nichols Ranch	36	720
Willow Creek	11	220
West North-Butte	125	2,500
East Nichols	44	880
North Nichols	107	2,140
<b>TOTAL</b>	<b>497</b>	<b>9,940</b>

We continue to look for more prospective lands in the Powder River Basin and as a result may locate, purchase or lease additional unpatented lode mining claims; and/or purchase or lease additional fee mineral (private) lands during the next twelve months, however there is no assurance any additional properties will be acquired.

#### *Arkose Mining Venture*

The Arkose Mining Venture properties are comprised of unpatented mineral lode claims, state leases and fee (private) mineral leases, as summarized as follows:

<b>Property Composition</b>	<b>Ownership Interest (1)</b>	<b>Number of Claims/ Leases</b>	<b>Acreage (Approximate)</b>
Unpatented Mineral Lode Claims	81%	2,641	43,207 acres
State Leases	81%	3	2,080 acres
Fee (private) Mineral Leases	81%	61	14,001 acres
<b>Total</b>			<b>59,288 acres</b>

(1) Subject to royalties, as discussed further below.

We completed the acquisition of an undivided 81% interest in the Arkose Mining Venture mineral properties on January 15, 2008. This acquisition was completed pursuant to a purchase and sale agreement with mining venture previously announced on September 19, 2007 between Uranerz, and NAMMCO, Steven C. Kirkwood, Robert W. Kirkwood and Stephen L. Payne (collectively, the **NAMMCO Sellers** ). The total purchase price that we paid to acquire this 81% interest in the Arkose Mining Venture included cash of \$5,757,000 and 5,750,000 shares of our common stock issued to the NAMMCO Sellers.

In connection with our acquisition of an 81% interest in the Arkose Mining Venture, we entered into a venture agreement dated as of January 15, 2008 (the **Venture Agreement**) with United Nuclear, LLC (United Nuclear), a limited liability company wholly owned by the NAMMCO Sellers and their designee under the purchase and sale agreement. Under the Venture Agreement, we agreed that United Nuclear will hold (and contribute to) its nineteen percent (19%) working interest in the Arkose Mining Venture, and we will operate and be the manager of the Arkose Mining Venture under the name Arkose Mining Venture. We and United Nuclear agreed to contribute funds to programs and budgets approved under the Arkose Mining Venture in accordance with our respective interests in the Venture.

The Venture Agreement provides that we, as manager, will have management and control over operations carried out by the Arkose Mining Venture. We are obligated to present proposed programs and budgets to the management committee of the Arkose Mining Venture on an annual basis. The proposed programs and budgets may include exploration programs, pre-feasibility studies, feasibility studies, mine construction, mining, and expansion or modification of operation plans. Proposed programs and budgets are reviewed by the management committee appointed under the Arkose Mining Venture which includes at least two members from each company appointed by Uranerz and United Nuclear respectively. Unless otherwise provided in the Venture Agreement, the vote of the participant with a participating interest greater than 50% will determine decisions of the management committee. A participant may elect to participate in an approved program and budget either (i) in proportion to the participant's respective interest in the Arkose Mining Venture, or (ii) not at all. In the event that a participant elects not to participate in a program and budget, then its participating interest in the Venture Agreement is subject to recalculation in accordance with the Venture Agreement to reflect the decision not to participate.

This overview of the Venture Agreement does not provide a full discussion of all terms and conditions of the Venture Agreement. Interested parties are encouraged to read the entire copy of the Venture Agreement that was filed with the SEC as an exhibit to our Current Report on Form 8-K filed on January 22, 2008.

The Arkose Mining Venture includes the following property units on which we have conducted exploration:

- South Doughstick
- Cedar Canyon
- East Buck
- South Collins Draw
- Sand Rock
- Little Butte
- House Creek
- Beecher Draw
- Lone Bull
- Kermit
- Monument
- Jane Dough
- Stage

#### *Other Powder River Basin Projects*

Through a combination of claim staking, purchasing, and leasing, we also have acquired interests in several projects that lie within the Powder River Basin but outside of the project areas discussed above. These properties include the Verna Ann, Niles Ranch and Reno Creek projects which cover approximately 1,473 acres. In general, these projects are located in sandstone basins of Tertiary age with known uranium mineralization. However, due to our focused approach we have not yet initiated exploration work on these projects. Additional leasing in the Reno Creek Project has prompted us to acquire past exploration data for this area. Environmental base line work will be required before submitting permit applications for ISR facilities.



*Forfeiture of certain Powder River Basin interests*

During August 2012, we decided to forfeit our interests in certain mining claims in the Powder River Basin which we determined, based on the review, analysis and recommendations of our geological staff, did not merit further exploration and accordingly were no longer of strategic interest or value to the Company. The claims, which were forfeited, effective September 1, 2012, when the annual renewal fee would have become due, were comprised of 3 claims in the JS Project and 10 claims in the South Reno Creek Project in which we had held a 100% interest. We will continue to review our property portfolio and may decide to forfeit other interests in the future if we determine that they are no longer of strategic interest.

*Hank Unit and Nichols Ranch Unit*

Within the Nichols Ranch Unit we have 36 unpatented lode mining claims, two fee surface and mineral leases, and one surface use agreement. There is an overriding royalty interest in favor of Excalibur Industries on all federal unpatented lode mining claims that were acquired by us from Excalibur Industries. Many of the unpatented lode mining claims located at the Hank Unit and at the Nichols Ranch Unit have an associated gross royalty payable to Excalibur Industries of 6 percent when the spot price of uranium is less than \$45.00 per pound and of 8 percent if the uranium spot price is \$45.00 per pound or higher. In addition, there is a portion of the Nichols Ranch Unit that includes private (fee) mineral that is subject to the above Excalibur Industries royalty, plus an additional royalty payable to the fee mineral owner under the fee leases (equaling a 12 percent or 16 percent royalty depending upon the spot price of uranium).

Within the Hank Unit, we have 66 unpatented lode mining claims, two fee surface and mineral leases, and one surface use agreement. The Hank Unit permit boundary encompasses approximately 2,250 acres. Within the permit boundary, we have the right to mine approximately 1,393 acres of mineral rights. Of the 66 unpatented lode mining claims comprising the Hank Unit, 56 of the claims have a royalty interest burden, payable to Excalibur Industries, of 6 or 8 percent depending on the selling price of uranium. This royalty interest is based on uranium produced from these claims.

*West North-Butte Satellite Properties*

The West North-Butte property covers approximately 1,960 acres of land and is comprised of 125 unpatented lode mining claims and one surface use agreement, of which 6 unpatented lode mining claims are subject to a royalty interest burden, payable to Excalibur Industries, of six or eight percent depending on the price of uranium.

The east portion of the West North-Butte property covers approximately 325 acres of land and is comprised of 17 unpatented lode mining claims and one surface use agreement. None of the claims in this property are subject to a royalty.

The Willow Creek property covers approximately 220 acres of land and is comprised of 11 unpatented lode mining claims and one surface use agreement, all of which unpatented lode mining claims are subject to a royalty interest burden, payable to Excalibur Industries, of 6 or 8 percent depending on the price of uranium.

*Arkose Mining Venture*

The Arkose Mining Venture properties consist of unpatented lode mining claims, fee mineral leases, and state mineral leases. The land surface consists of private, federal and state lands. There are 2,641 unpatented lode mining claims included in the Arkose Property which comprise 43,207 acres and 61 fee mineral leases and 3 state leases included in the Arkose Property which comprise 16,081 acres. All of the unpatented lode mining claims are owned by us subject to the beneficial interests of the participants in the Arkose Mining Venture.

Of the 2,641 unpatented lode mining claims, 748 unpatented lode mining claims have an overriding royalty interest burden of 0.25% . This overriding royalty interest is based on production of uranium on these claims.

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The title of the Arkose Mining Venture to the leased property included in the Arkose Property is a leasehold interest subject to the various terms as set forth in the applicable leases (the **Arkose Leases** ). The Arkose Leases are mineral leases only and the Arkose Mining Venture obtained surface use agreements with the various surface owners of said lands prior to commencing any activities. The majority of the Arkose Leases (other than the three state leases, which are paid annually) are paid up for either five or ten years. The five-year paid-up leases have an option to extend for a second five-year term, and for so long thereafter as the property under the lease is in production. The Arkose Leases only cover uranium and other fissionable minerals. Commingling of ores from adjacent lands is allowable under the fee mineral leases.

Royalties under the fee mineral leases are variable and can range from a flat 4% on uranium production to a sliding scale of 2-10% with different intermediate break points with the 10% rate applying to sales prices of \$100 per pound of uranium and greater.

### ***Unpatented Lode Mining Claims***

Our unpatented lode mining claims, including those subject to the Arkose Mining Venture, are located on minerals owned by the federal government and open to location, with the surface being owned either by the federal government or private individuals. In addition, the unpatented lode mining claims are recorded in the appropriate county and filed with the state office of the Bureau of Land Management (the **BLM** ).

The unpatented lode claims do not have an expiration date. However, affidavits must be filed annually with the BLM and respective county recorder's offices in order to maintain the claims' validity. All of the unpatented lode claims have annual filing requirements (\$140 per claim) with the BLM, to be paid on or before September 1 of each year.

Most of the above-mentioned unpatented lode claims are located on Stock Raising Homestead land where the United States government has issued a patent for the surface to an individual and reserved the minerals to the United States government subject to the location rights by claimants as set forth in the federal Mining Act of 1872.

### ***Mining Leases***

Our leasehold interests within our 100% owned properties are subject to the various terms as set forth in the applicable leases. The state leases and leases on fee mineral lands usually have annual payments, royalty obligations, and the term of the leases vary, but for the most part can be extended by production. The fee surface and mineral leases apply only to uranium and other fissionable minerals and typically have a 10-year term with the right to extend the leases with production. Commingling of production from adjacent lands is allowable under the fee mineral leases.

### ***Surface Rights***

The Powder River Basin area has surface rights under applicable laws that allow for exploration disturbance, road construction and facility siting. The claimant must first notify the surface owner of its intention to locate unpatented lode mining claims on the owner's surface and then try and reach an agreement with the surface owner to pay for damages caused by the claimant's operations. If an agreement cannot be reached, the claimant may post a bond with the BLM to cover the amount of the damages caused by the claimant's operations.

We have negotiated surface use agreements with various surface owners covering a majority of our project areas. The surface use agreements typically provide for reimbursement to the surface owner of actual damages resulting from our operations.

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### ***Taxes and Fees***

We will be required to pay severance tax and ad valorem tax to the State of Wyoming, in addition to various maintenance, land impact and access fees as well as other consideration to surface holders.

### ***Location and Access; Topography, Elevation and Vegetation; Climate***

The Powder River Basin area is located approximately 50 miles southwest of Gillette, Wyoming and 100 miles northeast of Casper, Wyoming. The area is accessed from State Highway 50 from the east or State Highway 387 from the south, and various internal gravel surface county and private roads. Casper is on Interstate 25, approximately one hour by air from either Denver, Colorado or Salt Lake City, Utah.

Our Powder River Basin properties are located in portions of Campbell and Johnson Counties, Wyoming, U.S.A., and are approximately 60 air miles northeast of Casper, Wyoming. The Powder River Basin properties cover lands in various sections in the Townships 41 to 45 North and Ranges 73 to 78 West.

The center of our properties (centered east-west) is approximately eight miles west of the junction of Wyoming Highways 50 and 387. The properties are accessible via two-wheel drive vehicles on existing county and/or private gravel and dirt roads. Accessibility for drilling at this time appears acceptable with the exception of very wet or snowy ground surface conditions. Road improvements may be required.

The Powder River Basin properties are located within the Wyoming Basin physiographic province in the central portion of the Powder River Basin, within the Pumpkin Buttes Mining District. The Pumpkin Buttes are a series of small buttes rising several hundred feet above the surrounding plains. Portions of the Powder River Basin properties are located east, west and south of these buttes. The cap rocks on top of the buttes are erosional remnants of the Tertiary White River Formation that is believed to have overlain the majority of the Powder River Basin. The volcanic tuffs in the White River Formation have been cited as the source of uranium in this basin.

The area in which the Powder River Basin properties is located is a low lying plain, and elevations range from approximately 4,390 feet (1,440 meters) in the northwest to approximately 5,450 feet (1,790 meters) in the southeast. Historically and currently the land is used for livestock and wildlife grazing. Vegetation is characteristically sagebrush grassland with some pines on elevated terrain and some deciduous trees within drainages.

The climate is semi-arid and receives an annual precipitation of approximately 9.4 inches, the most falling in the form of late autumnal to early spring snows. The summer months are usually hot, dry and clear except for infrequent heavy rains. Cold, wind and snow/blizzards can make winter exploration work in this area difficult but not impossible. The weather may limit the time periods for capital construction but should not have any significant adverse impacts on the operation of an ISR facility.

### ***Geology***

Our Powder River Basin properties encompass approximately 79,409 acres, and potential target mineralized zones are expected to occur throughout the properties. The potential target mineralization within the Powder River Basin properties is believed to be alteration-reduction trends hosted in the Eocene age channel sands that lie at depths of approximately 300 to 1,100 feet from the surface. Roll front deposits of uranium mineralized material are anticipated to occur within these properties. An alteration reduction trend is a natural chemical boundary trend line in a sandstone aquifer where reduced (non-oxidized) sand is in contact with altered (oxidized) sand. Uranium mineralization may be found along the trend line.

Our Powder River Basin properties contain alteration-reduction trends hosted in Eocene age channel sands. Alteration-reduction trends in the Pumpkin Buttes Mining District are typically composed of multiple, stacked roll

front deposits that often contain associated uranium mineralization. A stacked role front is a type of uranium occurrence found in thick sandstone where a number of mineralization trends are stacked on top of each other. Uranium mineralization within and adjacent to the Powder River Basin properties are found in the Eocene Wasatch Formation ( **Wasatch** ). The Wasatch is a fluvial deposit composed of arkosic sandstones that are typically 25% or more feldspar grains and indicates a source rock where chemical weathering was not extreme and the sediments have not been transported far. A fluvial deposit is a deposit of uranium mineralization found in sandstones that originated from sediments laid down by streams and rivers. The arkosic sandstone is a type of sandstone that contains a high percentage of feldspar grains. The medium grain size and relatively good sorting of this sediment implies water transportation, probably in a meandering river/stream system. The Wasatch formation is interlaid with sandstones, claystones, siltstones, carbonaceous shale, and thin coal seams that overlie the Paleocene Fort Union Formation, another fluvial sedimentary unit.

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### *Exploration History*

Our Powder River Basin properties are located within the Pumpkin Buttes Mining District which was the first commercial uranium production district in Wyoming. Uranium was first discovered in the Pumpkin Buttes in 1951. Intermittent production from some 55 small mines through 1967 produced 36,737 tons of ore containing 208,143 pounds of uranium. This early mining focused on shallow oxidized ores exploited by small open pit mines. The ore was generally transported to the Atomic Energy Commission buying station in Edgemont, South Dakota. Modern mining in the district has focused on deeper reduced ores. Uranium One's Christensen Ranch (now called Willow Creek) and Irigaray ISR uranium mining areas and processing facilities are located within the Pumpkin Buttes Mining District, approximately 10 and 16 air miles, respectively, from the Arkose Property. These mines have completed successful ISR mining and aquifer restoration in the Wasatch formation.

These properties were originally part of a large exploration area encompassing Townships 33 through 50 North of Ranges 69 through 79 West, on the 6th principal meridian. In 1966, Mountain West Mines Inc. (MWM, now Excalibur Industries) began a successful drilling exploration program in a portion of this area. In 1967, MWM entered into an agreement with Cleveland-Cliffs Iron Company ( CCI ) for further exploration and option if suitable resources were found. CCI exercised its option in 1976 with plans to begin underground mining operations in the vicinity of North Butte. Changing economic conditions and the introduction of ISR mining technology reportedly ended much of CCI's interest in the area. By the late 1980s they began selling select properties or allowing them to revert back to the federal government.

In addition to CCI, other uranium exploration companies during the last forty years have controlled property either within or near our Powder River Basin properties. These included Kerr McGee, Conoco, Texaco, American Nuclear, Tennessee Valley Authority and Uranerz U.S.A., Inc. Uranium One NC (via subsidiary Cogema Resources Inc. ( Cogema ) and Power Resources Inc. d.b.a Cameco resources (a subsidiary of Cameco Corporation) have retained portions of their original land positions in the area. The mining claims and leases originally controlled by most of these companies were let go over the years due to market conditions. These property abandonments continued into 2004.

As a result of this history of exploration and our own exploration efforts, there is available to us for our exploration of the Powder River Basin properties published and unpublished mineral trend projections, mineral resource summaries and historic and current mineral resource reports developed by us or other operators from these properties or adjacent mineral properties, as applicable. In addition, there are publicly available drill results from approximately 1,250 coal bed methane ( CBM ) exploration/production wells in the region of the Arkose Mining Venture properties, which are discussed further below.

#### *Nichols Ranch ISR Uranium Project*

Between 1968 and 1980 CCI drilled 117 holes and installed 3 water wells on the Nichols Ranch property. Texas Eastern Nuclear Inc. in 1985 completed limited drilling and exploration on the property and in early 1990s Rio Algom Co. also completed limited drilling in the area.

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Between 1968 and 1980, CCI drilled 197 holes within the Hank Unit. In 1985, Texas Eastern Nuclear, Inc. completed limited drilling and exploration on the property (approximately 28 borings). In the early 1990s, Kerr McGee Corporation and Rio Algom Mining Corporation also completed limited drilling in the area.

We drilled 61 exploratory holes and seven wells within the Hank Unit during 2006 and 2007 and eight additional wells in 2009. We drilled 257 exploration holes, including three core holes and three water wells at Nichols Ranch during 2006 and 2007 and 25 exploration holes and seven wells in 2009. There has been no new drilling activity at Hank since 2009.

#### *West North- Butte Satellite Properties*

Between 1968 and 1985, CCI drilled approximately 380 exploratory holes with the satellite properties. From 1983 to 1985, Texas Eastern Nuclear drilled approximately 12 exploratory holes in the satellite properties and from approximately 1990 to 1992 Rio Algom Mining Corporation drilled approximately 5 exploratory holes. In 2006, we completed an acquisition of the satellite properties, and in 2007 and 2008, drilled approximately 127 exploratory holes.

#### *Arkose Mining Venture*

It is estimated that over 4,000 historic uranium exploration holes may have been drilled within the Arkose Property. This exploration was conducted by numerous exploration companies from the 1960s through the 1990s. Although this historic exploration data are known to exist, obtaining information on all but a handful (less than 50) of specific drill hole data, such as gamma, resistivity, and lithology logs, was not possible until 2010 when Uranerz acquired the Hubert log library. Coal bed methane exploration/production wells were drilled by numerous companies for enhancement of CBM resources in the area. A total of approximately 1,250 CBM exploration/production wells have been drilled on or immediately adjacent to the Arkose Property. Most of this drilling was completed from 1,200 to 2,000 feet deep and is on-going. CBM exploration/production wells and their associated gamma logs are all drilled and logged through the uranium mineralization-bearing sand horizons. Utilizing the available uranium drill data and the CBM drill data base, we had a technical report prepared in February 2008 to independently address the geology and potential uranium mineralization within our mineral holdings on the Arkose Mining Venture.

The NAMMCO Sellers commenced acquiring rights to the properties comprising the Arkose Property in 2005, and continued to do so through 2006 and 2007. On January 15, 2008, we completed the acquisition of an undivided 81% interest in the Arkose Property and formed the Arkose Mining Venture with the vendors of these properties.

#### *Local Resources and Properties Infrastructure*

Infrastructure at the site of the Powder River Basin properties is dominantly related to local oil, gas, and CBM exploration and development. Mineralized locations will affect future siting of wellfields and processing facilities. Generally, the proximity of the Powder River Basin properties to paved roads will be beneficial with respect to transportation of equipment, supplies, personnel and product to and from the properties. Power transmission lines are located on or near parts of the Powder River Basin properties. We have secured power from the local electrical service provider to accommodate our needs. Water is available from wells developed at planned facility locations (potable) and water for ISR operations will come from the operation itself, i.e. the extracted groundwater. Therefore, the basic infrastructure (power, water and transportation) required to support an ISR mining operation is located within reasonable proximity of the Powder River Basin properties.

Personnel required for exploration, construction and operation at the Powder River Basin properties are expected to come from Gillette, Wright, Buffalo and Casper, Wyoming.

Typical ISR mining operations also require a disposal well for limited quantities of fluids that cannot be returned to the production aquifers. Commonly, oil and gas wells within aquifers that have been or can be condemned for public use, are utilized for such purposes. Oil and gas wells, both abandoned and producing, are located in the immediate vicinity of the properties.

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We are currently building an ISR processing facility at Nichols Ranch.

### ***Exploration Completed by Uranerz***

#### *2012 Drilling Program*

During 2012, we were engaged in drilling exploration efforts on the Arkose Mining Venture Powder River Basin properties, as well as wellfield installation at Nichols Ranch Production Area #1. The purpose of the 2012 drilling program on the Arkose Mining Venture properties was to find previously unknown or little-known uranium mineralization trends and to delineate known trends, which would provide data for permitting and eventual production operations in favorably identified areas.

A total of 84 holes were drilled on the Arkose Mining Venture properties during 2012. All of the exploration holes were drilled in the Monument project area. Drilling targets were mainly in the 70 and 80 Sands at Monument, with a total of 85,365 feet drilled at an average depth of 1016 feet per hole. The trends of mineralization that were found in the Monument project area in 2011 were further explored. A total of 2.2 miles of new roll front mineral trends were drilled in 2012. Drilling results in 2012 did not progress to the point where economic reports or evaluations could be undertaken.

At the wellfield, 263 production wells were cased and cemented. The production wells are being connected to header houses with buried feeder lines. It is planned that initial production will begin with four header houses. Three header houses were set on their foundations in 2012 and are in the process of being connected to individual production wells.

#### *2011 Drilling Program*

During 2011, we were engaged in exploration efforts on both our 100% owned Powder River Basin properties and on the Arkose Mining Venture Powder River Basin properties. The purpose of the 2011 drilling program was to find previously unknown or little-known uranium mineralization trends and to delineate known trends, which would provide data for permitting and eventual production operations in favorably identified areas. During the 2011 drilling program, approximately six miles of uranium roll front trends were investigated

On our 100% owned properties, 38 delineation holes were drilled on our Nichols Ranch property. The purpose of this drilling was for final delineation drilling in Production Area 2 prior to beginning the monitor well and production well installation in Production Area 1.

In addition to drilling at the Nichols Ranch property, 75 delineation drill holes were completed at our Collins Draw project southeast of Nichols Ranch. The target was the 100 Sand, the same as the Nichols Ranch trend. On the Arkose Mining Venture properties a total of 269 holes were drilled during 2011. The numbers were as follows: East Buck project 86 holes, Kermit project 99 holes, Cedar Canyon project 23 holes, Sand Rock Project 13 holes, and at the Monument project 48 holes. Drilling targets were mainly in the 100 Sand at Kermit and in the 70 and 80 Sands at Monument. Trends of mineralization were found in both the Kermit and Monument project areas. A total of six miles of roll front mineral trends were drilled in 2011.

#### *2010 Drilling Program*

During 2010, on Arkose Mining Venture properties, a total of 311 holes were drilled. At Arkose's South Doughstick extension Property a total of 52 holes were drilled with targets in the 100 sand. At the Arkose Kermit project area 57 exploration holes were drilled in the 100 sand with mineralization found in pod like structures.

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Drilling was also conducted at the East Buck project area with 202 exploration holes drilled. Targets were in the 100 through the 130 sands.

#### *2009 Drilling Program*

During 2009, we were engaged in drilling exploration efforts on both our 100% owned Powder River Basin properties and on the Arkose Mining Venture Powder River Basin properties. During the 2009 drilling program, approximately 11.5 miles of uranium roll front trends were investigated.

On our 100% owned properties, 51 delineation holes were drilled on our Nichols Ranch, Doughstick and North Nichols Ranch properties. The purpose of this drilling was primarily to prepare for the installation of baseline monitor wells for our planned Nichols Ranch ISR production facility. Additional drilling was carried out on our 100% owned Doughstick properties.

During 2009, on Arkose Mining Venture properties, a total of 514 holes were drilled. At Arkose's North Jane Property a total of 51 holes were drilled with mineralization found in two horizons of the 100 sand.

At Arkose's South Doughstick property 104 delineation drill holes were completed.

#### *2008 Exploration Program*

In 2008, we were engaged in drilling exploration efforts on both our 100% owned Powder River Basin properties, and on the Arkose Mining Venture properties. During the 2008 drilling program, approximately 19 miles of uranium roll front trends were investigated. For the 2008 drilling season, March 6, 2008 through December 12, 2008, a total of 933 exploration and delineation holes were completed. The average depth per hole was 687 feet and a total of 640,578 feet was drilled. Breakout of the drilling was 165 holes on our 100% owned properties and 768 holes on Arkose Mining Venture properties.

During 2008 no new exploration work was undertaken in the immediate Nichols Ranch proposed mine area.

#### *2006 and 2007 Exploration Programs*

We drilled a total of 78 rotary drill holes on the Hank, Nichols Ranch, and Doughstick projects during 2006, with 46 holes demonstrating uranium mineralization.

During 2006, environmental permitting activities also continued at the Hank and Nichols Ranch projects with the completion of a total of five hydrogeologic test wells, and the drilling of six core holes. The core was submitted for laboratory testing to support radiation permitting requirements as well as to define resource disequilibrium attributes.

From February 19 to December 20, 2007, we drilled a total of 486 uranium trend delineation holes and eight hydrologic sampling wells on our 100% owned properties located in the central Powder River Basin, utilizing as many as three drill rigs and one electric log probing unit. This represents a total of approximately 300,000 feet of drilling with an average depth of 617 feet per hole.

A total of 214 delineation holes were drilled on Nichols Ranch in 2007. In the final months of the 2007 drilling program, we focused our exploration efforts on our West North-Butte, Collins Draw, Hank and Nichols Ranch properties to facilitate sub-surface geologic mapping with cross sections and to refine previous geologic models delineating known trends of uranium mineralization.

#### *2013 Exploration Program*



For 2013, we do not plan at this time to conduct exploration drilling on our unlicensed properties. All personnel and staff will be needed to concentrate on the completion of Nichols Ranch Production Area #1 and the central processing plant. Exploration drilling will resume at a later date.

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Wellfield drilling plans include completing a small number of wells drilled in 2012 but not finished for Header House 4 and installation of all surface flow and utility lines to Header Houses 3 and 4. Drilling is planned to resume in the spring of 2013 with three contract drilling rigs. The rigs will commence drilling production wells for Header Houses 5 and 6 or about 120 wells in total. Well surface facility installation including flow lines, submersible pumps, power cables, oxygen tubing, and termination at the wellfield header houses will be completed in 2013.

Approximately 492 wells are planned to be installed in Nichols Ranch Production Area #1; 252 injection wells and 240 recovery wells.

***Nichols Ranch ISR Uranium Project***

The current mine plan for the Nichols Ranch ISR Uranium Project includes a processing facility at our Nichols Ranch property and a second ion exchange facility at our Hank property. The processing facility is licensed for a capacity of two million pounds per year of uranium (as U<sub>3</sub>O<sub>8</sub>) and it is intended that it will process uranium-bearing well-field solutions from Nichols Ranch. Uranium-loaded resin from both Nichols and Hank will be transported to Cameco's plant to complete the processing. The project received its regulatory approvals in 2011 and is under construction.

***Location of the Nichols Ranch ISR Uranium Project***

The Nichols Ranch ISR Uranium Project, as presently licensed, is on the properties comprising our Nichols Ranch ISR main unit and our Hank ISR satellite unit, as illustrated below:

**Uranerz Energy Corporation Nichols Ranch ISR Uranium Project Map December 2012**

***Targeted Mineralization***

The targeted mineralized zones for the Nichols Ranch Unit in the A sand unit are 300 to 700 feet below the surface and occur in two long narrow trends meeting at the nose. The nose is in the northwest corner of the deposit where the two narrow trends meet to form the tip of the geochemical front. The Hank Unit's two targeted mineralized zones in the F Sand unit range from 200 to 600 feet below the ground surface depending on the topography and changes in the formation elevation and stratigraphic horizon.

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### *Mining Plan*

In order to mine the uranium resources at the Nichols Ranch ISR Uranium Project, infrastructure including four wellfields, a processing plant and a second ion exchange (IX) plant at the Hank Unit will need to be constructed. See Nichols Ranch ISR Uranium Project above. Wellfields are designated areas above the mineralized zone that are sized to achieve the desired production goals. The piping/well system will inject water-leaching solution into the mineralized zone and recover the uranium-enriched water after it has flowed through the mineralization. The mineralized zone is the geological sandstone unit where the recovery solutions are injected and recovered in an in-situ recovery wellfield, and it is bounded between impermeable aquitards. Production areas are the individual areas that will be mined in the wellfield. The injection and recovery wells are completed in the mineralized zone intervals of the production sand.

We anticipate the patterns for the injection and recovery wells to follow the conventional five-spot pattern. Depending on the mineralized zone shape, seven spot or line drive patterns may be used in some locations. A typical five spot pattern contains four injection wells and one recovery well. The dimensions of the pattern vary depending on the mineralized zone, but the injection wells will likely be between 50 to 120 feet apart. In order to effectively recover the uranium and also to complete the groundwater restoration, the wells will be completed so that they can be used as either injection or recovery wells. During mining operations, a slightly greater volume of water will be recovered from the mineralized zone aquifer than injected in order to create a cone of depression or a flow gradient towards the recovery wells.

The Nichols Ranch Unit is anticipated to include the Nichols Ranch processing plant and two production areas, Production Area #1 and Production Area #2. As the productivity or solution grade (uranium concentration in the lixiviant) of some patterns for Production Area #1 decrease below the economic limit, replacement patterns from Production Area #2 will be placed into operation in order to maintain the desired flow rate and solution grade at the processing plant. Eventually, all the patterns in Production Area #1 will reach their economic limit and all production flow in that area will cease. At that time, all production flow will be coming from Production Area #2 and restoration activities will commence at Production Area #1.

Each planned Nichols Ranch Unit production area includes a number of injection wells, recovery wells, monitoring wells, header houses and associated piping and power supply. Header houses will be located within the wellfield and will distribute recovered fluids from recovery wells to trunk lines, and injection fluids from the processing facility through the trunk lines to injection wells. The planned Nichols Ranch Unit (Production Areas 1 and 2) is anticipated to include the following:

- 534 injection wells;
- 403 recovery wells;
- 126 monitoring wells; and
- 15 header houses.

The planned Hank Unit includes a satellite ion exchange processing facility and two production areas, Production Area #1 and Production Area #2. The Hank Unit production areas will follow a similar construction, production, and restoration schedule as outlined above for the Nichols Ranch Unit production areas.

Each planned Hank Unit production area includes a number of injection wells, recovery wells, monitoring wells, header houses and associated piping and power supply. The planned Hank Unit is anticipated to include the following:

- 168 injection wells;
- 150 recovery wells;

- 53 monitoring wells; and
- 6 header houses.

Four Underground Injection Control (“UIC”) deep disposal wells will also be required, two at the Nichols Ranch Unit and two at the Hank Unit, for disposal of liquid wastes from wellfield bleed, processing plant operations and restoration.

#### *Mine Planning and Permitting*

We are proceeding with mine construction for the Nichols Ranch ISR Uranium Project. The primary regulatory approvals for an ISR uranium mine came from the WDEQ at the state level, and from the NRC at the federal level. The WDEQ issued a Permit to Mine, and the NRC issued a Source Material License. Both the state and federal agencies looked at all environmental aspects of a proposed ISR mine including reclamation of the land surface following mining operations, and restoration of impacted ground water. Work place safety and the safety of the public are also closely monitored by regulatory agencies. Posting of a reclamation bond by the mine operator with the regulatory agencies in an amount of \$6.8 million to cover the total estimated cost of reclamation by a third party was also a requirement of the licenses. The reclamation bond was provided in 2011.

We have not at this stage completed any comprehensive feasibility studies on these properties demonstrating that mine construction on any of the properties is commercially warranted. Accordingly, we do not have proven or probable reserves as such terms are defined in Guide 7 nor do we expect to have such reserves when we commence operations. Proceeding with these advanced activities prior to completing detailed feasibility analysis adds risk to our plan of operations and we may incur costs which might not otherwise have been incurred.

Prior to the start of mining (the injection of lixiviant into the ore body aquifer), we must have obtained all the necessary permits, licenses, and approvals required by the Wyoming Department of Environmental Quality – Land, Water and Air Divisions and the U.S. Nuclear Regulatory Commission. The various state and federal permits and licenses that are needed and have been obtained for the Nichols Ranch ISR Uranium Project are summarized below:

#### *Primary Permits and Licenses for the Nichols Ranch ISR Uranium Project*

<b>Permit, License, or Approval Name</b>	<b>Agency</b>	<b>Status</b>
Source Material License	NRC	Obtained
Permit to Mine (UIC Permit)	WDEQ-LQD	Obtained
Permit to Appropriate Groundwater	SEO	Obtained
Wellfield Authorization	WDEQ-LQD	Obtained
Deep Disposal Well Permits	WDEQ-WQD	Obtained
WYPDES	WDEQ- WQD	Obtained
11(e)2 Byproduct/Waste Disposal Agreement	N/A	Obtained
Permit to Construct Septic Leach Field	County	Obtained
Air Quality Permit	WDEQ-AQD	Obtained.

Notes: NRC - Nuclear Regulatory Commission

WDEQ-LQD - Wyoming Department of Environmental Quality Land Quality Division

WDEQ-WQD - Wyoming Department of Environmental Quality Water Quality Division  
 WDEQ-AQD - Wyoming Department of Environmental Quality Air Quality Division  
 WYPDES Wyoming Pollution Discharge Elimination System  
 SEO - State Engineer's Office

**2013 Plan of Operations for Powder River Basin Properties**

During 2013, we plan to:

- continue with our permitting and mine planning efforts comprising environmental studies and engineering and design in connection with the an application to mine Jane Dough; and
- complete the construction, operational planning and start-up of our Nichols Ranch Central Processing Facility and Nichols Ranch wellfield Production Area #1.

All of our projects are at the exploration stage and there can be no assurance that a commercially viable mineral deposit, or reserve, exists on any of our properties until appropriate exploratory work is done and results are assessed. Further exploration will be required before a final evaluation as to the economic, technical and legal feasibility of mining of any of our exploration properties is determined. There is no assurance that further exploration will result in a final evaluation that a commercially viable mineral deposit exists on any of our mineral properties. We will require additional financing in order to pursue exploration, and if warranted, development of these projects. Because of the long lead times for environmental permitting of mining operations in North America, we have started to collect environmental baseline data and prepare the environmental permitting applications on a third property, Jane Dough, adjacent to Nichols Ranch, that has the potential, based on data in our possession, of being constructed into an ISR uranium mine. However, we have not at this stage completed any comprehensive feasibility study on this property demonstrating that it is commercially warranted. Proceeding with these advanced activities prior to completing detailed feasibility analysis adds risk to our plan of operations and we may incur costs which might not otherwise have been incurred.

**2013 Property Expenditures**

Our cash expenditures in 2013, excluding project costs and major property acquisitions, are estimated to be \$7 million, as follows:

Exploration	\$ 1,500,000
Environmental and land	\$ 500,000
General and administrative expenses	\$ 5,000,000
	\$ 7,000,000

These estimates are subject to change. Project costs of approximately \$18 million are forecast in addition to the estimates set out above.

**ITEM 3. LEGAL PROCEEDINGS**

We are not aware of any material pending or threatened litigation or of any proceedings known to be contemplated by governmental authorities which are, or would be, likely to have a material adverse effect upon us or our operations, taken as a whole. There are no material proceedings pursuant to which any of our directors, officers or affiliates or any owner of record or beneficial owner of more than 5% of our securities or any associate of any such director, officer or security holder is a party adverse to us or has a material interest adverse to us.

See Item 10, Part III

**ITEM 4. MINE SAFETY DISCLOSURE****Mine Safety Disclosure**

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act ), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States, and that is subject to regulation by the Federal Mine Safety and Health Administration under the Mine Safety and Health Act of 1977 ( Mine Safety Act ), are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the year ended December 31, 2012, the Company s mineral properties were not subject to regulation by the Federal Mine Safety and Health Administration under the Mine Safety Act.

**PART II****ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our common stock began trading on the NYSE MKT (formerly, the NYSE Amex Equities Exchange) on August 10, 2006 under the symbol URZ , and previously, since May 6, 2004, on the Financial Industry Regulatory Authority s Over the Counter Bulletin Board ( OTCBB ) under the symbol URNZ , formerly known as CVTU . Our common stock also trades on the Frankfurt Exchange under the symbol U9E and, since August 2007, on the Toronto Stock Exchange under the symbol URZ .

The following table shows the high and low sales price or bid price for our common stock for the calendar quarters indicated, as reported by the NYSE MKT, [www.nyse.com](http://www.nyse.com).

Period	High	Low
2012		
Fourth Quarter	\$ 1.73	\$ 1.23
Third Quarter	\$ 1.89	\$ 1.17
Second Quarter	\$ 2.58	\$ 1.08
First Quarter	\$ 3.07	\$ 1.83

Period	High	Low
2011		
Fourth Quarter	\$ 2.30	\$ 1.17
Third Quarter	\$ 3.47	\$ 1.36
Second Quarter	\$ 3.53	\$ 2.52
First Quarter	\$ 5.93	\$ 2.60

Period	High	Low
2010		
Fourth Quarter	\$ 4.13	\$ 1.51
Third Quarter	\$ 1.73	\$ 0.87
Second Quarter	\$ 1.99	\$ 1.02
First Quarter	\$ 2.24	\$ 1.10

As of March 8, 2013, the closing bid quotation for our common stock was \$1.32 per share as quoted by the NYSE MKT.

As of March 8, 2013, we had 77,207,574 shares of common stock issued and outstanding, held by approximately 13,000 shareholders. Most shares are registered through intermediaries, making the precise number of shareholders difficult to obtain.

### **Dividend Policy**

We anticipate that we will retain any earnings to support operations and to finance the growth of our business. Therefore, we do not expect to pay cash dividends in the foreseeable future. Any further determination to pay cash dividends will be at the discretion of our Board of Directors and will be dependent on the financial condition, operating results, capital requirements and other factors that our Board of Directors deems relevant. We have never declared a dividend.

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where, after giving effect to the distribution of the dividend:

1. We would not be able to pay our debts as they become due in the usual course of business; or
2. Our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

We have never paid cash dividends on our capital stock. We currently intend to retain any profits we earn to finance the growth of our business. We do not anticipate paying any cash dividends in the foreseeable future.

### **Repurchase of Securities**

During 2012, neither we nor any of our affiliates repurchased shares of our common stock registered under Section 12 of the Securities Exchange Act of 1934, as amended.

### **Equity Compensation Plan Information**

As at December 31, 2012, we had one equity compensation plan under which our shares of common stock have been authorized for issuance to our officers, directors, employees and consultants, namely our 2005 Stock Option Plan, as amended. Our 2005 Stock Option Plan, as amended, has been approved by our shareholders.

The following summary information is presented for our 2005 Stock Option Plan, as amended, as of December 31, 2012.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
	(a)	(b)	(c)
Equity Compensation Plans Approved By Security Holders	9,225,880	\$2.33	17,084,860
Equity Compensation Plans Not Approved By Security Holders	Not Applicable	Not Applicable	Not Applicable

### **2005 Stock Option Plan Information**

The following is a summary of important Stock Option Plan provisions. It is not a comprehensive discussion of all of the terms and conditions of the Stock Option Plan. The information provided below may be modified or altered by some provisions in the Stock Option Plan. Readers are advised to review the full text of the Stock Option Plan to fully understand all terms and conditions of the Stock Option Plan.

#### ***Purpose***

The purpose of the Stock Option Plan is to advance our best interests by providing additional incentive to those persons who have a substantial responsibility for our management, affairs, and growth by increasing their proprietary interest in our success, thereby encouraging them to maintain their relationships with us. Further, the availability and offering of Stock Options under the Plan supports and increases our ability to attract, engage and retain individuals of exceptional talent upon whom, in large measure, our sustained progress, growth and profitability for our shareholders depends.

#### ***Persons Eligible***

Any employee, director, general partner, officer, attorney, accountant, consultant or advisor providing services to us, any parent, affiliate, or our Company is eligible to be designated a participant in the Stock Option Plan.

#### ***Administration***

Our Compensation Committee administers the Stock Option Plan. The Committee has the power to: (i) designate Stock Option Plan participants; (ii) grant stock options; (iii) establish rules and regulations for the administration of the Stock Option Plan; (iv) determine the amount, price, type and timing of each stock option grant; (v) cancel any stock option awarded under the Stock Option Plan, under certain circumstances; (vi) correct defects in the Plan or in any granted stock option; and (vii) make any other determination or take any other action that the Committee deems necessary or desirable for the administration of the Stock Option Plan.

#### ***Shares Available under the Stock Option Plan***

The total number of our shares available for grants of stock options under the Stock Option Plan is 30,000,000 Common Shares, subject to adjustment as described below, which shares may be either authorized but unissued or reacquired Common Shares of our Company. If a stock option or portion thereof expires or terminates for any reason



without having been exercised in full, the unpurchased shares covered by such nonqualified stock option shall be available for future grants of stock options under the Stock Option Plan. Shares issuable upon exercise of stock options have been registered under the U.S. Securities Act of 1933, as amended, pursuant to our Registration Statement on Form S-8, filed with the Securities and Exchange Commission on November 21, 2005.

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### ***Terms and Conditions of Stock Options***

Stock options may be granted to any person who is performing or who has been engaged to perform services of special importance to management in our operation and growth. As of June 11, 2008 the option price of stock options is set at the weighted average closing market price for the five days preceding the grant. All stock options granted under the Stock Option Plan must be granted within twenty years of the date the plan was adopted and all granted stock options must be exercised within ten years of the date of grant. The Committee may grant stock options which vest in installment periods and may modify such periods to accelerate vesting. Stock options are evidenced by a form stock option agreement.

### ***Exercise of Stock Options***

The exercise of vested stock options is made upon written notice of intent to exercise and payment of the exercise price. The exercise price may be paid (i) in cash, cashier's check, certified check, bank draft or money order, or (ii) at the discretion of the Committee, by delivery of fully paid non-assessable common shares of our Company, valued at the fair market value for such shares, determined by the average of the high and low sales price of our common shares on the date of exercise.

### ***Transfer of Stock Options***

Except by will, the laws of descent and distribution, or with the written consent of the Committee, no right or interest in any stock option granted under the Stock Option Plan is assignable or transferable, and no right or interest of any optionee is liable for, or subject to, any lien, obligation or liability of the optionee. Upon petition to, and thereafter with the written consent of the Committee, an optionee may assign or transfer all or a portion of the optionee's rights and interest in any stock option granted under the Stock Option Plan. Stock options are exercisable during the optionee's lifetime only by the optionee or assignees, or the duly appointed legal representative of an incompetent optionee, including following an assignment consented to by the Committee.

### ***Adjustments to Stock Options***

In the event that our outstanding common shares are changed into or exchanged for a different number or kinds of our shares or other securities by reason of merger, consolidation, other reorganization, recapitalization, reclassification, combination of shares, stock split-up or stock dividend:

- Prompt, proportionate, equitable, lawful and adequate adjustment shall be made of the aggregate number and kind of shares subject to stock options which may be granted under the Stock Option Plan, such that the optionee shall have the right to purchase such common shares as may be issued in exchange for the common shares purchasable on exercise of the nonqualified stock option had such merger, consolidation, other reorganization, recapitalization, reclassification, combination of shares, stock split-up or stock dividend not taken place;
- Rights under unexercised stock options or portions thereof granted prior to any such change, both as to the number or kind of shares and the exercise price per share, will be adjusted appropriately, provided that such adjustments will be made without change in the total exercise price applicable to the unexercised portion of such nonqualified stock options but by an adjustment in the price for each share covered by such nonqualified stock option; or
- Upon any dissolution or liquidation of our Company or any merger or combination in which we are not a surviving corporation, each outstanding stock option granted hereunder shall terminate, but the optionee shall have the right, immediately prior to such dissolution, liquidation, merger or combination, to exercise his nonqualified stock option in whole or in part, to the extent that it shall not have been exercised, without regard to any installment exercise provisions in such nonqualified stock option.

Also, upon the occurrence of any person acquiring more than 20% of our common shares through a tender offer, exchange offer, or otherwise, upon a change in control of our Company or upon the sale of substantially all of our assets, any optionee who is also a Company insider will be entitled to receive cash for their nonqualified stock options equal to the final offer price per share paid in the offer or similar event, or in the case of a change in control or sale of assets, the aggregate fair market value of the shares.

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***Amendment of the Plan***

The Board of Directors may at any time suspend or terminate the Plan, in whole or in part or amend it from time to time as appropriate in the best interests of our Company. No amendments will, without the consent of the optionee, affect previously granted stock options.

**Recent Sales of Unregistered Securities**

We did not sell any securities in 2012 that were not registered under the Securities Act of 1933, as amended.

**Stock Performance Graph**

The performance graph below shows Uranerz Energy Corporation's cumulative total return based on an initial investment of \$100 in Uranerz common stock, as compared with the Russell 2000 Index, AMEX Natural Resources Index, AMEX Composite, NASDAQ Composite Total Return, and a peer group consisting of Uranium Energy Corp., UR Energy Corp., and Powertech Uranium Corp. The chart shows yearly performance marks over a five year period. This performance chart assumes: (1) \$100 was invested on January 1, 2007 in Uranerz common stock at the initial price of \$1.00, in the Russell 2000 Index, AMEX Natural Resources Index, AMEX Composite, NASDAQ Composite Total Return, and the peer group's common stock; and (2) all dividends are reinvested. Canadian dollar closing price quotes on the Toronto Stock Exchange are converted to United States dollars using the noon exchange rates as quoted by the Federal Reserve Bank on the date of the closing price quote. Dates on the chart represent the last trading day of the indicated fiscal year.

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**ITEM 6. SELECTED FINANCIAL DATA**

Selected financial data about Uranerz for the last five years is set forth in the table below. You should read the data in the table in conjunction with the consolidated financial statements and related notes set forth in Item 8, "Financial Statements and Supplementary Data," including specifically, Note 16 to our audited annual consolidated financial statements, which contains disclosure describing the specific financial statement line item adjustments that have been made to the consolidated financial statements to effect the restatement of the audited annual consolidated financial statement for the years ended December 31, 2012 and 2011.

*Dollars and shares in thousands, except per share amounts*

	2012 (Restated)	2011 (Restated)	2010	2009	2008
<b>Operating expenses</b>					
Depreciation	\$ 242	216	200	176	129
Reclamation accretion	\$ 50	2	-	-	-
Foreign exchange	\$ 23	50	6	3	(4)
General and administrative	\$ 6,274	12,995	8,424	4,599	6,153
Mineral property expenditures	\$ 22,801	12,260	6,662	4,778	30,505
Total operating expenses	\$ 29,390	25,523	15,292	9,556	36,783
Gain on sale on investment securities	\$ -	-	-	-	-
Interest income	\$ 42	79	52	155	610
Loss on settlement of debt	\$ -	-	-	-	-
Mineral property options received	\$ -	-	-	-	-
Gain (Loss) on discontinued operations	\$ -	-	-	-	977)
Non-controlling interest - portion of net loss	\$ 373	570	640	702	949
Net loss and comprehensive loss attributable to Company Stockholders	\$ 28,975	24,874	14,600	8,699	34,247
<b>Common stock data</b>					
Weighted average shares outstanding	77,166	75,981	64,433	57,060	52,263
Net loss per share basic and diluted	\$ 0.38	0.33	0.23	0.15	0.66
<b>Total shares outstanding at December 31</b>	77,208	77,087	70,821	64,195	55,452
<b>Balance sheet data at December 31</b>					
Total assets	\$ 11,553	38,894	40,634	30,810	22,866
Property and equipment – net	\$ 592	470	503	541	643
Working capital	\$ 5,718	32,760	36,526	29,191	21,405
Total debt	\$ -	-	-	-	18
Common shareholders equity	\$ 8,208	35,637	39,767	30,033	22,278
<b>Cash flow data</b>					
Net cash used for operating activities	\$ 27,668	16,552	10,897	8,170	14,182
Net cash used for (provided by) investing activities	\$ 440	155	(6,904)	(11,590)	20,161
Net cash provided by financing activities	\$ 480	14,915	20,004	16,184	23,821

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read in conjunction with our financial statements for the three years ended December 31, 2012, and the related notes thereto, including specifically, Note 16 to our audited annual consolidated financial statements, which contains disclosure describing the specific financial statement line item

adjustments that have been made to the consolidated financial statements to effect the restatement of the audited annual consolidated financial statement for the years ended December 31, 2012 and 2011, which have been prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth under the section heading “Item 1A. Risk Factors” and elsewhere in this Annual Report. See section heading “Cautionary Statement Regarding Forward-Looking Statements”.

## **Overview**

We are an exploration stage company engaged in the acquisition and exploration of uranium properties. We own interests in properties in Wyoming. We are principally focused on the exploration of our projects in the Powder River Basin area of Wyoming. We plan to maintain, explore and, if warranted, enhance our projects in the Powder River Basin area of Wyoming.

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In December 2007, we filed permit applications to mine two of our properties in the Powder River Basin area of Wyoming that we feel may have the potential, based on data in our possession, of being developed into commercial in-situ recovery uranium mines. These permit applications for our Nichols Ranch ISR Uranium Project were approved in 2011. Construction commenced in August 2011 with completion targeted for 2013.

In support of our goals for 2012, we focused our efforts on the following six key operating priorities:

- Exploration in Wyoming;
- Mine planning for our Nichols Ranch ISR Uranium Project;
- Environmental and mine planning for additional permitting in the Powder River Basin, Wyoming;
- Acquisition of properties and evaluation of uranium potential;
- Investor relations and financing; and
- Construction of the Nichols Ranch ISR Uranium Project.

### **Results of Operations (Restated)**

*Twelve-month period ended December 31, 2012 compared to twelve-month period ended December 31, 2011*

#### Revenue

We have not earned any revenues to date and we do not expect to generate any revenues until late 2013.

#### Operating Expenses and Other Expenses (Income)

We incurred total operating expenses of \$29,389,744 for the twelve-month period ended December 31, 2012, as compared to \$25,523,221 for the corresponding period in 2011. Operating expenses in the amount of \$1,244,810 were attributable to stock-based compensation, a decrease of \$5,054,378, while mineral property expenditures, for exploration and mine planning, increased \$10,541,685 over 2011, primarily attributable to increased expenditures at Nichols Ranch. Our general and administrative expenses, excluding stock based compensation, consisted primarily of payroll, consulting, investor relations and general overhead was relatively unchanged from 2011 reflecting stable operations as focus and costs shifted to the Nichols Ranch ISR Uranium Project.

We earned \$42,407 of interest income for the twelve-month period ended December 31, 2012 as compared to \$79,165 for the corresponding period in 2011. This decrease was due to reduced cash balances. The non-controlling interest of our Arkose Mining Venture absorbed \$372,888 of our 2012 net loss (\$570,423 in 2011). Net loss and comprehensive loss attributable to the Company for the twelve-month period ended December 31, 2012 was \$28,974,449, as compared to \$24,873,633 in 2011.

Our 2012 Plan of Operations, described in our Annual Report on Form 10-K filed with the SEC on March 14, 2012, outlined planned expenditures which were subsequently substantially incurred as expected. As we anticipated, our exploration expenses, excluding wellfield costs, were reduced following the receipt of approvals for construction of the Nichols Ranch ISR Uranium Project in July 2011. Our general and administrative expenses continued at 2011 levels as we complied with our obligations to many stockholders as a reporting company under the Securities Exchange Act of 1934, as amended, listed on the NYSE MKT and the Toronto Stock Exchange. As anticipated, we did not earn any revenues during the 2012 fiscal year as we were engaged in exploration, permitting and enhancement of our mineral properties.

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Cash Used in Operating Activities

Net cash used in operating activities was \$27,668,269 for the twelve-month period ended December 31, 2012, compared to \$16,552,329 for the corresponding period in 2011. The increase in net cash used in operations of \$11,115,940 primarily due to an increase of \$10,541,685 for mineral-related expenditures which includes all the costs of our Nichols Ranch ISR Uranium Project.

Cash Used in Investing Activities

We invested \$439,690 in property, equipment and reclamation deposits in the twelve-month period ended December 31, 2012, compared to \$154,810 the corresponding period in 2011. Nichols Ranch ISR Uranium Project costs were recorded as mineral property expenditures.

Cash Provided by Financing Activities

Net cash provided by financing activities amounted to \$479,924 for the twelve-month period ended December 31, 2012, primarily contributions from non-controlling interest, compared to \$14,914,514 for the corresponding period in 2011 when common stock warrants and options were exercised.

*Twelve-month period ended December 31, 2011 compared to twelve-month period ended December 31, 2010*

Revenue

We have not earned any revenues to date.

Operating Expenses and Other Expenses (Income)

We incurred total operating expenses of \$25,523,221 for the twelve-month period ended December 31, 2011, as compared to \$15,291,692 for the corresponding period in 2010. Operating expenses in the amount of \$6,299,188 were attributable to stock-based compensation included in general and administrative expense, an increase of \$2,553,023, while mineral property expenditures, for exploration and mine planning, increased \$5,597,782 over 2010. Our general and administrative expenses, excluding stock based compensation, consisted primarily of payroll, consulting, investor relations and general overhead increased \$2,018,586 over 2010 reflecting increased executive compensation, corporate affairs and growth in Casper operations to accommodate enhancement of the Nichols Ranch ISR Uranium Project.

We earned \$79,165 of interest income for the twelve-month period ended December 31, 2011 as compared to \$52,290 for the corresponding period in 2010. This increase was due to additional cash balances. The non-controlling interest of our Arkose Mining Venture absorbed \$570,423 of our 2011 net loss (\$639,419 in 2010). Net loss and comprehensive loss attributable to the Company for the twelve-month period ended December 31, 2011 was \$24,873,633, as compared to \$14,599,983 in 2010.

Our 2011 Plan of Operations, described in our Annual Report on Form 10-K filed with the SEC on March 15, 2011, outlined planned expenditures which were subsequently substantially incurred as expected. As we anticipated, our exploration expenses, excluding capital acquisitions, were reduced following the receipt of approvals for construction of the Nichols Ranch ISR Uranium Project in July 2011. Our general and administrative expenses continued to increase as we complied with our obligations to many stockholders as a reporting company under the Securities Exchange Act of 1934, as amended, listed on the NYSE MKT and the Toronto Stock Exchange. As anticipated, we did not earn any revenues during the 2011 fiscal year as we were engaged in exploration, permitting and enhancement of our mineral properties.





Cash Used in Operating Activities

Net cash used in operating activities was \$16,552,329 for the twelve-month period ended December 31, 2011, compared to \$10,896,545 for the corresponding period in 2010. The change in net cash used in operations includes an increase of \$5,597,782 for mineral-related cash expenditures.

Cash Used in Investing Activities

We invested \$154,810 in property, equipment and reclamation bonds in the twelve-month period ended December 31, 2011, compared to \$1,863,353 the corresponding period in 2010.

Cash Provided by Financing Activities

Net cash provided by financing activities amounted to \$14,914,514 for the twelve-month period ended December 31, 2011, primarily from warrants exercised for common stock, compared to \$20,004,293 for the corresponding period in 2010.

*Twelve-month period ended December 31, 2010 compared to twelve-month period ended December 31, 2009*

Revenue

We did not earn any revenues in 2010.

Operating Expenses and Other Expenses (Income)

We incurred total operating expenses of \$15,291,692 for the twelve-month period ended December 31, 2010, as compared to \$9,556,528 for the corresponding period in 2009. The increase of operating expenses in the amount of \$5,735,165 (60%) was primarily attributable to an increase of non-cash expenses amounting to \$4,081,900 for warrants issued for mineral properties and stock-based compensation. Mineral property expenditures, for exploration and mine planning, increased \$625,523 over 2009. Our general and administrative expenses consisted primarily of stock based compensation, payroll, consulting, investor relations and general overhead increased \$3,824,054 or 83% more than 2009 reflecting a \$2,823,900 increase in stock based compensation and a \$1,000,154 increase in corporate affairs, investor relations and Casper operations.

Our interest expense for the twelve-month period ended December 31, 2010, imputed on an interest free loan, was \$404 (2009 \$2,941). We earned \$52,290 of interest income for the twelve-month period ended December 31, 2010 as compared to \$155,402 for the corresponding period in 2009. This reduction was due to low rates of short term investments. The non-controlling interest of our Arkose Mining Venture absorbed \$639,419 of our 2010 net loss (\$701,972 in 2009). Net loss attributable to the Company for the twelve-month period ended December 31, 2010 was \$14,599,983, as compared to \$8,699,154 for the corresponding period in 2009, an increase of \$5,900,829 (68%). This increase was largely due to the 2010 increase in operating expenses.

Our 2010 Plan of Operations, described in our Annual Report Form 10-K filed with the SEC on March 15, 2010, outlined planned expenditures which were subsequently substantially incurred as expected. Stock-based compensation was additional, non-cash, expenditure. As we anticipated, our exploration expenses, excluding property acquisitions, declined as a result of our planned enhancement of our Nichols Ranch ISR Uranium Project. Project expenditures totaled \$9,754,068 in 2011. Our general and administrative expenses continued to increase as we complied with our obligations to many stockholders as a reporting company under the Securities Exchange Act of 1934, as amended, listed on the NYSE MKT and the Toronto Stock Exchange. As anticipated, we did not earn any revenues during the 2011 fiscal year as we were engaged in exploration, permitting and enhancement of our mineral properties.



### Cash Used in Operating Activities

Net cash used in operating activities was \$10,896,545 for the twelve-month period ended December 31, 2010, compared to \$8,169,977 for the corresponding period in 2009. The increase in net cash used in operations includes an increase of \$625,523 for mineral related cash expenditures, \$1,000,756 for general and administrative expenses and \$815,381 of prepaid expenses and deposits.

### Cash Used in Investing Activities

We invested \$1,863,353 in equipment and reclamation bonds in the twelve-month period ended December 31, 2010, compared to \$74,663 the corresponding period in 2009. During the twelve-month period ended December 31, 2010, we reduced our allocation in securities invested over 90 days by \$8,766,943.

### Cash Provided by Financing Activities

Net cash provided by financing activities amounted to \$20,004,293 for the twelve-month period ended December 31, 2010, primarily from a public issue of common stock, compared to \$16,184,338 for the corresponding period in 2009.

### **Assets and Liabilities (Restated)**

We had total assets of \$11,553,494 at December 31, 2012 compared to \$38,894,476 at December 31, 2011, primarily cash accumulated from the sale of shares and investment in property plant and equipment. Non-current prepaid expenses and deposits amounted to \$3,092,535 at December 31, 2012 (2011 - \$2,859,123), Property and Equipment was \$591,601 compared to \$469,934 at December 31, 2011. Construction in Progress costs are expensed as mineral property expenditures. Our liabilities were \$3,223,151 compared to \$3,145,114 at December 31, 2011. Liabilities include due to related parties of \$14,534 (2011 - \$71,340) and Asset Retirement Obligation of \$1,071,843 (2011 - \$339,564).

### **Liquidity and Capital Resources**

Our operations have been primarily financed by proceeds from issuances of common stock. Our cash and short term security position at December 31, 2012 was \$7,016,710 compared to \$34,644,745 as of December 31, 2011. We had working capital of \$5,718,050 as of December 31, 2012, compared to working capital of \$32,759,869 as of December 31, 2011.

### ***Financings***

During the year ended December 31, 2012, we:

1. Issued 120,800 shares of common stock upon the exercise of stock options for cash proceeds of \$96,884.

During the year ended December 31, 2011, we:

1. Issued 4,041,421 shares of common stock upon the exercise of share purchase warrants for cash proceeds of \$12,124,263.
2. Issued 2,223,920 shares of common stock upon the exercise of stock options for cash proceeds of \$2,240,208.

During the year ended December 31, 2010, we:

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1. Issued 25,000 shares of common stock upon the exercise of share purchase warrants for cash proceeds of \$75,000.
2. Issued 454,100 shares of common stock upon the exercise of stock options for cash proceeds of \$431,915.
3. Issued 2,000,000 warrants, valued at \$1,258,000, for common stock for mineral properties.
4. Issued 6,147,446 shares of common stock pursuant to public offering for cash proceeds of \$20,000,000 less offering expenses of \$1,177,395.

During the year ended December 31, 2009, we:

1. Issued 242,500 shares of common stock upon the exercise of stock options for cash proceeds of \$166,125.
2. Completed a public offering of 8,500,000 units, comprised of 8,500,000 common shares and 4,250,000 common share purchase warrants, at \$2.00 per unit for gross proceeds of \$17,000,000. Each warrant entitled the holder to purchase one common share for \$3.00 for a period ending April 27, 2012.

### ***Capital Requirements***

Our cash position of \$7,016,710 at December 31, 2012 is available for future operations. We estimate that our cash expenditures for operations over the next twelve months will be approximately \$7 million as outlined below. Our estimated capital expenditures will require an additional \$18 million. Therefore, we expect that we will be required to raise additional capital to fund expenditures for operations and capital costs over the next twelve months. Property acquisitions and operations beyond 2013 will be financed through cash on hand, cash flow from operations, and potentially through debt and one or more equity issues.

Our plan of operation for the next twelve months is to continue with exploration and enhancement of our Wyoming Powder River Basin properties. Our planned geological exploration programs are described in Item 2 of this Annual Report. Our planned cash operating expenditures for the year ending December 31, 2012 for corporate expenses, exploration on our Wyoming mineral properties and general and administrative expenses are summarized as follows:

Category	Planned Cash Expenditures Over the Next Twelve Months
Exploration	\$1,500,000
Environmental, production and well planning	\$500,000
General and Administrative expenses	\$5,000,000
<b>TOTAL</b>	<b>\$7,000,000</b>

In addition to our planned operating expenditures we may increase exploration expenditures and make additional property acquisitions beyond the above as opportunities arise. We plan to continue construction of our Nichols Ranch ISR Uranium Project. Our exploration and enhancement plans will be continually evaluated and modified as exploration and permitting results become available. Modifications to our plans will be based on many factors, including: results of exploration, assessment of data, weather conditions, exploration costs, the price of uranium and available capital. Further, the extent of our operations and investment programs that we undertake will be dependent upon the amount of financing available to us.

We estimate that initial revenues from the Nichols Ranch ISR Uranium Project will commence in late 2013.

### ***Future Financings***

We will require additional financing to carry out an expanded program of exploration, mine planning and property acquisitions and enhancement of the Nichols Ranch ISR Uranium Project during 2013. This may comprise debt financing and/or additional sales of our common stock in order to raise the funds necessary to pursue opportunities and to fund our working capital.

Issuances of additional shares would result in dilution to our existing shareholders. There is no assurance that we will be successful in completing any financings. Failure to obtain additional financing on a timely basis could require a reduced plan of operations and acquisitions in 2013.

As we expect our reliance on equity and debt financings to continue into the future, the future market conditions will be critical for us to raise necessary funds to meet our funding requirements. We will seek multiple solutions including, but not limited to, equity, credit facilities or debenture issuances. Current arrangements are described in **Subsequent Events** below.

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

We have no significant off-balance sheet arrangements at December 31, 2012 that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders. Our commitments are described in Note 12 of the audited consolidated financial statements following under the section heading "Item 8. Financial Statements and Supplementary Data".

### **Contractual Obligations**

Our contractual obligations extending beyond the fiscal year ended December 31, 2012 are described in Notes 4 and 12 of the audited consolidated financial statements following under the section heading "Item 8. Financial Statements and Supplementary Data".

### **Critical Accounting Policies**

The preparation of financial statements in conformity with generally accepted accounting principles requires our management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Our management routinely makes judgments and estimates about the effects of matters that are inherently uncertain.

We have identified certain accounting policies, described below, that are most important to the portrayal of our current financial condition and results of operations. Our significant accounting policies are disclosed in Note 2 to the audited financial statements included in this Annual Report.

### ***Mineral Property Costs***

The Company is primarily engaged in the acquisition, exploration and development of mineral properties with the objective of extracting minerals from these properties.

Mineral property exploration costs are expensed as incurred. Costs for acquired mineral property databases are similarly capitalized and then impaired if the criteria for capitalization are not met. Capitalization of mine development costs that meet the definition of an asset commence once all operating mineralization is classified as proven and probable reserves, and a bankable feasibility study has been completed. Mineral property acquisition costs

are capitalized and then impaired if the criteria for capitalization are not met and unless the Company determines a property can be economically developed as a result of establishing proven and probable reserves, a bankable feasibility study and reasonably securing all operating permits. In the event that a mineral property is acquired through the issuance of the Company's shares, the mineral property is recorded at the fair value of the respective property or the fair value of common shares and other instruments issued, whichever is more readily determinable.

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When mineral properties are acquired under option agreements with future acquisition payments to be made at the sole discretion of the Company, those future payments, whether in cash, shares, or other instruments are recorded only when the Company has made or is obliged to make the payment or issue the shares or instruments.

### ***Long-lived Assets***

In accordance with ASC 360, *Property Plant and Equipment* the Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; decreases in current period cash flows or operating losses, combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and a current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life.

Recoverability is assessed based on the carrying amount of the asset and its fair value which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and eventual disposal of the asset, as well as specific appraisals in certain instances. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

### ***Restoration and Reclamation Costs (Asset Retirement Obligations)***

United States regulatory authorities require the Company to restore and reclaim its mine area after mining is completed. Pursuant to ASC 410, *Asset Retirement and Environmental Obligations*, the fair value of asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Upon initial recognition of a liability, the fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. Future reclamation and remediation costs are accrued based on management's best estimate at the end of each period of the costs expected to be incurred to remediate each project.

Estimations and assumptions used in applying the expected present value technique to determine fair values are reviewed periodically.

Estimated site restoration costs for exploration activities are accrued when incurred. Costs for environmental remediation are estimated each period by management based on current regulations, actual expenses incurred, available technology and industry standards. Any charge in these estimates is included in exploration expense during the period and the actual restoration expenditure incurred is charged to the accumulated asset retirement obligation provision as the restoration work is completed.

### ***Stock-based Compensation***

The Company records stock-based compensation in accordance with ASC 718, *Compensation - Stock Based Compensation*, which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based awards made to employees and directors, including stock options.

ASC 718 requires companies to estimate the fair value of share-based awards on the date of grant using an option-pricing model. The Company uses the Black-Scholes option-pricing model as its method of determining fair value. This model is affected by the Company's stock price as well as assumptions regarding a number of subjective variables. These subjective variables include, but are not limited to the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The value of the portion of the award that is ultimately expected to vest is recognized as an expense in the statement of operations over the



requisite service period.

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No tax benefits were attributed to stock-based compensation expense because a full valuation allowance was maintained for all net deferred tax assets.

### *Accounting Developments*

We have implemented all new accounting pronouncements that are in effect and that may impact its financial statements and we have disclosed all recently issued accounting pronouncements in the Notes to the Consolidated Financial Statements for the year-ended December 31, 2012.

### *Subsequent Events*

On January 25, 2013 the Company signed a sales agreement to supply triuranium octoxide (U<sub>3</sub>O<sub>8</sub>) over a five year period commencing in 2016. The agreement has pricing which contains a base with an escalation factor.

On January 25, 2013 the Company executed a non-binding term sheet for a proposed financing from a lender in the amount of \$8 million. The proposed financing is subject to completion of a note purchase agreement with the lender as well as a number of financial conditions and other approvals.

On March 15, 2013 the Company was advised by the Wyoming Business Council that its application for a \$20 million State of Wyoming sponsored Industrial Development Bond received a favourable review by independent consultants engaged by the State and that as a result, the Council formally recommended Bond approval to the Attorney General, State Treasurer and Governor. If approved by the aforementioned State officials under the terms authorized, the loan will carry an annual interest rate of 5.75% and be repayable over seven years.

The Company has restated its financial statements for the fiscal years ended December 31, 2012 and 2011 and the quarterly periods ending March 31, June 30 and September 30, 2012 to expense Nichols Ranch ISR Uranium Project property, plant and equipment costs previously capitalized as construction in progress and field equipment.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are not exposed to risks associated with commodity prices, interest rates and credit as of December 31, 2012. Commodity price risk is defined as the potential loss that we may incur as a result of changes in the fair value of uranium. Interest rate risk results from our debt and equity instruments that we issue to provide financing and liquidity for our business. Credit risk would arise from the extension of credit throughout all aspects of our business but is not yet significant.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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Uranerz Energy Corporation  
(An Exploration Stage Company)

December 31, 2012 (Restated)

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**Report of Independent Registered Public Accounting Firm**

To the Directors and Stockholders  
Uranerz Energy Corporation  
(An Exploration Stage Company)

We have audited the accompanying consolidated balance sheets of Uranerz Energy Corporation as of December 31, 2012 and 2011 and the related consolidated statements of comprehensive loss, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2012 and accumulated from May 26, 1999 (Date of Inception) to December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidation financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Uranerz Energy Corporation as of December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2012 and accumulated from May 26, 1999 (Date of Inception) to December 31, 2012, in conformity with accounting principles generally accepted in the United States.

As described in Note 16 to the consolidated financial statements, the Company has corrected its treatment of certain costs incurred in 2011 and 2012 to expense them rather than capitalize them to construction in progress and property and equipment. This change has been reflected in the December 31, 2012 and 2011 consolidated financial statements, both of which have been restated.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred cumulative losses and does not have sufficient cash to complete its current plan, which raises substantial doubt about the Company's

ability to continue as a going concern. Management's plans regarding this matter are also described in Notes 1 and 15 b) & c). The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 24, 2013 expressed an unqualified opinion thereon.

/s/ "Manning Elliott LLP"

CHARTERED ACCOUNTANTS

Vancouver, Canada

April 24, 2013

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Uranerz Energy Corporation  
(An Exploration Stage Company)  
Consolidated Balance Sheets  
Expressed in US dollars)

	December 31, 2012 \$ (Restated Note 16)	December 31, 2011 \$ (Restated Note 16)
<b>ASSETS</b>		
Current Assets		
Cash	7,016,710	34,644,745
Prepaid expenses and deposits (Note 5(a))	824,162	890,848
Other current assets	28,486	29,826
Total Current Assets	7,869,358	35,565,419
Prepaid Expenses and Deposits (Note 5(a))	1,024,136	816,016
Mineral Property Reclamation Surety Deposits (Note 7)	2,068,399	2,043,107
Property and Equipment (Note 3)	591,601	469,934
Total Assets	11,553,494	38,894,476
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities		
Accounts payable	1,269,967	1,507,968
Accrued liabilities (Note 5(b) and 6(f))	866,807	1,226,242
Due to related parties (Note 6(b))	14,534	71,340
Total Current Liabilities	2,151,308	2,805,550
Asset Retirement Obligations (Note 7)	1,071,843	339,564
Total Liabilities	3,223,151	3,145,114
Commitments and Contingencies (Notes 5 and 12)		
Subsequent Events (Note 15)		
Stockholders Equity		
Preferred Stock, 10,000,000 shares authorized, \$0.001 par value; No shares issued and outstanding		
Common Stock, 750,000,000 shares authorized, \$0.001 par value; 77,207,574 (2011 - 77,086,774) shares issued and outstanding		
	77,208	77,087
Additional Paid-in Capital	145,421,983	143,876,826
Deficit Accumulated During the Exploration Stage	(137,291,216)	(108,316,767)
Total Stockholders Equity	8,207,975	35,637,146
Non-controlling Interest	122,368	112,216
Total Equity	8,330,343	35,749,362
Total Liabilities and Stockholders Equity	11,553,494	38,894,476

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

Uranerz Energy Corporation  
(An Exploration Stage Company)  
Consolidated Statements of Comprehensive Loss  
(Expressed in US dollars)

	Accumulated From May 26, 1999 (Date of Inception) to December 31, 2012 \$ (Restated Note 16)	2012 \$ (Restated Note 16)	Years Ended December 31, 2011 \$ (Restated Note 16)	2010 \$
Revenue				
Expenses				
Depreciation	1,035,035	241,610	215,740	200,266
Accretion expense (Note 7)	52,417	49,899	2,518	
Foreign exchange	105,107	22,612	49,610	5,464
General and administrative (Note 9)	56,766,466	6,274,247	12,995,662	8,424,053
Mineral property expenditures	85,677,992	22,801,376	12,259,691	6,661,909
Total Operating Expenses	143,637,017	29,389,744	25,523,221	15,291,692
Operating Loss	(143,637,017)	(29,389,744)	(25,523,221)	(15,291,692)
Other Income (Expense)				
Gain on sale of investment securities	79,129			
Interest income	2,061,331	42,407	79,165	52,290
Loss on settlement of debt	(132,000)			
	152,477			

Mineral property option payments received				
Total Other Income	2,160,937	42,407	79,165	52,290
Loss from continuing operations	(141,476,080)	(29,347,337)	(25,444,056)	(15,239,402)
Discontinued operations				
Loss from discontinued operations	(28,732)			
Gain on disposal of discontinued operations	979,709			
Gain on Discontinued Operations	950,977			
Net Loss and Comprehensive Loss	(140,525,103)	(29,347,337)	(25,444,056)	(15,239,402)
Net Loss and Comprehensive Loss attributable to non-controlling interest	3,233,887	372,888	570,423	639,419
Net Loss and Comprehensive Loss Attributable to Company Stockholders	(137,291,216)	(28,974,449)	(24,873,633)	(14,599,983)
Amounts attributable to Company stockholders				
Loss from continuing operations	(138,242,193)	(28,974,449)	(24,873,633)	(14,599,983)
Gain on discontinued	950,977			



operations				
Net Loss	(137,291,216)	(28,974,449)	(24,873,633)	(14,599,983)
Attributable to the Company				
Net Loss Per Share Basic and Diluted		(0.38)	(0.33)	(0.23)
Weighted Average Number of Shares Outstanding		77,166,000	75,981,000	64,433,000

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

Uranerz Energy Corporation  
(An Exploration Stage Company)  
Consolidated Statements of Cash Flows  
(Expressed in US dollars)

	Accumulated From May 26, 1999 (Date of Inception) to December 31, 2012 \$ (Restated Note 16)		2012 \$ (Restated Note 16)		Years Ended December 31, 2011 \$ (Restated Note 16)		2010 \$
Operating Activities							
Net loss and comprehensive loss	(140,525,103)	(29,347,337)	(25,444,056)	(15,239,402)			
Adjustments to reconcile net loss to cash used in operating activities:							
Depreciation	1,035,035	241,610	215,740	200,266			
Accretion expense	52,417	49,899	2,518				
Increase in asset retirement obligation	1,019,426	682,380	337,046				
loss on investment Equity	74,617						
Gain on disposition of discontinued operations	(979,709)						
Gain on sale of investment securities	(79,129)						
Loss on settlement of debt	132,000						

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(37,500)

Non-cash  
mineral  
property option  
payment

Shares	19,105,000			
issued to acquire mineral properties				
	1,258,000			1,258,000

Warrants  
issued for  
mineral  
property costs

	28,218,039	1,448,394	6,404,307	3,746,165
Stock-based compensation				

Changes  
in operating  
assets and  
liabilities:

Prepaid expenses and deposits	(1,842,061)	(141,434)	(65,012)	(908,009)
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Other current assets	(28,461)	1,340	2,185	(8,302)
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Accounts payable and accrued liabilities	2,267,441	(546,315)	1,972,789	60,471
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Due to related parties	485,293	(56,806)	22,154	(5,734)
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Net Cash Used in Operating Activities	(89,844,695)	(27,668,269)	(16,552,329)	(10,896,545)
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Investing  
Activities

	(2,068,399)	(25,292)	(23,386)	(1,700,938)
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Reclamation  
surety deposits

	(48)			
Acquisition of subsidiary, net cash paid				
	20,548,664			8,766,943

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Proceeds from sale of marketable securities	(1,528,220)	(414,398)	(131,424)	(162,415)
Investment in property and equipment				
Purchase of investment securities	(20,432,035)			
Disposition of subsidiary	905,092			
Net Cash Used in Investing Activities	(2,574,946)	(439,690)	(154,810)	6,903,590
Financing Activities				
Repayment of loan payable	(98,414)			(18,079)
Advances from related party	10,700			
Contributions from non-controlling interest	3,356,256	383,040	574,686	692,852
Proceeds from issuance of common stock	100,674,947	96,884	14,364,471	20,506,915
Share issuance costs	(4,507,138)		(24,643)	(1,177,395)
Net Cash Provided by Financing Activities	99,436,351	479,924	14,914,514	20,004,293
Increase (Decrease) In Cash	7,016,710	(27,628,035)	(1,792,625)	16,011,338
Cash - Beginning of		34,644,745	36,437,370	20,426,032

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Period				
Cash - End of Period	7,016,710	7,016,710	34,644,745	36,437,370
Non-cash Investing and Financing Activities				
Sale of 60% of subsidiary for interest in mineral property	774,216			
Investment securities received as a mineral property option payment	37,500			
Purchase of equipment with loan payable	98,414			
Stock options issued for mineral property expenditures	170,598	113,423	57,175	
Common stock issued to settle debt	744,080			
Warrants issued for mineral property costs	1,258,000			1,258,000
Common stock issued for mineral property costs	19,105,000			
Supplemental Disclosures				
Interest paid	12,608		424	404
Income taxes paid				

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



Uranerz Energy Corporation  
(An Exploration Stage Company)  
Consolidated Statement of Stockholders' Equity  
For the Period from May 26, 1999 (Date of Inception) to December 31, 2012  
(Expressed in US dollars)

	Common Shares #	Stock Amount \$	Additional Paid-in Capital \$	Accumulated Other Comprehensive Income \$	Deficit Accumulated During the Development Stage \$	Non-Controlling Interest \$	Total \$
Balance, May 26, 1999 (Date of inception)							
Net loss for the period					(2,465)		(2,465)
Balance, December 31, 1999					(2,465)		(2,465)
Net loss for the year							
Balance, December 31, 2000					(2,465)		(2,465)
Shares issued for cash at \$0.001 per share	1,500,000	1,500					1,500
Shares issued for cash at \$0.01 per share	2,500,000	2,500	22,500				25,000
Shares issued to acquire mineral property interest at \$0.01 per share	1,500,000	1,500	13,500				15,000
Shares issued for cash at \$0.35 per share	90,500	91	31,584				31,675
Net loss for the year					(47,158)		(47,158)
Balance, December 31,	5,590,500	5,591	67,584		(49,623)		23,552

2001					
Shares issued for cash at \$0.35 per share	50,000	50	17,450		17,500
Net loss for the year				(51,671)	(51,671)
Balance, December 31, 2002	5,640,500	5,641	85,034	(101,294)	(10,619)
Net loss for the year				(26,916)	(26,916)
Balance, December 31, 2003	5,640,500	5,641	85,034	(128,210)	(37,535)
Net loss for the year			-	(20,096)	(20,096)
Balance, December 31, 2004	5,640,500	5,641	85,034	(148,306)	(57,631)
Shares issued for cash at \$0.10 per share	6,959,500	6,959	688,991		695,950
Shares issued for cash at \$0.40 per unit	5,420,000	5,420	2,162,580		2,168,000
Share issuance costs			(43,987)		(43,987)
Shares issued to settle debt	200,000	200	211,800		212,000
Shares issued for compensation to related parties at a fair value of \$1.01 per share	3,775,000	3,775	3,808,975		3,812,750
Net loss for the year				(5,002,225)	(5,002,225)
Balance, December 31, 2005	21,995,000	21,995	6,913,393	(5,150,531)	1,784,857

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



Uranerz Energy Corporation  
(An Exploration Stage Company)  
Consolidated Statements of Stockholders Equity  
For the Period from May 26, 1999 (Date of Inception) to December 31, 2012  
(Expressed in US dollars)

	Common Shares #	Stock Amount \$	Additional Paid-in Capital \$	Accumulated Other Comprehensive Income \$	Deficit Accumulated During the Development Stage \$	Non-Controlling Interest \$	Total \$
Balance, December 31, 2005	21,995,000	21,995	6,913,393		(5,150,531)		1,784,857
Shares issued for cash at \$1.00 per share	7,245,000	7,245	7,237,755				7,245,000
Shares issued for cash at \$1.75 per share	2,142,200	2,142	3,746,708				3,748,850
Share issuance costs			(516,964)				(516,964)
Shares issued for finders fees	238,498	238	277,460				277,698
Shares issued upon the exercise of warrants	2,700,000	2,700	1,774,550				1,777,250
Shares issued for services at \$0.91 per share	100,000	100	90,900				91,000
Shares and options issued to settle debt	139,640	140	129,690				129,830
Fair value of stock options granted			4,124,025				4,124,025

Foreign currency translation adjustments						
Net loss for the year					(6,548,901)	(6,548,901)
Balance, December 31, 2006	34,560,338	34,560	23,777,517	542	(11,699,432)	12,113,187
Shares issued upon the exercise of warrants	4,481,749	4,482	8,312,196			8,316,678
Shares issued upon the exercise of options	182,000	182	287,918			288,100
Fair value of stock options granted			4,997,753			4,997,753
Foreign currency translation adjustments					(61)	(61)
Net loss for the year					(14,197,366)	(14,197,366)
Balance, December 31, 2007	39,224,087	39,224	37,375,384	481	(25,896,798)	11,518,291
Shares issued to acquire mineral properties	5,750,000	5,750	19,084,250			19,090,000
Shares issued upon the exercise of warrants	96,100	96	240,154			240,250
Shares issued upon the exercise of options	356,300	356	304,669			305,025
Shares issued pursuant to private placement	9,865,000	9,865	23,666,135			23,676,000
Shares issued to settle debt	160,900	161	402,089			402,250

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Share issuance costs			(1,387,219)			(1,387,219)
Fair value of stock options granted			2,681,417			2,681,417
Foreign currency translation adjustments				(481)		(481)
Net loss for the year				(34,247,199)	(949,185)	(35,196,384)
Contribution from non-controlling interest					1,018,770	1,018,770
Balance, December 31, 2008	55,452,387	55,452	82,366,879	(60,143,997)	69,585	22,347,919
Shares issued upon the exercise of options	242,500	243	165,882			166,125
Shares issued pursuant to public offering	8,500,000	8,500	16,991,500			17,000,000
Share issuance costs			(1,634,628)			(1,634,628)
Fair value of stock options granted			922,265			922,265
Net loss for the year				(8,699,154)	(701,972)	(9,401,126)
Contribution from non-controlling interest					686,908	686,908
Balance, December 31, 2009	64,194,887	64,195	98,811,898	(68,843,151)	54,521	30,087,463

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

Uranerz Energy Corporation  
(An Exploration Stage Company)  
Consolidated Statement of Stockholders' Equity  
For the Period from May 26, 1999 (Date of Inception) to December 31, 2012  
(Expressed in US dollars)

	Common Stock Shares #	Common Stock Amount \$	Additional Paid-in Capital \$	Deficit Accumulated During the Development Stage \$	Non-Controlling Interest \$	Total \$
Balance, December 31, 2009	64,194,887	64,195	98,811,898	(68,843,151)	54,521	30,087,463
Fair value of stock options granted			3,746,165			3,746,165
Fair value of warrants issued for mineral property costs			1,258,000			1,258,000
Shares issued upon the exercise of options	454,100	454	431,461			431,915
Shares issued upon the exercise of warrants	25,000	25	74,975			75,000
Shares issued pursuant to public offering	6,147,446	6,147	19,993,853			20,000,000
Share issuance costs			(1,177,395)			(1,177,395)
Net loss for the year				(14,599,983)	(639,419)	(15,239,402)
Contribution from non-controlling interest					692,852	692,852
Balance, December 31, 2010	70,821,433	70,821	123,138,957	(83,443,134)	107,954	39,874,598
Fair value of stock options granted			6,404,307			6,404,307
Shares issued upon the exercise of options	2,223,920	2,224	2,237,984			2,240,208
Shares issued upon the exercise of warrants	4,041,421	4,042	12,120,221			12,124,263
Share issuance costs			(24,643)			(24,643)
Contribution from non-controlling interest					574,685	574,685
				(24,873,633)	(570,423)	(25,444,056)

Net loss for the year (Restated - Note 16)						
Balance, December 31, 2011 (Restated - Note 16)	77,086,774	77,087	143,876,826	(108,316,767)	112,216	35,749,362
Fair value of stock options granted			1,448,394			1,448,394
Common stock issued upon the exercise of options	120,800	121	96,763			96,884
Contribution from non-controlling interest					383,040	383,040
Net loss and comprehensive loss for the year (Restated - Note 16)				(28,974,449)	(372,888)	(29,347,337)
Balance, December 31, 2012 (Restated - Note 16)	77,207,574	77,208	145,421,983	(137,291,216)	122,368	8,330,343

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

Uranerz Energy Corporation  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
December 31, 2012  
(Expressed in US dollars)

1. Nature of Operations

Uranerz Energy Corporation (the Company) was incorporated in the State of Nevada, U.S.A. on May 26, 1999. Effective July 5, 2005, the Company changed its name from Carleton Ventures Corp. to Uranerz Energy Corporation. The Company has mineral property interests in the United States.

The Company is an Exploration Stage Company, as defined by Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 915, *Development Stage Entities*. The Company's principal business is the acquisition and exploitation of uranium and mineral resources.

As at December 31, 2012, the Company has an accumulated deficit, no debt and cash on hand of \$7,016,710. The Company's operating expenditure plan for the following 12 months will require cash of \$7,000,000 and the Company's Nichols Ranch ISR Uranium Project will require cash of \$18,000,000. To meet the cash requirement to carry out its complete plan, the Company will be required to raise financing through borrowing, issuing additional shares, or a combination of borrowing and issuing additional shares. Accordingly, there are material uncertainties that cast substantial doubt about the Company's ability to continue as a going concern. Management has plans in place to address the Company's cash requirements, as outlined in Notes 15(b) and (c). The completion of any plan is dependent on various factors, some of which are beyond management's control, and there can be no assurance that they will be successful.

2. Summary of Significant Accounting Policies

a) Basis of Presentation and Principles of Consolidation

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. These consolidated financial statements include the accounts of the Company and the accounts of an unincorporated venture, Arkose Mining Venture ( Arkose ) in which the Company holds an 81% interest and maintains majority voting control. The Company's fiscal year-end is December 31.

b) Use of Estimates