

URANERZ ENERGY CORP.  
Form 10-Q  
November 12, 2013

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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, 2013**

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

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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  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 7, 2013: 85,815,074**

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

Uranerz Energy Corporation  
(An Exploration Stage Company)

September 30, 2013

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

	September 30, 2013 \$ (Unaudited)	December 31, 2012 \$ (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	7,548,367	7,016,710
Prepaid expenses and deposits (Note 6(a))	1,259,126	824,162
Other current assets	84,638	28,486
<b>Total Current Assets</b>	<b>8,892,131</b>	<b>7,869,358</b>
Prepaid Expenses and Deposits (Note 6(a))	485,901	1,024,136
Mineral Property Reclamation Surety Deposits (Note 9)	2,068,556	2,068,399
Property and Equipment (Note 4)	472,027	591,601
<b>Total Assets</b>	<b>11,918,615</b>	<b>11,553,494</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	2,872,616	1,269,967
Accrued liabilities (Note 6(b))	1,052,985	866,807
Due to related parties (Note 7(a))	12,670	14,534
Secured Notes payable, net of unamortized discount of \$130,550 (Note 8)	6,019,450	
<b>Total Current Liabilities</b>	<b>9,957,721</b>	<b>2,151,308</b>
Asset Retirement Obligations (Note 9)	1,200,701	1,071,843
<b>Total Liabilities</b>	<b>11,158,422</b>	<b>3,223,151</b>
<b>Commitments and Contingencies (Notes 1, 5 and 15)</b>		
<b>Stockholders Equity</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; 85,795,074 and 77,207,574 shares issued and outstanding, respectively	85,795	77,208
Additional Paid-in Capital	156,114,560	145,421,983
Deficit Accumulated During the Exploration Stage	(155,617,419)	(137,291,216)
<b>Total Stockholders Equity</b>	<b>582,936</b>	<b>8,207,975</b>
Non-controlling Interest	177,257	122,368
<b>Total Stockholders Equity</b>	<b>760,193</b>	<b>8,330,343</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>11,918,615</b>	<b>11,553,494</b>

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

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

	Accumulated From May 26, 1999 (Date of Inception) to September 30, 2013 \$	Three Months Ended September 30, 2013 \$		Nine Months Ended September 30, 2013 \$	
		2012 \$	2012 \$	2012 \$	2012 \$
Revenue					
Expenses					
Depreciation	1,190,536	46,902	62,215	155,501	184,026
Accretion expense (Note 9)	109,262	19,709	14,462	56,845	31,450
Foreign exchange loss	82,895	(17,160)	4,933	(22,212)	15,507
General and administrative (Notes 7 and 11)	61,371,197	2,059,577	1,181,633	4,604,731	3,838,144
Mineral property expenditures (Note 5 (m))	98,440,418	8,292,757	4,481,607	12,762,426	18,117,336
Total Operating Expenses	161,194,308	10,401,785	5,744,850	17,557,291	22,186,463
Operating Loss	(161,194,308)	(10,401,785)	(5,744,850)	(17,557,291)	(22,186,463)
Other Income (Expense)					
Gain on sale of investment securities	79,129				
Interest income	2,072,364	4,419	10,474	11,033	39,170
Interest expense	(966,556)	(729,450)		(966,556)	
Loss on settlement of debt	(132,000)				
Mineral property option payments received	152,477				
Total Other Income	1,205,414	(725,031)	10,474	(955,523)	39,170

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(Expense)					
Loss from Continuing Operations	(159,988,894)	(11,126,816)	(5,734,376)	(18,512,814)	(22,147,293)
Discontinued Operations					
Loss from discontinued operations	(28,732)				
Gain on disposal of discontinued operations	979,709				
Gain on Discontinued Operations	950,977				
Net Loss and Comprehensive Loss	(159,037,917)	(11,126,816)	(5,734,376)	(18,512,814)	(22,147,293)
Net Loss and Comprehensive Loss Attributable to					
Non-controlling Interest	3,420,498	75,024	127,081	186,611	312,853
Net Loss and Comprehensive Loss Attributable to					
Company Stockholders	(155,617,419)	(11,051,792)	(5,607,295)	(18,326,203)	(21,834,440)
Amounts Attributable to Company Stockholders					
Loss from continuing operations	(156,568,396)	(11,051,792)	(5,607,295)	(18,326,203)	(21,834,440)
Gain on discontinued operations	950,977				
Net Loss Attributable to the Company	(155,617,419)	(11,051,792)	(5,607,295)	(18,326,203)	(21,834,440)
Net Loss Per Share Basic and Diluted		(0.14)	(0.07)	(0.24)	(0.28)
		79,456,000	77,161,000	77,969,000	77,153,000



Weighted  
Average Number  
of Shares  
Outstanding

(The accompanying notes are an integral part of these unaudited 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, 2013 \$	Nine Months Ended September 30, 2013 \$	2012 \$
<b>Operating Activities</b>			
Net loss and comprehensive loss	(159,037,917)	(18,512,814)	(22,147,293)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation	1,190,536	155,501	184,026
Accretion expense	109,262	56,845	31,450
Accretion of discount on notes payable	544,911	544,911	
Amortization of financing costs	277,974	277,974	
Asset retirement cost	1,091,439	72,013	573,088
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	29,522,768	1,304,729	247,434
Changes in operating assets and liabilities:			
Prepaid expenses and deposits	(1,738,790)	103,271	(331,377)
Other current assets	(84,613)	(56,152)	(8,461)
Accounts payable and accrued liabilities	4,056,268	1,788,827	(1,477,425)
Due to related parties	483,429	(1,864)	(47,744)
<b>Net Cash Used in Operating Activities</b>	<b>(104,111,454)</b>	<b>(14,266,759)</b>	<b>(22,976,302)</b>
<b>Investing Activities</b>			
Reclamation surety deposits	(2,068,556)	(157)	(293)
Acquisition of subsidiary, net cash paid	(48)		
Proceeds from sale of marketable securities	20,548,664		
Investment in property and equipment	(1,564,147)	(35,927)	(360,670)
Purchase of investment securities	(20,432,035)		
Disposition of subsidiary	905,092		
<b>Net Cash Used in Investing Activities</b>	<b>(2,611,030)</b>	<b>(36,084)</b>	<b>(360,963)</b>
<b>Financing Activities</b>			
Proceeds from notes payable	6,000,000	6,000,000	
Financing costs	(296,840)	(296,840)	
Repayment of loan payable	(98,414)		
Advances from related party	10,700		
Contributions from non-controlling interest	3,597,756	241,500	383,040

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Proceeds from issuance of common stock	110,703,822	10,028,875	93,959
Share issuance costs	(5,646,173)	(1,139,035)	
Net Cash Provided by Financing Activities	114,270,851	14,834,500	476,999
Increase (Decrease) In Cash	7,548,367	531,657	(22,860,266)
Cash - Beginning of Period		7,016,710	34,644,745
Cash - End of Period	7,548,367	7,548,367	11,784,479
Non-cash Investing and Financing Activities			
Sale of 60% of subsidiary for interest in mineral property	774,216		
Investment securities received as a mineral property option payment	37,500		
Purchase of equipment with loan payable	98,414		
Stock options issued for mineral property expenditures	170,598		
Common stock issued to settle debt	744,080		
Warrants issued with notes payable	525,461	525,461	
Warrants issued for mineral property costs	1,258,000		
Common stock issued for mineral property costs	19,105,000		
Supplemental Disclosures			
Interest paid	156,279	143,671	
Income taxes paid			

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

Uranerz Energy Corporation  
(An Exploration Stage Company)  
Consolidated Statement of Stockholders' Equity  
For the Nine Month Period September 30, 2013  
(Expressed in US dollars)  
(Unaudited)

	Common Stock		Additional	Deficit	Non-Controlling	Total
	Shares	Amount	Paid-in	Accumulated	Interest	
	#	\$	Capital	During the	\$	\$
			\$	Exploration		
				Stage		
				\$		
Balance, December 31, 2012	77,207,574	77,208	145,421,983	(137,291,216)	122,368	8,330,343
Stock-based compensation			1,304,729			1,304,729
Fair value of warrants issued with note financing			525,461			525,461
Warrant issuance costs			(18,866)			(18,866)
Shares issued upon the exercise of options	37,500	37	25,338			25,375
Shares issued pursuant to private placement	8,550,000	8,550	9,994,950			10,003,500
Share issuance costs			(1,139,035)			(1,139,035)
Contribution from non-controlling interest					241,500	241,500
Net loss and comprehensive loss for the period				(18,326,203)	(186,611)	(18,512,814)
Balance, September 30, 2013	85,795,074	85,795	156,114,560	(155,617,419)	177,257	760,193

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



Uranerz Energy Corporation  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
September 30, 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.

The Company is an Exploration Stage Company, as defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 915, *Development Stage Entities*, as modified by the Securities and Exchange Commission (SEC) *Industry Guide 7*. The Company's principal business is the acquisition, exploration and exploitation of uranium and other mineral resources.

As at September 30, 2013, the Company has an accumulated deficit, working capital deficiency of \$1,065,590, debt with a fair value of \$6,150,000 and cash on hand of \$7,548,367. The Company's operating expenditure plan for the following 12 months will require additional cash. To meet the cash requirement to carry out its plans, the Company will be required to raise financing through borrowing, issuing additional shares, or a combination of borrowing and issuing additional shares. Accordingly, there are material uncertainties that cast substantial doubt about the Company's ability to continue as a going concern. Management has plans in place to address the Company's cash requirements. The completion of any plans is dependent on various factors, some of which are beyond management's control, and there can be no assurance that they will be successful.

2. Summary of Significant Accounting Policies

a) Basis of Presentation

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 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, 2013, 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, 2013 are not necessarily indicative of the results to be expected for any subsequent quarter or the entire year ending December 31, 2013. The unaudited interim consolidated financial statements have been condensed pursuant to the SEC'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, 2012, included in the Company's Annual Report on Form 10-K/A filed on April 29, 2013 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.

c) 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.

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Uranerz Energy Corporation  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
September 30, 2013  
(Expressed in US dollars)  
(Unaudited)

2. Summary of Significant Accounting Policies (continued)

d) 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 an 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 expensed or 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. At September 30, 2013, the Company had accrued \$1,200,701 for restoration and reclamation obligations (December 31, 2012 - \$1,071,843).

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 mineral property expenditures during the period and the actual restoration expenditure incurred is charged to the accumulated asset retirement obligation provision as the restoration work is completed. At September 30, 2013 and December 31, 2012, the Company has recorded \$39,000 for well reclamation obligations in accrued liabilities for which work is required as part of its on-going exploration expenses.

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 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.

f) Recently Adopted Accounting Pronouncements

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

Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income

In February, 2013, ASC guidance was issued related to items reclassified from Accumulated Other Comprehensive Income. The new standard requires either in a single note or parenthetically on the face of the financial statements: (i) the effect of significant amounts reclassified from each component of



accumulated other comprehensive income based on its source and (ii) the income statement line items affected by the reclassification. The update was effective for the Company's fiscal year beginning January 1, 2013. The guidance did not have a significant impact on the Company's consolidated financial position, results of operations or cash flows.

#### Disclosures about Offsetting Assets and Liabilities

In November 2011, ASC guidance was issued related to disclosures about offsetting assets and liabilities. The new standard requires disclosures to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under IFRS. The update was effective for the Company's fiscal year beginning January 1, 2013, and interim periods within those annual periods. Retrospective application was required. The Company adopted ACU 2011-11 as of January 1, 2013. The adoption did not have a material impact on the Company's consolidated financial statements.

In January 2013, ASC guidance was issued to clarify that the disclosure requirements are limited to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (i) offset in the financial statements or (ii) subject to an enforceable master netting arrangement or similar agreement. The updated guidance did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Uranerz Energy Corporation  
 (An Exploration Stage Company)  
 Notes to the Consolidated Financial Statements  
 September 30, 2013  
 (Expressed in US dollars)  
 (Unaudited)

2. Summary of Significant Accounting Policies (continued)

g) Fair Value of Financial Instruments

The Company categorizes its financial instruments into a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument. Fair value is determined based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants exclusive of any transaction costs.

The Company's financial assets recorded at fair value are categorized as follows:

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 or significant value-drivers are observable in active markets.

Level 3 Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

	Cost	Accumulated Depreciation	September 30, 2013 Net Carrying Value	December 31, 2012 Net Carrying Value
	\$	\$	\$	\$
Computers and office equipment	344,644	237,936	106,708	97,999
Field equipment	1,317,919	952,600	365,319	493,602
	1,662,563	1,190,536	472,027	591,601

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Uranerz Energy Corporation  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
September 30, 2013  
(Expressed in US dollars)  
(Unaudited)

5. 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 an advanced royalty payment of \$250,000. The amounts were paid in instalments and completed by January 2007. These mining claims are mainly located on the Nichols Ranch ISR Uranium Project and subject to varying royalty interests 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.
- 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, expiring June 2014.

- 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, 2013, mineral property expenditures totalling \$12,762,426 (2012 - \$18,117,336) were expensed, including processing facility construction and wellfield expenditures totalling \$11,797,330 (2012 - \$16,886,003). As of September 30, 2013, the Company has expensed processing facility construction and wellfield expenditures related to our Nichols Ranch ISR Uranium Project totalling \$42,831,585 (December 31, 2012 - \$31,034,255).

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Uranerz Energy Corporation  
(An Exploration Stage Company)  
Notes to the Consolidated Financial Statements  
September 30, 2013  
(Expressed in US dollars)  
(Unaudited)

## 6. Balance Sheet Details

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

	September 30, 2013 \$	December 31, 2012 \$
Exploration costs	52,905	
Insurance	47,068	29,061
Investor relations	84,617	
Lease costs	538,072	396,043
Reclamation bonding	31,964	188,058
Surface use and damage costs	371,557	205,400
Deposits	85,145	
Other	47,798	5,600
Current prepaid expenses and deposits	1,259,126	824,162
Deposits	29,892	29,771
Power supply advance	196,588	674,200
Surface use and damage costs	259,421	320,165
Non-current prepaid expenses and deposits	485,901	1,024,136

b) The components of accrued liabilities are as follows:

	September 30, 2013 \$	December 31, 2012 \$
Mineral exploration expenses	582,030	311,117
Employee costs	246,091	116,690
Executive compensation		400,000
Insurance fees	30,623	
Professional fees	72,365	
Reclamation costs	39,000	39,000
Other	82,876	
Total accrued liabilities	1,052,985	866,807

## 7. Related Party Transactions / Balances

a)

During the nine months ended September 30, 2013, the Company incurred \$638,922 (2012 - \$786,539) 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, 2013, consulting services and expenditures incurred on behalf of the Company of \$12,670 (December 31, 2012 - \$14,534) 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, 2013, the Company incurred fees of \$114,475 (2012 - \$124,375) 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, 2013, the Company incurred bonuses to related party officers of \$Nil (2012 - \$20,000) (included in general and administrative expenses).

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#### 8. Secured Notes Payable

On June 6, 2013 the Company entered into a Note Purchase Agreement whereby \$6,000,000 was received in exchange for secured promissory notes (the Notes) bearing interest from the date of issue at 6% per annum increasing to 10% per annum on August 16, 2013 when the notes were not repaid. In addition, the principal amount of the Notes also increased to \$6,150,000 when the Notes were not repaid prior to August 16, 2013. The Notes are secured by the Company's mineral properties, equipment and personal property and mature at the earlier of: i) the 30th day following execution and delivery by the Company of all documents to be executed and delivered by the Company in respect of a pending financing facility (State of Wyoming Industrial Revenue Bond) and (ii) December 31, 2013.

As additional consideration for the 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 Notes contain restrictive covenants with respect to indebtedness and material corporate changes. 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, 2013.

The proceeds from the Notes were allocated based on the relative fair values of the Notes without the warrants issued in conjunction with the Notes and of the warrants themselves at the time of issuance. The Company estimated the fair value of the warrants using a binomial lattice model with the following assumptions at June 6, 2013: risk-free rate of 0.48%, expected volatility of 78% and an expected term of 2.50 years.

The Company recorded the relative fair value of the warrants of \$525,461 at the time of issuance as additional paid in capital and as a debt discount to the Notes. The Company also recognized a discount equal to the additional \$150,000 principal on August 16, 2013. The Company will amortize this debt discount as interest expense over the life of the Notes. At September 30, 2013, the Company recorded amortized interest expense of \$544,911 and increased the carrying value of the notes to \$6,019,450.

The Company incurred financing costs associated with the issuance of the Notes of \$296,840.

#### 9. Asset Retirement Obligations

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

Balance at December 31, 2012	\$	1,071,843
Liabilities incurred		72,013
Accretion expense		56,845
Balance at September 30, 2013	\$	1,200,701

The current portion of reclamation and remediation liabilities of \$39,000 at September 30, 2013 and December 31, 2012, are included in accrued liabilities as these remediation activities are conducted on a recurring basis (see Note 6).

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. The Company and the Arkose Mining Venture have 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. 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 \$368,556 have been classified as mineral property reclamation surety deposits.



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10. Common Stock

- a) In September, 2013 the Company issued 8,550,000 units of the Company at a price per unit of \$1.17 for gross proceeds of approximately \$10,003,500 before offering costs of \$1,139,035. Each Unit was comprised of one share of the Company's common stock, and one half of one common share purchase warrant, with each whole warrant exercisable to purchase one additional share of the Company's 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.
- b) During the nine months ended September 30, 2013, the Company also issued 37,500 shares of common stock, pursuant to the exercise of stock options, for proceeds of \$25,375.

	Number of Options	Weighted Average Exercise Price \$	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value \$
Outstanding, December 31, 2012	9,225,880	2.33		
Granted	1,295,000	1.20		
Exercised	(37,500)	0.68		
Expired	(263,000)	2.86		
Outstanding, September 30, 2013	10,220,380	2.18	6.05	152,800
Exercisable, September 30, 2013	8,344,330	2.37	5.39	152,500

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#### 11. Stock-based Compensation (continued)

A summary of the status of the Company's non-vested stock options outstanding as of September 30, 2013, and changes during the nine months ended September 30, 2013 is presented below:

Non-vested stock options	Number of Options	Weighted Average Grant Date Fair Value \$
Non-vested at December 31, 2012	1,207,050	1.24
Granted	1,295,000	0.94
Vested	(638,000)	0.83
Expired	(12,000)	1.25
Non-vested at September 30, 2013	1,876,050	1.20

As at September 30, 2013, there was \$1,423,575 of unrecognized compensation cost related to non-vested stock option agreements. This cost is expected to be recognized over a weighted average period of 1.45 years.

#### 12. Stock Purchase Warrants

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 have a four year term and vest as to 25% in July 2010, 2011, 2012 and 2013, respectively. (Refer to Note 5(k)). The warrants expire on June 30, 2014. None of these warrants have been exercised as at September 30, 2013.

On June 5, 2013, the Company issued warrants to purchase 1,600,000 shares of common stock to investors loaning the Company \$6,000,000. The warrants are exercisable for \$1.60 per share, have a 30 month term subject to an acceleration clause and vested as to 1,200,000 on issue and 400,000 on August 16, 2013 when certain conditions were not met. See Note 8. None of these warrants have been exercised as at September 30, 2013.

On September 5, 2013, the Company issued warrants to purchase 4,275,000 shares of common stock pursuant to a bought deal financing (see Note 10). The warrants are exercisable for \$1.60 per share, have a 30 month term subject to an acceleration clause and vested on issue. None of these warrants have been exercised as at September 30, 2013.

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

Weighted Average

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	Number	Exercise Price \$
Balance December 31, 2012	2,000,000	3.00
Issued	5,875,000	1.60
Balance September 30, 2013	7,875,000	1.96

As at September 30, 2013, the following common share purchase warrants were outstanding, all of which were exercisable:

Number of Warrants	Exercise Price \$	Expiry Date
2,000,000	3.00	June 30, 2014
1,600,000	1.60	December 5, 2015
4,275,000	1.60	March 5, 2016
7,875,000		

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### 13. 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.

### 14. Fair Value Measurements

The following table provides a summary of the recognized assets and liabilities that are measured at fair value on a recurring basis:

	As at September 30, 2013			As at December 31, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<i>Assets</i>						
Cash	7,548,367	-	-	7,016,710	-	-

There were no transfers into or out of Level 1, Level 2, or Level 3 assets and liabilities for any of the periods presented.

### 15. 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 five payments have been made. Refer to Note 5(g).
- Refer to Note 9 for commitments pertaining to mineral property reclamation surety deposits.
- On February 14, 2012, the Company signed an office lease for a primary term of two years, 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) On May 7, 2013, the Company signed an office premises lease for a period of three years commencing September 1, 2013. Rent is approximately \$53,333 (Cdn\$55,000) per annum.
- 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.
- g) The Company is committed under three sales agreements to supply triuranium octoxide (U3O8) over a five year period. One sales agreement has defined pricing each year, the second agreement has pricing which includes spot and term referenced prices and the third has pricing which contains a base with an escalation factor.
- h) At September 30, 2013, the Company has construction purchase orders outstanding for approximately \$970,000.

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## 16. 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, 2013			December 31, 2012		
	Total \$	Uranerz \$	Arkose \$	Total \$	Uranerz \$	Arkose \$
Assets	11,918,615	10,898,598	1,020,017	11,553,494	10,700,952	852,542
	For the Nine Months Ended September 30, 2013			For the Nine Months Ended September 30, 2012		
	Total \$	Uranerz \$	Arkose \$	Total \$	Uranerz \$	Arkose \$
Net loss attributable to the Company	(18,326,203)	(17,840,600)	(485,603)	(21,834,440)	(21,102,368)	(732,072)
Interest income	11,033	10,876	157	39,170	38,877	293
Interest expense	(966,556)	(966,556)				
Depreciation	(155,501)	(155,501)		(184,026)	(184,026)	
Accretion	(56,845)	(56,845)		(31,450)	(31,450)	
	For the Three Months Ended			For the Three Months Ended		
	Total \$	Uranerz \$	Arkose \$	Total \$	Uranerz \$	Arkose \$

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	September 30, 2013			September 30, 2012		
	Total	Uranerz	Arkose	Total	Uranerz	Arkose
Net loss attributable to the Company	(11,051,792)	(10,822,313)	(229,479)	(5,607,295)	(5,256,695)	(350,600)
Interest income	4,419	4,262	157	10,474	10,181	293
Interest expense	(729,450)	(729,450)				
Depreciation	(46,902)	(46,902)		(62,215)	(62,215)	
Accretion	(19,709)	(19,709)		(14,462)	(14,462)	

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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, 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 public acceptance of nuclear power;
- 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 obtaining the necessary access rights;
- 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 recent market events;
- risks related to our issuance of additional shares of common stock;
- risks related to acquisition and integration issues;
- risks related to defects in title to our mineral properties;
- risks related to the construction and delay in construction of the Nichols Ranch ISR Uranium Project;
- risks related to our ability to initiate production and achieve targeted production rates at our Nichols Ranch ISR Uranium Project;
- risks related to higher than expected operating costs at our Nichols Ranch ISR Uranium Project;



- risks related to the our ability to complete construction of the Nichols Ranch ISR Uranium Project if the Wyoming Business Council financing is not obtained;
- risks related to our outstanding notes; and
- risks related to our securities.

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/A for the year ended December 31, 2012 and filed with the Securities and Exchange Commission on April 29, 2013 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.

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## General

We are a U.S.-based uranium company focused on achieving near-term commercial in-situ recovery ( ISR ) of uranium. 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, 2013; and
- our 81% interest in Arkose Mining Venture properties that totaled 59,288 acres as of September 30, 2013.

Our 100% owned 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	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.

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

Property	No. Claims	Approximate 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	<u>107</u>	<u>2,140</u>
<b>TOTAL</b>	<b>497</b>	<b>9,940</b>

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

<b>Property</b>	<b>Ownership Interest</b>	<b>Number of Claims/ Leases</b>	<b>Acreage (Approximate)</b>
<b>Composition</b>	<b>(1)</b>		
Unpatented Mining Lode Claims	81%	2,641	43,207 acres
State Leases	81%	3	2,080 acres
Fee (private) Mineral Leases	81%	61	<u>14,001</u> acres
<b>Total</b>			<b>59,288 acres</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 Reno Creek projects. However, due to our focus on other activities, we have not yet made any development 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 significant properties, is presented in Item 2 of our Annual Report on Form 10-K/A for the year ended December 31, 2012 under the heading "Description of Properties", previously filed with the Securities and Exchange Commission (the "SEC") on April 29, 2013.

During this quarter we have continued construction of our processing facility and installation of our first wellfield at our Nichols Ranch ISR Uranium Project in the Powder River Basin. The processing facility is over 95% complete and the wellfield is substantially complete. We completed the installation of two deep disposal wells and have scheduled a Nuclear Regulatory Commission ("NRC") pre-operational inspection for mid-November, 2013.

We are continuing preparation of the environmental permit and license applications for the Jane Dough unit, which is adjacent to the area currently being constructed 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 recovery operations 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 may continue the exploration and, if warranted, the potential future development and strategic planning of our other Wyoming Powder River Basin properties.

Our first mining unit is expected to be recovering uranium later this year or in early 2014. Regulatory milestones are being pursued in order to meet start-up requirements following completion of the processing facility and wellfield construction activities and connections to our two deep disposal wells. The Nichols Ranch ISR Uranium Project is licensed for a recovery level of up to two million pounds of uranium per year with initial annual recovery dependent upon the extraction efficiency in our first wellfield and market factors. The project will also serve as a platform to advance our other Powder River Basin properties with potential enhanced economics for adjacent and satellite projects. Cameco and Uranium One, two of the largest ISR uranium mining companies in the world, are continuing to extract uranium near the Uranerz properties in the Powder River Basin.

None of our projects has proven or probable reserves as defined in the SEC's Industry Guide 7 and our operations on our projects and properties are exploratory in nature under Industry Guide 7 standards.

During the third quarter of 2013 we:

- continued installation of equipment and electrical components in our processing facility;
- continued installation of injection and recovery wells for Nichols Ranch Production Area #1;
- conducted staff training for safety and operations;
- installed feeder lines to header houses to connect wells;
- received proceeds of \$10 million from a public equity issue;
- our shareholders approved the reconfirmation of our Shareholders Rights Plan for an additional three years;
- completed installation of two deep disposal wells;
- continued preparation of permit applications for the Jane Dough unit; and
- continued preparation of documentation for a \$20 million loan under the Wyoming Industrial Development Revenue Bond Program which is subject to the usual closing conditions and final approval by State officials.

### **Financial Position**

The Company's overall financial position is disclosed in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2012 filed with the SEC on April 29, 2013 and the unaudited consolidated Financial Statements at September 30, 2013 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 with a budget of approximately \$26,000,000 in 2013 as reported in our Annual Report. This plan anticipates completion of the processing facility, deep disposal wells and initial wellfield of our Nichols Ranch ISR Uranium Project in late 2013, with recovery commencing shortly thereafter. Startup was extended to accommodate the installation of two deep disposal wells, now complete. Mineral property acquisitions, dependent upon opportunities that may arise, will be additional expenditures.

During the three and nine months ended September 30, 2013, operational expenditures incurred were \$10,401,785 and \$17,557,291 respectively. These expenditures include mine development costs incurred for the Nichols Ranch project totaling \$42,831,585 at September 30, 2013, all of which have been expensed in accordance with the Company's status as an exploration stage company pursuant to the SEC's Industry Guide 7.

At September 30, 2013 we had cash of \$7,548,367 and a working capital deficiency of \$1,065,590, as compared to cash of \$7,016,710 and working capital of \$5,718,050 as at December 31, 2012. Current liabilities at September 30, 2013 include Notes Payable of \$6,019,450 due December 31, 2013. Our cash is invested in bank savings accounts where it is available on demand.

Net cash used in operating activities was \$14,266,759 for the nine months ended September 30, 2013, compared to \$22,976,302 for the corresponding period in 2012, reduced significantly as project construction costs were lower by \$5,088,673. Net cash used to purchase property and equipment was \$35,927 for the nine months ended September 30, 2013, compared to \$360,670 used in the corresponding period in 2012.

Net cash provided by financing activities amounted to \$14,834,500 for the nine months ended September 30, 2013, primarily from proceeds from notes payable (a bridge loan) and an equity issue, compared to \$476,999 provided in the corresponding period in 2012 when no financing transactions occurred.

During the twelve-month period following the date of this quarterly report, we anticipate that we will begin to generate a modest amount of revenue. The Nichols Ranch project is expected to incur additional expenditures of approximately \$4 million before the Nichols Ranch ISR Unit is ready for uranium extraction by late 2013 or early 2014. We anticipate that these expenditures will be paid for from cash on hand and from additional financing. For this purpose, we have applied for a State of Wyoming Industrial Development Revenue Bond in the amount of \$20 million

( Bond Financing ). These funds if and when obtained, would permit us to complete the construction of the Nichols Ranch ISR Unit and fund initial recovery operations and general administrative expenses. We will need to obtain additional financing to fund exploration and wellfield expansion expenditures.

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On June 6, 2013, we entered into a Note Purchase Agreement, dated as of May 31, 2013, by and among us, Deans Knight Capital Management Ltd. (“Deans Knight”) and the investors in the Notes (the “Investors”), (the “Note Purchase Agreement”). Pursuant to the Note Purchase Agreement, the Investors agreed to lend to the Company \$6 million (the “Loan”) in exchange for senior notes of the Company equal to the outstanding principal balance of the loan (the “Notes”). Pursuant to the terms of the Note Purchase Agreement, the Notes will mature on the earlier of: (i) 30 days from the execution and delivery of documentation in connection with the Bond Financing, and (ii) December 31, 2013. The Notes bear interest from the date of issue at 6.0% per annum increasing to 10.0% per annum on August 16, 2013 if the Notes are not repaid prior to August 15, 2013. As additional consideration for the Loan, we agreed to issue to the Investors non-transferable common stock purchase warrants (the “Warrants”) entitling the Investors to purchase from the Company 1,600,000 Warrants at an exercise price of US\$1.60, of which all are currently exercisable. The Warrants expire 30 months from the date of issue, subject to acceleration. The Notes are secured by a mortgage and security interest in our primary uranium properties in the Powder River Basin, all our equipment and personal property and the Nichols Ranch Processing Facility.

On September 6, 2013 the Company issued and sold in a public offering, through a syndicate of underwriters, 8,550,000 units of the Company (the “Units”) at a price of US\$1.17 per Unit for aggregate gross proceeds of approximately \$10,000,000. Each Unit consisted of one share of the Company’s common stock and one-half of one common share purchase warrant, with each whole warrant exercisable to purchase one additional share of the Company’s common stock for a period of 30 months following the closing of the offering at an exercise price of US\$1.60, subject to adjustment and acceleration provisions. The warrants will not be listed on any exchange.

To date, our primary source of funds has been equity financings, and this trend is expected to continue together with recovery operations related financing, including the Bond Financing. With the anticipated completion of the Bond Financing, we believe we will have sufficient funds to continue the construction of Nichols Ranch Unit and to meet on-going operating expenses for the next twelve months as we scale our exploration and operations to the resources we have available. 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, the issuance of permits and available capital. Further, the extent of exploration programs that we undertake will be dependent upon the amount of financing available to us.

Without the Bond Financing, we would require additional financing or will need to sell some of our assets to meet the anticipated expenditures for the Nichols Ranch ISR Unit to be ready for recovery operations, to pay for initial recovery operations and to meet our obligations under the Notes, which mature on December 31, 2013. We will also require additional financing to continue our other exploration activities. If we are unable to raise additional financing we may be unable to finish construction of the Nichols Ranch ISR Unit and may not be able to meet our obligations under the Notes. As the Notes are secured by a mortgage and security interest in our primary uranium properties in the Powder River Basin, our equipment and personal property and our Nichols Ranch Processing Facility, if we are unable to meet our obligation to repay the Notes by December 31, 2013 and are unable to otherwise negotiate an extension with the Investors, we may lose our interest in our primary uranium properties, our equipment and personal property and the Nichols Ranch Processing Facility.

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/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 2011, we filed a Form S-3 “shelf registration statement”, including equity and/or debt, in the amount of \$100 million which was drawn upon during our September equity issue.

Our cash has not been devalued by the current stock market disruptions 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, 2013 compared to three-month period ended September 30, 2012***

#### *Revenue and Operating Expenses*

We have not earned any revenues to date and we anticipate that we may generate modest revenues during the twelve-month period following the date of this quarterly report.

We incurred total operating expenses of approximately \$10,401,785 for the three-month period ended September 30, 2013, as compared to \$5,744,850 for the corresponding period in 2012. The increase of operating expenses in the amount of \$4,656,935 was primarily attributable to a increase in mineral property expenses of \$3,811,150; mineral property expenses of \$8,292,757 for the three-month period ended September 30, 2013 include processing facility and wellfield expenditures related to the Nichols Ranch ISR Uranium Project.

Our financing expense for the three-month period ended September 30, 2013 was \$729,450, as compared to \$nil for the corresponding period in 2012. Our interest income of \$4,419 for the three-month period ended September 30, 2013 was down from \$10,474 in 2012 when cash balances were higher. The financing expense is related to our Notes payable, issued in June 2013.

Net loss for the three-month period ended September 30, 2013 was approximately \$11,051,792, as compared to approximately \$5,607,295 for the corresponding period in 2012. The increase in net loss was primarily attributable to the increase in operating expenses resulting from an increase in mineral property expenses.

### ***Nine-month period ended September 30, 2013 compared to nine-month period ended September 30, 2012***

We incurred total operating expenses of approximately \$17,557,291 for the nine-month period ended September 30, 2013, as compared to \$22,186,463 for the corresponding period in 2012. The decrease of operating expenses in the amount of \$4,629,172 was primarily attributable to a \$1,057,295 increase in stock-based compensation included in general and administrative expenses and by a \$5,354,910 decrease in mineral property expenses. Mineral property expenses included Nichols Ranch project construction costs totaling \$11,797,330 for the nine-month period ended September 30, 2013, as compared to \$16,886,003 for the corresponding period in 2012.

Our financing expense for the nine-month period ended September 30, 2013 was \$966,556, as compared to \$nil for the corresponding period in 2012. Our interest income of \$11,033 for the nine-month period ended September 30, 2013 was down from \$39,170 in 2012 when cash balances were higher. The financing expense is related to our Notes payable, issued in June 2013.

Net loss for the nine-month period ended September 30, 2013 was approximately \$18,326,203, as compared to approximately \$21,834,440 for the corresponding period in 2012, a decrease of \$3,508,237. The net loss was affected by the variation of operating and financing 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, 2013. 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/A for the year ended December 31, 2012 filed with the Securities and Exchange Commission on April 29, 2013 and the unaudited Financial Statements at September 30, 2013 as provided herein under the section heading "Financial Statements" above.

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## **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.

### ***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/A filed with the Securities and Exchange Commission on April 29, 2013 and the unaudited Financial Statements at September 30, 2013 as provided herein under the section heading "Financial Statements" above.

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### **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 value of uranium. Interest rate risk results from our debt and equity instruments that we issue to provide financing and liquidity for our business. Credit risk would arise from the extension of credit throughout all aspects of our business but is not yet significant. 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 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, 2013, 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

Except as set forth below, there have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K/A for the year ended December 31, 2012 filed with the Securities and Exchange Commission on April 29, 2013.

*We may be unable to timely pay our obligations under our outstanding notes, which may result in us losing some of our assets covered by the mortgage and security agreement related to the notes to the extent necessary to cover our obligations and may adversely affect our assets, results of operations and future prospects.*

On June 6, 2013, we entered into a Note Purchase Agreement, dated as of May 31, 2013, by and among us, Deans Knight Capital Management Ltd. ( "Deans Knight" ) and the investors in the Notes (the "Investors" ), (the "Note Purchase Agreement" ). Pursuant to the Note Purchase Agreement, the Investors agreed to lend to the Company \$6 million (the "Loan" ) in exchange for senior notes of the Company equal to the outstanding principal balance of the loan (the "Notes" ). Pursuant to the terms of the Note Purchase Agreement, the Notes will mature on the earlier of: (i) 30 days from the execution and delivery of documentation in connection with the Bond Financing, and (ii) December 31, 2013. The Notes bear interest from the date of issue at 6.0% per annum increasing to 10.0% per annum on August 16, 2013 when the Notes were not repaid. The Notes are secured by a mortgage and security interest in our primary uranium properties in the Powder River Basin, all our equipment and personal property and the Nichols Ranch Processing Facility.

If we are unable to timely satisfy our obligations under the Notes, including timely payment of the interest when due and payment of the principal amount at maturity and we are not able to successfully extend the maturity date or otherwise re-negotiate the terms of the Notes, Deans Knight, acting on behalf of the Investors, will have rights under the mortgage and security agreement to potentially seize or sell our uranium properties and interests, our equipment and personal property and the Nichols Ranch Processing Facility to satisfy our obligations under the Notes. Any failure to timely meet our obligations under the Notes may adversely affect our assets, results of operations and future prospects.

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

None.

**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, 2013, 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.

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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	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>
4.4	Form of Warrant, issued June 7, 2013 <sup>(8)</sup>
4.5	Form of Note, issued June 7, 2013 <sup>(8)</sup>
4.6	Note Purchase Agreement by and among the Company, Deans Knight and the Investors dated May 31, 2013 <sup>(8)</sup>
4.7	Mortgage and Security Agreement and the Assignment by and among the Company, Deans Knight and the Investors <sup>(8)</sup>
4.8	Collateral Agency Agreement by and among the Company, Deans Knight and the Investors dated June 5, 2013 <sup>(8)</sup>
4.9	Registration Rights Agreement by and among the Company and the Investors <sup>(8)</sup>
4.10	Warrant Indenture, dated September 6, 2013 <sup>(10)</sup>
10.1	Form of Indemnification Agreement <sup>(9)</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.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 October 22, 2009
- (7) Previously filed as an exhibit to the Registrant's Form 8-K, filed October 27, 2009
- (8) Previously filed as an exhibit to the Registrant's Form 8-K, filed June 12, 2013
- (9) Previously filed as an exhibit to the Registrant's Form 8-K, filed June 28, 2013
- (10) Previously filed as an exhibit to the Registrant's Form 8-K, filed September 6, 2013



**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 11, 2013

Date: November 11, 2013

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