

URANERZ ENERGY CORP.

Form 10-Q

November 10, 2014

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended **September 30, 2014**

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 or other jurisdiction of incorporation or  
organization)

**98-0365605**

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

**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)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the issuer (1) has 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 (§232.405 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[X] No[ ]

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

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 Exchange Act) Yes

No

Number of shares of issuer's common stock outstanding at **November 5, 2014: 95,895,306**

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Uranerz Energy Corporation

September 30, 2014

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Uranerz Energy Corporation  
Consolidated Balance Sheets  
(Expressed in US dollars)

	September 30, 2014 \$ (Unaudited)	December 31, 2013 \$ (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	9,473,395	11,915,676
Accounts receivable (Note 3)	3,900,000	
Prepaid expenses and deposits (Note 7(a))	1,213,272	1,313,558
Inventory (Note 4)	1,392,794	
Other current assets	88,673	76,654
<b>Total Current Assets</b>	<b>16,068,134</b>	<b>13,305,888</b>
Debt Issuance Costs (Note 9)	246,436	307,120
Prepaid Expenses and Deposits (Note 7(a))	434,173	548,271
Mineral Property Reclamation Surety Deposits (Note 10)	2,081,196	2,081,039
Property and Equipment (Note 5)	804,328	706,447
<b>Total Assets</b>	<b>19,634,267</b>	<b>16,948,765</b>
<b>LIABILITIES AND DEFICIT</b>		
<b>Current Liabilities</b>		
Accounts payable	544,804	580,984
Accrued liabilities (Note 7(b))	1,435,714	1,674,779
Current portion of note payable (Note 9)	2,141,743	
Due to related parties (Note 8(a))	8,305	
<b>Total Current Liabilities</b>	<b>4,130,566</b>	<b>2,255,763</b>
Note Payable (Note 9)	17,858,257	20,000,000
Asset Retirement Obligations (Note 10)	1,850,873	1,241,481
<b>Total Liabilities</b>	<b>23,839,696</b>	<b>23,497,244</b>
<b>Commitments (Notes 6 and 15)</b>		
<b>Deficit</b>		
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; 95,895,306 and 85,815,074 shares issued and outstanding, respectively		
	95,895	85,815
Additional Paid-in Capital	169,258,241	156,814,709
Accumulated Deficit	(173,740,237)	(163,562,491)
Uranerz Stockholders' Deficit	(4,386,101)	(6,661,967)
Non-controlling Interest	180,672	113,488
<b>Total Deficit</b>	<b>(4,205,429)</b>	<b>(6,548,479)</b>
<b>Total Liabilities and Deficit</b>	<b>19,634,267</b>	<b>16,948,765</b>

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





Uranerz Energy Corporation  
Consolidated Statements of Comprehensive Loss  
(Expressed in US dollars)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014 \$	2013 \$	2014 \$	2013 \$
Revenue	3,900,000		3,900,000	
Cost of sales	2,475,717		2,475,717	
Gross profit	1,424,283		1,424,283	
<b>Expenses</b>				
Depreciation	57,307	46,902	164,246	155,501
Accretion of asset retirement obligation (Note 10)		19,709	36,817	56,845
Foreign exchange gain	634	(17,160)	(73,765)	(22,212)
General and administrative (Notes 8 and 12)	1,283,101	2,059,577	4,459,800	4,604,731
Mineral property expenditures (Note 6(m) and 12)	672,848	8,292,757	6,362,132	12,762,426
Total Operating Expenses	2,013,890	10,401,785	10,949,230	17,557,291
Operating Loss	(589,607)	(10,401,785)	(9,524,947)	(17,557,291)
<b>Other Income (Expense)</b>				
Interest income	7,786	4,419	19,191	11,033
Interest expense	(307,728)	(729,450)	(923,184)	(966,556)
Other income (expense)			19,431	
Total Other Income (Expenses)	(299,942)	(725,031)	(884,562)	(955,523)
Net Loss and Comprehensive Loss	(889,549)	(11,126,816)	(10,409,509)	(18,512,814)
Net Loss and Comprehensive Loss attributable to non-controlling interest	75,939	75,024	231,763	186,611
Net Loss and Comprehensive Loss Attributable to Company Stockholders	(813,610)	(11,051,792)	(10,177,746)	(18,326,203)
Net Loss Per Share Basic and Diluted	(0.01)	(0.14)	(0.12)	(0.24)
Weighted Average Number of Shares Outstanding	93,349,000	79,456,000	88,490,000	77,969,000

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

Uranerz Energy Corporation  
Consolidated Statements of Cash Flows  
(Expressed in US dollars)  
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
	\$	\$
<b>Operating Activities</b>		
Net loss	(10,409,509)	(18,512,814)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	164,246	155,501
Accretion of asset retirement obligation	36,817	56,845
Accretion of discount on notes payable		544,911
Amortization of financing costs	60,684	277,974
Asset retirement cost	520,706	72,013
Non-cash items included in cost of sales	1,956	
Other expense (income)	(19,431)	
Stock-based compensation	1,075,358	1,304,729
Changes in operating assets and liabilities:		
Accounts receivable	(3,900,000)	
Prepaid expenses and deposits	214,384	103,271
Inventory	(1,342,881)	
Other current assets	(12,019)	(56,152)
Accounts payable and accrued liabilities	(275,245)	1,788,827
Due to related parties	8,305	(1,864)
<b>Net Cash Used in Operating Activities</b>	<b>(13,876,629)</b>	<b>(14,266,759)</b>
<b>Investing Activities</b>		
Reclamation surety deposits	(157)	(157)
Proceeds from sale of property and equipment	20,512	
Investment in property and equipment	(263,208)	(35,927)
<b>Net Cash Used in Investing Activities</b>	<b>(242,853)</b>	<b>(36,084)</b>
<b>Financing Activities</b>		
Proceeds from notes payable		6,000,000
Financing costs		(296,840)
Contributions from non-controlling interest	298,947	241,500
Proceeds from issuance of common stock	12,541,378	10,028,875
Share issuance costs	(1,163,124)	(1,139,035)
<b>Net Cash Provided by Financing Activities</b>	<b>11,677,201</b>	<b>14,834,500</b>
<b>Increase (Decrease) In Cash</b>	<b>(2,442,281)</b>	<b>531,657</b>
Cash - Beginning of Period	11,915,676	7,016,710
Cash - End of Period	9,473,395	7,548,367
<b>Non-cash Investing and Financing Activities</b>		
Common stock issued for services	117,600	
Warrants issued with notes payable		525,461
<b>Supplemental Disclosures</b>		
Interest paid	731,528	143,671
Income taxes paid		

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

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Uranerz Energy Corporation  
Consolidated Statement of Changes in Deficit  
For the Nine Months Ended September 30, 2014  
(Expressed in US dollars)  
(Unaudited)

	Common Stock Shares #	Amount \$	Additional Paid-in Capital \$	Accumulated Deficit \$	Non- Controlling Interest \$	Total \$
Balance, December 31, 2013	85,815,074	85,815	156,814,709	(163,562,491)	113,488	(6,548,479)
Stock-based compensation			957,758			957,758
Shares issued upon the exercise of options	280,232	280	341,098			341,378
Shares issued upon the exercise of warrants	125,000	125	199,875			200,000
Shares issued for services	75,000	75	117,525			117,600
Shares issued in public offering	9,600,000	9,600	11,990,400			12,000,000
Share issuance costs			(1,163,124)			(1,163,124)
Contribution from non-controlling interest					298,947	298,947
Net loss and comprehensive loss for the period				(10,177,746)	(231,763)	(10,409,509)
Balance, September 30, 2014	95,895,306	95,895	169,258,241	(173,740,237)	180,672	(4,205,429)

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

Uranerz Energy Corporation  
Notes to the Consolidated Financial Statements  
Nine Months Ended September 30, 2014 and 2013  
(Expressed in US dollars)  
(Unaudited)

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 and its principal business is the acquisition and exploitation of uranium and mineral resources. In the first quarter of 2014, the Company commenced mining uranium at its Nichols Ranch ISR Uranium Project in Wyoming. During the three months ended September 30, 2014, the Company generated significant revenue from this first mine.

At September 30, 2014 the Company had working capital of \$11,937,568 and cash on hand of \$9,473,395. Management expects that the Company's financial position will be sufficient to fund operations through 2015.

2. Summary of Significant Accounting Policies

a) Basis of Presentation

The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the Securities and Exchange Commission (SEC) instructions for companies filing Form 10-Q. Prior to the quarter ended September 30, 2014, the Company met the definition of a Development Stage Entity as defined under Accounting Standards Codification Section 915, *Development Stage Entities* (ASC 915) and presented the additional financial statement disclosures required by a Development Stage Entity under ASC 915, including the presentation of cumulative amounts since inception for the consolidated statements of comprehensive loss, changes in deficit and cash flows. During the three months ended September 30, 2014, the Company generated significant revenue from its planned principal operations by completing its first sale of uranium concentrates. Accordingly the Company no longer meets the definition of a Development Stage Entity under ASC 915 and is no longer required to present the additional financial statement disclosures required by a Development Stage Entity. Commencing with the filing of its Form 10-Q for the nine month period ended September 30, 2014, the Company no longer presented the additional financial statement disclosures required by a Development Stage Entity under ASC 915.

The Company has established the existence of mineralized materials at its Nichols Ranch project but has not established, and has no plans to establish, the existence of proven and probable reserves at this site. The Company has not established proven or probable reserves, as defined by the United States Securities and Exchange Commission (the SEC) under Industry Guide 7, through the completion of a final or bankable feasibility study for any of its uranium projects. As a result, and despite the fact that the Company commenced extraction of mineralized materials during the three months ended September 30, 2014, the Company remains in the Exploration Stage as defined under Industry Guide 7, and will continue to remain in the Exploration Stage until such time proven or probable reserves have been established. Development expenditures, which might otherwise be capitalized, will continue to be expensed in accordance with the SEC Industry Guide 7. In the opinion of management, the unaudited interim consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of September 30, 2014, and the results of operations and cash flows for the period

then ended. The financial data and other information disclosed in the notes to the interim consolidated financial statements related to this period are unaudited. The results for the three and nine-month period ended September 30, 2014 are not necessarily indicative of the results to be expected for any subsequent quarter or the entire year ending December 31, 2014. The unaudited interim consolidated financial statements have been condensed pursuant to the Securities and Exchange Commission's rules and regulations and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these unaudited interim consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements and notes thereto for the year ended December 31, 2013, included in the Company's Annual Report on Form 10-K filed on March 14, 2014 with the SEC.

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) Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturities of three months or less at the time of issuance to be cash equivalents.

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Uranerz Energy Corporation  
Notes to the Consolidated Financial Statements  
Nine Months Ended September 30, 2014 and 2013  
(Expressed in US dollars)  
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

c) Inventory

Inventories of uranium concentrates ( $U_3O_8$ ) are classified as in-process (solutions) and finished goods. In-process inventory represents  $U_3O_8$  that has been extracted from the wellfield and captured in the Nichols Ranch processing plant. The captured  $U_3O_8$  is then transferred to the toll processor where the uranium concentrate is extracted, purified and dried into yellowcake before being drummed. The  $U_3O_8$  becomes finished goods inventory once it is packaged in drums. The finished goods inventory is then shipped to the conversion facility. Inventory sent and accepted at the conversion facility is available for the Company to sell to its customers.

The Company uses solution flow rates and measured concentration of  $U_3O_8$  in its processing plant's ion exchange columns and assays of pregnant resin at our toll processor to calculate the amount of in-process inventory. The amount of finished goods is determined by weighing and assaying the amount of  $U_3O_8$  packaged into drums at the toll processor and at the conversion facility. The amount of  $U_3O_8$  in the finished goods inventory is subject to final weighing and assay adjustments at the conversion facility. The Company values its concentrates at the lower of weighted average cost or net realizable value at the end of each reporting period. Costs include direct labor, materials and other mining and processing costs and depreciation related to extraction of uranium.

d) Financial Instruments/Concentrations

Financial instruments consist principally of cash and cash equivalents, accounts receivable, mineral property reclamation security deposits, accounts payable, due to related parties and notes payable. Pursuant to ASC 820, *Fair Value Measurements* and Disclosures and ASC 825, *Financial Instruments* the fair value of cash equivalents is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. The reclamation deposits are deposits mainly invested in at major financial institutions and their fair value was estimated to approximate their carrying value. The recorded values of all other financial instruments approximate their current fair values because of their nature and respective relatively short maturity dates and current market rates for similar instruments. The Company's operations and financing activities are conducted primarily in United States dollars and as a result, the Company is not subject to significant exposure to market risks from changes in foreign currency rates. The Company is exposed to credit risk through its cash and cash equivalents and accounts receivable, but mitigates this risk by keeping deposits at major financial institutions and advancing credit only to bona fide creditworthy entities.

e) Fair Value Measurements

ASC 820, *Fair Value Measurements*, specifies a valuation hierarchy based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect

market data obtained from independent sources, while unobservable inputs reflect the Company's own assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 Quoted prices for identical instruments in active markets;
- Level 2 Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

As at September 30, 2014 and December 31, 2013, cash is the Company's only financial instrument that is measured at fair value on a recurring basis within Level 1 of the fair value hierarchy. The Company does not have any Level 2 or Level 3 financial instruments.

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Uranerz Energy Corporation  
Notes to the Consolidated Financial Statements  
Nine Months Ended September 30, 2014 and 2013  
(Expressed in US dollars)  
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

f) Mineral Property Costs

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

Mineral property exploration and evaluation costs are expensed as incurred. Development costs are expensed as incurred until proven and probable reserves are established. Subsequent development costs are capitalized. Costs for acquired mineral properties and mineral rights are initially capitalized when incurred, then assessed quarterly for impairment under ASC 360, *Property, Plant and Equipment*. The Company has not established proven or probable reserves on any of its mineral projects.

g) 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 obligations 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 expensed or added to the carrying amount of the associated asset and, if capitalized, 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 change in these estimates is included in exploration expense during the period and the actual restoration expenditures incurred are charged to the accumulated asset retirement obligation provision as the restoration work is completed. At September 30, 2014 the Company has recorded \$39,000 (December 31, 2013 - \$39,000) for well reclamation obligations in accrued liabilities for which work is required as part of its ongoing exploration expenses.

h) Revenue Recognition

The recognition of revenue from the sale of uranium concentrates is in accordance with the guidelines outlined in ASC Section 605-10- 25, *Revenue Recognition*. The Company delivers its uranium concentrates to a uranium storage facility and once the product is confirmed to meet the required specifications, the Company receives credit for a specified quantity measured in pounds. Future sales of uranium concentrates are expected to generally occur under uranium supply agreements or through the uranium spot market. Once a sale of uranium concentrates is negotiated, the Company will notify the uranium storage facility with instructions for a title transfer to the customer. Revenue is recognized once a title transfer of the uranium concentrates is confirmed by the uranium storage facility.

i) Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted ASC 740, *Income Taxes* as of its inception. Pursuant to ASC 740 the Company is required to compute tax asset benefits for net operating losses carried forward and mineral property acquisition, exploration and development costs. The potential benefits of deferred income tax assets have not been recognized in these consolidated financial statements because the Company cannot be assured that it is more likely than not to utilize the net operating losses carried forward in future years.

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Uranerz Energy Corporation  
Notes to the Consolidated Financial Statements  
Nine Months Ended September 30, 2014 and 2013  
(Expressed in US dollars)  
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

j) Recently Adopted Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. The amendments in ASU 2013-04 provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this Update is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this Update also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments in this standard are effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of the pronouncement did not have a material effect on our consolidated financial statements.

In April 2013, the FASB issued ASU No. 2013-07, *Presentation of Financial Statements (Top 205): Liquidation Basis of Accounting*. The objective of ASU No. 2013-07 is to clarify when an entity should apply the liquidation basis of accounting and to provide principles for the measurement of assets and liabilities under the liquidation basis of accounting, as well as any required disclosures. The amendments in this standard is effective prospectively for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. The adoption of the pronouncement did not have a material effect on our consolidated financial statements.

In July 2013, ASC guidance was issued related to the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. The updated guidance requires an entity to net its unrecognized tax benefits against the deferred tax assets for all same jurisdiction net operating loss carryforward, a similar tax loss, or tax credit carryforwards. A gross presentation will be required only if such carryforwards are not available or would not be used by the entity to settle any additional income taxes resulting from disallowance of the uncertain tax position. The update is effective prospectively for the Company's fiscal year beginning January 1, 2014. The adoption of the pronouncement did not have a material effect on our consolidated financial statements.

In March 2013, ASC guidance was issued related to Foreign Currency Matters to clarify the treatment of cumulative translation adjustments when a parent sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. The updated guidance also resolves the diversity in practice for the treatment of business combinations achieved in stages in a foreign entity. The update is effective prospectively for the Company's fiscal year beginning January 1, 2014. The adoption of the pronouncement did not have a

material effect on our consolidated financial statements.

In April 2014, ASC guidance was issued related to Discontinued Operations which changed the criteria for determining which disposals can be presented as discontinued operations and modified related disclosure requirements. The updated guidance requires an entity to only classify discontinued operations due to a major strategic shift or a major effect on an entity's operations in the financial statements. The updated guidance will also require additional disclosures relating to discontinued operations. The Company early adopted this guidance prospectively at the beginning of fiscal year January 1, 2014. Adoption of the new guidance did not have an impact on the consolidated financial position, results of operations or cash flows.

k) Recently Issued Accounting Pronouncements

In June 2014, ASU guidance was issued to resolve the diversity of practice relating to the accounting for stock based performance awards that the performance target could be achieved after the employee completes the required service period. The update is effective prospectively or retrospectively for annual reporting periods beginning December 15, 2015. The Company does not expect the updated guidance to have an impact on the consolidated financial position, results of operations or cash flows.

In May 2014, ASU guidance was issued related to revenue from contracts with customers. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. The ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods and is to be retrospectively applied. Early adoption is not permitted. The Company is currently evaluating this guidance and the impact it will have on its consolidated financial statements.

Uranerz Energy Corporation  
Notes to the Consolidated Financial Statements  
Nine Months Ended September 30, 2014 and 2013  
(Expressed in US dollars)  
(Unaudited)

3. Accounts Receivable

The Company's accounts receivable consists of trade accounts receivable from one customer.

4. Inventory

The Company's inventory consists of the following:

	As at September 30, 2014 \$	As at December 31, 2013 \$
In-process	431,947	
Finished goods	960,847	
	1,392,794	

5. Property and Equipment

	Cost \$	Accumulated Depreciation \$	September 30, 2014 Net Carrying Value \$	December 31, 2013 Net Carrying Value \$
Computers and office equipment	363,037	273,891	89,146	103,024
Field equipment	1,763,620	1,048,438	715,182	603,423
	2,126,657	1,322,329	804,328	706,447

6. Mineral Properties

- a) On November 18, 2005, the Company entered into an agreement to acquire a 100% interest in 10 mining claims located in the Powder River Basin area, Wyoming, in consideration of advanced royalty payment of \$250,000. The amounts were paid in installments and completed by January 2007. These mining claims are mainly located on the Nichols Ranch ISR Uranium Project and subject to a varying royalty interest indexed to the sales price of uranium.
- b) On December 9, 2005, the Company entered into an option agreement to acquire a 100% interest in 44 mining claims within six mineral properties located in the Powder River Basin area, Wyoming. As at December 31, 2007 all requirements of this option agreement were satisfied and a deed for the 44 claims was received. A royalty fee of between 6% - 8% is payable for uranium extracted, based on the uranium spot price at the time of extraction and delivery.
- c) On February 1, 2007, the Company acquired three mineral properties consisting of 138 unpatented lode mining claims located in Campbell County, Wyoming for a total purchase price of \$3,120,000.

- d) On January 15, 2008, the Company acquired an undivided eighty-one percent (81%) interest in approximately 82,000 acres (33,100 hectares) of mineral properties located in the central Powder River Basin of Wyoming, and entered into a venture agreement (the Arkose Mining Venture ) with the vendor pursuant to which the Company will explore the properties.
- e) On August 20, 2008, the Company leased 891 acres of mineral properties near the Company s Nichols Ranch project area in Wyoming for an advance royalty payment of \$22,275.
- f) On August 20, 2008, the Company, on behalf of the Arkose Mining Venture, leased 6,073 acres of mineral properties within Arkose s area of interest in Wyoming for an advance royalty payment of \$151,828.
- g) On September 18, 2008, the Company leased 984 acres of mineral properties within the Company s North Reno Creek project area in Wyoming. Refer to Note 15(b).

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Uranerz Energy Corporation  
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(Unaudited)

6. Mineral Properties (continued)

- h) On December 3, 2008, the Company, on behalf of the Arkose Mining Venture, leased 1,680 acres of mineral properties within Arkose's area of interest in Wyoming for a five year advance royalty payment of \$83,993.
- i) On July 7, 2009, the Company, on behalf of the Arkose Mining Venture, leased 320 acres of mineral properties within the Arkose area of interest in Wyoming.
- j) On January 26, 2010, the Company acquired Geological Data on the North Reno Creek uranium prospect located in Campbell County, Wyoming for a total purchase price of \$600,000.
- k) On August 13, 2010, the Company acquired Geological Data on the Powder River Basin, Wyoming by issuing warrants with a fair value of \$1,258,000 to purchase 2,000,000 common shares of the Company at an exercise price of \$3.00 per share.
- l) On July 19, 2011, the Company received its Materials License from the Nuclear Regulatory Commission which allowed it to proceed with construction of its Nichols Ranch ISR Uranium Project in Wyoming.
- m) During the nine months ended September 30, 2014, mineral property expenditures totaling \$6,362,132 (2013 - \$12,762,426) were expensed, including \$5,128,756 (2013 - \$11,797,330) of wellfield and construction costs related to our Nichols Ranch ISR Uranium Project.

	September 30, 2014	December 31, 2013
	\$	\$
Exploration costs		7,635
Insurance	106,213	254,122
Investor relations		59,232
Lease costs	551,877	392,884
Reclamation bonding	39,431	195,558
Current portion power supply advance	14,400	
Surface use and damage costs	354,553	309,054
Deposits	76,800	76,800
Listing fees	16,672	
Other	53,326	18,273
Current prepaid expenses and deposits	1,213,272	1,313,558
Deposits	29,998	29,892
Power supply advance	172,846	195,727
Surface use and damage costs	231,329	322,652

Non-current prepaid expenses and deposits	434,173	548,271
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Uranerz Energy Corporation  
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7. Balance Sheet Details (continued)

- b) The components of accrued liabilities are as follows:

	September 30, 2014 \$	December 31, 2013 \$
Mineral exploration expenses (Note 15(f))	60,113	703,192
Employee costs	286,506	219,580
Executive and employee compensation		604,000
Insurance fees		7,723
Operational expenses	226,757	
Professional fees		54,060
Property taxes	129,201	
Reclamation costs (Note 10)	39,000	39,000
Taxes and royalties	694,137	
Other		47,224
Total accrued liabilities	1,435,714	1,674,779

8. Related Party Transactions / Balances

- a) During the nine months ended September 30, 2014, the Company incurred \$631,358 (2013 - \$638,922) for consulting services (included in general and administrative expenses) provided by Officers. Other general and administrative expenses were reimbursed in the normal course of business. At September 30, 2014, consulting services and expenditures incurred on behalf of the Company of \$8,305 (December 31, 2013 - \$Nil) are owed to these Officers, and these amounts are unsecured, non-interest bearing, and due on demand.
- b) During the nine months ended September 30, 2014, the Company paid fees of \$112,975 (2013 - \$114,475) to non-executive Directors of the Company for their services as Directors. Other general and administrative expenses were reimbursed to the directors in the normal course of business.
- c) During the nine months ended September 30, 2014, the Company paid \$322,500 (2013 - \$Nil) for bonuses (included in prior year's general and administrative expenses) to related party Officers.

Year Ended:

December 31, 2014	\$	Nil
December 31, 2015		2,876,280
December 31, 2016		3,045,266
December 31, 2017		3,224,181
December 31, 2018		3,413,608

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December 31, 2019	3,614,163
December 31, 2020	3,826,502
Total	20,000,000
Less: current portion	(2,141,743)
Long-term portion	\$ 17,858,257

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#### 10. Asset Retirement Obligations

The following summary sets forth the annual changes to the Company's asset retirement obligation relating to the Company's Nichols Ranch ISR Uranium Project in Wyoming:

Balance at December 31, 2013	\$ 1,241,481
Liabilities incurred	531,116
Liabilities settled	(10,410)
Accretion expense	88,686
Balance at September 30, 2014	\$ 1,850,873

The current portion of reclamation and remediation liabilities of \$39,000 at September 30, 2014 and December 31, 2013, respectively, are included in accrued liabilities (see Note 7(b)).

In 2008 the Company provided a bond in the amount of \$622,500 to the State of Wyoming, Department of Environmental Quality or the Secretary of the Interior, United States Government. The bond is in lieu of depositing cash to guarantee reclamation of exploration drill holes in the Arkose Mining Venture and surety was provided by an insurance company. The bond applies to 250 drill holes on a revolving basis. To date, the Company, including the Arkose Mining Venture, has a 100% record of completing reclamation without recourse to security provided.

In December 2010, the Company provided a \$1,700,000 cash security to support a bond in the amount of \$6,800,000 to the State of Wyoming, Department of Environmental Quality or the Secretary of the Interior, United States Government. The bond is in lieu of depositing cash to guarantee mine reclamation and surety was provided by an insurance company. The bond applies to the first year's operation of the Company's Nichols Ranch ISR Uranium Project. This amount together with other surety deposits of \$381,196 have been classified as mineral property reclamation surety deposits.

#### 11. Common Stock

- a) During the nine months ended September 30, 2014, the Company issued 280,232 shares of common stock, pursuant to the exercise of stock options, for proceeds of \$341,378.

Month	Shares Issued	Proceeds \$
January	22,000	24,580
February	67,700	90,041
March	60,000	78,110
April	35,032	44,912
May	84,000	90,075
June	-	-
July	7,500	9,140
August	4,000	4,520
September	-	-
<b>Total</b>	<b>280,232</b>	<b>341,378</b>

- b) On March 14, 2014, the Company issued 125,000 shares of common stock, pursuant to the exercise of warrants, for proceeds of \$200,000.
- c) On March 20, 2014, the Company issued 30,000 shares of common stock with a fair value of \$51,000 to a consultant for consulting services. During the nine months ended September 30, 2014, the Company recorded the fair value of the shares as general and administrative expenses.
- d) On May 29, 2014, the Company issued 30,000 shares of common stock with a fair value of \$48,900 to a consultant for consulting services. During the nine months ended September 30, 2014, the Company recorded the fair value of the shares as general and administrative expenses.

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11. Common Stock (continued)

- e) On July 25, 2014 the Company issued 9,600,000 units at a price per unit of \$1.25 for gross proceeds of \$12,000,000. Each Unit was comprised of one share of common stock, and one half of one common share purchase warrant, with each whole warrant exercisable to purchase one additional share of common stock for a period of 30 months following the closing of the offering at an exercise price of \$1.60, subject to acceleration provisions.
- f) On September 5, 2014, the Company issued 15,000 shares of common stock with a fair value of \$17,700 to a consultant for consulting services. During the nine months ended September 30, 2014, the Company recorded the fair value of the shares as general and administrative expenses.

12. Stock-based Compensation

The Company adopted a Stock Option Plan dated November 7, 2005 under which the Company is authorized to grant stock options to acquire up to a total of 10,000,000 shares of common stock. No options shall be issued under the Stock Option Plan at a price per share less than the defined Market Price. On June 11, 2008, the Company modified the Stock Option Plan to define Market Price as the volume weighted average trading price of the Company's common shares for the five trading days before the date of grant on the Toronto Stock Exchange or American Stock Exchange, now the NYSE MKT, whichever has the greater trading volume. On June 15, 2011, the Company amended the 2005 Non-Qualified Stock Option Plan to increase the number of shares authorized for issuance under the plan from 10,000,000 to 30,000,000 and extend the plan termination date for an additional 10 years.

During the nine months ended September 30, 2014, the Company granted the following options:

- 7,500 stock options at an exercise price of \$1.52 per share for 10 years that vest 40% on the date of grant, 30% on the first anniversary of the grant date and 30% on the second anniversary of the grant date,
- 30,000 stock options at an exercise price of \$1.17 per share for 10 years that vest 40% on March 2, 2015, 30% on the first anniversary of the grant date and 30% on the second anniversary of the grant date
- 30,000 stock options at an exercise price of \$1.36 per share for 10 years that vest 40% on August 27, 2014, 30% on the first anniversary of the grant date and 30% on the second anniversary of the grant date and
- 49,000 stock options at an exercise price of \$1.36 for 1.5 years that vest immediately.

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12. Stock-based Compensation (continued)

The fair value of stock options granted was calculated using the Black-Scholes option-pricing model based on the following assumptions:

*Risk-Free Interest Rate:* Based on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equivalent to the expected term of the options being valued.

*Dividend Yield:* Based on the projection of future stock prices and dividends expected to be paid.

*Expected Term:* Represents the period of time that stock options are expected to be outstanding based on historic exercise behavior.

*Expected Volatility:* Based on the Company's historical stock prices for a period of time equal to the expected term of the award.

The weighted average assumptions used for each of the nine months ended September 30, are as follows:

	2014	2013
Expected dividend yield	0%	
Risk-free interest rate	1.32%	
Expected volatility	78%	
Expected option life (in years)	6.42	

The following table summarizes the continuity of the Company's stock options:

	Number of Options	Weighted Average Exercise Price \$	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value \$
Outstanding, December 31, 2013	11,245,380	2.07		
Granted	116,500	1.32		
Forfeited	(1,814,000)	3.43		
Exercised	(280,232)	1.22		
Expired	(1,098,500)	2.45		
Outstanding, September 30, 2014	8,169,148	1.74	5.34	247,300
Exercisable, September 30, 2014	6,766,498	1.85	4.78	238,480

A summary of the changes of the Company's non-vested stock options is presented below:

Number of	Weighted Average Grant Date
-----------	--------------------------------

Non-vested stock options	Options	Fair Value \$
Non-vested at December 31, 2013	1,842,150	1.07
Granted	116,500	0.81
Vested	(374,500)	0.98
Expired	(181,500)	1.06
Non-vested at September 30, 2014	1,402,650	1.07

As at September 30, 2014, there was \$722,830 of unrecognized compensation cost related to non-vested stock option agreements. This cost is expected to be recognized over a weighted average period of 0.83 years.

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13. Stock Purchase Warrants

- a) In July, 2014, as a component of a public offering of Units, the Company issued 4,800,000 common share purchase warrants, exercisable for \$1.60 per share during the thirty month period ending January 25, 2017. The Company has the right to accelerate the expiry date of the warrants in the event that the underlying common shares trade at a closing price on the NYSE market of greater than \$2.75 per share for a period of 20 consecutive trading days. No warrants have been exercised as at September 30, 2014.
- b) In September, 2013, as a component of a public offering of Units, the Company issued 4,275,000 common share purchase warrants, exercisable for \$1.60 per share during the thirty month period ending March 5, 2016. The Company has the right to accelerate the expiry date of the warrants in the event that the underlying common shares trade at a closing price on the NYSE market of greater than \$2.75 per share for a period of 20 consecutive trading days. As at September 30, 2014, 125,000 warrants have been exercised.
- c) In June, 2013 as additional consideration for a loan, the Company issued non-transferable common stock purchase warrants entitling the holders to purchase from the Company 1,600,000 common shares at an exercise price of \$1.60 per share, of which 1,200,000 warrants were immediately exercisable and 400,000 additional warrants exercisable only if the Notes remain outstanding after August 15, 2013. The loan was repaid in December 2013. The warrants expire 30 months from the date of issue, subject to an acceleration option exercisable by the Company in the event that the Company's common shares trade at a closing price on the NYSE MKT of greater than \$2.75 per share for 20 consecutive trading days. No warrants have been exercised as at September 30, 2014.
- d) On August 13, 2010, the Company issued warrants to purchase 2,000,000 shares of common stock to a third party in exchange for the acquisition of intellectual property related to certain uranium prospects. Each warrant entitles the holder to acquire one common share of the Company for \$3.00. The warrants expired June 30, 2014. (Refer to Note 6(k)).

A summary of the changes in the Company's common share purchase warrants is presented below:

	Number	Weighted Average Exercise Price \$
Balance December 31, 2013	7,875,000	1.96
Issued (Note 11(e))	4,800,000	1.60
Expired	(2,000,000)	3.00
Exercised	(125,000)	1.60
Balance September 30, 2014	10,550,000	1.60

As at September 30, 2014, the following common share purchase warrants were outstanding and exercisable:

Number of Warrants	Exercise Price \$	Expiry Date
1,600,000	1.60	December 5, 2015
4,150,000	1.60	March 5, 2016
4,800,000	1.60	January 25, 2017





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14. Shareholder Rights Plan

The Company has adopted a Shareholder Rights Plan (the "Plan") effective August 25, 2010 and reconfirmed it on July 10, 2013. The Plan confers one right per share to shareholders (a "Right") for each of the Company's outstanding shares of common stock, as at August 25, 2010 and for shares of common stock issued thereafter. Each Right will be evidenced by the Company's shares of common stock and will trade with the Company's shares of common stock. Under the terms of the Plan, the Rights separate and become exercisable upon a flip-in event: A flip-in event occurs if a person or group acquires 20% or more of the Company's common stock other than through a take-over bid which meets certain requirements, among them that the take-over bid offer be extended to all shareholders, that it remain open for 60 days, and that it receive approval of not less than 50% of independent shareholders. If a flip-in event occurs as described in the Plan, the Rights entitle the holder of each Right to purchase, for \$8.75 per share (the exercise price), that number of shares of common stock of the Company which has a market value of twice the exercise price, subject to certain adjustments as provided under the Plan. The Plan is effective for a three-year period, until the close of the Company's 2016 Annual General Meeting.

15. Commitments

- a) The Company has employment or consulting services agreements with each of its executive officers. Officers with contracts for services have notice requirements following a change in control of the Company and those requirements include a payment in lieu of notice and a termination payment.
- b) On September 18, 2008, the Company signed two mining lease agreements which require ten annual payments of \$75,000. As at September 30, 2014, the first five annual payments have been made. Refer to Note 6(g).
- c) Refer to Note 10 for commitments pertaining to mineral property reclamation surety deposits.
- d) On May 7, 2013, the Company signed an office premises lease for a period of three years commencing September 1, 2013. Rent is approximately \$51,700 (Cdn\$55,000) per annum.
- e) On January 22, 2014 the Company renewed an office lease for a primary term of two years, beginning February 1, 2014 and ending January 31, 2016. Rent consideration is \$142,010 per annum. The lease agreement may be renewed for two additional years.
- f) The Company is party to a processing agreement under which it is committed to minimum annual payments of \$450,000 for each of the years 2013, 2014 and 2015. The 2013 liability of \$450,000 was paid in January, 2014. Refer to Note 7(b).
- g) The Company is committed under two sales agreements to supply triuranium octoxide ( $U_3O_8$ ) over a four or five year period. One sales agreement has defined pricing each year and the second agreement has pricing which contains spot market referenced prices to set the sales

price, with a floor and ceiling.

- h) In 2013 the Company signed a third sales agreement to supply triuranium octoxide ( $U_3O_8$ ) over a five year period commencing in 2016. The agreement has pricing which contains a base with an escalation factor.
- i) At September 30, 2014 the Company has operational and construction purchase orders outstanding for approximately \$120,000.

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## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking-statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements concern our anticipated results and developments in our operations in future periods, planned exploration and, if warranted, development of our properties and plans related to our 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.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as believes, expects or does not expect, is expected, anticipates or does not anticipate, plans, estimates or stating that 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 demand for uranium;
- 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 our ability to obtain financing when required;
- 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 security of our cash and investments;
- risks related to our issuance of additional shares of common stock;
- risks related to acquisition and integration issues;
- risks related to the public acceptance of nuclear power;
- risks related to obtaining the necessary access rights;
- risks related to potential environmental liabilities;
- risks related to requirements for personnel with expertise in putting a mineral deposit into production;
- risks related to recent market events;
- risks related to our ability to achieve targeted extraction or production rates at our Nichols Ranch ISR Uranium Project;



- risks related to higher than expected operating costs at our Nichols Ranch ISR Uranium Project;
- risks related to our securities;
- risks related to defects in title to our mineral properties; and
- risks related to our outstanding notes.

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 titled "Risk Factors" contained in our annual report on Form 10-K for the year ended December 31, 2013 and filed with the Securities and Exchange Commission (the "SEC") on March 14, 2014 and as described below in this Quarterly Report under the heading "Risk Factors". 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. 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, except as required by law.

## General

Uranerz Energy Corporation is a U.S. uranium exploration stage company with an operating ISR uranium mine and a portfolio of development and exploration-stage projects in the Powder River Basin of Wyoming, U.S.A. In-situ recovery or "ISR" is a mining process that uses a "leaching solution" to dissolve uranium from sandstone uranium deposits. This method is the generally accepted extraction technology used in the Powder River Basin where the Company controls a large strategic land position. Our management team has specialized expertise in the ISR uranium mining method, and has a record of licensing, constructing, and operating ISR uranium projects.

On April 15, 2014 we started commissioning our first mining Unit at our wholly-owned Nichols Ranch ISR Uranium Project, with the start-up of our new processing facility and the introduction of water through injection and extraction wells. Through May, we honed plant functionality and commenced adding oxygen to start extracting uranium from underground. In June 2014 additional chemicals were added to enhance the capture of uranium in solution. During the summer of 2014, we commenced making regular deliveries of uranium-loaded resin to Cameco Resources' Smith Ranch uranium processing facilities for final processing into dried and drummed uranium concentrates pursuant to a toll processing agreement between the two companies. In September 2014 we completed our first sale of uranium product in accordance with long-term contracts with our nuclear utility customers. For this calendar year we are targeting extraction of approximately 200,000 pounds of uranium but that target may be adjusted based on the extraction efficiency of our first wellfield and market factors. The Nichols Ranch ISR Uranium Project is licensed for a recovery level of up to two million pounds of uranium per year and the Company expects that Nichols Ranch will also serve as a platform to advance our other Powder River Basin properties with potential enhanced economics for adjacent and satellite projects.

Currently exploration activities are being deferred while we concentrate on mining, and until the market for uranium improves. Our property holdings, all in the Powder River Basin, as at September 30, 2014 included:

- 100% owned properties totaling 20,121 acres; and
- 81% interest in Arkose Mining Venture properties totaling 52,818 acres.

We continue to look for more prospective lands amenable to ISR mining 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. Our continuing assessment of explored properties within the Arkose Mining Venture resulted in the release of 2,575 acres of mineral leased land, and 227 mining claims totaling 3,714 acres, thus reducing carrying costs.

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 significant properties, is presented in Item 2 of our Annual Report on Form 10-K for the year ended December 31, 2013 under the heading “Description of Properties”, previously filed with the SEC on March 14, 2014. None of our projects have proven or probable reserves as defined in the SEC’s Industry Guide 7 and our operations at our projects and properties are, therefore, deemed exploratory in nature under Industry Guide 7 standards.

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This quarter we focused on extracting uranium at our Nichols Ranch ISR Uranium Project and those efforts culminated in the delivery of 75,000 pounds of U<sub>3</sub>O<sub>8</sub> to a U.S. utility customer. Subsequent to the quarter end, we received payment of approximately \$3.9 million for that first shipment and the Company expects to complete at least one more delivery before year-end.

In June and early July we hired two key operations personnel: Mr. Doug Norris, Senior Process Manager and Mr. Robert Blackstone, Senior Geologist. Due to strong demand we upsized and closed a \$12 million equity financing near the end of July. In connection with that offering, the Company issued and sold 9.6 million units of the Company at a price of US\$1.25 per unit. Each unit consisted of one share of the Company's common stock and one half of one share purchase warrant.

During the third quarter of 2014 the Company:

- extracted uranium at Nichols Ranch;
- made its first delivery of dried yellowcake to Honeywell's conversion facility in Illinois;
- completed its first sale of uranium;
- closed a \$12 million equity financing; and
- hired new key personnel.

### **Financial Position**

The Company's overall financial position is disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 14, 2014 and the unaudited consolidated Financial Statements at September 30, 2014 as provided herein under the section heading "Financial Statements" above.

### **Liquidity and Capital Resources**

We are carrying out an exploration, environmental and uranium recovery program in 2014 as reported in our Annual Report. This plan anticipated completion of the processing facility, deep disposal wells and initial wellfield of our Nichols Ranch Unit, with recovery commencing shortly thereafter. Startup was delayed approximately three months to accommodate a technical amendment to our NRC license, which was completed on April 15, 2014. Mineral property acquisitions, dependent upon opportunities that may arise, may also be pursued in 2014. Our mining operation in 2014 has extracted approximately 117,000 pounds of U<sub>3</sub>O<sub>8</sub> to September 30, 2014, of which 75,000 was sold. Inventory at September 30, 2014 includes 13,000 pounds in process.

During the three months ended September 30, 2014 operational expenditures incurred, excluding inventory costs, were \$2,013,890. These expenditures include mine development costs incurred for the Nichols Ranch project totaling \$213,241, all of which have been expensed.

On September 30, 2014 we had cash of \$9,473,395 and working capital of \$11,937,568, as compared to cash of \$11,915,676 and working capital of \$11,050,125 as of December 31, 2013. Our cash is invested in bank savings accounts and is available on demand.

Net cash used in operating activities was \$13,876,629 for the nine months ended September 30, 2014, compared to \$14,266,759 for the corresponding period in 2013. Net cash used to purchase property and equipment was \$242,853 for the nine months ended September 30, 2014, compared to \$36,084 used in the corresponding period in 2013.

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Net cash provided by financing activities amounted to \$11,677,201 for the nine months ended September 30, 2014, primarily proceeds from a public offering of Units, compared to \$14,834,500 provided in the corresponding period in 2013 when a \$10,000,000 issue of Units and \$6,000,000 of notes payable financing was concluded.

During the twelve-month period following the date of this quarterly report, we anticipate that we will generate a modest amount of revenue. The Nichols Ranch ISR Uranium Project processing facility is complete and the Production Area #1 wellfield has four operating header houses. Additional expenditures for operations and wellfield expansion in 2014 will be paid from cash on hand and operations. We currently have sufficient working capital to fund our planned activities for the next twelve months. We may obtain new financing to fund additional exploration and property acquisitions, if we so choose.

To date, our primary source of funds has been equity financings and a loan via the state of Wyoming, and this trend is expected to continue together with recovery operations. Our operational and exploration plans will be continually evaluated and modified as markets, exploration and environmental results become available. General and administrative expenses, planning and environmental expenses are incurred throughout the year; most of our exploration expenditures are incurred during the drilling period of March through November. Modifications to our plans will be based on many factors including results of operations, exploration, assessment of data, weather conditions, exploration costs, the price of uranium, and available capital.

We anticipate that any additional financing may be in the form of equity financing from the sale of our common stock and the exercise of share purchase options and warrants and/or debt, depending on capital markets. We cannot provide assurance that additional financing will be available to us in amounts sufficient to meet our needs or on terms acceptable to us, if at all. In July 2014 we filed a new Form S-3 "shelf registration statement", in the amount of \$100 million which was drawn upon by our July 2014 equity issuance.

Our cash has not been devalued by disruptions in the financial marketplace as it is held in low risk savings accounts in a Canadian Chartered Bank. Rates of return, however, are at historic lows. Management and the board of directors periodically meet to review the status of our investments and determine investment strategies, taking into account current market conditions and the short and long term capital needs of the Company.

## **Results of Operations**

### ***Three-month period ended September 30, 2014 compared to three-month period ended September 30, 2013***

#### *Revenue and Operating Expenses*

We earned \$3,900,000 from sales to a utility in this quarter and we anticipate that we will generate additional revenues from the sale of uranium concentrates during the twelve-month period following the date of this quarterly report. Gross profit was \$1,424,283 compared to Nil for the comparable three-month period in 2013.

We incurred total operating expenses of approximately \$2,013,890 for the three-month period ended September 30, 2014, as compared to \$10,401,785 for the corresponding period in 2013. The decrease of operating expenses in the amount of \$8,387,895 was primarily attributable to a decrease in mineral property expenses of \$7,619,909 as we reduced mine development expenditures, and a \$776,476 reduction in general and administrative expenses.

Our interest expense for the three-month period ended September 30, 2014 was \$307,728, as compared to \$729,450 for the corresponding period in 2013 when we retired a bridge loan. Our interest income was \$7,786 for the three-month period ended September 30, 2014 compared to \$4,419 in 2013 when cash balances were lower. The interest expense in 2014 is related to our Note payable, issued in December 2013.

Net loss for the three-month period ended September 30, 2014 was approximately \$813,610, as compared to approximately \$11,051,792 for the corresponding period in 2013. The decrease in net loss was primarily attributable to the commencement of commercial operations and a decrease in operating expenses resulting from a decrease in mineral property expenses, and general and administrative expenses.

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***Nine-month period ended September 30, 2014 compared to nine-month period ended September 30, 2013***

We incurred an operating loss of \$9,524,947 for the nine-month period ended September 30, 2014, as compared to \$17,557,291 for the corresponding period in 2013. Gross profit was \$1,424,283 compared to Nil for the comparable nine-month period in 2013 and total operating expenses of approximately \$10,949,230 decreased \$6,608,061 as we commenced operations and reduced mineral property expenditures. Mineral property expenses of \$6,362,132 include Nichols Ranch project costs totaling \$5,128,756 for the nine-month period ended September 30, 2014, as compared to \$11,797,330 for the corresponding period in 2013.

Our interest expense for the nine-month period ended September 30, 2014 was \$923,184, as compared to \$966,556 for the corresponding period in 2013. Our interest income of \$19,191 for the nine-month period ended September 30, 2014 was higher than the \$11,033 in 2013 when cash balances were lower. The interest expense is primarily related to our Notes payable, issued in 2013.

Net loss for the nine-month period ended September 30, 2014 was approximately \$10,177,746, as compared to approximately \$18,326,203 for the corresponding period in 2013, a decrease of \$8,148,457. The net loss was affected by the commencement of revenue producing operations and the decrease of operating expenses described above.

**Off-Balance Sheet Arrangements**

We have no significant off-balance sheet arrangements 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 are material to stockholders except as disclosed in the unaudited Financial Statements at September 30, 2014. The Company has had no material changes to its off-balance sheet arrangements as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 14, 2014 and the unaudited Financial Statements at September 30, 2014 as provided herein under the section heading "Financial Statements" above.

**Critical Accounting Policies**

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenue and expenses in the reporting period. We regularly evaluate our estimates and assumptions related to the useful life and recoverability of long-lived assets, stock-based compensation and deferred income tax asset valuation allowances. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates. To the extent there are material differences between our estimates and the actual results, our future results of operations will be affected.

We believe the following critical accounting policies require us to make significant judgments and estimates in the preparation of our consolidated financial statements.

***Mineral Property Costs***

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

Mineral property exploration and evaluation costs are expensed as incurred. Development costs are expensed as incurred until proven and probable reserves are established. Subsequent development costs are capitalized. Costs for acquired mineral properties and mineral rights are initially capitalized when incurred, then assessed quarterly for impairment under ASC 360, *Property, Plant and Equipment*. The Company has not established proven or probable reserves on any of its mineral projects.

### ***Inventory***

Inventories of uranium concentrates are recorded in-process (solutions) and finished goods. The Company values its concentrates at the lower of cost or net realizable value at the end of each reporting period. Costs include direct labor, materials and other mining and processing costs and depreciation related to extraction of uranium concentrate. Inventories are charged to cost of sales using the average costing method.

### ***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 at each project.

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

### ***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 behaviours. 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.

Options granted to consultants are valued based at the fair value of the service received by the Company unless the amount is not readily determinable, in which case they are valued using the Black-Scholes model.

### ***Contractual Obligations***

The Company has had no material changes to its contractual obligations as disclosed in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014 and the unaudited Financial Statements at September 30, 2014 as provided herein under the section heading "Financial Statements" above.

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### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company is exposed to risks associated with commodity prices, interest rates and credit. Commodity price risk is defined as the potential loss that we may incur as a result of changes in the market 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 arises from the extension of credit throughout all aspects of our business. Industry-wide risks can also affect our general ability to finance exploration, and development of exploitable resources; such effects are not predictable or quantifiable.

#### **Commodity Price Risk**

The Company is subject to market risk related to the market price of  $U_3O_8$ . Our supply contracts with favorable pricing above current spot and long term prices cover only a portion of our planned extraction. Revenue beyond our current contracts will be affected by both spot and long-term  $U_3O_8$  price fluctuations which are beyond our control, and are not predictable. The Company is restraining its mine development as it monitors the market.

#### **Interest Rate Risk**

The Company is exposed to interest rate risk on its cash equivalents, deposits, and debt. Our interest earned is not material; thus not subject to significant risk. Our Note Payable has a fixed interest rate over its seven year life, removing variability. Changes in market interest rates could affect future debt issues, if any.

#### **Credit Risk**

The Company's primary customers are large North American utilities and commodity trading enterprises with high quality credit ratings.

### **Item 4. Controls and Procedures**

#### **Disclosure Controls and Procedures**

At the end of the period covered by this report, an evaluation was carried out under the supervision of and with the participation of the Company's management, including its Chief Executive Officer ("CEO"), Glenn Catchpole, and Chief Financial Officer ("CFO"), Benjamin Leboe, of the effectiveness of the design and operations of the Company's disclosure controls and procedures (as defined in Rule 13a- 15(e) and Rule 15d- 15(e) under the Exchange Act). Based on that evaluation, the CEO and the CFO have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective in ensuring that: (i) information required to be disclosed by the Company in reports that it files or submits to the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms; and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our CEO and CFO, to allow timely decisions regarding required disclosure.

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## Changes in Internal Control over Financial Reporting

During our most recently completed fiscal quarter ended September 30, 2014, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

The term "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the registrant's principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;
- (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and
- (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant's assets that could have a material effect on the financial statements.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

We currently are not a party to any material legal proceedings and, to our knowledge, no such proceedings are threatened or contemplated.

### Item 1A. Risk Factors

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 14, 2014.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On September 5, 2014, the Company issued 15,000 shares of common stock with a fair value of \$17,700 to a consultant for consulting services. The shares of common stock were issued pursuant to Section 4(a) (2) of the United States Securities Act of 1933, as amended, in reliance on certain representations of the consultant.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4.

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 quarter ended September 30, 2014, the Company's mineral properties were not subject to regulation by the Federal Mine Safety and Health Administration under the Mine Safety Act.

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**Item 5. Other Information**

None.

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**Item 6. Exhibits**

The following exhibits are attached to this Quarterly Report on Form 10-Q:

**Exhibit****Number Description**

3.1	Articles of Incorporation <sup>(1)</sup>
3.2	Bylaws, as amended <sup>(1)</sup>
3.3	Articles of Amendment filed July 5, 2005 <sup>(2)</sup>
3.4	Articles of Amendment filed August 8, 2008 <sup>(3)</sup>
3.5	Articles of Amendment filed July 8, 2009 <sup>(4)</sup>
3.6	Articles of Amendment filed August 8, 2011 <sup>(5)</sup>
4.1	Form of Lock-Up Agreement dated July 17, 2014 <sup>(6)</sup>
4.2	Form of Warrant Indenture dated July 25, 2014 <sup>(7)</sup>
31.1*	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act</u>
31.2*	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act</u>
32.1*	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2*	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Extension Schema
101.CAL *	XBRL Taxonomy Extension Calculations
101.DEF *	XBRL Taxonomy Extension Definitions
101.LAB *	XBRL Taxonomy Extension Labels

(1) Previously filed as an exhibit to the Registrant s Form SB-2 filed March 15, 2002

(2) Previously filed as an exhibit to the Registrant s Annual Report on Form 10-KSB filed April 14, 2006

(3) Previously filed as an exhibit to the Registrant s Quarterly Report on Form 10-Q filed August 11, 2008

(4) Previously filed as an exhibit to the Registrant s Form S-3 filed July 9, 2009

(5) Previously filed as an exhibit to the Registrant s Form 8-K, filed August 12, 2011

(6) Previously filed as an exhibit to the Registrant s Form 8-K, filed on July 18, 2014

(7) Previously filed as an exhibit to the Registrant s Form 8K, filed on July 25, 2014

\*Filed Herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**URANERZ ENERGY CORPORATION**

By: /s/ Benjamin Leboe

By: /s/ Glenn Catchpole

Benjamin Leboe, Senior Vice President, Finance and  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

Glenn Catchpole, Chief Executive  
Officer, Director  
(Principal Executive Officer)

Date: November 7, 2014

Date: November 7, 2014

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