

URANERZ ENERGY CORP.  
Form 10-Q  
November 08, 2012

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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, 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 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

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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 [X]

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[X]

Number of shares of issuer's common stock outstanding at **November 7, 2012: 77,207,574**

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**Item 1. Financial Statements (unaudited)**

Uranerz Energy Corporation  
(An Exploration Stage Company)

September 30, 2012

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

	September 30, 2012 \$ (Unaudited)	December 31, 2011 \$ (Audited)
<b>ASSETS</b>		
Current Assets		
Cash	11,784,479	34,644,745
Prepaid expenses and deposits (Note 6(a))	975,566	890,848
Other current assets	38,287	29,826
Total Current Assets	12,798,332	35,565,419
Prepaid Expenses and Deposits (Note 6(a))	1,062,675	816,016
Mineral Property Reclamation Surety Deposits	2,043,400	2,043,107
Property and Equipment (Note 3)	595,457	469,934
Construction in Progress (Note 4)	26,640,070	9,754,067
Total Assets	43,139,934	48,648,543
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities		
Accounts payable	516,023	1,507,968
Accrued liabilities (Note 6(b))	689,641	1,226,242
Due to related parties (Note 7)	23,596	71,340
Total Current Liabilities	1,229,260	2,805,550
Asset Retirement Obligations (Note 8)	944,102	339,564
Total Liabilities	2,173,362	3,145,114
Commitments (Note 10)		
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; 77,203,074 and 77,086,774 shares issued and outstanding, respectively		
	77,203	77,087
Additional Paid-in Capital	144,218,103	143,876,826
Deficit Accumulated During the Exploration Stage	(103,511,137)	(98,562,700)
Total Stockholders Equity	40,784,169	45,391,213
Non-controlling Interest	182,403	112,216
Total Equity	40,966,572	45,503,429
Total Liabilities and Stockholders Equity	43,139,934	48,648,543

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

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

	Accumulated From May 26, 1999 (Date of Inception) to September 30, 2012 \$	Three Months Ended September 30, 2012 \$	2011 \$	Nine Months Ended September 30, 2012 \$	2011 \$
Revenue					
Expenses					
Depreciation	977,451	62,215	43,407	184,026	158,618
Accretion (Note 8)	33,968	14,462		31,450	
Foreign exchange	98,002	4,933	11,079	15,507	51,687
General and administrative (Notes 7 and 9)	54,330,361	1,181,633	1,289,605	3,838,144	9,850,093
Mineral property expenditures	54,353,884	543,222	1,000,648	1,231,333	1,998,715
Total Operating Expenses	109,793,666	1,806,465	2,344,739	5,300,460	12,059,113
Operating Loss	(109,793,666)	(1,806,465)	(2,344,739)	(5,300,460)	(12,059,113)
Other Income (Expense)					
Gain on sale of investment securities	79,129				
Interest income	2,058,094	10,474	18,938	39,170	60,025
Loss on settlement of debt	(132,000)				
Mineral property option payments received	152,477				
Total Other Income	2,157,700	10,474	18,938	39,170	60,025
Loss from continuing operations	(107,635,966)	(1,795,991)	(2,325,801)	(5,261,290)	(11,999,088)
Discontinued operations					
Loss from discontinued	(28,732)				

operations					
Gain on disposal of discontinued operations	979,709				
Gain on Discontinued Operations	950,977				
Net Loss and Comprehensive Loss	(106,684,989)	(1,795,991)	(2,325,801)	(5,261,290)	(11,999,088)
Net Loss and Comprehensive Loss Attributable to non-controlling interest	3,173,852	127,081	212,707	312,853	440,224
Net Loss and Comprehensive Loss Attributable to the Company	(103,511,137)	(1,668,910)	(2,113,094)	(4,948,437)	(11,558,864)
Amounts attributable to Company shareholders					
Loss from continuing operations	(104,462,114)	(1,668,910)	(2,113,094)	(4,948,437)	(11,558,864)
Gain on discontinued operations	950,977				
Net Loss Attributable to the Company	(103,511,137)	(1,668,910)	(2,113,094)	(4,948,437)	(11,558,864)
Net Loss Per Share Basic and Diluted		(0.02)	(0.03)	(0.06)	(0.15)
Weighted Average Shares Outstanding		77,176,000	76,925,000	77,153,000	75,627,000

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

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

	Accumulated From May 26, 1999 (Date of Inception) to September 30, 2012 \$	For The Nine Months Ended September 30, 2012 \$	For The Nine Months Ended September 30, 2011 \$
<b>Operating Activities</b>			
Net loss	(106,684,989)	(5,261,290)	(11,999,088)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation	977,451	184,026	158,618
Accretion expense	33,968	31,450	
Equity loss on investment	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		
Non-cash mineral property option payment	(37,500)		
Shares issued to acquire mineral properties	19,105,000		
Warrants issued for mineral property costs	1,258,000		
Stock-based compensation	26,911,960	247,434	5,060,501
Changes in operating assets and liabilities:			
Prepaid expenses and deposits	(2,032,004)	(331,377)	(34,548)
Other current assets	(38,262)	(8,461)	(8,494)
Asset retirement obligation			200,352
Accounts payable and accrued liabilities	466,705	(822,249)	(133,223)
Due to related parties	494,355	(47,744)	(16,219)
<b>Net Cash Used in Operating Activities</b>	<b>(60,397,537)</b>	<b>(6,008,211)</b>	<b>(6,772,101)</b>
<b>Investing Activities</b>			
Reclamation surety deposits	(2,043,400)	(293)	(386)
Acquisition of subsidiary, net cash paid	(48)		
Proceeds from sale of marketable securities	20,548,664		
Purchase of property and equipment	(26,229,683)	(17,328,761)	(3,401,477)
Purchase of investment securities	(20,432,035)		
Disposition of subsidiary	905,092		
<b>Net Cash Used In Investing Activities</b>	<b>(27,251,410)</b>	<b>(17,329,054)</b>	<b>(3,401,863)</b>
<b>Financing Activities</b>			
Repayment of loan payable	(98,414)		
Advances from related party	10,700		
Contributions from non-controlling interest	3,356,256	383,040	505,622
Proceeds from issuance of common stock	100,672,022	93,959	14,286,596
Stock issuance costs	(4,507,138)		(24,643)
<b>Net Cash Provided By Financing Activities</b>	<b>99,433,426</b>	<b>476,999</b>	<b>14,767,575</b>
<b>Increase (Decrease) In Cash</b>	<b>11,784,479</b>	<b>(22,860,266)</b>	<b>4,593,611</b>
Cash - Beginning of Period		34,644,745	36,437,370
Cash - End of Period	11,784,479	11,784,479	41,030,981



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 construction in progress	105,119	
Common stock issued to settle debt	744,080	
Warrants issued for mineral property costs	1,258,000	
Common stock issued for mineral property costs	19,105,000	
Supplemental Disclosures		
Interest paid	12,184	424
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 Nine-Month Period Ended September 30, 2012  
 (Expressed in US dollars)  
 (Unaudited)

	Common Stock		Additional	Deficit	Non-Controlling	Total
	Shares	Amount	Paid-in	Accumulated	Interest	
	#	\$	Capital	During the	\$	\$
			\$	Development		
				Stage		
				\$		
Balance, December 31, 2011	77,086,774	77,087	143,876,826	(98,562,700)	112,216	45,503,429
Fair value of stock options granted			247,434			247,434
Common stock issued upon the exercise of options	116,300	116	93,843			93,959
Contribution from non-controlling interest					383,040	383,040
Net loss for the period				(4,948,437)	(312,853)	(5,261,290)
Balance, September 30, 2012	77,203,074	77,203	144,218,103	(103,511,137)	182,403	40,966,572

(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  
September 30, 2012  
(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. In 2005 the Company changed its name from Carleton Ventures Corp. to Uranerz Energy Corporation and commenced acquiring and developing uranium resources. The Company has mineral property interests and development projects in Wyoming, USA.

The Company is an Exploration Stage Company, as defined by Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 915, *Development Stage Entities*.

2. Summary of Significant Accounting Policies

a) Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and with the Securities and Exchange Commission ( SEC ) instructions for companies filing Form 10-Q. 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, 2012, 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 periods ended September 30, 2012 are not necessarily indicative of the results to be expected for any subsequent quarter or the entire year ending December 31, 2012. 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, 2011, included in the Company's Annual Report on Form 10-K filed on March 14, 2012 with the SEC.

These interim 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 interim 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.

c) 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 initially capitalized and then impaired if the criteria for continued 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 or the Company determines that a mine will be developed.

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.

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.

Uranerz Energy Corporation  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
September 30, 2012  
(Expressed in US dollars)  
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

d) 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 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 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 change 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.

e) 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 net operating losses 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.

f) Fair Value of Financial Instruments

Financial instruments consist principally of cash and cash equivalents and accounts payable. Pursuant to ASC 820, *Fair Value Measurements and Disclosures* and ASC 825, *Financial Instruments* the fair value of cash equivalents and marketable securities is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. The recorded values of all other financial instruments approximate their current fair values because of their nature and respective relatively short maturity dates or durations.

g) Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

	Cost	Accumulated Depreciation	September 30, 2012 Net Carrying Value	December 31, 2011 Net Carrying Value
	\$	\$	\$	\$
Computers and office equipment	306,050	203,480	102,570	85,258
Field equipment	1,266,857	773,970	492,887	384,676
	1,572,907	977,450	595,457	469,934

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Uranerz Energy Corporation  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
September 30, 2012  
(Expressed in US dollars)  
(Unaudited)

#### 4. Construction in Progress

The construction in progress consists of construction costs related to the construction of the plant and equipment for the Nichols Ranch ISR Uranium Project. Upon completion of construction and commissioning of the plant, these costs will be transferred to property and equipment and categorized for amortization based on the estimated useful life of the plant and the related ore deposits that the plant is expected to service.

	September 30, 2012			December 31, 2011		
	Cost \$	Accumulated Depreciation \$	Net Carrying Value \$	Cost \$	Accumulated Depreciation \$	Net Carrying Value \$
Site	2,373,220		2,373,220	1,232,431		1,232,431
Buildings	4,500,568		4,500,568	1,991,156		1,991,156
Equipment	6,330,044		6,330,044	1,323,042		1,323,042
Field equipment	966,217	123,640	842,577	474,320		474,320
Well field	8,376,509		8,376,509	3,342,056		3,342,056
Mine development cost	4,217,152		4,217,152	1,391,062		1,391,062
	26,763,710	123,640	26,640,070	9,754,067		9,754,067

#### 5. Mineral Properties

On May 30, 2012, the Company, on behalf of the Arkose Mining Venture, leased thirteen acres of mineral properties within Arkose's area of interest in Wyoming with a production royalty of six or eight per cent depending on the price of uranium concentrate.

#### 6. Balance Sheet Details

a) The components of prepaid expenses and deposits are as follows:

	September 30, 2012 \$	December 31, 2011 \$
Insurance	90,324	148,910
Lease costs	542,052	324,800
Reclamation bonding	41,465	209,183
Surface use and damage costs	262,096	205,514
Other	39,629	2,441
Current prepaid expenses and deposits	975,566	890,848

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Deposits	29,771	29,417
Power supply advance	674,200	674,200
Surface use and damage costs	358,704	
Power supply deposit		112,399
Non-current prepaid expenses and deposits	1,062,675	816,016

b) The components of accrued liabilities are as follows:

	September 30, 2012	December 31, 2011
	\$	\$
Construction expenses	395,295	309,624
Mineral exploration expenses	60,051	148,808
Reclamation costs	39,000	50,160
Registration fees		74,050
Employee expense	195,295	72,200
Executive compensation		500,000
Professional fees		71,400
Total accrued liabilities	689,641	1,226,242

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Uranerz Energy Corporation  
 (An Exploration Stage Company)  
 Notes to the Consolidated Financial Statements  
 September 30, 2012  
 (Expressed in US dollars)  
 (Unaudited)

## 7. Related Party Transactions / Balances

- a) During the nine months ended September 30, 2012, the Company incurred \$786,539 (2011 - \$772,123) 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, 2012, consulting services and expenditures incurred on behalf of the Company of \$23,596 (December 31, 2011 - \$71,340) 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, 2012, the Company paid fees of \$124,375 (2011 - \$120,115) 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, 2012, the Company incurred bonuses to related party officers of \$20,000 (2011 - \$671,993) which are included in general and administrative expenses.

Balance at December 31, 2011	\$	339,564
Liabilities incurred		573,088
Accretion expense		31,450
Balance at September 30, 2012	\$	944,102

The current portion of reclamation and remediation are included in accrued liabilities as these remediation activities are conducted on a recurring basis (see Note 6).

## 9. 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, 2012, the Company recorded \$247,434 for the vesting of previously granted stock options, as general and administrative expense.

During the nine months ended September 30, 2011, the Company granted 1,979,500 stock options with immediate vesting to directors, officers, employees and consultants to acquire 1,045,000 common shares at an exercise price of \$3.98 per share expiring in 5 - 10 years, 884,500 common shares at an exercise price of \$3.21 per share for 10 years, and 50,000 common shares at \$2.87 per share for 2 years. During the nine months ended

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September 30, 2011, the Company recorded stock-based compensation for the vested options of \$5,060,501, as general and administrative expense.

The fair values of stock options granted were estimated at the date of grant using the Black-Scholes option-pricing model and the weighted average grant date fair values of stock options granted and vested during the nine months ended September 30, 2012 and 2011 were \$nil and \$2.54 per share, respectively.

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

	2012	2011
Expected dividend yield		0%
Risk-free interest rate		1.83%
Expected volatility		98%
Expected option life (in years)		4.43

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Uranerz Energy Corporation  
 (An Exploration Stage Company)  
 Notes to the Consolidated Financial Statements  
 September 30, 2012  
 (Expressed in US dollars)  
 (Unaudited)

9. Stock-based Compensation (continued)

The total intrinsic value of stock options exercised during the nine months ended September 30, 2012 and 2011 was \$159,894, and \$6,753,095, respectively.

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, 2011	7,751,180	2.54	7.08	1,162,421
Exercised	(116,300)	0.81		
Expired	(45,000)	3.05		
Outstanding, September 30, 2012	7,589,880	2.56	6.39	803,911
Exercisable, September 30, 2012	7,108,380	2.61	6.20	803,911

A summary of the status of the Company's non-vested stock options outstanding as of December 31, 2011, and changes during the nine months ended September 30, 2012 is presented below:

Non-vested stock options	Number of Options	Weighted Average Grant Date Fair Value \$
Non-vested at December 31, 2011 and September 30, 2012	481,500	1.37

As at September 30, 2012, there was \$395,532 of unrecognized compensation cost related to non-vested stock option agreements. This cost is expected to be recognized over a weighted average period of 1.20 years.

10. Commitments

- The Company has employment or consulting services agreements with each of its executives. Officers with contracts for services have notice requirements which permit pay in lieu of notice and all officers are due a termination payment following a change in control of the Company.
- On September 18, 2008, the Company signed two mining lease agreements which require ten annual payments of \$75,000. The first four payments have been made.

- c) On May 19, 2010, the Company signed an office premises lease for a period of three years commencing September 1, 2010. Rent is approximately \$51,616 (Cdn\$50,604) per annum.
- d) On February 14, 2012, the Company signed an office lease for a primary term of two years, starting February 1, 2012 and ending January 31, 2014. Rent consideration is \$141,258 per annum. The lease agreement may be renewed for two additional years.
- e) 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.
- f) The Company is committed under two sales agreements to supply triuranium octoxide (U<sub>3</sub>O<sub>8</sub>) over a five year period. One sales agreement has defined pricing each year and the second agreement has pricing which contains market referenced prices, with combined spot and fixed price indicators, to set the sales price.
- g) At September 30, 2012 the Company has construction purchase orders outstanding for approximately \$1,800,000.

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Uranerz Energy Corporation  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
September 30, 2012  
(Expressed in US dollars)  
(Unaudited)

## 11. Segment Disclosures

The Company has two operating segments both involving the acquisition and exploitation of uranium and mineral resources. These operating segments consist of the Arkose Mining Venture ( Arkose ) and the Company's remaining operations.

Factors used to identify the Company's reportable segments include the organizational structure of the Company and the financial information available for evaluation by the chief operating decision-maker in making decisions about how to allocate resources and assess performance. The Company's operating segments have been broken out based on similar economic and other qualitative criteria. The Company operates both reporting segments in one geographical area, the United States.

The Chief Executive Officer is the Company's Chief Operating Decision Maker (CODM) as defined by ASC 280, *Segment Reporting*. The CODM allocates resources and assesses the performance of the Company based on the results of operations.

Financial statement information by operating segment is presented below:

	September 30, 2012			December 31, 2011		
	Total	Uranerz	Arkose	Total	Uranerz	Arkose
	\$	\$	\$	\$	\$	\$
Assets	43,139,934	41,892,674	1,247,260	48,648,543	47,986,464	662,079
	For the Nine Months Ended September 30, 2012			For the Nine Months Ended September 30, 2011		
	Total	Uranerz	Arkose	Total	Uranerz	Arkose
	\$	\$	\$	\$	\$	\$
Net loss	(5,261,290)	(4,529,218)	(732,072)	(11,999,088)	(10,956,254)	(1,042,834)
Interest revenue	39,170	38,877	293	60,025	59,639	386
Depreciation	(184,026)	(184,026)		(158,618)	(158,618)	
Accretion	(31,450)	(31,450)				
	For the Three Months Ended September 30, 2012			For the Three Months Ended September 30, 2011		
	Total	Uranerz	Arkose	Total	Uranerz	Arkose
Net loss	(1,795,991)	(1,445,391)	(350,600)	(2,325,801)	(1,985,545)	(340,256)
Interest revenue	10,474	10,181	293	18,938	18,552	386

Depreciation	(62,215)	(62,215)	(43,407)	(43,407)
Accretion	(14,462)	(14,462)		

12. Subsequent Events

- a) On October 3, 2012, the Company modified the expiry date of 767,000 options held by a former officer to March 15, 2014. The options had original expiry dates ranging from January 26, 2017 to December 11, 2021 and exercise prices ranging from \$1.33 to \$3.97.
- b) On October 22, 2012 the Company received a deep disposal well permit, the final permit required to bring its Nichols Ranch ISR Uranium Project into production.

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

### Forward-Looking Statements

This quarterly report 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, 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 "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", 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 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; and
- risks related to defects in title to our mineral properties.

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, 2011 and filed with the Securities and Exchange Commission on March 14, 2012. 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

We are a U.S.-based uranium company focused on achieving near-term commercial in-situ recovery ( ISR ) uranium production. ISR is a mining process that uses a leaching solution to dissolve uranium from sandstone uranium deposits; it is the generally accepted extraction technology used in the Powder River Basin area of Wyoming. We control a large strategic land position in the central Powder River Basin. Our management team has specialized expertise in the ISR uranium mining method, and a record of licensing, constructing, and operating ISR uranium projects.

Our Powder River Basin properties include:

- our 100% owned properties that totaled 20,121 acres as of September 30, 2012; and
- our 81% interest in Arkose Mining Venture properties that totaled 59,510 acres as of September 30, 2012.

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

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

(1) Subject to various royalties.

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

Property	No. Claims	Acreage
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
Reno Creek	3	60
<b>TOTAL</b>	<b>500</b>	<b>10,000</b>

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

Property Composition	Ownership Interest <sup>(1)</sup>	Number of Claims/	
		Leases	Acreage
Unpatented Lode Mining Claims	81%	2,641	43,207
State Leases	81%	3	2,080
Fee (private) Mineral Leases	81%	65	<u>14,223</u>
<b>Total</b>			<b>59,510</b>

(1) Subject to various royalties.

Through a combination of claim staking, purchasing and leasing, we have also acquired interests in projects that lie within the Powder River Basin but outside of the project areas discussed above. These additional properties include the Verna Ann, Niles Ranch and Arvina projects. However, due to our focus on other projects, we have not yet made any decisions on these 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 our Annual Report on Form 10-K for the year ended December 31, 2011 under the heading "Description of Properties", previously filed with the Securities and Exchange Commission on March 14, 2012.

We control a large strategic land position in the Pumpkin Buttes Uranium Mining District of the central Powder River Basin of Wyoming, U.S.A. and continually investigate other uranium opportunities as they arise. We are principally focused on the development of our properties in the Powder River Basin area into commercial ISR uranium mines. In anticipation of receiving all the approvals necessary to begin production, we commenced a marketing program for conditional sales of uranium from our Nichols Ranch ISR Uranium Project ( Nichols Ranch Mine ). In July of 2009 we announced that we entered into a sales agreement with Exelon Generation Company, LLC for the sale of uranium over a five year period at defined pricing. In August of 2009 we announced our second contract for the sale of uranium to a U.S. utility also over five years, with a pricing structure that contains references to both spot and fixed prices and includes floor and ceiling prices. These long-term contracts for the sale of uranium are with two of the largest nuclear utilities in the U.S. These two agreements do not individually represent a substantial portion of our targeted uranium production and our business is not substantially dependent on these agreements.

In March 2010, we commenced preparation of the environmental permit and license applications for the Jane Dough unit, which is adjacent to the area currently being developed at the Nichols Ranch unit and will share its infrastructure. This will provide us with the option to revise our plan of operations to bring our Jane Dough unit into production before the Hank unit of our Nichols Ranch Mine; Jane Dough fluids can be delivered to our Nichols Ranch Mine processing facility by pipeline, thus eliminating the need to build a satellite processing facility. Jane Dough includes the Doughstick, South Doughstick and North Jane properties. Additional units may be added as we assess our geological data. Other strategies are also being considered for Hank, possibly in concert with other properties. We continue the exploration, development and strategic planning of our other Wyoming Powder River Basin properties.

In December 2010 we received a Permit to Mine from the Wyoming Department of Environmental Quality Land Quality Division ( WDEQ-WQD ). In July 2011 we received our Source Material License from the U.S. Nuclear Regulatory Commission and immediately began construction of Nichols Ranch Mine with a target completion date of late 2012. CPP construction will be substantially complete as planned but production, however, will not commence until mid-2013 because of delays in receiving our deep disposal wells permit. The mine plan currently includes a central processing plant ( CPP ) at our Nichols Ranch unit and a second ion exchange uranium concentrating facility at Hank. The Jane Dough option will be pursued 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 will deliver uranium-loaded resin produced from the Company's Nichols Ranch Mine 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 approximately 25 air miles south of our Nichols Ranch Mine. Mining the Jane Dough unit is compatible with this plan.

During the last half of 2011 and the first nine months of 2012 we continued construction of the CPP and Production Area #1 on the Nichols Ranch property.

During the third quarter of 2012 we continued construction of the Nichols Ranch Mine:

- completed construction of buildings;
- continued installation of equipment and electrical components in the CPP;
- installed additional production wells in Nichols Ranch Production Area #1;
- erected a third header house and commenced installation of the main trunkline;
- commenced flow line trenching;
- commenced installation of electrical and mechanical equipment;
- continued preparation of permit applications for Jane Dough unit; and
- received advice that our Deep Disposal Well application approval is imminent.

We discontinued a modest exploration program to concentrate resources on the Nichols Ranch Mine.

Our focus is on construction of a processing facility and installation of the environmental monitor and production wells for the first wellfield of the Nichols Ranch ISR Uranium Project. Three drilling rigs were engaged in the quarter for installing monitor and production wells. Regulatory milestones are being pursued in order to meet startup requirements following completion of CPP and wellfield construction activities, and installation of requisite deep disposal wells.

#### **Subsequent Events**

- a) On October 3, 2012, we modified the expiry date of 767,000 options held by a former officer to March 15, 2014. The options had original expiry dates ranging from January 26, 2017 to December 11, 2021 and exercise prices ranging from \$1.33 to \$3.97.
- b) On October 22, 2012 we received a deep disposal well permit, the final permit required to bring our Nichols Ranch ISR Uranium Project into production.

#### **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, 2011 filed with the Securities and Exchange Commission on March 14, 2012 and the unaudited consolidated Financial Statements at September 30, 2012 as provided herein under the section heading "Financial Statements" above.

#### **Liquidity and Capital Resources**

We are carrying out an exploration, environmental and mine development program with a budget of approximately \$26,000,000 in 2012 as reported in Item 2 of our Annual Report on Form 10-K for the year ended December 31, 2011 under the heading "Description of Properties", previously filed with the Securities and Exchange Commission. This plan anticipated completion of our Nichols Ranch ISR Uranium Project in late 2012, with production commencing shortly thereafter. Startup has been extended to mid-2013 to accommodate the installation of two deep disposal wells, whose permit was delayed well beyond expectations. Mineral property acquisitions, dependent upon opportunities that may arise, will be additional expenditures. During the three and nine months ended September 30, 2012 operational expenditures incurred were \$1,806,465 and \$5,300,460 respectively and, for the nine months ended September 30, 2012, approximately \$17,000,000 was incurred for the Nichols Ranch Mine capital assets.



At September 30, 2012 we had cash of \$11,784,479 and working capital of \$11,569,072, as compared to cash of \$34,644,745 and working capital of \$32,759,869 as at December 31, 2011. Our cash is invested in bank guaranteed savings accounts which are available on demand.

Net cash used in operating activities was \$6,008,211 for the nine months ended September 30, 2012, compared to \$6,772,101 for the corresponding period in 2011, reduced somewhat as resources were redirected to capital activities. Net cash used in investing activities was \$17,329,054 for the nine months ended September 30, 2012, compared to \$3,401,863 used in the corresponding period in 2011. Asset acquisitions for the Nichols Ranch Mine accounted for most of the 2012 investment in property and equipment.

Net cash provided by financing activities amounted to \$476,999 for the nine months ended September 30, 2012, from contributions from non-controlling interest in our Arkose Mining Venture and proceeds of issuance of common stock on the exercise of options, compared to \$14,767,575 provided in the corresponding period in 2011. The decrease is attributable to the issuance of common stock in 2011.

During the twelve-month period following the date of this quarterly report, we anticipate that we begin to generate a modest amount of revenue. The Nichols Ranch ISR Uranium Project is expected to incur additional expenditures of approximately \$16 million before it is ready for production by mid-2013, depending on the timing and cost of installing two deep water disposal wells. Our exploration plans will be continually evaluated and modified as 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 exploration, assessment of data, weather conditions, exploration costs, the price of uranium and available capital. Further, the extent of exploration programs that we undertake will be dependent upon the amount of financing available to us.

To date, our primary source of funds has been equity investments, and this trend is expected to continue together with production related financing as we approach production. In order to ensure sufficient funds to complete the construction of the Nichols Ranch Mine, continue our exploration and planning and to meet on-going operating expenses for the next twelve months we have obtained approval in principle for a State of Wyoming Industrial Development Bond in the amount of \$20 million. We anticipate that any additional funding may be in the form of equity financing from the sale of our common stock and the exercise of share purchase options or subordinated debt, depending on capital markets. Accordingly, in 2011, we filed a Form S 3 shelf registration statement , for equity or debt, in the amount of \$100 million.

Our cash is primarily held in low risk bearer deposit notes issued and guaranteed by Canadian Chartered Banks. Rates of return, however, are at historic lows. Management and the board of directors periodically meet to review the status of our cash 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, 2012 compared to three-month period ended September 30, 2011***

#### *Revenue and Operating Expenses*

We have not earned any revenues to date and we anticipate that we will generate modest revenues during the twelvemonth period following the date of this quarterly report.



We incurred total operating expenses of approximately \$1,806,465 for the three-month period ended September 30, 2012, as compared to \$2,344,739 for the corresponding period in 2011. The decrease of operating expenses in the amount of \$538,274 was primarily attributable to a decrease in mineral property expenses of \$457,426.

We had no significant financing expense for the three-month periods ended September 30, 2012 and 2011. Our interest income of \$10,474 for the three-month period ended September 30, 2012 was down from \$18,938 in 2011 when investments were higher. This income resulted from interest on cash balances.

Net loss for the three-month period ended September 30, 2012 was approximately \$1,795,991, as compared to approximately \$2,325,801 for the corresponding period in 2011. The decrease in net loss was primarily attributable to the decrease in operating expenses attributable to a decrease in mineral property expenses.

***Nine-month period ended September 30, 2012 compared to nine-month period ended September 30, 2011***

We incurred total operating expenses of approximately \$5,300,460 for the nine-month period ended September 30, 2012, as compared to \$12,059,113 for the corresponding period in 2011. The decrease of operating expenses in the amount of \$6,758,653 was primarily attributable to a \$4,813,067 decrease in stock-based compensation included in general and administrative expenses, a \$1,198,882 decrease in other general and administrative expenses as resources were shifted to capital activities and by a \$767,382 decrease in mineral property expenses.

We had no significant financing expense for the nine-month periods ended September 30, 2012 and 2011. We earned \$39,170 of interest income for the nine month period ended September 30, 2012 as compared to \$60,025 for the corresponding period in 2010. This decrease resulted from reduced short term investments.

Net loss for the nine-month period ended September 30, 2012 was approximately \$5,261,290, as compared to approximately \$11,999,088 for the corresponding period in 2011, a decrease of \$6,737,798. The net loss was affected by the variation 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, 2012. 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, 2011 filed with the Securities and Exchange Commission on March 14, 2012 and the unaudited Financial Statements at September 30, 2012 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 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 or the Company determines that a mine will be developed.

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.

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.

As of September 30, 2012, the Company has capitalized mineral property construction in progress expenditures of \$26,640,070 (December 31, 2011 - \$9,754,067). During the nine months ended September 30, 2012, mineral property expenditures totaling \$1,231,333 (2011 - \$1,998,715) were expensed.

### ***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 at each project.

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

### ***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, 2012 and the unaudited Financial Statements at September 30, 2012 as provided herein under the section heading "Financial Statements" above.

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

Our operations are not yet 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 price 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. Industry-wide risks can, however, affect our general ability to finance exploration, and development of exploitable resources; such effects are not predictable or quantifiable.

## **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 adequately designed and 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.

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

During our most recently completed fiscal quarter ended September 30, 2012, 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, 2011 filed with the Securities and Exchange Commission on March 14, 2012.

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

During the quarter ended September 30, 2012, no unregistered securities were sold.

**Item 3. Defaults upon Senior Securities**

None.

**Item 4.**

**Mine Safety and Health Administration Regulations**

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, 2012, the Company s mineral properties were not subject to regulation by the Federal Mine Safety and Health Administration under the Mine Safety Act.

**Item 5. Other Information**

None.

**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	Share Certificate <sup>(1)</sup>
4.2	Form of Lock-up Agreement <sup>(6)</sup>
4.3	Warrant Indenture, dated October 27, 2009 <sup>(7)</sup>
<u>31.1</u>	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act</u>
<u>32.1</u>	<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>
<u>32.2</u>	<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.SCHXBRL Taxonomy Extension Schema

101.CALXBRL Taxonomy Extension Calculations

101.DEF XBRL Taxonomy Extension Definitions

101.LABXBRL 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 October 22, 2009
- (7) Previously filed as an exhibit to the Registrant s Form 8-K, filed October 27, 2009



**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, President and Chief Executive  
Officer, Director  
(Principal Executive Officer)

Date: November 8, 2012

Date: November 8, 2012

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