

URANERZ ENERGY CORP.  
Form 10-K  
March 16, 2015

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

**FORM 10-K**

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

For the fiscal year ended **December 31, 2014**

OR

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

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

Commission file number: **001-32974**

**URANERZ ENERGY CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

**Nevada**

(State of 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)

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

Title of Each Class

**Common Stock: \$0.001 par value**

Name of Each Exchange on Which Registered

**NYSE MKT**



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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$119,038,185.

The number of shares of the Registrant's common stock outstanding as of March 4, 2015 was 95,912,806.

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

- risks related to our proposed merger with Energy Fuels Inc.;
  - risks related to litigation commenced in connection with the Energy Fuels merger;
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- risks related to our limited working capital and current negative cash flow from operations;
- risks related to our ability to achieve targeted extraction or extraction 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 higher than expected construction costs to expand our Nichols Ranch ISR Uranium Project;
- 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 the public acceptance of nuclear power;
- risks related to environmental laws and regulations and environmental risks;
- risks related to using our in-situ uranium recovery 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 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 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 our outstanding debt; 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 headings Item 1. Description of the Business, Item 1A. Risk Factors and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, of this Annual Report (the "Annual Report"). Although we have attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Except as required by law, we disclaim any obligation to subsequently revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. **We qualify all the forward-looking statements contained in this Annual Report by the foregoing cautionary statements.**

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## GLOSSARY OF TECHNICAL TERMS

The following defined technical terms are used in this Annual Report:

**In-situ recovery (ISR):** the recovery, by chemical leaching, of the uranium component of an ore body without physically extracting the ore from the ground. ISR mining utilizes injection of appropriate oxidizing chemicals into uranium-bearing sandstone deposits with extraction by extraction wells; also referred to as solution mining.

**Uranium:** a heavy, naturally radioactive, metallic element of atomic number 92. Its two principal isotopes are U238 and U235, of which U235 is the necessary component for the nuclear fuel cycle. Uranium used in this Annual Report refers to triuranium octoxide, also called  $U_3O_8$  or yellowcake, and is produced from uranium deposits. It is the most actively traded uranium-related commodity.

**Uranium concentrate (yellowcake):** a yellowish to yellow-brownish powder obtained from the chemical processing of uranium-bearing material. Yellowcake typically contains 70 to 90%  $U_3O_8$  by weight.

### PART 1

#### ITEM 1. DESCRIPTION OF BUSINESS

##### Corporate Background

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

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

##### History

Uranerz was relatively inactive from 1999 until 2005 when it acquired mineral prospecting permits in Saskatchewan, mineral licenses in Mongolia and mining claims and leases in Wyoming. The Company commenced exploration in 2005 and has continued through to present. In 2007 we filed uranium mining applications for a project in Wyoming. In 2008 we sold our Mongolian properties and have terminated exploration in Saskatchewan. We continued to acquire additional mineral properties and conduct exploration drilling while pursuing mining permits in Wyoming. We refer to exploration drilling asdrilling done in search of new mineral deposits or for the possible extensions of existing deposits.

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In 2011 we received regulatory approvals for the construction of our first extraction project, the Nichols Ranch ISR Uranium Project, and began construction in August of that year. Construction of the Nichols Ranch processing facility together with an initial wellfield was completed in mid-2014 when we commenced extracting uranium for sale to nuclear utility customers.

## **Our Business**

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

In anticipation of receiving all of the approvals necessary to begin extraction at Nichols Ranch, we commenced a marketing program for conditional sales of uranium from the Nichols Ranch ISR Uranium Project in late 2008. In July 2009, we entered into a sales agreement with Exelon Generation Company, LLC ( **Exelon** ) for the sale of uranium over a five year period at defined prices. The agreement with Exelon was subsequently amended to defer the delivery schedule by a year and adjust the pricing terms. On January 25, 2013 we entered into a second supply agreement with Exelon for the sale of uranium over an additional five year period commencing in 2016, at defined prices adjustable for inflation. In August of 2009, we entered into what was then our second contract for the sale of uranium to another United States nuclear utility, also over a five year period, with a pricing structure, as amended, that references both spot and long-term prices and includes floor and ceiling prices. That agreement was also subsequently amended to defer the original five year delivery period by a year, reduce the annual volumes to be supplied, and adjust the pricing terms. The amendment included the cancellation of the first year's delivery quantity if we were unable to deliver during the first delivery year of the contract. We were unable to complete the first year delivery and the delivery period was reduced to four years. These three long-term contracts for the sale of uranium are with two of the largest



nuclear utilities in the United States. These three agreements individually do not represent a majority of our targeted uranium extraction.

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

In December 2010, we received a Permit to Mine from the Wyoming Department of Environmental Quality – Land Quality Division (“**WDEQ-LQD**”). In July 2011, we received our Source Material License from the United States Nuclear Regulatory Commission (“**NRC**”) and immediately began construction of our Nichols Ranch ISR Uranium Project central processing plant. Construction of the Nichols Ranch processing plant was substantially completed in 2013 without elution and drying circuits, and extraction commenced in the second quarter of 2014 after final NRC inspections were completed. The Jane Dough project described above will be progressed while we are conducting extraction operations at our Nichols Ranch Unit. Our processing facility at Nichols Ranch will serve as a platform to advance our other Powder River Basin properties with potential enhanced economics for adjacent and satellite projects.

In November 2011, we signed a processing agreement with Cameco Resources (“**Cameco**”), a wholly-owned Wyoming subsidiary of Cameco Corporation, the world’s largest publicly-traded uranium company. Under the agreement, we agreed to deliver uranium-loaded resin extracted from our Nichols Ranch facility to Cameco’s Smith Ranch-Highland uranium mine for final processing into dried uranium concentrate packaged for shipping to a converter. Cameco’s Smith Ranch-Highland mine is located in the Powder River Basin of Wyoming approximately 25 air miles south of our Nichols Ranch Unit. Mining the Jane Dough Unit is compatible with this plan. The agreement is for a fixed term. Under the agreement, we and Cameco stipulate both a minimum quantity of uranium and a maximum quantity of uranium which will be delivered by us and processed by Cameco. A damage payment for 2013 was paid for not meeting the minimum requirement and quantities processed in 2014 exceeded the minimum delivery requirements. Under the terms of the agreement, we may have all or substantially all of the uranium extracted at Nichols Ranch through 2015 processed by Cameco. We intend to engage in negotiations in mid-2015 to extend the agreement beyond 2015. In the event that we fail to extend the agreement, we will explore alternate arrangements with operators in the area or install our own elution and packaging circuits at Nichols Ranch.

In September 2012 we submitted an application to the Wyoming Business Council for a \$20,000,000 loan under the Wyoming Industrial Development Revenue Bond Program. The loan was received in December 2013 and has a seven year term and an interest rate of 5.75% per annum. We were required to make interest-only payments during the first year and in the following years the debt is amortized to include payments of principal and interest.

Our focus in 2013 was on the construction of our processing facility and installation of the environmental monitor, extraction and deep disposal wells for the Nichols Ranch ISR Uranium Project. All of these activities were completed in 2014 together with operational items and regulatory requirements for mining.

#### **Corporate Developments in 2014**

During the fiscal year ended December 31, 2014 we continued to assess properties in the Powder River Basin, filed licensing applications for the Jane Dough Unit and completed the construction of a processing facility and installation of the environmental monitor and extraction wells for the first wellfield at the Nichols Ranch ISR Uranium Project.

Other significant corporate developments include the following:

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- In February 2014, our four independent directors and each of our: Chief Executive Officer, Executive Chairman, Senior Vice President, Finance & Chief Financial Officer and Senior Vice President, Legal & Corporate Secretary, all of whom held options to purchase Common Shares with exercise prices greater than \$3.20 per Common Share, previously granted to them pursuant to our Amended 2005 Nonqualified Stock Option Plan (the **Plan**) entered into option surrender agreements ( **Surrender Agreements** ) with our Company. Pursuant to the Surrender Agreements, the independent directors and such executive officers agreed to surrender to us, for no consideration, options to purchase an aggregate of 1,814,000 Common Shares, with a weighted average exercise price of \$3.43; such surrendered shares are available for future grant under the Plan;
- In the first quarter 2014, we started commissioning our first mining Unit at our Nichols Ranch ISR Uranium Project, with the start-up of our new processing facility and the circulation of water through injection and extraction wells. On April 15, 2014, we received approval to begin the addition of oxygen and other chemicals. Through remainder of the quarter, we continued to hone plant functionality and optimize chemical additions while observing improved uranium grades. During the summer of 2014, we commenced making regular deliveries of uranium-loaded resin to Cameco Resources' Smith Ranch uranium processing facilities for final processing into dried and drummed uranium concentrates pursuant to a toll processing agreement between the two companies. In 2014 we extracted approximately 200,000 pounds of uranium from our first wellfield and purchased 30,000 pounds for re-sale. We completed sales of uranium product in September and December 2014 totaling 175,000 pounds in accordance with long-term contracts with our nuclear utility customers.;
- On May 1, 2014, Sandra R. MacKay, Senior Vice President, Legal & Corporate Secretary and an executive officer of our Company, tendered her resignation from employment with our Company, effective in June 2014, in order to pursue another professional opportunity;
- In May 2014 we submitted a source material license amendment application for our Jane Dough Unit to the NRC. This amendment will add the Jane Dough Unit to the existing license for the Nichols Ranch ISR Uranium Project, which currently includes the Nichols Ranch and Hank Units. At the same time, we submitted to the Wyoming Department of Environmental Quality an amendment to our Permit to Mine to incorporate the Jane Dough Unit. The Jane Dough license/permit area is contiguous to and immediately south of the Company's wholly owned Nichols Ranch Unit which recently commenced in-situ recovery ("ISR") uranium extraction operations. In this area of the Powder River Basin, uranium mineralization commonly follows along oxidization-reduction ("redox") boundaries and these boundaries at the Nichols Ranch Unit continue southward through the Jane Dough Unit. Due to the close proximity of these two Units, the Company expects to install only the wellfields at Jane Dough and will transfer mining solutions to and from the processing plant at the Nichols Ranch Unit through pipelines. This operational configuration should avoid the expense of constructing a separate satellite plant at Jane Dough, resulting in considerable savings in capital and time, and should serve to greatly enhance the project economics and extend the useful life of the Nichols Ranch facility. Both the Wyoming DEQ and the NRC are progressing with their technical review of our application;
- In July 2014 we issued and sold, through a syndicate of agents, 9,600,000 units of the Company ("Units") at a price per Unit of US\$1.25 for aggregate gross proceeds of US\$12 million. Each Unit consisted of one share of the Company's common stock and one half of one common stock purchase warrant, with each whole warrant exercisable to purchase one additional Share 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; and
- In 2014 we entered into new change in control severance agreements (the **Change in Control Severance Agreements**) with four of our officers: Executive Chairman Dennis Higgs, Chief Executive Officer Glenn Catchpole, President & Chief Operating Officer W. Paul Goranson, Senior Vice President & Chief Financial Officer Benjamin Leboe and Douglas Hirschman, Vice President, Land. The new Change in Control Severance Agreements replace and supersede change in control agreements (the **previous agreements**) between the Company and three of its executive officers: Executive Chairman Dennis Higgs, Chief Executive Officer Glenn Catchpole and Senior Vice President, Finance & Chief Financial Officer Benjamin Leboe and officer Douglas Hirschman, Vice President, Land. Under the new Change in Control Severance Agreements,

these officers will be entitled to certain severance benefits if, following a change of control (as defined in the Change in Control Severance Agreement), the Company terminates the executive's employment without cause, as defined in the agreement, or the executive terminates his employment with the Company for good reason (as defined in the Change in Control Severance Agreement). In such event, each executive officer would be entitled to receive his base salary through to the date of termination, a pro-rated target bonus for the year of termination and two times his base salary and target bonus, in each case as in effect on the date of the change in control, or the date of termination (whichever is higher). The new form of Change in Control Severance Agreement provides that each officer will be prohibited, for a one year period after his termination, from soliciting employees or customers or suppliers of the Company and each executive officer will be subject to confidentiality restrictions. Following termination of employment, the executive officer will be required to sign a release of claims against the Company prior to receiving severance benefits under the agreement.

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Exploration activities were deferred during 2014 while we concentrated on uranium extraction, and will continue to be deferred under our current operational plan until the market for uranium improves. Our property holdings, all in the Powder River Basin, as at December 31, 2014 include:

- 100% owned properties totaling 19,801 acres; and
- 81% interest in Arkose Mining Venture properties totaling 52,818 acres.

Nonetheless, we continue to look for more prospective lands amenable to ISR mining and as a result may locate, purchase or lease additional unpatented lode mining claims; and/or purchase or lease additional fee mineral (private) lands during the next twelve months. However there is no assurance any additional properties will be acquired. Our continuing assessment of explored properties within the Arkose Mining Venture resulted in the release in 2014 of 2,575 acres of mineral leased land, and 227 mining claims totaling 3,714 acres, thus reducing carrying costs.

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

## **Energy Fuels Merger Agreement**

### *Execution of Merger Agreement*

On January 4, 2015, we entered into an Agreement and Plan of Merger (the **Merger Agreement**) with Energy Fuels Inc., an Ontario corporation ( **Energy Fuels** ), and EFR Nevada Corp., a Nevada corporation and wholly owned subsidiary of a subsidiary of Energy Fuels ( **Merger Sub** ). The Merger Agreement provides for a business combination whereby Merger Sub will merge with and into the Company (the **Merger** ), and as a result we will continue as the surviving operating corporation and as an indirectly wholly owned subsidiary of Energy Fuels.

Pursuant to the Merger Agreement, at the effective time of the Merger (the **Effective Time** ), each issued and outstanding share of common stock of the Company ( **Common Stock** ) will be canceled and extinguished and automatically converted into the right to receive 0.255 common shares of Energy Fuels (the **Exchange Ratio** ).

The completion of the Merger will be subject to the approval of at least a majority of the holders of the outstanding common shares of the Company, as well as at least a majority of the votes cast by the Company's shareholders, excluding directors and officers of the Company, at a special meeting to be called to consider the Merger.

The Merger Agreement provides that, upon consummation of the Merger, Energy Fuels shall cause three nominees of the Company to be appointed to the board of directors of Energy Fuels.

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In addition to the approval of the shareholders of each of the Company and Energy Fuels, as described above, the completion of the Merger will be subject to the satisfaction of other customary closing conditions, including, among others:

- the declaration by the Securities and Exchange Commission (the **SEC**) of the effectiveness of the Registration Statement on Form F-4 to be filed by Energy Fuels with the SEC in connection with the Merger,
- the common shares of Energy Fuels to be issued in connection with the Merger, and to be issued upon exercise of the assumed Company options and Company warrants, will have been approved (or conditionally approved, as applicable) for listing on the NYSE MKT and the Toronto Stock Exchange, and
- the receipt of all regulatory approvals necessary for the completion of the Merger.

Each of the Company and Energy Fuels has agreed to customary and generally reciprocal representations, warranties and covenants in the Merger Agreement. Among these covenants, both the Company and Energy Fuels have agreed to conduct their respective businesses in the ordinary course during the period between the execution of the Merger Agreement and the closing of the Merger.

The Merger Agreement contains customary deal support provisions, including a reciprocal break fee of US\$5,000,000 payable if the Merger is not completed under certain circumstances. In addition, the Merger Agreement includes customary and reciprocal non-solicitation covenants, as well as a reciprocal right to match any superior proposal that may arise.

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, which has been filed with the SEC.

### ***Support Agreements***

Concurrent with the execution of the Merger Agreement:

- We entered into support agreements with directors and certain officers of Energy Fuels, pursuant to which each security holder agreed, upon the terms and subject to the conditions set forth therein, (a) to vote their Energy Fuels common shares in favor of the Merger, and (b) to not sell or otherwise transfer their shares pending completion of the Merger. The security holders of Energy Fuels entering into the voting agreements collectively hold approximately 0.4% of the outstanding shares of Energy Fuels.
- Energy Fuels entered into support agreements with the directors and certain officers of the Company, pursuant to which each security holder agreed, upon the terms and subject to the conditions set forth therein, (a) to vote their shares of the Company's common stock for the Merger, and (b) to not sell or otherwise transfer their shares pending completion of the Merger. The shareholders of the Company entering into the voting agreements collectively hold approximately 4.0% of the outstanding shares of the Company.

### ***Additional Information related to the Merger***

This annual report may be deemed to be solicitation material in respect of the proposed business combination of the Company and Energy Fuels. In connection with the proposed Merger, Energy Fuels intends to file relevant materials with the SEC, including a registration statement on Form F-4 that will include a proxy statement of the Company that also constitutes a prospectus of Energy Fuels. **STOCKHOLDERS OF THE COMPANY ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE REGISTRATION STATEMENT AND THE PROXY STATEMENT AND PROSPECTUS INCLUDED THEREIN, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER.** Investors and security holders will be able to obtain the documents free of charge at the SEC's web site, <http://www.sec.gov>, and the Company's stockholders will receive information at an appropriate time on how to obtain transaction-related documents for free from the Company. Such documents are not currently available.





This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act.

## **Competition**

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

The availability of funds for exploration and development of uranium projects is limited, and we may find it difficult to compete with larger and more well-known uranium exploration and production companies for capital. Our inability to continue exploration and acquire new properties due to lack of funding could have a material adverse effect on our future operations and financial position.

## **Minerals Exploration Regulation**

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

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

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

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For a discussion as to the specific permits and licenses that we have obtained and are required to obtain in connection with our extraction activities at the Nichols Ranch ISR Uranium Project, please see below in Item 2 – Description of Properties of this annual report under “*Extraction Operations Planning and Permitting*”.

## **Environmental Regulation**

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

### ***Waste Disposal***

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

### ***CERCLA***

The federal Comprehensive Environmental Response, Compensation and Liability Act (“**CERCLA**”) imposes joint and several liability for costs of investigation and remediation and for natural resource damages, without regard to fault or the legality of the original conduct, on certain classes of persons with respect to the release into the environment of substances designated under CERCLA as hazardous substances (“**Hazardous Substances**”). These classes of persons or potentially responsible parties include the current and certain past owners and operators of a facility or property where there is or has been a release or threat of release of a Hazardous Substance and persons who disposed of or arranged for the disposal of the Hazardous Substances found at such a facility. CERCLA also authorizes the EPA and, in some cases, third parties to take actions in response to threats to the public health or the environment and to seek to recover the costs of such action. We may also in the future become an owner of facilities on which Hazardous Substances have been released by previous owners or operators. We may in the future be responsible under CERCLA for all or part of the costs to clean up facilities or property at which such substances have been released, and for natural resource damages.

### ***Air Emissions***

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

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

The Clean Water Act (“**CWA**”) imposes restrictions and strict controls regarding the discharge of wastes, including mineral processing wastes, into waters of the United States, a term broadly defined. Permits must be obtained to discharge pollutants into federal waters. The CWA provides for civil, criminal and administrative penalties for

unauthorized discharges of hazardous substances and other pollutants. It imposes substantial potential liability for the costs of removal or remediation associated with discharges of oil or hazardous substances. State laws governing discharges to water also provide varying civil, criminal and administrative penalties, and impose liabilities in the case of a discharge of petroleum or its derivatives, or other hazardous substances, into state waters. In addition, the EPA has promulgated regulations that require us to obtain permits to discharge storm water runoff. In the event of an unauthorized discharge of wastes, we may be liable for penalties and costs.

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

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

### **Segment Information**

Segment information relating to us is provided in Note 17 to our financial statements under the section heading Item 8. Financial Statements and Supplementary Data below.

### **Employees**

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

### **Overview of Uranium Market**

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

In 2011, nuclear power plants supplied about 13% of the global electricity consumption. According to the World Nuclear Association, there are currently 437 operable reactors world-wide which required approximately 65,908 tonnes (145 million pounds) of U<sub>3</sub>O<sub>8</sub> fuel in 2014. World-wide there are currently 70 new reactors under construction with an additional 183 reactors on order or in the planning stage and another 311 in the proposed stage.

The world continues to consume more uranium than it produces largely due to increasing energy demands in Asia. Historically the gap between demand and primary supply has been filled by stockpiled inventories and secondary supplies; however these are finite and are being drawn down. Until recently, one of the largest sources of secondary supply was the uranium derived from Russia's Highly Enriched Uranium program with the United States. All the deliveries from this source were completed at the end of 2013; however, we still are affected by secondary supplies such as the U.S. Department of Energy uranium transfer program. The United States currently has 99 operating reactors, 5 reactors under construction and another 22 reactors at the ordered, planned or proposed stages. According to the U.S. Energy Information Agency the United States derives approximately 11% of its uranium requirements from domestic U.S. uranium mining production.

Uranium is not traded on an open market or organized commodity exchange such as the London Metal Exchange, although the New York Mercantile Exchange provides financially-settled uranium futures contracts where the size of each contract is 250 pounds of uranium as U<sub>3</sub>O<sub>8</sub>. Typically buyers and sellers negotiate contracts privately and usually directly. Uranium prices, both spot prices and long-term prices, are published by two independent market consulting firms, TradeTech and Ux Consulting, on a weekly basis.

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



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

The graph below shows the monthly spot and long-term uranium price from 1969 until February 2015 as reported by Ux Consulting and TradeTech.

*Source: RBC Uranium Weekly Report on February10, 2015*

We do not provide estimates of future uranium prices. However, industry analysts endeavor to forecast future long and short term prices for uranium and many publish their analyses. An upward trend is expected by such analysts from 2015 through to 2018 and many expect that trend to continue upward. See figure below.

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*Source: Research analyst reports by each company.*

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## Available Information

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

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

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

## ITEM 1A. RISK FACTORS

Stockholders should carefully consider the risks and uncertainties described below.

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

### Risks Related to the Merger

*The pending merger with Energy Fuels is not guaranteed to occur. If the Merger does not occur, it could have a material and adverse effect on our business, growth, revenue, liquidity and results of operations and our share price could be negatively impacted.*

Completion of the Merger is conditioned upon the satisfaction of certain closing conditions, including the approval of the Merger by our shareholders, as set forth in the Merger Agreement. The required conditions to closing may not be satisfied in a timely manner, if at all, or, if permissible, waived. If the Merger is not consummated for these or any other reasons, our ongoing business may be adversely affected and will be subject to a number of risks and consequences, including the following:

- we may be required, under certain circumstances, to pay Energy Fuels a termination fee of \$5.0 million;
  - we must pay the substantial fees and expenses that we incurred related to the Merger, such as legal and accounting fees and expenses, even if the Merger is not completed and we may not be able to recover such fees and expenses from Energy Fuels;
  - under the Merger Agreement, we are subject to certain restrictions on the conduct of our business prior to completing the Merger, which restrictions could adversely affect our ability to realize certain of our business strategies, including our ability to enter into additional acquisitions or other strategic transactions;
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- matters relating to the Merger may require substantial commitments of time and resources by our management, which could otherwise have been devoted to other opportunities that may have been beneficial to us;
- the market price of our common shares may decline to the extent that the current market price reflects a market assumption that the Merger will be completed; and
- we may experience negative reactions to the termination of the Merger from customers, clients, business partners, lenders and employees.

In addition, any delay in the consummation of the Merger, or any uncertainty about the consummation of the Merger, may adversely affect our future business, growth, revenue, liquidity and results of operations.

***Compliance with the terms of the Merger Agreement in the interim could adversely affect our business.***

As a result of the pending Merger: (a) the attention of management and employees has been and will continue to be diverted from day-to-day operations as they focus on matters relating to obtaining government approvals required for the Merger and preparation for integrating our operations with those of Energy Fuels; (b) the restrictions and limitations on the conduct of our business pending the Merger have and will continue to disrupt or otherwise adversely affect our business, and may not be in the best interests of us if we were to have to act as an independent entity following a termination of the Merger Agreement; (c) our ability to retain existing employees may be adversely affected due to the uncertainties created by the Merger; and (d) our ability to maintain existing programs, or to establish new ones, may be adversely affected. Any delay in consummating the Merger may exacerbate these issues.

***The Merger Agreement contains provisions that could discourage a potential competing acquirer of us.***

The Merger Agreement contains provisions that, subject to limited exceptions, restrict our ability to solicit, encourage, facilitate or discuss competing third-party proposals to acquire shares or assets of us. In addition, certain shareholders holding approximately 4.0% of our issued and outstanding shares have entered into support agreements with Energy Fuels pursuant to which they have agreed to vote in favor of the Merger. These provisions and the support agreements could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of Uranerz from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share, cash or market value than the Merger consideration proposed to be received or realized in the Merger, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the \$5.0 million termination fee that may become payable in certain circumstances.

If the Merger Agreement is terminated by us, we may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the Merger.

***The consummation of the merger between us and Energy Fuels could affect the value of your investment in us.***

Pursuant to the Merger Agreement, at the closing of the Merger our shareholders will exchange their shares of our common stock for shares of Energy Fuels common stock. There are a number of additional risks related to the Merger (including any failure to complete the Merger), the potential combined company following the Merger and the business of Energy Fuels that may affect your investment in us or the potential combined company. These risks include, without limitation, the following:

- the exchange ratio will not be adjusted in the event of any change in either our stock price or Energy Fuels stock price;
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- because the Merger will be completed after the date of the special meeting, at the time of our special meeting, the exact market value of the Energy Fuels common shares that our shareholders will receive upon completion of the Merger could be higher or lower than the market value at the time of the special meeting;
  - the Merger is subject to a number of conditions, including the receipt of consents and clearances from regulatory authorities that may not be obtained, may not be completed on a timely basis or may impose conditions that could have an adverse effect on us or Energy Fuels;
  - as the Merger does not qualify as a reorganization under Section 368(a) of the Code and is otherwise taxable to U.S. holders of our common stock, shareholders may be required to pay substantial U.S. federal income taxes as a result of completion of the Merger;
  - the rights of our shareholders who become Energy Fuels shareholders in the Merger will be governed by the *Ontario Business Corporations Act* ( OBCA ) and subject to Energy Fuels articles of incorporation and Energy Fuels bylaws;
  - the market price of Energy Fuels common shares has been, and may continue to be, volatile;
  - our current shareholders will have reduced ownership and voting interests after the Merger;
  - the Merger will result in changes to Energy Fuels board of directors and management that may affect the strategy and operations of the combined company as compared to that of us and Energy Fuels as they currently exist;
  - any delay in completing the Merger may reduce or eliminate the benefits expected to be achieved thereunder;
  - uncertainties associated with the Merger may cause a loss of management personnel and other key employees which could adversely affect the future business and operations following the Merger;
  - the expected benefits of the Merger may not be realized;
  - the obligations and liabilities of Energy Fuels, some of which may be unanticipated or unknown, may be greater than anticipated, which may diminish the value of Energy Fuels common shares;
  - Uranerz and Energy Fuels expect to incur substantial expenses related to the Merger and the integration of the two companies;
  - Uranerz and Energy Fuels may be unable to integrate their respective businesses successfully;
  - Energy Fuels future results will suffer if it does not effectively manage its expanded operations following the Merger;
  - the Merger may result in a loss of customers, clients and strategic alliances;
  - the market price of Energy Fuels common shares after the consummation of the Merger may be affected by factors different from those affecting Energy Fuels common shares or our common stock prior to consummation of the Merger;
  - holders of Energy Fuels convertible notes may not agree with Energy Fuels' position that completion of the Merger will not trigger any right to cause Energy Fuels to redeem their convertible notes; and
  - third parties may terminate or alter existing contracts with us and Energy Fuels.
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***Lawsuits have been filed against us, Energy Fuels, and Merger Sub relating to the Merger and an adverse ruling in any such lawsuit may prevent the Merger from being completed.***

Since the Merger was announced on January 5, 2015, we, certain of our officers, directors and shareholders, Energy Fuels and Merger Sub have been named as defendants in one or more of the purported shareholder class actions filed in the District Court, Clark County, Nevada and the District Court, Washoe County, Nevada, by certain of our shareholders challenging the proposed Merger and seeking damages. The actions seek, among other things, to enjoin the defendants from completing the Merger on the agreed upon terms. We believe the lawsuits to be without merit and intend to vigorously defend against the actions. However, if the plaintiffs are successful in preventing the Merger, or are awarded significant damages, it could materially and adversely affect our business, financial condition, liquidity and the market price of our common stock.

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

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

We were incorporated in 1999 and we began to implement our current business strategy in the uranium industry in the beginning of 2005 and we realized our initial revenues in 2014. Our operating cash flow needs have been financed primarily through issuances of our common stock and not through cash flows derived from our operations. As a result, we have little historical financial and operating information available to help you evaluate our performance.

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

We have no reserves as defined by SEC Industry Guide 7 and only recently commenced generating revenue from our operations. Because the probability of an individual prospect ever having reserves is uncertain, our properties may not contain any reserves, and any funds spent on exploration may be lost. We do not know with certainty that economically recoverable uranium exists on any of our properties. Further, although we have commenced uranium extraction activities at our Nichols Ranch Unit, our lack of established reserves means that we are uncertain as to our ability to continue to generate revenue from our operations. We have not to date and we may never complete a feasibility study on any of other properties and any identified deposit may never qualify as a commercially mineable (or viable) reserve. We will continue to attempt to acquire the surface and mineral rights on lands that we think are geologically favorable or where we have historical information in our possession that indicates uranium mineralization might be present.

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



***We have losses which may continue into the future. As a result, we may have to suspend or cease exploration activities.***

We were incorporated in 1999 and are engaged in the business of mineral exploration. We have incurred losses since inception. We have a relatively limited exploration history upon which an evaluation of our future success or failure can be made. Our ability to achieve and maintain profitability and positive cash flow is dependent upon:

- our ability to locate a profitable mineral property;
- our ability to obtain favorable prices for the uranium we extract;
- our ability to continue to generate revenues; and
- our ability to control costs.

Based upon current plans and markets, we expect to incur operating losses in future periods. This will happen because of low market prices for uranium and there are expenses associated with the exploration and exploitation of our mineral properties plus processing costs to produce saleable uranium. We cannot guarantee we will be successful in continuing to generate revenues in the future. Failure to continue to generate revenues and positive cash flows may cause us to suspend or cease our exploration activities.

***Our past extraction operations are limited and may not be indicative of our future extraction results.***

While we began extraction activities in 2014 and have started to receive revenues from extraction operations, our results to date are limited. We may encounter issues in the future that results in our extraction activities varying from our past results. These risks include unanticipated variances in the uranium mineralization at our projects, unexpected mechanical and system failures with our in situ extraction operations, including failures with drill holes, water lines, pumps and processing facilities, unexpected shortages in necessary operating materials or equipment, accidents, power outages, water shortages, unexpected issues with obtaining and maintaining our operating permits and other required licenses, labor and employment issues, changes in government regulations and other unanticipated issues which could cause our results to vary in the future. If our extraction operations are not successful in the future, we may have to cease such operations, which would eliminate our revenue generating activities and potentially cause us to reduce or stop our extraction activities.

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

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

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

Since our revenues are expected to be derived from the sale of uranium, our net earnings, if any, can be affected by the long- and short-term market price of yellowcake (U<sub>3</sub>O<sub>8</sub>). Uranium prices are subject to fluctuation. The price of uranium has been and will continue to be affected by numerous factors beyond our control. With respect to uranium, such factors include the demand for nuclear power, political and economic conditions in uranium producing and

consuming countries, uranium supply from secondary sources, uranium production levels and costs of production. Spot prices for  $U_3O_8$  were at \$20.00 per pound  $U_3O_8$  in December 2004, and then increased to \$35.25 per pound in December 2005 and \$72.00 per pound in December 2006. During 2007 the spot price reached a high of \$138.00 per pound. The spot price of  $U_3O_8$  was approximately \$90.00 per pound in December 2007. The spot price declined during 2008, reaching a low of \$44.00 per pound in October. In 2009, the spot price of  $U_3O_8$  had a high of \$51.50 and a low of \$42.00. In 2010, the spot price had a high of \$62.50 and a low of \$40.75. In 2011, the spot price had a high of \$74.00 and a low of \$48.00. In 2012, the spot price had a high of \$52.50 and a low of \$40.75. In 2013, the spot price reached a high of \$44.00 and a low of \$34.00. In 2014, the spot price had a high of \$40.00 and a low of \$28.00. The spot price of  $U_3O_8$  was approximately \$35.75 per pound and the long term price was approximately \$49.50 per pound at the end of December 2014.

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

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

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

We are required to comply with applicable environmental protection laws and regulations and permitting requirements, and we anticipate that we will be required to continue to do so in the future. The material laws and regulations within the U.S. that we must comply with are the National Environmental Protection Act ( **NEPA** ), Atomic Energy Act, Uranium Mill Tailings Radiation Control Act of 1978 ( **UMTRCA** ), Clean Air Act, Clean Water Act, Safe Drinking Water Act, Federal Land Policy Management Act, National Park System Mining Regulations Act, and the State Mined Land Reclamation Acts or State Department of Environmental Quality regulations, as applicable. We are required to comply with the Atomic Energy Act, as amended by UMTRCA, by applying for and maintaining a Source Material license from the US Nuclear Regulatory Commission. Uranium operations must conform to the terms of such license, which include provisions for protection of human health and the environment from endangerment due to radioactive materials. The license encompasses protective measures consistent with the Clean Air Act and the Clean Water Act. We intend to utilize specific employees and consultants in order to comply with and maintain our compliance with the above laws and regulations.

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

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

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

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

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

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

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

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

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

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

The agreements pursuant to which we acquired our interests in some of our properties provide that we must make a series of cash payments over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute our share of ongoing expenditures. If we fail to make such payments or expenditures in a



timely fashion, we may lose our interest in those properties. Further, even if we do complete exploration activities, we may not be able to obtain the necessary licenses to conduct extraction operations on the properties, and thus would realize no benefit from our exploration activities on the properties. In addition, there is no assurance that we will be able to hold or maintain ownership of all our property rights and, if not, the area for us to explore and conduct extraction activities could be reduced.

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

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

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

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

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

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

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

Our business strategy includes making targeted acquisitions. Any acquisition that we make may be of a significant size, may change the scale of our business and operations, and may expose us to new geographic, political, operating, financial and geological risks. The success of our acquisition activities depends on our ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition and integrate the acquired operations successfully with our own. Any acquisitions would be accompanied by risks which could have a material adverse effect on our business. For example, there may be significant decreases in commodity prices after we have committed to complete the transaction and have established the purchase price or exchange ratio; a material ore body may prove to be below expectations; we may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise and maintaining uniform standards, policies and controls across the organization; the integration

of the acquired business or assets may disrupt our ongoing business and our relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. If we choose to use equity securities as consideration for such an acquisition, existing stockholders may suffer dilution. Alternatively, we may choose to finance any such acquisition with our existing resources. There can be no assurance that we would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

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

The business of the acquisition, exploration, and development of uranium properties is intensely competitive. We will be required to compete, in the future, directly with other corporations that may have better access to potential uranium resources, more developed infrastructure, more available capital, have better access to necessary financing, and more knowledgeable and available employees than us. We may encounter competition in acquiring uranium properties, hiring mining professionals, obtaining mining resources, such as manpower, drill rigs, and other mining equipment. Such competitors could outbid us for potential projects or produce minerals at lower costs. Increased competition could also affect our ability to attract necessary capital funding or acquire suitable producing properties or prospects for uranium exploration in the future.

**Risks Related to Corporate and Financial Structure**

***There could be problems with construction, operation and expansion of the Nichols Ranch ISR Uranium Project which could result in cost overruns, extraction delays and require us to raise more capital to continue operations.***

We are subject to all of the risks associated with establishing, maintaining and expanding operations:

- the timing and cost of the construction of wellfields and related facilities;
- the availability and costs of skilled labor;
- the ability to extend or replace our toll processing agreement for elution and packaging;
- our ability to meet the requirements of our sales agreements and to secure new sales agreements;
- compliance with environmental and other governmental approval and permit requirements;
- the availability of funds to finance additional construction and development activities;
- potential opposition from non-governmental organizations, environmental groups, local groups or local inhabitants which may delay or prevent development activities; and
- potential increases in operating costs due to changes in the cost of fuel, power, materials and supplies.

It is common in new extraction operations to experience unexpected problems in development. In addition, delays in mineral production often occur. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which we depend, or lack of availability of required equipment, material, supplies or workers could delay operations. Any delays or other problems in starting up could result in cost overruns, delay or prevent production and require us to raise additional capital to continue operations. If we are unable to raise additional capital, as needed, we may not be able to continue extraction operations.

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

Extraction operations at our Nichols Ranch ISR Uranium Project is dependent on a number of risk factors, including regulatory requirements, changes in governmental regulations, loss of key employees, environmental and mining hazards, lack of necessary materials and supplies, uncertainty in resource estimates and fluctuations in the price of uranium. Any changes in these risk factors could result in us not achieving targeted uranium extraction amounts, which could result in us not being profitable.

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

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

We have limited operating history upon which we can base forecasts of estimated future rates of extraction and operating costs for the Nichols Ranch ISR Uranium Project. Such forecasts derive estimates of extraction quantities and cash operating costs from, among other things:

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

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

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

On November 26, 2013, we entered into a Financing Agreement (the “**Financing Agreement**”) with Johnson County, Wyoming (the “**County**”) pursuant to which the County agreed to loan to us (the “**Loan**”) the proceeds from the sale of its \$20,000,000 Taxable Industrial Development Revenue Bond, Series 2013, (the “**Bond**”) upon the terms and conditions set out in the Financing Agreement, for the purpose of financing our Nichols Ranch Project.

The Bond was issued by the County pursuant to an indenture of trust dated as of November 26, 2013 between the County and UMB BANK, N.A. as trustee thereunder (the “**Trustee**”). The State of Wyoming, acting by and through the Wyoming State Treasurer, agreed to purchase the Bond subject to the terms and conditions specified under Wyoming Statute 9-4-715(m) and pursuant to the terms and conditions set out in a Bond Purchase Agreement entered into on November 26, 2013 among the State of Wyoming, acting by and through the Wyoming State Treasurer, the County and us. In order to evidence our obligations under the Bond Purchase Agreement, we delivered a promissory note (the “**Note**”) in the principal amount of \$20,000,000, dated as of the date of delivery of the Bond and due on October 1, 2020, payable to the order of the County, and endorsed to the Trustee. In order to secure the payment of the principal and interest under the Bond, the County assigned and granted to the Trustee, all right, title and interest of the County under the Financing Agreement and any and all interests in real or personal property of the Company as security for our obligations under the Financing Agreement, the Bond Purchase Agreement and the Note.

On November 26, 2013, in connection with the Financing Agreement and the Loan, we as mortgagor entered into a Mortgage & Security Agreement, pursuant to which we granted to the Trustee our rights and interests in the as-extracted collateral, contract rights relating directly or indirectly to the Lands (as identified in Exhibit A to the Mortgage), general intangibles relating directly or indirectly to the Lands, fixtures or hereinafter located on the Lands or our Nichols Ranch ISR Processing Facility, goods (including all inventory) and equipment, including without limitations the ore and all personal property identified as owned by us in the Mortgage & Security Agreement to secure our obligations under the Financing Agreement, the Bond Purchase Agreement and the Note.

If we are unable to timely satisfy our obligations under the Note, 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 Note, the Trustee will have rights under the Mortgage and Security Agreement to potentially seize or sell the secured properties and interests, our equipment and personal property and the Nichols Ranch Processing Facility to satisfy our obligations under the Note. Any failure to timely meet our obligations under the Note may adversely affect our assets, results of operations and future prospects.

***We are dependent upon key management employees.***

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

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

The execution of our plan to continue exploration and expansion of our extraction operations will continue to place demands on us and our management. Our ability to recruit and assimilate new personnel will be critical to our performance. We will be required to recruit additional personnel and to train, motivate and manage employees without assurance of success.

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

We may be unable to attract and retain qualified officers, directors and members of board committees required to provide for our effective management as a result of the recent and currently proposed changes in the rules and regulations which govern publicly-held companies. Sarbanes-Oxley Act of 2002 has resulted in a series of rules and regulations by the Securities and Exchange Commission that increased responsibilities and liabilities of directors and executive officers. The increased personal risk associated with these changes may deter qualified individuals from accepting these roles.

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

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

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

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

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

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

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

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

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

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

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

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

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

***Market events and conditions could have an adverse effect on our ability to fund our working capital and other capital requirements.***

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

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## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. DESCRIPTION OF PROPERTIES

### Overview

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

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

Concurrent with our exploration activities, we have built a processing plant and first wellfield for the Nichols Ranch ISR Uranium Project. This construction began in August 2011 after receiving our mine operating permits on two of our properties in the Powder River Basin area of Wyoming, known as the Nichols Ranch Unit and the Hank Unit. We believe that these properties have the potential, based on data in our possession, of being developed into ISR uranium mines. Our permits allow us to extract uranium yellowcake concentrate, which can be sold directly to utilities for fuel used in nuclear electrical generating facilities. We began to extract uranium at the Nichols Ranch Unit in 2014.

Our Powder River Basin properties include:

- our 100% owned properties that totaled 19,801 acres; and
- our 81% interest in Arkose Mining Venture properties that totaled 52,818 acres as of December 31, 2014.

We did not conduct a greenfield exploration program on our Powder River Basin properties in 2014 as geological efforts were focused on developing extraction wellfields at our Nichols Ranch ISR Uranium Project. Our plan of operations during 2015 is to:

- continue extraction operations at our Nichols Ranch ISR Uranium Project;
- continue wellfield construction at the Nichols Ranch ISR Uranium Project with the drilling of additional extraction wells for Production Area #1 and monitor wells for Production Area #2;
- support our mine applications for our Jane Dough property which are being reviewed by the NRC and the WDEQ; and
- evaluate our Powder River Basin Properties as detailed below under 2015 Exploration Program .

All of our projects are at the exploration stage and there can be no assurance that a commercially viable mineral deposit, or reserve, exists on any of our properties until appropriate exploratory and development work is done and results are assessed. We have not completed a feasibility study for our Nichols Ranch ISR Uranium Project and, accordingly, the economic, technical and legal feasibility of mining the Nichols Ranch ISR Uranium Project remains uncertain and there can be no assurance that we will be able to achieve profitability as the project is exploratory in nature.

Our geologic program in the Wyoming Powder River Basin is directed by Mr. Bruce Larson, Vice-President, Exploration, and supervised by Mr. Paul Goranson our President and Chief Operating Officer. We engage contractors to carry out our exploration programs under Mr. Larson's supervision. Contractors that we plan to engage include drilling companies and, possibly, geophysical logging companies, each according to the specific exploration program

on each property.

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Our management makes determinations as to whether to proceed with the additional exploration of our Wyoming Powder River Basin mineral properties based on the results of the preliminary exploration that we undertake. In completing these determinations, we will make an assessment as to whether the results of the exploration are sufficiently positive for us to proceed with more advanced exploration. In 2014 we completed construction of our Nichols Ranch processing facility as previously described and installed additional portions of the existing wellfield to extract uranium mineralization previously identified within our Nichols Ranch ISR Uranium Project.

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

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

Our Powder River Basin properties are located in portions of Campbell and Johnson Counties, Wyoming, U.S.A., and are approximately 60 air miles northeast of Casper, Wyoming. The Powder River Basin properties cover lands in various sections in the Townships 41 to 45 North and Ranges 73 to 77 West.

The center of our properties (centered east-west) is approximately 8 miles west of the junction of Wyoming Highways 50 and 387. The properties are accessible via two-wheel drive vehicles on existing county and/or private gravel and dirt roads. Accessibility for drilling at this time appears acceptable with the exception of very wet or snowy ground surface conditions. Road improvements may eventually be required.

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

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

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

The location of our properties in the Powder River Basin of Wyoming is shown in the following map.

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**Uranerz Energy Corporation Wyoming Properties December 2014**

Legend:

A Powder River Basin Properties

**Our Properties**

As of December 31, 2014, our Powder River Basin properties include both our 100% owned properties and those properties included within our 81% owned Arkose Mining Venture. These principal properties comprise in total approximately 72,619 acres and consist of a combination of federal mining claims, state mineral leases and private fee mineral leases. A map showing the location of our significant properties in the Powder River Basin is provided below:

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

**Uranerz Energy Corporation Powder River Basin Property Units December 2014**



**Ownership Interests**

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

*100% Owned Properties*

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

<b>Property Composition</b>	<b>Ownership Interest (1)</b>	<b>Number of Claims/Leases</b>	<b>Acreage (Approximate)</b>
Unpatented Lode Mining Claims	100%	826	16,520
State Leases	100%	3	1,360
Fee (private) Mineral Leases	100%	<u>40</u>	<u>1,921</u>
<b>Total</b>		<b>869</b>	<b>19,801</b>

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

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

<b>Property</b>	<b>No. Claims</b>	<b>Acreage (Approximate)</b>
Jane Dough (Doughstick)*	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>

\* included in the Nichols Ranch ISR Uranium Project

Our 100% owned property interests were acquired through staking, leasing and purchase over a seven year period. The costs, exploratory in nature, were expensed as incurred as mineral property expenditures. We continue to look for more prospective lands in the Powder River Basin and as a result may locate, purchase or lease additional unpatented lode mining claims; and/or purchase or lease additional fee mineral (private) lands during the next twelve months, however there is no assurance any additional properties will be acquired.

*Arkose Mining Venture*

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

<b>Property Composition</b>	<b>Ownership Interest (1)</b>	<b>Number of Claims/ Leases</b>	<b>Acreage (Approximate)</b>
Unpatented Lode Mining Claims	81%	2,414	39,493
State Leases	81%	3	2,080
Fee (private) Mineral Leases	81%	<u>61</u>	<u>11,245</u>
<b>TOTAL</b>		<b>2,478</b>	<b>52,818</b>

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

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

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

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

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

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

- North Jane \*
- South Doughstick\*
- Cedar Canyon
- East Buck
- South Collins Draw
- Sand Rock
- Little Butte



- House Creek
  - Beecher Draw
  - Lone Bull
  - Kermit
-

- Monument
- Stage

\*included in the Nichols Ranch ISR Uranium Project

#### *Other Powder River Basin Projects*

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

### **General Characteristics of our Properties**

#### *Duration and Expiry*

The terms and renewal options of our property interests vary widely; some are renewable annually, some renew automatically when mineral extraction has commenced and some are agreements for fixed terms. For the property leases that expire in 2016, we are currently negotiating to extend their terms. Other than a possible increase in carrying cost, we do not expect that the expiry of property leases in 2016 and beyond will have a material effect on our ability to continue exploration and extraction activities on our properties.

#### *Unpatented Lode Mining Claims*

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

The unpatented lode claims do not have an expiration date. However, affidavits must be filed annually with the BLM and respective county recorder’s offices in order to maintain the claims’ validity. All of the unpatented lode claims have annual filing requirements (\$155 per claim) with the BLM, to be paid on or before September 1 of each year.

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

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

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### *Mining Leases*

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

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

### *Taxes and Fees*

We are required to pay a standard uranium industry severance tax of approximately 4% of sales and an ad valorem tax (annual property tax based on assessed values) to the State of Wyoming, in addition to various maintenance, land impact and access fees and other consideration to surface owners.

### *Geology*

Our Powder River Basin properties encompass approximately 72,619 acres, and potential target mineralized zones are expected to occur throughout the properties. The potential target mineralization within the Powder River Basin properties are alteration-reduction trends hosted in the Eocene age channel sands that lie at depths of approximately 300 to 1,100 feet from the surface. Roll front deposits of uranium mineralized material are anticipated to occur within these properties. An alteration-reduction trend is a natural chemical boundary trend line in a sandstone aquifer where reduced (non-oxidized) sand is in contact with altered (oxidized) sand. Uranium mineralization may be found along the trend line.

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

### *Exploration History*

Our Powder River Basin properties are located within the Pumpkin Buttes Mining District which was the first commercial uranium production district in Wyoming. Uranium was first discovered in the Pumpkin Buttes in 1951. Intermittent production from some 55 small mines through 1967 produced 36,737 tons of ore containing 208,143 pounds of uranium. This early mining focused on shallow oxidized ores exploited by small open pit mines. The ore was generally transported to the Atomic Energy Commission buying station in Edgemont, South Dakota. Modern mining in the district has focused on deeper reduced ores. Uranium One’s Christensen Ranch (now called Willow

Creek) and Irigaray ISR uranium mining areas and processing facilities are located within the Pumpkin Buttes Mining District, approximately 10 and 16 air miles, respectively, from the Arkose Property. These mines have completed successful ISR mining and aquifer restoration in the Wasatch formation.

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

In addition to CCI, other uranium exploration companies during the last forty years have controlled property either within or near our Powder River Basin properties. These included Kerr McGee, Conoco, Texaco, American Nuclear, Tennessee Valley Authority and Uranerz U.S.A, Inc. (no relationship to our Company). Uranium One NC (via subsidiary Cogema Resources Inc.) and Power Resources Inc. d.b.a Cameco Resources (a subsidiary of Cameco Corporation) have retained portions of their original land positions in the area and Cameco is now in production at their North Butte property. The mining claims and leases originally controlled by most of these companies were let go over the years due to market conditions. These property abandonments continued into 2004.

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

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

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

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

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

It is estimated that over 4,000 historic uranium exploration holes may have been drilled within the Arkose Property. This exploration was conducted by numerous exploration companies from the 1960s through the 1990s. Although this historic exploration data is known to exist, obtaining information on all but a handful (less than 50) of specific drill hole data, such as gamma, resistivity, and lithology logs, was not possible until 2010 when Uranerz acquired the Hubert log library. Coal bed methane exploration/production wells were drilled by numerous companies for development of CBM resources in the area. A total of approximately 1,250 CBM exploration/production wells have been drilled on or immediately adjacent to the Arkose Property. Most of this drilling was completed from 1,200 to 2,000 feet deep. CBM exploration/production wells and their associated gamma logs are all drilled and logged through

the uranium mineralization-bearing sand horizons. Utilizing the available uranium drill data and the CBM drill data base, we had a technical report prepared in February 2008 to independently address the geology and potential uranium mineralization within our mineral holdings on the Arkose Mining Venture.

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

#### *Local Resources and Properties Infrastructure*

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

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

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

Our central processing plant construction was substantially completed in 2013, and uranium extraction commenced in the second quarter of 2014 after final NRC inspections were completed.

#### *Exploration Completed by Uranerz*

Our 2014 drilling program was restricted to adding extraction and monitor wells for our Nichols Ranch ISR Uranium Project. No new exploration drilling was conducted.

Our 2013 drilling program was restricted to adding extraction and monitor wells for our Nichols Ranch ISR Uranium Project. No new exploration drilling was conducted.

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

A total of 84 holes were drilled on the Arkose Mining Venture properties during 2012. All of the exploration holes were drilled in the Monument project area. Drilling targets were mainly in the 70 and 80 Sands at Monument, with a total of 85,365 feet drilled at an average depth of 1,016 feet per hole. The trends of mineralization that were found in the Monument project area in 2011 were further explored. A total of 2.2 miles of new roll front mineral trends were drilled in 2012. Drilling results in 2012 did not progress to the point where economic reports or evaluations could be undertaken.

At the wellfield Production Area #1 of Nichols Ranch, 263 extraction wells were cased and cemented. The extraction wells were connected to header houses with buried feeder lines. It was planned that initial extraction should begin with four header houses. Three header houses were set on their foundations in 2012 and were in the process of being

connected to individual extraction wells.

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

On our 100% owned properties, 38 delineation holes were drilled in 2011 on our Nichols Ranch property. The purpose of this drilling was for final delineation drilling prior to beginning the monitor well and extraction well installation in Production Area #1.

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

During 2010, on Arkose Mining Venture properties, a total of 311 holes were drilled. At Arkose's South Doughstick extension Property a total of 52 holes were drilled with targets in the 100 Sand. At the Arkose Kermit project area 57 exploration holes were drilled in the 100 Sand with mineralization found in pod like structures. Drilling was also conducted at the East Buck project area with 202 exploration holes drilled. Targets were in the 100 through the 130 Sands.

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

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

During 2009, on Arkose Mining Venture properties, a total of 514 holes were drilled. At Arkose's North Jane Property a total of 51 holes were drilled with mineralization found in two horizons of the 100 Sand. At Arkose' South Doughstick property 104 delineation drill holes were completed.

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

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

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

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

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

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

### ***2015 Exploration Program***

For 2015, at this time, we do not plan to conduct greenfield exploration drilling on our properties. All geologic personnel and staff will be concentrating on wellfield development at the Nichols Ranch ISR Uranium Project. Exploration drilling will resume at a later date.

### **Significant Properties**

None of our properties have “mineral reserves” as defined in the SEC’s Industry Guide 7. However, the company has acquired exploration data indicating uranium mineralization in the following properties.

#### *Nichols Ranch – 100% Uranerz*

The Nichols Ranch property, included in the Nichols Ranch ISR mining permit area, consists of 36 unpatented lode mining claims, two fee surface and mineral leases, and one surface use agreement encompassing approximately 920 acres. The Nichols Ranch Unit permit boundary encompasses approximately 1,120 acres. There is an overriding royalty interest in favor of Excalibur Industries on all federal unpatented lode mining claims that were acquired by us from Excalibur Industries, defined as a gross royalty of 6 percent when the spot price of uranium is less than \$45.00 per pound and of 8 percent if the uranium spot price is \$45.00 per pound or higher. In addition, there is a portion of the Nichols Ranch Unit that includes private (fee) mineral that is subject to the above Excalibur Industries royalty, plus an additional royalty payable to the fee mineral owner under the fee leases (equaling a 12 percent or 16 percent royalty depending upon the spot price of uranium). The primary term of the leases expire in 2017, however, they can be held by production (as defined in the leases). Access to the property is via Highway 387 to the IDT road.

#### *Hank – 100% Uranerz*

At Hank, included in the Nichols Ranch ISR mining permit area, we have 66 unpatented lode mining claims, two fee surface and mineral leases, which are not significant, and one surface use agreement encompassing approximately 1,393 acres. The Hank Unit permit boundary encompasses approximately 2,250 acres. Of the 66 unpatented lode mining claims comprising the Hank Unit, 56 of the claims have a royalty interest burden, payable to Excalibur Industries, of 6 or 8 percent depending on the price of uranium. This royalty interest is based on uranium produced from these claims. The primary term of the leases expire in 2016, however, they can be held beyond the primary term by production (as defined in the leases). Access to the property is via Highway 50 to the Van Buggenum County Road, followed by the T-Chair North Ranch Road.

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*Jane Dough (Jane Dough/Doughstick – Uranerz; North Jane/S. Doughstick – Arkose)*

The Jane Dough property, currently under application to be included in the Nichols Ranch ISR mining permit area, combines the above referenced three properties consisting of 115 unpatented lode mining claims, 16 mineral leases, and three surface use agreements encompassing approximately 3,121 acres. Our operating interest in Jane Dough will include Uranerz' 100% owned property and 81 % from the two properties in Arkose. The proposed Jane Dough permit boundary encompasses approximately 3,680 acres. The fee land in the project is covered by mineral leases some of which have annual payments and some of which are 5 year paid up leases. The mineral leases have primary terms of 10 years and can be held by production (as defined in the leases). Some of the leases expire in 2016, 2017, 2018, and 2019. The fee surface is covered by three separate Surface Use Agreements which include damage payments paid on an annual basis. The mining leases have a variety of production royalty payments based on a fixed rate, a two tier system, or a sliding scale system. One of the leases has a fixed royalty rate of 4% of the gross proceeds. Two of the leases have two-tier royalty based on the price of  $U_3O_8$  at the time of the sale, and they are 6% for a  $U_3O_8$  price less than \$75.00 per lb.; and 8% for  $U_3O_8$  price equal to or greater than \$75.00 per lb. Five of the leases have a sliding scale royalty that runs from a low of 2% at a  $U_3O_8$  price of \$25.00 per lb. up to a high of 10% for a  $U_3O_8$  price of equal to or greater than \$100.00 per lb. Four leases have a sliding scale royalty that runs from a low of 4.0% at a  $U_3O_8$  price of \$40.00 per lb. up to a high of 10% for a  $U_3O_8$  price of equal to or greater than \$100.00 per lb. Four of the leases have a sliding scale royalty that runs from a low of 4.5% at a  $U_3O_8$  price of \$49.99 up to a high of 10% for a  $U_3O_8$  price of equal to or greater than \$100.00 per lb. There is an overriding royalty interest held by Excalibur Industries that covers approximately 62 of the unpatented claims located in Sections 20, 21, 28 and 29, Township 43 North, Range 76 West, and it is a two tiered royalty based on quarterly production of  $U_3O_8$  and adjusted annually by the actual amount of  $U_3O_8$  sold during the previous year. The royalty amounts are based on the average quarterly spot price for  $U_3O_8$  and they are 6% for a  $U_3O_8$  price equal to or less than \$45.00 per lb.; and 8% for a  $U_3O_8$  price greater than \$45.00 per lb. There are twenty (20) unpatented mining claims located in Section 32, Township 43 North, Range 76 West that have an overriding royalty interest of 0.25% . This overriding royalty interest is based on production of uranium on said claims. Two of the Surface Use Agreements have a two tiered royalty based on the sales price of the  $U_3O_8$  received by Uranerz and they are 1% for a sales price of less than \$50.00 per lb.; and 2% for a sales price of equal to or greater than \$50.00 per lb. Access to the property is via Highway 387 to the IDT road and then the Williams Road, followed by the Red Springs Road.

*Reno Creek - 100% Uranerz*

The Reno Creek Project consists of 3 unpatented lode mining claims, 18 mineral leases, and three surface use agreements. The project area covers approximately 1,332.57 acres. The fee land in the project is covered by mineral leases some of which have annual payments and some of which are paid up leases. The mineral leases have primary terms of 10 years and can be held by production (as defined in the leases). Some of the mineral leases will expire in 2016, 2017, 2018, and 2019. The fee surface is covered by three Surface Use Agreements which include damage payments paid on an annual basis. Sixteen of the mining leases have a two tier royalty based on the price of  $U_3O_8$  at the time of sale, and they are 6% for a  $U_3O_8$  price less than \$45.00 per lb.; and 8% for a  $U_3O_8$  price equal to or greater than \$45.00 per pound. Two of the leases have a flat 8% of the total gross proceeds. Access to the project is off of Highway 387 which runs through the northern end of the project area.

*Other Properties*

The West North-Butte property covers approximately 2,500 acres of land and is comprised of 125 unpatented lode mining claims and one surface use agreement, of which 6 unpatented lode mining claims are subject to a royalty interest burden, payable to Excalibur Industries, of 6 or 8 percent depending on the price of uranium. .

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

The North Rolling Pin property covers approximately 1,080 acres of land and is comprised of 54 unpatented lode mining claims and one surface use agreement; no royalties are applicable.

*Arkose Mining Venture*

The Arkose Mining Venture properties consist of unpatented lode mining claims, fee mineral leases, and state mineral leases. The land surface consists of private, federal and state lands. There are 2,414 unpatented lode mining claims included in the Arkose Property which comprise 39,493 acres and 61 fee mineral leases and 3 state leases included in the Arkose Property which comprise 13,325 acres. All of the unpatented lode mining claims are owned by us subject to the 19% beneficial interests of the participants in the Arkose Mining Venture. The Jane Dough assembly of properties, described above, was formed by combining our 81% owned Arkose properties North Jane and South Doughstick with our 100% owned Doughstick property.

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Of the 2,414 unpatented lode mining claims, 682 unpatented lode mining claims have an overriding royalty interest burden of 0.25% . This overriding royalty interest is based on production of uranium on these claims.

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

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

#### ***Forfeiture of certain Powder River Basin interests***

In 2014 we decided to retain all our interests in our 100% owned mining claims and released 320.00 acres of fee land in the Powder River Basin based on the review and recommendation of our geologic staff. We decided to forfeit certain mining claims comprising 3,714 acres, and released 2,575 acres of fee land in our Arkose Mining Venture based on the review, analysis and recommendations of our geologic staff. We will continue to review our property portfolio and may decide to forfeit mineral interests in the future if we determine that they are no longer of strategic interest.

#### ***Nichols Ranch ISR Uranium Project***

Our original extraction plan for the Nichols Ranch ISR Uranium Project included the processing facility we have constructed at our Nichols Ranch property and a second ion exchange facility at our Hank property. Our current extraction plan for the Nichols Ranch ISR Uranium Project is now divided into three separate project areas, being (i) the Nichols Ranch Unit, and (ii) the Jane Dough Unit, and (iii) the Hank Unit. The Nichols Ranch Unit consists of the Nichols Ranch processing facility and our two initial production areas, being Production Area #1 and Production Area #2. The Nichols Ranch Unit also includes the two deep disposal wells that are permitted and constructed for the Nichols Ranch ISR Uranium Project. The Jane Dough Unit is adjacent to the Nichols Ranch Unit to the south and contains both properties that are 100% owned by us and properties that are the subject of the Arkose Mining Venture, in which we own an 81% interest. The Jane Dough Unit contains two extraction areas that are currently in the license and permit to mine amendment process, as described below. The Hank Unit is 100% Uranerz owned and is located approximately 6 miles east of the Nichols Ranch Unit. It is licensed and permitted to operate as a satellite to the Nichols Ranch Unit and contains two targeted extraction areas. It has 280 acres of federal surface that cannot be mined until a Plan of Operations is approved by the US Bureau of Land Management. Our original plan was to construct a second ion exchange facility at the Hank Unit; however we are presently evaluating whether it would be more economical to construct a pipeline from the Hank Unit to the Nichols Ranch processing plant, as opposed to constructing the satellite facility.

Consistent with our updated extraction plan, we filed applications in 2014 to amend our licensed extraction plan by adding the Jane Dough Unit to the Project, and thus move it ahead of Hank for extraction of uranium. These applications include (i) a source material license amendment application for our Jane Dough unit to the NRC to add the Jane Dough unit to the existing license for the Nichols Ranch ISR Uranium Project, and (ii) an application to the Wyoming Department of Environmental Quality for an amendment to our Permit to Mine to incorporate the Jane Dough unit.



Based on our experience and additional engineering, our current plan is to deliver uranium bearing solutions from the Jane Dough wellfields to the Nichols Ranch plant by pipeline. As discussed above, we are also considering delivering uranium bearing solutions from the Hank wellfields to the Nichols Ranch plant by pipeline. If we proceed with a pipeline for the Hank Unit, the need to build a satellite ion exchange facility would be eliminated. We anticipate that a pipeline would have a lower capital cost than a second ion exchange facility, however no final cost estimates have been obtained at this stage or any final decision made.

In 2014 we completed construction of the Nichols Ranch processing facility and installed additional portions of the existing wellfield to extract uranium mineralization previously identified within our Nichols Ranch ISR Uranium Project. The Nichols Ranch processing plant is licensed for a capacity of two million pounds per year of uranium and is designed to have three major processing solution circuits: (i) a recovery and extraction circuit, and (ii) an elution circuit, and (iii) a yellowcake production circuit. The Nichols ranch processing plant is currently constructed and operated with only the recovery and extraction circuit installed. We are party to a resin toll processing agreement with a subsidiary of Cameco Corporation pursuant to which Cameco processes the resin that we produce at the Nichols Ranch processing plant from the recovery and extraction circuit. The resin toll processing agreement provides for processing of solutions for elution and yellowcake production at Cameco's Smith Ranch-Highland facility. We pay a toll processing fee on a fixed unit cost basis that is adjusted by inflation for the resin processing. We retain the ability to construct and operate the elution and yellowcake production circuits at the Nichols Ranch processing facility at a later date if desired. The Nichols Ranch processing plant is currently in operation and is processing uranium-bearing wellfield solutions from Nichols Ranch Production Area #1.

Since the Nichols Ranch ISR Uranium Project does not have mineral reserves, the application of industry Guide 7, as reflected in our accounting policies, has required us to record all construction costs attributable to the Nichols Ranch ISR Uranium Project as mineral property expenditures. Accordingly, we have not capitalized any of the construction costs attributable to the Nichols Ranch ISR Uranium Project. The construction costs attributable to the Nichols Ranch ISR Uranium Project through to December 31, 2014, which have been expensed and not capitalized in accordance with our accounting policies, are summarized below:

	<u>\$</u>	<u>millions</u>
Processing plant	\$	19
Office, maintenance and laboratory buildings	\$	3
Wellfield development	\$	16
Deep disposal wells	\$	7
Infrastructure and trunk lines	\$	6
Other	\$	<u>2</u>
<b>Total</b>	<b>\$</b>	<b>53</b>

We plan to continue to incur construction expenses associated with the expansion of our current extraction in Production Area #1 and then into Production Area #2 of the Nichols Ranch Unit. We will also incur additional construction expense if we determine to add the elution and yellowcake processing circuits to our Nichols Ranch processing plant.

Our current extraction plan for the Nichols Ranch ISR Uranium Project contemplates that, subject to the approval of the amendments to our licensed extraction plan, we would commence extraction activities from the Jane Dough Unit after completing extraction at Nichols Ranch, with extraction at the Hank Unit to follow Jane Dough. Restoration and decommissioning will follow discontinuation of extraction activities.



*Location of the Nichols Ranch Processing Plant*

The map below illustrates the location of our Nichols Ranch plant within the Nichols Ranch ISR Uranium Project.

**Uranerz Energy Corporation Nichols Ranch ISR Uranium Project Map December 2014**

Uranerz December 2014 - Aerial View of Nichols Ranch Processing Plant

*Targeted Mineralization*

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

*Extraction Operations*

Our current licensed extraction plan for the Nichols Ranch ISR Uranium Project includes four Production Areas, two at the Nichols Ranch Unit and two at the Hank Unit, and a processing plant. However, we have applied to amend our licensed extraction plan to include two extraction areas in our Jane Dough property which would precede extraction from our Hank property. Wellfields are designated areas above the mineralized zone within the Production Areas that are sized to achieve the desired extraction goals. The piping/well system will inject leaching water solution into the mineralized zone and recover the uranium-enriched water after it has flowed through the mineralization. The mineralized zone is the geological sandstone unit where the recovery solutions are injected and recovered in an in-situ recovery wellfield, and it is bounded between impermeable confining layers. Wellfield areas are the individual areas that will be targeted within each Production Area. The injection and recovery wells are completed in the mineralized zones.

We anticipate the patterns for the injection and recovery wells to follow the conventional patterns such as five-spot and line drive patterns. Depending on the mineralized zone shape, seven spot, five spot or line drive patterns may be used in some locations. A typical five spot pattern contains four injection wells and one recovery well. The dimensions of the pattern vary depending on the mineralized zone, but the injection wells will likely be between 50 to 120 feet apart. In order to effectively recover the uranium and also to complete the groundwater restoration, the wells

will be completed so that they can be used as either injection or recovery wells. During extraction operations, a slightly greater volume of water will be recovered from the mineralized zone aquifer than injected in order to create a cone of depression or a flow gradient towards the recovery wells.

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When completed, the Nichols Ranch Unit will include the recently completed processing plant and two extraction areas, Production Area #1 and Production Area #2. We are operating Production Area #1 and, as the productivity or solution grade (uranium concentration in the recovered ground water) of some installed patterns decrease below the economic limit, replacement patterns from Production Area #2 will be placed into operation in order to maintain the desired flow rate and solution grade at the processing plant. Eventually, all the patterns in Production Area #1 will reach their economic limit and all extraction flow in that area will cease. At that time, all extraction flow will be coming from Production Area #2 and restoration activities will commence at Production Area #1.

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

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

At the end of 2014, we had completed construction of the following, all of which are associated with extraction from Production Area #1:

- 125 injection wells;
- 102 recovery wells;
- 59 wells not activated;
- 68 monitoring wells; and
- 4 header houses.

During 2015, our wellfield drilling plans include completing a small number of wells drilled in 2014 but not finished for an expansion of circuits connected to Header Houses 1 to 4, completion of surface flow and utility lines to Header Houses 5 and 6 and installation of Header House 6. Drilling is to be carried out with contract drilling rigs. The rigs will also drill additional extraction wells for Production Area #1 and monitor wells for Production Area #2.

Construction of a fifth header house started in February 2015. Wellfield delineation drilling for that header house area has been completed, the wellfield pattern development is ready, and well installation has commenced. The addition of this header house is planned to bring another ninety extraction wells online in the second quarter of 2015. A sixth header house with associated extraction wells is also expected to be installed during the second half of 2015.

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A schematic of the Nichols Ranch Unit follows:

URANERZ 2014 – NICHOLS RANCH UNIT



URANERZ 2014 VIEW OF NICHOLS RANCH PRODUCTION AREAS

We are currently designing a uranium extraction plan for Jane Dough in conjunction with our license amendment applications whereby we would expand extraction operations to Jane Dough initially before expanding to Hank, after Nichols Ranch. We are presently contemplating that our Jane Dough Unit will have two targeted production areas. In the future, we will consider whether or not to amend our current license for Hank Unit to include a pipeline to our Nichols ranch processing facility which would replace or eliminate the requirement for the satellite ion exchange recovery facility that is in our current plan. Our extraction plan for Hank will likewise target two planned extraction areas. The Hank Unit extraction areas will follow a similar construction, extraction, and restoration schedule as outlined above for the Nichols Ranch Unit extraction areas.

Our original extraction plan contemplated the construction of four Underground Injection Control deep disposal wells; two at the Nichols Ranch Unit and two at the Hank Unit. The deep disposal wells are used for disposal of liquid wastes from wellfield bleed, processing plant operations and wellfield restoration. We have completed construction and installation of two of the planned deep disposal wells at our Nichols Ranch Unit, each of which has a demonstrated capacity to accept current and expected liquid waste disposal capacity requirements. If we determine not to proceed with the satellite ion exchange facility at the Hank Unit and instead build a pipeline to transport fluids to Nichols Ranch for processing, we anticipate that we will not need to construct the two additional deep disposal wells at the Hank Unit. The Nichols Ranch Unit is permitted for two additional deep disposal wells for a total of four should the need arise.

Wellfield drilling plans include completing a small number of wells drilled in 2014 but not finished for an expansion of circuits connected to our initial four header houses, completion of surface flow and utility lines to our fifth and sixth header houses. Drilling is carried out with contract drilling rigs. The rigs will also drill additional production wells for Production Area #1 and monitor wells for Production Area #2.

*Extraction Operations Planning and Permitting*

We received all Nichols Ranch ISR regulatory approvals necessary to extract and process uranium material in accordance with our original extraction plan. Both the state and federal agencies looked at all environmental aspects of our proposed ISR project including reclamation of the land surface following extraction operations, and restoration of impacted ground water. Workplace safety and the safety of the public are also closely monitored by regulatory agencies. We have posted a reclamation bond with the regulatory agencies in an amount of \$6.8 million to cover the total estimated cost of reclamation by a third party as a requirement of the licenses.

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Prior to the start of extraction activities, we were required and did obtain all the necessary permits, licenses, and approvals required by the Wyoming Department of Environmental Quality Land, Water and Air Divisions and the U.S. Nuclear Regulatory Commission. The various state and federal permits and licenses that were required and have been obtained for the Nichols Ranch ISR Uranium Project, exclusive of the expansion to the Jane Dough Unit, are summarized below:

*Primary Permits and Licenses for the Nichols Ranch ISR Uranium Project (Nichols Ranch and Hank Units Only)*

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

Notes: NRC - Nuclear Regulatory Commission

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

WDEQ-WQD - Wyoming Department of Environmental Quality Water Quality Division

WDEQ-AQD - Wyoming Department of Environmental Quality Air Quality Division

WYPDES Wyoming Pollution Discharge Elimination System

SEO - State Engineer's Office

We submitted the following applications in 2014 in order to add the Jane Dough Unit to the licensed Nichols Ranch and Hank Units: (i) a source material license amendment application for our Jane Dough unit to the NRC to add the Jane Dough unit to the existing license for the Nichols Ranch ISR Uranium Project, and (ii) an application to the Wyoming Department of Environmental Quality for an amendment to our Permit to Mine to incorporate the Jane Dough unit. These applications are being processed in due course.

***2015 Plan of Operations for Powder River Basin Properties***

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



During 2015, we plan to:

- continue extraction operations at our Nichols Ranch Unit;
- continue wellfield construction at the Nichols Ranch ISR Uranium Project with the drilling of additional extraction wells for Production Area #1 and monitor wells for Production Area #2; and
- continue with our permitting and extraction operations planning efforts in connection with the application to extract minerals at Jane Dough.

Our property related operational and corporate net cash expenditures are estimated to be \$7 million in 2015. This estimate is subject to change. Major property acquisitions, if any, are not included in this amount.

### ITEM 3. LEGAL PROCEEDINGS

On January 6, 2015, January 9, 2015, January 13, 2015, January 14, 2015, January 15, 2015, January 15, 2015, January 16, 2015, January 20, 2015, January 21, 2015, and February 9, 2015, ten putative class action complaints captioned *William Barrett v. Uranerz Energy Corp. et al.*, Case No. A-15-711942-C; *Eric Foreman v. Uranerz Energy Corp. et al.*, Case No. A-15-712125-C; *Chester Travirca v. Uranerz Energy Corp. et al.*, Case No. A-15-712318-C; *Frances Heims v. Uranerz Energy Corp. et al.*, Case No. A-15-712379-C; *Howard H. Bouch v. Uranerz Energy Corp. et al.*, Case No. A-15-712441-B; *Harry Toderash v. Dennis Higgs et al.*, Case No. A-15-712433-C; *Bernard Stern v. Uranerz Energy Corp. et al.*, Case No. Case No. A-15-712618-B; *David R. Lang v. Uranerz Energy Corp. et al.*, Case No. CV15-00115, *Richard Herman Zimmer v. Uranerz Energy Corp. et al.*, Case No. A-15-712718-B and *Gerald Lee Prewitt v. Uranerz Energy Corp. et al.*, Case No. A-15-713683-C, respectively, were filed on behalf of an alleged class of Uranerz stockholders in the District Court, Clark County, Nevada (except for the *Lang* action, which was filed in the District Court, Washoe County, Nevada). The complaints name as defendants Uranerz (except for the *Toderasch* action, which does not name Uranerz), all members of our Board of Directors, Energy Fuels, Inc., and EFR Nevada Corp (except for the *Foreman* action, which does not name EFR Nevada Corp.). Each of the complaints alleges that the members of our Board of Directors breached their fiduciary duties to our stockholders in connection with the Merger and that Uranerz, Energy Fuels, Inc. and EFR Nevada Corp. aided and abetted the Directors' alleged breaches of fiduciary duties. Plaintiffs claim that the Merger is proposed at an unfair price and involves an inadequate and unfair sales process, self-dealing, and unreasonable deal-protection devices. The complaints seek injunctive relief, including to enjoin or rescind the Merger, damages, and an award of unspecified attorneys' and other fees and costs, in addition to other relief. We believe that the claims asserted in the complaints have no merit, and we and all of the members of the Board of Directors intend to defend vigorously against them.

Otherwise we are not currently a party to any litigation that management believes would be likely to have a material adverse effect on our financial position, results of operations or cash flows.

### ITEM 4. MINE SAFETY DISCLOSURE

#### Mine Safety Disclosure

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States, and that is subject to regulation by the Federal Mine Safety and Health Administration under the Mine Safety and Health Act of 1977 ( Mine Safety Act), are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the year ended December 31, 2014, the Company's mineral properties were not subject to regulation by the Federal Mine Safety and Health Administration under the Mine Safety Act.

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

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

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

<b>Period</b>	<b>High</b>	<b>Low</b>
2014		
Fourth Quarter	\$ 1.51	\$ 0.88
Third Quarter	\$ 1.60	\$ 1.05
Second Quarter	\$ 1.80	\$ 1.13
First Quarter	\$ 1.97	\$ 1.22
2013		
Fourth Quarter	\$ 1.30	\$ 0.80
Third Quarter	\$ 1.64	\$ 0.90
Second Quarter	\$ 1.43	\$ 0.94
First Quarter	\$ 1.61	\$ 1.21
2012		
Fourth Quarter	\$ 1.73	\$ 1.23
Third Quarter	\$ 1.89	\$ 1.17
Second Quarter	\$ 2.58	\$ 1.08
First Quarter	\$ 3.07	\$ 1.83

As of March 4, 2015, the closing bid quotation for our common stock was \$1.16 per share as quoted by the NYSE MKT.

As of March 4, 2015, we had 95,912,806 shares of common stock issued and outstanding, held by approximately 12,000 shareholders. Most shares are registered through intermediaries, making the precise number of shareholders difficult to obtain.

**Dividend Policy**

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

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

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

### Repurchase of Securities

During 2014, neither we nor any of our affiliates repurchased shares of our common stock registered under Section 12 of the Securities Exchange Act of 1934, as amended.

### Equity Compensation Plan Information

As at December 31, 2014 we had one equity compensation plan under which our shares of common stock have been authorized for issuance to our officers, directors, employees and consultants, namely our 2005 Stock Option Plan, as amended. Our 2005 Stock Option Plan, as amended, has been approved by our shareholders.

The following summary information is presented for our 2005 Stock Option Plan, as amended, as of December 31, 2014.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
	A	B	C
Equity Compensation Plans Approved By Security Holders	7,311,680	\$1.62	18,661,328
Equity Compensation Plans Not Approved By Security Holders	Not Applicable	Not Applicable	Not Applicable

### 2005 Stock Option Plan Information

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

#### *Purpose*

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



### ***Persons Eligible***

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

### ***Administration***

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

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

The total number of our shares available for grants of stock options under the Stock Option Plan is 30,000,000 Common Shares, subject to adjustment as described below, which shares may be either authorized but unissued or reacquired Common Shares of our Company. If a stock option or portion thereof expires or terminates for any reason without having been exercised in full, the unpurchased shares covered by such nonqualified stock option shall be available for future grants of stock options under the Stock Option Plan. Shares issuable upon exercise of stock options have been registered under the U.S. Securities Act of 1933, as amended, pursuant to our Registration Statement on Form S-8, filed with the Securities and Exchange Commission on November 21, 2005.

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

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

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

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

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

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



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

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

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

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

### ***Amendment of the Plan***

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

### **Recent Sales of Unregistered Securities**

During the year ended December 31, 2014 the Company issued 75,000 shares of the Company's common stock for services (refer to Note 11, set forth in Item 8, Financial Statements and Supplementary Data ). These shares were not registered under the Securities Act, or the laws of any state and are subject to resale restrictions and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

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## Stock Performance Graph

The performance graph below shows Uranerz Energy Corporation's cumulative total return based on an initial investment of \$100 in Uranerz common stock, as compared with the Russell 2000 Index, NYSE MKT Natural Resources Index, NYSE MKT Composite, NASDAQ Composite Total Return, and a peer group consisting of Uranium Energy Corp., Ur-Energy Corp., and Azarga Uranium Corp. (formerly Powertech Uranium Corp.). The chart shows yearly performance marks over a five year period. This performance chart assumes: (1) \$100 was invested on January 1, 2010 in Uranerz common stock at the initial price of \$1.00, in the Russell 2000 Index, NYSE MKT Natural Resources Index, NYSE MKT Composite, NASDAQ Composite Total Return, and the peer group's common stock; and (2) all dividends are reinvested. Canadian dollar closing price quotes on the Toronto Stock Exchange are converted to United States dollars using the noon exchange rates as quoted by the Federal Reserve Bank on the date of the closing price quote. Dates on the chart represent the last trading day of the indicated fiscal year.

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**ITEM 6. SELECTED FINANCIAL DATA**

Selected financial data about Uranerz for the last five years is set forth in the table below. You should read the data in the table in conjunction with the consolidated financial statements and related notes set forth in Item 8, Financial Statements and Supplementary Data .

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Sales	\$ 10,007	-	-	-	-
Gross Profit	\$ 3,793				
Operating expenses					
Depreciation	\$ 174	201	242	216	200
Reclamation accretion	\$ 82	78	50	2	-
Foreign exchange	\$ (71)	(39)	23	50	6
General and administrative	\$ 6,874	6,862	6,274	12,995	8,424
Mineral property expenditures	\$ 7,829	18,107	22,801	12,260	6,662
Total operating expenses	\$ 14,888	25,209	29,390	25,523	15,292
Gain on sale on investment securities	\$ -	-	-	-	-
Interest income	\$ 26	17	42	79	52
Interest expense	\$ (1,231)	(1,329)	-	-	-
Other income	\$ 19				
Non-controlling interest - portion of net loss	\$ 304	250	373	570	640
Net loss and comprehensive loss attributable to Uranerz Stockholders	\$ 11,977	26,271	28,975	24,874	14,600

**Common stock data**

Weighted average shares outstanding	90,355	79,946	77,166	75,981	64,433
Net loss per share basic and diluted	\$ 0.13	0.33	0.38	0.33	0.23

Total shares outstanding at December 31	95,895	85,815	77,208	77,087	70,821
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**Balance sheet data at December 31**

Total assets	\$ 19,058	16,949	11,553	38,894	40,634
Property and equipment net	\$ 768	706	592	470	503
Working capital	\$ 9,915	11,050	5,718	32,760	36,526
Total long term debt	\$ 17,124	20,000	-	-	-
Common shareholders equity (deficit)	\$ (5,945)	(6,662)	8,208	35,637	39,767

**Cash flow data**

Net cash used for operating activities	\$ 16,604	23,287	27,668	16,552	10,897
Net cash used for (provided by) investing activities	\$ 265	328	440	155	(6,904)
Net cash provided by financing activities	\$ 10,971	28,514	480	14,915	20,004

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

The following discussion and analysis should be read in conjunction with our financial statements for the three years ended December 31, 2014, and the related notes thereto. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth under the section heading Item 1A. Risk Factors and elsewhere in this Annual Report. See section heading

Cautionary Statement Regarding Forward-Looking Statements .

**Overview**

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

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In 2011 we received licenses to mine two of our properties in the Powder River Basin area of Wyoming, namely our Nichols Ranch Unit and Hank Unit, that we feel may have the potential, based on data in our possession, of being developed into commercial in-situ recovery uranium mines. We completed construction of a processing facility, commissioned the first wellfield and commenced extracting uranium at the Nichols Ranch Unit in 2014.

In support of our goals for 2014, we focused our efforts on the following key operating priorities:

- extraction operations planning and construction at our Nichols Ranch ISR Uranium Project;
- wellfield installation in Production Area #1 at the Nichols Ranch Unit;
- environmental and extraction operations planning for additional permitting for our Jane Dough Unit;
- assessment of properties and evaluation of uranium potential;
- financing; and
- commencing extraction of uranium at our Nichols Ranch Unit.

We made satisfactory progress on each of our operating priorities, successfully starting up our planned processing facility and our first wellfield. We extracted uranium oxide and completed our first sales in the second half of 2014.

## **Results of Operations**

### ***Twelve-month period ended December 31, 2014 compared to twelve-month period ended December 31, 2013***

Since 2014 was a startup year whereby a newly constructed processing plant was commissioned in concert with the completion and startup of our first wellfield, the operating results achieved this year are not indicative of future results. Furthermore, since we have only limited extraction history, commencing in 2014, operating results are not directly comparable to those of 2013.

Our 2014 Plan of Operations, described in our Annual Report on Form 10-K filed with the SEC on March 14, 2014, outlined planned expenditures which were subsequently substantially incurred as expected. As described, our mineral property expenditures expense includes construction and wellfield costs in compliance with the SEC's interpretation of Guide 7. Our general and administrative expenses continued at 2013 levels as we complied with our obligations to many stockholders as a reporting company under the Securities Exchange Act of 1934, as amended, listed on the NYSE MKT and the Toronto Stock Exchange. As anticipated, we earned our first revenues during the 2014 fiscal year and we continued exploration and permitting at our Nichols Ranch ISR Uranium Project, and commenced extraction from our mineral properties in our Nichols Ranch Unit.

### **Revenue and Cost of Goods Sold**

In 2014 we sold 175,000 pounds of uranium oxide for revenue of \$10,006,673 and a gross profit of \$3,793,045. All sales were of uranium from our extraction activities, other than sales of 22,000 pounds that we purchased in the spot market to complete a sales contract. We had no revenue or sales in 2013.

We started extracting uranium in mid-2014 and extracted 199,000 pounds during the year ended December 31, 2014. Approximately 179,000 pounds were processed to the finished goods stage with the remainder in resin solution awaiting final treatment by our toll processing contractor. Uranium from our extraction activities, plus pounds purchased less pounds sold, resulted in 54,000 pounds of in-process and finished goods inventory at December 31, 2014 with a value, at cost, of \$1,957,423. There are no comparable results for 2013.

Our revenues include sales of uranium under fixed and inflation escalated price sales agreements negotiated with uranium purchasing utilities. These sales agreements expire as follows, with reference to the amount of uranium to be sold under such agreements:



Sales Contract Expiry	2015 and 2016	2017 and 2018	2019 and 2020
Pounds of Uranium	450,000	475,000	200,000

Our future revenues may be impacted to the extent that we may not be able to either (i) negotiate extensions to sales agreements with our existing customers upon the expiry of the original sales agreements, or (ii) enter into sales agreements with new utility customers.

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

We incurred total operating expenses of \$14,888,493 for the twelve-month period ended December 31, 2014, as compared to \$25,209,569 for the corresponding period in 2013, a reduction of \$10,321,076 primarily due to reduced mineral property expenses as we completed construction of the Nichols Ranch processing facility and related wellfield facilities. Mineral property expenditures for exploration and mine extraction operations planning declined \$10,277,872 over 2013, primarily attributable to decreased construction costs (expensed as mineral property expenditures) at Nichols Ranch. General and administrative expenses of \$6,874,591, including \$1,003,924 (2013 - \$1,629,333) of stock-based compensation, was substantially unchanged from 2013. Construction costs for the Nichols Ranch Unit were expensed, rather than capitalized, in accordance with our accounting policies and generally accepted accounting principles ( **GAAP** ) given that we have not established mineral reserves at the Nichols Ranch Unit.

Interest expense, which was primarily attributable to Notes payable, amounted to \$1,230,932 for the twelve-month period ended December 31, 2014, compared to \$1,328,839 for the corresponding period in 2013.

We earned \$26,374 of interest income for the twelve-month period ended December 31, 2014 as compared to \$16,753 for the corresponding period in 2013. This increase was due to higher cash balances.

The non-controlling interest of our Arkose Mining Venture offset \$303,781 of our 2014 net loss (\$250,380 in 2013).

Net loss and comprehensive loss attributable to the Company for the twelve-month period ended December 31, 2014 was \$11,976,794, as compared to \$26,271,275 in 2013.

#### Cash Used in Operating Activities

Net cash used in operating activities was \$16,604,225 for the twelve-month period ended December 31, 2014, compared to \$23,286,877 for the corresponding period in 2013. The decrease in net cash used in operations of \$6,682,652 is primarily due to a \$10,017,872 decrease of mineral property expenditures which includes a reduced level of costs related to our Nichols Ranch ISR Uranium Project and a gross profit of \$4,793,045 arising from our commencement of sales in 2014.

#### Cash Used in Investing Activities

We invested \$265,309 in property, equipment and reclamation deposits in the twelve-month period ended December 31, 2014, compared to \$328,405 the corresponding period in 2013. Nichols Ranch ISR Uranium Project costs of \$6,163,744 (2013 - \$16,913,734) were recorded as mineral property expenditures.

#### Cash Provided by Financing Activities

Net cash provided by financing activities amounted to \$10,971,452 for the twelve-month period ended December 31, 2014, primarily net proceeds from a public offering of common stock, compared to \$28,514,248 for the corresponding period in 2013 which was primarily net proceeds from notes payable of \$20,000,000 and \$8,890,560 from a public

offering of common stock.

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***Twelve-month period ended December 31, 2013 compared to twelve-month period ended December 31, 2012***

Revenue

We did not earn any revenues in 2013.

Operating Expenses and Other Expenses (Income)

We incurred total operating expenses of \$25,209,569 for the twelve-month period ended December 31, 2013, as compared to \$29,389,744 for the corresponding period in 2012. General and administrative expenses increased \$588,504 and include \$1,629,333 of stock-based compensation, while mineral property expenditures for exploration and extraction operations planning declined \$4,694,373 over 2012, primarily attributable to decreased expenditures at Nichols Ranch. Our general and administrative expenses, excluding stock based compensation, consisting primarily of payroll, consulting, investor relations and general overhead was relatively unchanged from 2012 reflecting stable operations as cost variations primarily relate to the Nichols Ranch ISR Uranium Project.

We earned \$16,753 of interest income for the twelve-month period ended December 31, 2013 as compared to \$42,407 for the corresponding period in 2012. This decrease was due to reduced cash balances. The non-controlling interest of our Arkose Mining Venture absorbed \$250,380 of our 2013 net loss (\$372,888 in 2012). Net loss and comprehensive loss attributable to the Company for the twelve-month period ended December 31, 2013 was \$26,271,275, as compared to \$28,974,449 in 2012.

Cash Used in Operating Activities

Net cash used in operating activities was \$23,286,877 for the twelve-month period ended December 31, 2013, compared to \$27,668,269 for the corresponding period in 2012. The decrease in net cash used in operations of \$4,381,392 is primarily due to a decrease of mineral property expenditures which includes a reduced level of costs related to our Nichols Ranch ISR Uranium Project.

Cash Used in Investing Activities

We invested \$328,405 in property, equipment and reclamation deposits in the twelve- month period ended December 31, 2013, compared to \$439,690 the corresponding period in 2012. Nichols Ranch ISR Uranium Project costs of \$16,913,734 (2012 - \$21,280,188) were recorded as mineral property expenditures.

Cash Provided by Financing Activities

Net cash provided by financing activities amounted to \$28,514,248 for the twelve-month period ended December 31, 2013, primarily proceeds from notes payable of \$20,000,000 and \$8,890,560 from a public offering of common stock, compared to \$479,924 for the corresponding period in 2012 when common stock warrants and options were exercised.

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

Revenue

We did not earn any revenues through December 31, 2012.

Operating Expenses and Other Expenses (Income)

We incurred total operating expenses of \$29,389,744 for the twelve-month period ended December 31, 2012, as compared to \$25,523,221 for the corresponding period in 2011. Operating expenses in the amount of \$1,244,810 were

attributable to stock-based compensation, a decrease of \$5,054,378, while mineral property expenditures, for exploration and extraction operations planning, increased \$10,541,685 over 2011, primarily attributable to increased expenditures at Nichols Ranch. Our general and administrative expenses, excluding stock based compensation, consisted primarily of payroll, consulting, investor relations and general overhead was relatively unchanged from 2011 reflecting stable operations as focus and costs shifted to the Nichols Ranch ISR Uranium Project.

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

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

#### Cash Used in Operating Activities

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

#### Cash Used in Investing Activities

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

#### Cash Provided by Financing Activities

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

#### **Assets and Liabilities**

We had total assets of \$19,058,397 at December 31, 2014 compared to \$16,948,765 at December 31, 2013, primarily cash and accounts receivable related to December sales. Deferred debt issuance costs are \$266,208 (2013 - \$307,120). Non-current prepaid expenses and deposits amounted to \$2,478,757 at December 31, 2014 (2013 - \$2,629,310), Property and Equipment was \$768,363 compared to \$706,447 at December 31, 2013. Construction in progress costs are expensed as mineral property expenditures.

Our liabilities were \$24,894,271 compared to \$23,497,244 at December 31, 2013. Liabilities include a note payable of \$19,296,250 (2013 - \$20,000,000), of which \$2,172,530 (2013 - Nil) was current, and Asset Retirement Obligation of \$2,100,090 (2013 - \$1,241,481). The note, related to a loan received on December 3, 2013, has an annual interest rate of 5.75% and is repayable over seven years, maturing on October 15, 2020.

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## **Liquidity and Capital Resources**

Our operations have been financed by proceeds primarily from issuances of common stock and long term debt. Our cash and short term security position at December 31, 2014 was \$6,017,594 compared to \$11,915,676 as of December 31, 2013. We had working capital of \$9,914,608 as of December 31, 2014, compared to working capital of \$11,050,125 as of December 31, 2013. Our working capital at December 31, 2014 included (i) accounts receivable attributable to sales of uranium to one customer of \$6,106,673 (2013 – Nil), and (ii) uranium inventories of \$1,957,423 (2013 – Nil).

### ***Financings***

During the year ended December 31, 2014, we:

1. Issued 280,232 shares of common stock upon the exercise of stock options for cash proceeds of \$341,378.
2. Completed a public offering of 9,600,000 Units, comprised of 9,600,000 shares of our common stock and 4,800,000 common share purchase warrants, at \$1.25 per Unit for gross proceeds of \$12,000,000. Each warrant entitled the holder to purchase one common share for \$1.60 for a period ending January 25, 2017, subject to acceleration.
3. Issued 125,000 shares of common stock upon the exercise of share purchase warrants for cash proceeds of \$200,000.
4. Issued 75,000 shares for services with a fair value of \$117,600.

During the year ended December 31, 2013, we:

1. Issued 57,500 shares of common stock upon the exercise of stock options for cash proceeds of \$38,375.
2. Completed a public offering of 8,550,000 Units, comprised of 8,550,000 shares of our common stock and 4,275,000 common share purchase warrants, at \$1.17 per Unit for gross proceeds of \$10,003,500. Each warrant entitled the holder to purchase one common share for \$1.60 for a period ending March 5, 2016, subject to acceleration.
3. Issued secured notes payable for \$6,000,000; repaid in 2013.
4. Issued secured notes payable for \$20,000,000.

During the year ended December 31, 2012, we:

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

### ***Capital Requirements***

Our working capital of \$9,914,608, including cash of \$6,917,594, at December 31, 2014 is available for future operations. We estimate that our net cash requirement for operations over the next twelve months will be approximately \$7 million. Our estimated capital expenditures may require an additional \$400,000. We plan to operate in a cash scarce environment throughout 2015. Therefore, we expect that we will not be required to raise additional capital to fund expenditures for operations and capital costs through 2015. If our operations and market for uranium continue to result in a negative net cash flow from operations beyond 2015 our acquisitions and operations will require to be financed through cash on hand, additional debt and/or equity financing.

Our plan of operation for the next twelve months is to continue with exploration and extraction of uranium minerals and, if warranted, further investigation of our Wyoming Powder River Basin properties. Our planned geological exploration programs are described in Item 2 of this Annual Report. In addition to our planned operating expenditures we may increase exploration expenditures and make additional property acquisitions beyond the above as opportunities arise. We plan to continue operations at our Nichols Ranch ISR Uranium Project. Our exploration plans will be continually evaluated and modified as exploration and permitting results become available. Modifications to our plans will be based on many factors, including: results of exploration, assessment of data, weather conditions, exploration costs, progress with licensing, the price of uranium and sales.

Our capital and financing requirements may increase to the extent that we may not be able to either (i) negotiate extensions to sales agreements with our existing customers upon the expiry of the original sales agreements, or (ii) enter into sales agreements with new utility customers at favorable prices. Further, the extent of our operations and investment programs that we undertake will be dependent upon the amount of financing available to us.

#### *Future Financings*

We may decide to pursue additional financing to carry out an expanded program of exploration, extraction operations planning, property acquisitions and preparations for increased extraction from the Nichols Ranch ISR Uranium Project during 2015. This may comprise debt financing and/or additional sales of our common stock in order to raise the funds necessary to pursue opportunities and to fund our working capital.

Issuances of additional shares would result in dilution to our existing shareholders. There is no assurance that we will be successful in completing any financings. Failure to obtain additional financing on a timely basis could require a reduced plan of operations and acquisitions in 2015.

As we expect our reliance on equity and debt financings may continue into the future, the future market conditions will be critical for us to raise necessary funds to meet our funding requirements. We may seek multiple solutions including, but not limited to, equity, credit facilities or debenture issuances. There is no assurance that such debt or equity financing will be available to us if and when required.

#### *Off-Balance Sheet Arrangements*

We have no significant off-balance sheet arrangements at December 31, 2014 that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders. Our commitments and contingencies are described in Notes 6 and 15 of the audited consolidated financial statements following under the section heading "Item 8. Financial Statements and Supplementary Data".

#### *Contractual Obligations*

Our contractual obligations extending beyond the fiscal year ended December 31, 2014 are described in Notes 9, 10, 15 and 18 of the audited consolidated financial statements following under the section heading "Item 8. Financial Statements and Supplementary Data". The significant amounts as at December 31, 2014 are included in the table below.

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<u>Contractual Obligations (\$000)</u>	<u>Less than one year</u>	<u>One to three years</u>	<u>Three to five years</u>	
Note payable	19,296	2,172	9,683	7,441
Asset retirement	2,100			2,100
Property lease	375	75	225	75
Office lease	338	169	169	
Processing (1)	450	450		
Purchase orders (2)	170	170		
Total	22,729	3,036	10,077	9,616

(1) Represents minimum amount payable under a resin toll processing agreement.

(2) Represents operational and construction purchase orders as of December 31, 2014.

### **Critical Accounting Policies**

The preparation of financial statements in conformity with generally accepted accounting principles requires our management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Our management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. As an exploration stage company, i.e. engaged in significant mineral extraction operations without reserves as defined by the SEC Industry Guide 7, our development expenditures are expensed as incurred. Accordingly, our costs of extraction do not include the amortization of plant, equipment and wellfield costs which would otherwise be capitalized.

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

#### ***Revenue Recognition***

Revenue is recognized from a sale when persuasive evidence of an arrangement exists, the price is determinable, the product has been delivered, the title has been transferred to the customer and collection of the sales price is reasonably assured. The Company delivers its uranium concentrates to a uranium storage facility and once the product is confirmed to meet the required specifications, the Company receives credit for a specified quantity measured in pounds. Future sales of uranium concentrates are expected to generally occur under uranium supply agreements or through the uranium spot market. Once a sale of uranium concentrates is negotiated, the Company will notify the uranium storage facility with instructions for a title transfer to the customer. Revenue is recognized once a title transfer of the uranium concentrates is confirmed by the uranium storage facility.

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

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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### ***Asset Retirement Obligations***

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

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

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

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

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

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

Options granted to consultants are valued based at the fair value of the equity instruments issued, or the fair value of the services received, whichever is more reliably measurable.

### ***Accounting Developments***

We have implemented all new accounting pronouncements that are in effect and that may impact our financial statements and we have disclosed all recently issued accounting pronouncements in the Notes to the Consolidated Financial Statements for the yearended December 31, 2014. None of the accounting pronouncements adopted had any material effect of our Consolidated Financial Statements for the year ended December 31, 2014.

### ***Subsequent Events***

On January 4, 2015 the Company, entered into the Agreement and Plan of Merger with Energy Fuels and Merger Sub as described in Item 1 of this annual report under *Execution of Merger Agreement* .

On January 17, 2015, the Company granted 1,200,000 stock options to directors, officers, employees and consultants at an exercise price of \$1.14 per share expiring from January 16, 2020 to January 16, 2025.

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

The Company is exposed to risks associated with commodity prices, interest rates and credit. Commodity price risk is defined as the potential loss that we may incur as a result of changes in the market value of uranium. Interest rate risk results from our debt and equity instruments that we issue to provide financing and liquidity for our business.

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Credit risk arises from the extension of credit throughout all aspects of our business. Industry-wide risks can also affect our general ability to finance exploration, and development of exploitable resources; such effects are not predictable or quantifiable.

#### **Commodity Price Risk**

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

#### **Interest Rate Risk**

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

#### **Credit Risk**

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

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

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Uranerz Energy Corporation

December 31, 2014

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of  
Uranerz Energy Corporation

We have audited the accompanying consolidated balance sheets of Uranerz Energy Corporation as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive loss, cash flows and changes in equity (deficit) for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements are the responsibility of Uranerz Energy Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Uranerz Energy Corporation as of December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Uranerz Energy Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 11, 2015 expressed an unqualified opinion thereon.

/s/ Manning Elliott LLP

CHARTERED ACCOUNTANTS  
Vancouver, Canada  
March 11, 2015

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

	December 31, 2014 \$	December 31, 2013 \$
<b>ASSETS</b>		
Current Assets		
Cash	6,017,594	11,915,676
Accounts receivable (Note 3)	6,106,673	
Prepaid expenses and deposits (Note 7(a))	1,435,669	1,313,558
Inventory (Note 4)	1,957,423	
Other current assets	67,710	76,654
Total Current Assets	15,585,069	13,305,888
Debt Issuance Costs (Note 9)	226,208	307,120
Prepaid Expenses and Deposits (Note 7(a))	397,561	548,271
Mineral Property Reclamation Surety Deposits (Note 10)	2,081,196	2,081,039
Property and Equipment (Note 5)	768,363	706,447
Total Assets	19,058,397	16,948,765
<b>LIABILITIES AND DEFICIT</b>		
Current Liabilities		
Accounts payable	741,163	580,984
Accrued liabilities (Note 7(b))	2,745,986	1,674,779
Current portion of note payable (Note 9)	2,172,530	
Due to related parties (Note 8(a))	10,782	
Total Current Liabilities	5,670,461	2,255,763
Note Payable (Note 9)	17,123,720	20,000,000
Asset Retirement Obligations (Note 10)	2,100,090	1,241,481
Total Liabilities	24,894,271	23,497,244
Commitments and Contingencies (Notes 6 and 15)		
Subsequent Events (Note 18)		
Deficit		
Preferred Stock, 10,000,000 shares authorized, \$0.001 par value; No shares issued and outstanding		
Common Stock, 750,000,000 shares authorized, \$0.001 par value; 95,895,306 and 85,815,074 shares issued and outstanding, respectively		
	95,895	85,815
Additional Paid-in Capital	169,498,862	156,814,709
Accumulated Deficit	(175,539,285)	(163,562,491)
Uranerz Stockholders Deficit	(5,944,528)	(6,661,967)
Non-controlling Interest	108,654	113,488
Total Deficit	(5,835,874)	(6,548,479)
Total Liabilities and Deficit	19,058,397	16,948,765

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



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

	Years Ended December 31,		
	2014	2013	2012
	\$	\$	\$
Revenue	10,006,673		
Cost of Sales	6,213,628		
Gross Profit	3,793,045		
<b>Expenses</b>			
Depreciation	173,778	200,920	241,610
Accretion of Asset Retirement Obligation (Note 10)	82,410	78,025	49,899
Foreign Exchange Loss (Gain)	(71,417)	(39,130)	22,612
General and Administrative (Notes 8 and 12)	6,874,591	6,862,751	6,274,247
Mineral Property Expenditures (Notes 6(l) and 12)	7,829,131	18,107,003	22,801,376
Total Operating Expenses	14,888,493	25,209,569	29,389,744
Loss Before Other Items	(11,095,448)	(25,209,569)	(29,389,744)
<b>Other Income (Expense)</b>			
Interest Income	26,374	16,753	42,407
Interest Expense	(1,230,932)	(1,328,839)	
Other Income	19,431		
Total Other Income (Expense)	(1,185,127)	(1,312,086)	42,407
Net Loss and Comprehensive Loss	(12,280,575)	(26,521,655)	(29,347,337)
Net Loss and Comprehensive Loss Attributable to Non- controlling Interest	303,781	250,380	372,888
Net Loss and Comprehensive Loss Attributable to Uranerz Stockholders	(11,976,794)	(26,271,275)	(28,974,449)
Net Loss Per Common Share Basic and Diluted	(0.13)	(0.33)	(0.38)
Weighted Average Number of Shares Outstanding	90,355,000	79,901,000	77,166,000

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

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

	Years Ended December 31,		
	2014	2013	2012
	\$	\$	\$
<b>Operating Activities</b>			
Net loss	(12,280,575)	(26,521,655)	(29,347,337)
<b>Adjustments to reconcile net loss to cash used in operating activities:</b>			
Depreciation	173,778	200,920	241,610
Accretion of asset retirement obligation	82,410	78,025	49,899
Accretion of discount on notes payable		525,461	
Amortization of financing costs	80,912	298,202	
Asset retirement cost	776,199	91,613	682,380
Other expense (income)	(19,431)		
Stock-based compensation	1,200,379	1,997,802	1,448,394
Shares issued for services	117,600		
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable	(6,106,673)		
Prepaid expenses and deposits	28,599	(13,531)	(141,434)
Inventory	(1,908,533)		
Other current assets	8,944	(48,168)	1,340
Accounts payable and accrued liabilities	1,231,384	118,988	(546,315)
Due to related parties	10,782	(14,534)	(56,806)
<b>Net Cash Used in Operating Activities</b>	<b>(16,604,225)</b>	<b>(23,286,877)</b>	<b>(27,668,269)</b>
<b>Investing Activities</b>			
Reclamation surety deposits	(157)	(12,640)	(25,292)
Proceeds from sale of property and equipment	20,512		
Purchase of property and equipment	(285,664)	(315,765)	(414,398)
<b>Net Cash Used in Investing Activities</b>	<b>(265,309)</b>	<b>(328,405)</b>	<b>(439,690)</b>
<b>Financing Activities</b>			
Proceeds from notes payable		26,000,000	
Repayment of notes payable	(703,749)	(6,000,000)	
Financing costs		(656,187)	
Contributions from non-controlling interest	298,947	241,500	383,040
Proceeds from issuance of common stock	12,541,378	10,041,875	96,884
Share issuance costs	(1,165,124)	(1,112,940)	
<b>Net Cash Provided by Financing Activities</b>	<b>10,971,452</b>	<b>28,514,248</b>	<b>479,924</b>
<b>Increase (Decrease) In Cash</b>	<b>(5,898,082)</b>	<b>4,898,966</b>	<b>(27,628,035)</b>
Cash - Beginning of Year	11,915,676	7,016,710	34,644,745
Cash - End of Year	6,017,594	11,915,676	7,016,710
<b>Non-cash Investing and Financing Activities</b>			
Stock options issued for mineral property expenditures			113,423
Warrants issued with notes payable		525,461	
<b>Supplemental Disclosures</b>			
Interest paid	1,019,028	505,175	

Income taxes paid

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

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Uranerz Energy Corporation  
 Consolidated Statements of Changes in Equity (Deficit)  
 For the Years Ended December 31, 2014, 2013, and 2012  
 (Expressed in US dollars)

	Common Stock Shares #	Common Stock Amount \$	Additional Paid-in Capital \$	Accumulated Deficit \$	Non- Controlling Interest \$	Total Equity (Deficit) \$
Balance, December 31, 2011	77,086,774	77,087	143,876,826	(108,316,767)	112,216	35,749,362
Fair value of stock options granted			1,448,394			1,448,394
Common stock issued upon the exercise of options	120,800	121	96,763			96,884
Contribution from non-controlling interest					383,040	383,040
Net loss and comprehensive loss for the year				(28,974,449)	(372,888)	(29,347,337)
Balance, December 31, 2012	77,207,574	77,208	145,421,983	(137,291,216)	122,368	8,330,343
Stock-based compensation			1,997,802			1,997,802
Fair value of warrants issued with note financing			525,461			525,461
Warrant issuance costs			(50,865)			(50,865)
Shares issued upon the exercise of options	57,500	57	38,318			38,375
Shares issued pursuant to public offering	8,550,000	8,550	9,994,950			10,003,500
Share issuance costs			(1,112,940)			(1,112,940)
Contribution from non-controlling interest					241,500	241,500



Net loss and comprehensive loss for the year				(26,271,275)	(250,380)	(26,521,655)
Balance, December 31, 2013	85,815,074	85,815	156,814,709	(163,562,491)	113,488	(6,548,479)
Stock-based compensation			1,200,379			1,200,379
Shares issued upon the exercise of options	280,232	280	341,098			341,378
Shares issued upon the exercise of warrants	125,000	125	199,875			200,000
Shares issued for services	75,000	75	117,525			117,600
Shares issued in public offering	9,600,000	9,600	11,990,400			12,000,000
Share issuance costs			(1,165,124)			(1,165,124)
Contribution from non-controlling interest					298,947	298,947
Net loss and comprehensive loss for the year				(11,976,794)	(303,781)	(12,280,575)
Balance December 31, 2014	95,895,306	95,895	169,498,862	(175,539,285)	108,654	(5,835,874)

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

Uranerz Energy Corporation  
Notes to the Consolidated Financial Statements  
Years Ended December 31, 2014, 2013 and 2012  
(Expressed in US dollars)

1. Nature of Operations

Uranerz Energy Corporation (the Company) was incorporated in the State of Nevada, U.S.A. on May 26, 1999. The Company has mineral property interests in the United States and its principal business is the acquisition, exploration and extraction of uranium and mineral resources. In 2014, the Company commenced mining uranium at its Nichols Ranch ISR Uranium Project in Wyoming.

2. Summary of Significant Accounting Policies

a) Basis of Presentation and Principles of Consolidation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. Prior to the quarter ended September 30, 2014, the Company met the definition of a Development Stage Entity as defined under Accounting Standards Codification Section 915, *Development Stage Entities* (ASC 915), During the three months ended September 30, 2014, the Company generated significant revenue from its planned principal operations by completing its first sale of uranium concentrates. Accordingly the Company no longer met the definition of a Development Stage Entity under ASC 915 (see Note 2(r)).

The Company has established the existence of mineralized materials at its Nichols Ranch Project but has not established, and has no plans to establish, the existence of proven and probable reserves at this site. The Company has not established proven or probable reserves, as defined by the SEC under Industry Guide 7, through the completion of a final or bankable feasibility study for any of its uranium projects. As a result, and despite the fact that the Company commenced extraction of mineralized materials during 2014, the Company remains in the Exploration Stage as defined under Industry Guide 7, and will continue to remain in the Exploration Stage until such time proven or probable reserves have been established. Development expenditures, which might otherwise be capitalized, will continue to be expensed in accordance with the SEC Industry Guide 7.

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

b) Use of Estimates

The preparation of these consolidated statements in accordance with United States generally accepted accounting principles (U.S GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to estimates of recoverable uranium in in-process inventory and finished goods, useful life and

recoverability of long-lived assets, stock-based compensation, asset retirement obligations, deferred income tax asset valuations, fair values of financial instruments and loss contingencies. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes 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 the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

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Uranerz Energy Corporation  
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2. Summary of Significant Accounting Policies (continued)

c) 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.

d) Inventory

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

The Company uses solution flow rates and measured concentration of  $U_3O_8$  in the processing plant's ion exchange columns and assays of pregnant resin at its toll processor to calculate the amount of in-process inventory. The amount of finished goods is determined by weighing and assaying the amount of  $U_3O_8$  packaged into drums at the toll processor and at the conversion facility. The amount of  $U_3O_8$  in the finished goods inventory is subject to final weighing and assay adjustments at the conversion facility.

The Company values its concentrates at the lower of weighted average cost or net realizable value at the end of each reporting period. Costs include direct labor, materials and other mining and processing costs and depreciation related to extraction of uranium.

e) Property and Equipment

Property and equipment consists of computers, office equipment and field equipment. These assets are recorded at cost and are depreciated on a straight-line basis over their estimated lives of 5 years for computers and office equipment, and 5 to 10 years for field equipment.

f) Financial Instruments/Concentrations

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

through its cash and accounts receivable, but mitigates this risk by keeping deposits at major financial institutions and advancing credit only to bona fide creditworthy entities. At December 31, 2014, the account receivable is due from one customer. The maximum amount of credit risk is equal to the carrying amount.

g) Fair Value Measurements

ASC 820, *Fair Value Measurements*, specifies a valuation hierarchy based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's own assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets;

Level 2 Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

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

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2. Summary of Significant Accounting Policies (continued)

h) 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 for any of its mineral projects.

i) 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 retirement cost is added to the carrying amount of the associated asset, if any, and this additional carrying amount is depreciated over the life of the asset, otherwise, the asset retirement cost is charged to earnings. 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 mineral property expenditures during the period and the actual restoration expenditures incurred are offset against the accumulated asset retirement obligation provision as the restoration work is completed.

j) Deferred Financing Costs

The Company capitalizes direct costs incurred to obtain financings and amortize these costs over the terms of the related debt instrument using the effective interest method. Upon the extinguishment of the related debt, any unamortized deferred financing costs are immediately expensed.

k) Long-lived Assets

In accordance with ASC 360, *Property Plant and Equipment* the Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition

or construction of the asset; decreases in current period cash flows or operating losses, combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and a current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life.

The impairment test is carried out in two steps. In the first step, the entity tests the long-lived asset or asset group for recoverability by comparing the carrying amount of the long-lived asset or asset group with the sum of the undiscounted future cash flows and the eventual disposal of the asset. If the carrying amount of the long-lived asset or asset group is determined to be greater than the sum of the undiscounted future cash flows, the entity would perform the second step.

If the long-lived asset or asset group fails the recoverability test in the first step, the entity must record an impairment expense for the difference between the carrying amount and the fair value of the long-lived asset or asset group.

1) Contingent Liabilities - Off Balance Sheet Arrangements

The Company has obtained financial surety relating to certain of its future restoration and reclamation obligations as required by regulatory agencies. The Company has bank Letters of Credit and performance bonds issued for the benefit of the Company to satisfy these regulatory requirements.

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2. Summary of Significant Accounting Policies (continued)

m) Revenue Recognition

Revenue is recognized from a sale when persuasive evidence of an arrangement exists, the price is determinable, the title has been transferred to the customer and collection of the sales price is reasonably assured. The Company delivers its uranium concentrates to a uranium storage facility and once the product is confirmed to meet the required specifications, the Company receives credit for a specified quantity measured in pounds. Future sales of uranium concentrates are expected to generally occur under uranium supply agreements or through the uranium spot market. Once a sale of uranium concentrates is negotiated, the Company will notify the uranium storage facility with instructions for a title transfer to the customer. Revenue is recognized once a title transfer of the uranium concentrates is confirmed by the uranium storage facility.

n) Foreign Currency Translation

The functional and reporting currency of the Company is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are translated to United States dollars in accordance with ASC 740, *Foreign Currency Translation Matters*, using the exchange rate prevailing at the balance sheet date. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of net income or loss. Foreign currency transactions are primarily undertaken in Canadian dollars. The Company has not, to the date of these consolidated financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

o) Stock-based Compensation

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

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

Options granted to consultants are valued at the fair value of the equity instruments issued, or the fair value of the services received, whichever is more reliably measurable.

p) Basic and Diluted Net Loss Per Share



The Company computes net loss per share in accordance with ASC 260, *Earnings per Share*. ASC 260 requires presentation of both basic and diluted earnings per share (EPS) on the face of the consolidated statement of operations. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. Shares underlying these securities totaled 17,861,680 as of December 31, 2014 (2013 - 19,120,380; 2012 - 11,225,880).

q) Income Taxes

The Company uses the asset and liability method of accounting for income taxes under which deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the accounting bases and the tax bases of the Company's assets and liabilities. The deferred tax assets and liabilities are computed using enacted tax rates in effect for the year in which the temporary differences are expected to reverse.

The Company's policy is to recognize penalties and interest, if any, related to uncertain tax positions as general and administrative expense. The Company files income tax returns in the U.S. federal jurisdiction and various states. There are currently no federal or state income tax examinations underway for these jurisdictions.

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2. Summary of Significant Accounting Policies (continued)

r) Recently Adopted Accounting Pronouncements

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

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

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

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

In March 2013, the FASB issued ASU No. 2013-05, *Foreign Currency Matters (Topic 830)* to clarify the treatment of cumulative translation adjustments when a parent sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. The updated guidance also resolves the diversity in practice for the treatment of business combinations achieved in stages in a foreign entity. The update is effective prospectively for the Company's fiscal year beginning January 1, 2014. The adoption of the

pronouncement did not have a material effect on the Company's consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, *Discontinued Operations (Topic 205 and 360)* which changed the criteria for determining which disposals can be presented as discontinued operations and modified related disclosure requirements. The updated guidance requires an entity to only classify discontinued operations due to a major strategic shift or a major effect on an entity's operations in the financial statements. The updated guidance will also require additional disclosures relating to discontinued operations. The Company early adopted this guidance prospectively at the beginning of fiscal year January 1, 2014. The adoption of the pronouncement did not have a material effect on the Company's consolidated financial statements.

In June 2014, ASU guidance was issued to resolve the diversity of practice relating to the accounting for stock based performance awards that the performance target could be achieved after the employee completes the required service period. The update is effective prospectively or retrospectively for annual reporting periods beginning December 15, 2015. The adoption of the pronouncement did not have a material effect on the Company's consolidated financial statements.

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2. Summary of Significant Accounting Policies (continued)

r) Recently Adopted Accounting Pronouncements (continued)

In June 2014, the FASB issued ASU No. 2014-10, *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements*. The amendments in this Update remove the definition of a development stage entity from the Master Glossary of the Accounting Standards Codification, thereby removing the financial reporting distinction between development stage entities and other reporting entities. In addition, the amendments eliminate the requirements for development stage entities to (1) present inception-to-date information in the statements of income, cash flows, and shareholder equity, (2) label the financial statements as those of a development stage entity, (3) disclose a description of the development stage activities in which the entity is engaged, and (4) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage. During the quarter ended September 30, 2014, the Company commenced generating significant revenue from its planned principal operations by completing its first sale of uranium concentrates and is no longer in the development stage. Accordingly, the adoption of this ASU did not have any impact on the Company's consolidated financial statements.

s) Recently Issued Accounting Pronouncements

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

t) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the current year's presentation.

3. Accounts Receivable

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

4. Inventory

The Company's inventory consists of the following:

	December 31, 2014	December 31, 2013
	\$	\$
In-process	713,480	
Finished goods	1,243,943	
	1,957,423	

## 5. Property and Equipment

			December 31, 2014 Net Carrying Value	December 31, 2013 Net Carrying Value
	Cost \$	Accumulated Depreciation \$	\$	\$
Computers and office equipment	385,494	283,424	102,070	103,024
Field equipment	1,763,621	1,097,328	666,293	603,423
	2,149,115	1,380,752	768,363	706,447

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6. Mineral Properties

- a) On November 18, 2005, the Company entered into an agreement to acquire a 100% interest in 10 mining claims located in the Powder River Basin area, Wyoming, in consideration of advanced royalty payment of \$250,000. The amounts were paid in installments and completed by January 2007. These mining claims are mainly located on the Nichols Ranch ISR Uranium Project. Subsequently, on December 9, 2005, the Company entered into an option agreement to acquire a 100% interest in 44 mining claims, which included the 10 mining claims in the November 18, 2005 agreement, 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 average quarterly spot price for uranium.
- b) 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.
- c) 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.
- d) 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, subsequently reduced to 1,826 acres, for annual advance royalty payments which amount to \$723,439 as of December 31, 2014.
- e) On September 18, 2008, the Company leased 984 acres of surface rights within the Company s North Reno Creek project area in Wyoming. Refer to Note 15(b).
- f) On September 25, 2008, the Company leased 657 mineral acres within the Company s Reno Creek project for annual advance royalty payments which amount to \$214,350 as of December 31, 2014.
- g) 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 payment of \$83, 950. The lease was renewed to December 3, 2018 for an additional payment of \$112,406.
- h) On November 24, 2009, the Company leased 160 acres of mineral properties within the Arkose area of interest in Wyoming for annual advance royalty payments which amount to \$24,000 as of December 31, 2014.
- i) 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.
- j) 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. The warrants expired in 2014. Refer to Note 13 (d).

- k) 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.
- l) During the year ended December 31, 2014, mineral property expenditures totaling \$7,829,131 (2013 - \$18,107,003, 2012 - \$22,801,376) were expensed, including \$6,163,744 (2013 - \$16,913,734, 2012 - \$21,280,188) of wellfield and construction costs related to the Company's Nichols Ranch ISR Uranium Project.

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Uranerz Energy Corporation  
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7. Balance Sheet Details

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

	December 31, 2014 \$	December 31, 2013 \$
Exploration costs		7,635
Insurance	440,749	254,122
Investor relations		59,232
Lease costs	402,314	392,884
Reclamation bonding	200,988	195,558
Current portion power supply advance	16,524	
Surface use and damage costs	276,017	309,054
Deposits		76,800
Professional fees	50,000	
Other	49,077	18,273
Current prepaid expenses and deposits	1,435,669	1,313,558
Deposits	29,998	29,892
Power supply advance	166,675	195,727
Surface use and damage costs	200,888	322,652
Non-current prepaid expenses and deposits	397,561	548,271

b) The components of accrued liabilities are as follows:

	December 31, 2014 \$	December 31, 2013 \$
Mineral exploration expenses	55,572	703,192
Employee costs	311,587	219,580
Executive and employee compensation	564,750	604,000
Insurance fees		7,723
Operational expenses	100,000	
Professional fees	114,747	54,060
Property taxes	86,134	
Reclamation costs (Note 10)	39,000	39,000
Taxes and royalties	1,467,771	
Other	6,425	47,224
Total accrued liabilities	2,745,986	1,674,779



8. Related Party Transactions / Balances

- a) During the year ended December 31, 2014, the Company incurred \$842,728 (2013 - \$852,012, 2012 - \$996,520) 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 December 31, 2014, consulting services and expenditures incurred on behalf of the Company of \$10,782 (2013 - \$ Nil) are owed to these Officers, and these amounts are unsecured, non-interest bearing, and due on demand.
- b) During the year ended December 31, 2014, the Company paid Directors fees of \$224,850 (2013 - \$150,800, 2012 - \$174,000) for non-executive Directors. The amounts have been recorded as general and administrative expenses. Other general and administrative expenses were reimbursed to the directors in the normal course of business.
- c) During the year ended December 31, 2014, the Company paid \$420,000 (2013 - \$400,000, 2012 - \$520,000) for bonuses (included in prior year s general and administrative expenses) to Executive Officers.
- d) During the year ended December 31, 2014, the Company recognized a \$510,000 (2013 - \$420,000) provision for bonuses to Officers all of which is included in accrued liabilities at December 31, 2014.

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9. Notes Payable

- a) 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 were secured by the Company's mineral properties, equipment and personal property. On December 3, 2013, the Company fully repaid the Notes.

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 became exercisable when the Notes remained outstanding after August 15, 2013. The warrants expire 30 months from the date of issue, subject to an acceleration option exercisable by the Company in the event that the Company's common shares trade at a closing price on the NYSE MKT of greater than \$2.75 per share for 20 consecutive trading days. No warrants have been exercised as at December 31, 2014.

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 amortized this debt discount as interest expense over the life of the Notes.

The Company incurred interest and financing costs associated with the issuance of the Notes of \$671,344 during the year ended December 31, 2013.

- b) On December 3, 2013 the Company obtained a \$20,000,000 loan through the Wyoming Industrial Development Revenue Bond program (the "Loan"). The Loan has an annual interest rate of 5.75% and is repayable over seven years, maturing on October 15, 2020. The Loan calls for the payment of interest only for the first year, with the amortization of principal plus interest over the remaining six years. The Loan can be repaid earlier than its maturity date if the Company so chooses without penalty or premium. The Loan is secured by a charge on most of the assets of the Company including the Company's mineral properties, processing facility, and equipment as well as an assignment of all of the Company's right, title and interest in and to the Product Sales Contracts and Processing Agreement, which are referenced in Note 15.

The Company incurred financing costs of \$327,348, and as of December 31, 2014, the Company had unamortized debt issuance costs of \$226,208 (2013 - \$307,120) which are being amortized over the life of the note payable.

The Company will make the following principal repayments:

Year Ended:	
December 31, 2015	\$ 2,172,530
December 31, 2016	3,045,266
December 31, 2017	3,224,181
December 31, 2018	3,413,608
December 31, 2019	3,614,163
December 31, 2020	3,826,502
Total	19,296,250
Less: current portion	(2,172,530)
Long-term portion	\$ 17,123,720

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#### 10. Asset Retirement Obligations

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

Balance at December 31, 2012	\$	1,071,843
Liabilities incurred		91,613
Accretion expense		78,025
Balance at December 31, 2013	\$	1,241,481
Liabilities incurred		776,199
Accretion expense		82,410
Balance at December 31, 2014	\$	2,100,090

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

In 2008 the Company provided a bond in the amount of \$622,500 to the State of Wyoming, Department of Environmental Quality or the Secretary of the Interior, United States Government. The bond is in lieu of depositing cash to guarantee reclamation of exploration drill holes in the Arkose Mining Venture and surety was provided by an insurance company. The bond applies to 250 drill holes on a revolving basis.

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

#### 11. Common Stock

Share transactions for the year ended December 31, 2014:

- a) During the 12 months ended December 31, 2014, the Company issued 280,232 shares of common stock, pursuant to the exercise of stock options, for proceeds of \$341,378.

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

- b)

On March 14, 2014, the Company issued 125,000 shares of common stock, pursuant to the exercise of warrants, for proceeds of \$200,000.

- c) On March 21, 2014, the Company issued 30,000 shares of common stock with a fair value of \$51,000 to a consultant for consulting services. The Company recorded the fair value of the shares as general and administrative expenses.
- d) On May 30, 2014, the Company issued 30,000 shares of common stock with a fair value of \$48,900 to a consultant for consulting services. The Company recorded the fair value of the shares as general and administrative expenses.

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11. Common Stock (continued)

- e) On July 25, 2014 the Company issued 9,600,000 units at a price per unit of \$1.25 for gross proceeds of \$12,000,000. Each Unit was comprised of one share of common stock, and one half of one common share purchase warrant, with each whole warrant exercisable to purchase one additional share of common stock for a period of 30 months following the closing of the offering at an exercise price of \$1.60, subject to acceleration provisions.
- f) On September 10, 2014, the Company issued 15,000 shares of common stock with a fair value of \$17,700 to a consultant for consulting services. The Company recorded the fair value of the shares as general and administrative expenses.

Share transactions for the year ended December 31, 2013:

- a) During the year ended December 31, 2013, the Company also issued 57,500 shares of common stock, pursuant to the exercise of stock options, for proceeds of \$38,375.

Month	Shares Issued	Proceeds \$
May	3,500	2,275
July	10,000	7,500
August	4,000	2,600
September	20,000	13,000
November	20,000	13,000
<b>Total</b>	<b>57,500</b>	<b>38,375</b>

- b) In September, 2013 the Company issued 8,550,000 units at a price per unit of \$1.17 for gross proceeds of \$10,003,500. Each Unit was comprised of one share of common stock, and one half of one common share purchase warrant, with each whole warrant exercisable to purchase one additional share of common stock for a period of 30 months following the closing of the offering at an exercise price of \$1.60, subject to acceleration provisions.

Share transactions for the year ended December 31, 2012:

During the year ended December 31, 2012, the Company issued 120,800 shares of common stock, pursuant to the exercise of stock options, for proceeds of \$96,884.

Month	Shares Issued	Proceeds \$
January	10,000	7,500
February	52,300	40,559
March	10,000	13,300
May	4,000	2,600
August	40,000	30,000
October	4,500	2,925

Total	120,800	96,884
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12. Stock-based Compensation

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

During the year ended December 31, 2014, the Company granted the following options:

7,500 stock options at an exercise price of \$1.52 per share for 10 years that vest 40% on the date of grant, 30% on the first anniversary of the grant date and 30% on the second anniversary of the grant date;  
30,000 stock options at an exercise price of \$1.17 per share for 10 years that vest 40% on March 2, 2015, 30% on the first anniversary of the grant date and 30% on the second anniversary of the grant date;  
30,000 stock options at an exercise price of \$1.36 per share for 10 years that vest 40% on August 27, 2014, 30% on the first anniversary of the grant date and 30% on the second anniversary of the grant date;  
49,000 stock options at an exercise price of \$1.36 for 1.5 years that vest immediately; and  
50,000 stock options at an exercise price of \$1.05 per share for 10 years that vest 40% on April 6, 2015, 30% on the first anniversary of the grant date and 30% on the second anniversary of the grant

During the year ended December 31, 2014, the Company recorded stock-based compensation for the vesting of options of \$882,967 as general and administrative expense, \$136,238 as mineral property expenditures and \$60,217 as production costs.

On February 15, 2014, Executive Officers and Directors agreed to the cancellation of 1,814,000 stock options with an average exercise price of \$3.43, resulting in a decrease in the number of options outstanding and an increase in the amount of options available for future grants. At December 31, 2014, the Company had 18,661,328 shares of common stock available to be issued under the Stock Option Plan.

During the year ended December 31, 2014, the Company modified the terms of 690,000 outstanding options held by two former employees and a consultant of the Company. The options were set to expire and the Company extended the expiration date of 587,500 options to December 31, 2015 and 102,500 options to December 31, 2014. The weighted average grant date fair value of the modified stock options was \$0.24 and the Company recognized an additional \$120,957 stock-based compensation expense which is included in general and administrative expense related to the modification of these options.

During the year ended December 31, 2013, the Company granted 220,000 stock options with immediate vesting to consultants to acquire 200,000 common shares at an exercise price of \$1.20 per share expiring in 1.50 years and 20,000 common shares at an exercise price of \$1.13 per share expiring in 5 years. The Company also granted 2,315,000 stock options to acquire 2,315,000 shares at exercise prices between \$0.94 and \$1.22 per share for 10 years that vest 40% on the date of grant, 30% on the first anniversary of the grant date and 30% on the second anniversary of the grant date. During the year ended December 31, 2013, the Company recorded stock-based compensation for the vesting of options of \$1,590,557, as general and administrative expense, and \$368,469 as mineral property expenditures.



During the year ended December 31, 2013, the Company modified the terms of 783,500 outstanding options held by three former employees of the Company. The options were set to expire and the Company extended the expiration date to December 31, 2014. The weighted average grant date fair value of the modified stock options was \$0.05 and the Company recognized an additional \$38,776 stock-based compensation expense which is included in general and administrative expense related to the modification of these options.

During the year ended December 31, 2012, the Company granted 80,000 stock options with immediate vesting to consultants to acquire 80,000 common shares at an exercise price of \$1.32 per share expiring in 2 – 10 years. The Company also granted 1,610,500 stock options to acquire 1,610,500 shares at \$1.32 per share for 10 years that vest 40% on the date of grant, 30% on the first anniversary of the grant date and 30% on the second anniversary of the grant date. During the year ended December 31, 2012, the Company recorded stock-based compensation for the vesting of options of \$1,001,185, as general and administrative expense, \$203,584 as mineral property expenditures.

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12. Stock-based Compensation (continued)

On October 3, 2012, the Company modified the terms of 767,700 outstanding options held by the Company's former Executive Vice President. The options were set to expire on October 15, 2012 and the Company extended the expiration date to March 15, 2014. The weighted average grant date fair value of the modified stock options was \$0.37 and the Company recognized an additional \$243,625 stock-based compensation expense which is included in general and administrative expense related to the modification of these options.

The weighted average grant date fair value of stock options granted during the years ended December 31, 2014, 2013 and 2012 was \$0.84, \$0.96 and \$1.23 per share, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2014, 2013 and 2012, was \$116,343, \$21,700, and \$164,439, respectively.

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

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

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

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

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

The weighted average assumptions used for each of the years ended December 31, are as follows:

	2014	2013	2012
Expected dividend yield	0%	0%	0%
Risk-free interest rate	1.85%	2.54%	1.72%
Expected volatility	81%	89%	119%
Expected option life (in years)	7.50	9.29	9.70

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		
Granted	1,690,500	1.32		
Exercised	(120,800)	0.80		
Expired	(95,000)	3.13		

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Outstanding, December 31, 2012	9,225,880	2.33		
Granted	2,535,000	1.16		
Exercised	(57,500)	0.67		
Expired	(458,000)	2.50		
Outstanding, December 31, 2013	11,245,380	2.07		
Granted	166,500	1.24		
Cancelled	(1,814,000)	3.43		
Exercised	(280,232)	1.22		
Expired	(2,005,968)	2.53		
Outstanding, December 31, 2014	7,311,680	1.62	5.64	269,300
Exercisable, December 31, 2014	6,606,930	1.67	5.33	258,870

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12. Stock-based Compensation (continued)

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

Non-vested stock options	Number of Options	Weighted Average Grant Date Fair Value \$
Non-vested at December 31, 2011	481,500	1.37
Granted	1,690,500	1.23
Vested	(964,950)	1.20
Non-vested at December 31, 2012	1,207,050	1.24
Granted	2,535,000	0.96
Vested	(1,839,900)	1.04
Expired	(60,000)	1.25
Non-vested at December 31, 2013	1,842,150	1.07
Granted	166,500	0.84
Vested	(1,083,400)	1.08
Expired	(220,500)	1.06
Non-vested at December 31, 2014	704,750	1.01

As at December 31, 2014, there was \$496,630 of unrecognized compensation cost related to non-vested stock option agreements. This cost is expected to be recognized over a weighted average period of 0.62 years.

As at December 31, 2014, the following stock options were outstanding and exercisable:

Exercise Price \$	Number of Stock Options Outstanding	Number of Stock Options Exercisable	Weighted Average Remaining Contractual Life (Years) for Options Outstanding	Weighted Average Remaining Contractual Life (Years) for Options Exercisable
0.00 - 0.99	660,000	645,000	2.38	2.23
1.00 - 1.99	5,407,180	4,717,430	6.48	6.18
2.00 - 2.99	758,000	758,000	2.69	2.69
3.00 - 3.99	436,500	436,500	5.57	5.57
4.00 - 4.99	50,000	50,000	2.52	2.52
	7,311,680	6,606,930	5.64	5.33

13. Stock Purchase Warrants

- a) In July, 2014, as a component of a public offering of Units, the Company issued 4,800,000 common share purchase warrants, exercisable for \$1.60 per share during the thirty-month period ending January 25, 2017. The Company has the right to accelerate the expiry date of the warrants in the event that the

underlying common shares trade at a closing price on the NYSE MKT of greater than \$2.75 per share for a period of 20 consecutive trading days. No warrants have been exercised as at December 31, 2014.

- b) In September, 2013, as a component of a public offering of Units, the Company issued 4,275,000 common share purchase warrants, exercisable for \$1.60 per share during the thirty-month period ending March 5, 2016. The Company has the right to accelerate the expiry date of the warrants in the event that the underlying common shares trade at a closing price on the NYSE MKT of greater than \$2.75 per share for a period of 20 consecutive trading days. As at December 31, 2014, 125,000 warrants have been exercised.
- c) In June, 2013 as additional consideration for a loan, the Company issued non-transferable common stock purchase warrants entitling the holders to purchase from the Company 1,600,000 common shares at an exercise price of \$1.60 per share, of which 1,200,000 warrants were immediately exercisable and 400,000 additional warrants exercisable only if the Notes remain outstanding after August 15, 2013. The loan was repaid in December 2013. The warrants expire 30 months from the date of issue, subject to an acceleration option exercisable by the Company in the event that the Company's common shares trade at a closing price on the NYSE MKT of greater than \$2.75 per share for 20 consecutive trading days. No warrants have been exercised as at December 31, 2014.

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13. Stock Purchase Warrants (continued)

- d) On August 13, 2010, the Company issued warrants to purchase 2,000,000 shares of common stock to a third party in exchange for the acquisition of intellectual property related to certain uranium prospects. Each warrant entitled the holder to acquire one common share of the Company for \$3.00. The warrants expired June 30, 2014. (Refer to Note 6(j)).

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

	Number	Weighted Average Exercise Price \$
Balance December 31, 2011 and 2012	2,000,000	3.00
Issued	5,875,000	1.60
Balance December 31, 2013	7,875,000	1.96
Issued (Note 11(e))	4,800,000	1.60
Expired	(2,000,000)	3.00
Exercised	(125,000)	1.60
Balance December 31, 2014	10,550,000	1.60

As at December 31, 2014, the following common share purchase warrants were outstanding and exercisable:

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

14. Shareholder Rights Plan

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

15. Commitments and Contingencies

- a) The Company has employment or consulting services agreements with each of its executive officers. Officers with contracts for services have notice requirements following a change in control of the Company and those requirements include a payment in lieu of notice and a termination payment.

- b) On September 18, 2008, the Company signed two mining lease agreements which require 10 annual payments of \$75,000. As of December 31, 2014, the first six annual payments have been made. Refer to Note 6(e).
- c) Refer to Note 10 for commitments pertaining to mineral property reclamation surety deposits.
- d) On May 7, 2013, the Company signed an office premises lease for a period of three years commencing September 1, 2013. Rent is approximately \$46,750 (Cdn\$55,000) per annum.
- e) On January 22, 2014 the Company renewed an office lease for a primary term of two years, beginning February 1, 2014 and ending January 31, 2016. Rent consideration is \$142,010 per annum. The lease agreement may be renewed for two additional years.

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15. Commitments and Contingencies (continued)

- f) The Company is party to a processing agreement under which it is committed to a minimum payment of \$450,000 for 2015.
- g) The Company is committed under two sales agreements to supply triuranium octoxide (U<sub>3</sub>O<sub>8</sub>) over a four or five year period. One sales agreement has defined pricing each year and the second agreement has pricing which contains spot market referenced prices to set the sales price, with a floor and ceiling.
- h) In 2013 the Company signed a third sales agreement to supply triuranium octoxide (U<sub>3</sub>O<sub>8</sub>) over a five year period commencing in 2016. The agreement has pricing which contains a base with an escalation factor.
- i) On December 24, 2014 the Company signed a Financial Advisor agreement respecting any transaction with an Other Party affecting the control of the Company. The agreement provides for the payment of:  
a) a Transaction Announcement Fee of \$150,000 (which was earned and paid in January 2015 see Note 18); and  
b) a success fee payable upon completion of the Transaction equal to the greater of: (A) \$1,000,000; or (B) 1.5% of the first \$50 million of the transaction Value plus 0.75% of the Transaction Value less \$50 million; up to a maximum of \$2,000,000. The Success Fee is payable in shares of the Other Party.
- j) At December 31, 2014 the Company has operational and construction purchase orders outstanding for approximately \$170,000.

16. Income Taxes

A reconciliation of the provision (benefit) for income taxes computed at the statutory rate to the provision for income taxes as shown in the consolidated statements of operations for the years ended December 31, 2014, 2013 and 2012 is summarized below:

	2014	2013	2012
Net loss before taxes	\$(12,280,575)	\$(26,521,655)	\$(29,347,337)
Statutory rate	35%	35%	35%
Computed expected expense (benefit)	(4,298,201)	(9,282,579)	(10,271,568)
Permanent items and other	6,835,376	(3,798,562)	3,646,061
Valuation allowance	(2,537,175)	13,081,141	6,625,507
Net income tax provision (benefit)	\$ -	\$ -	\$ -

The components of the deferred tax assets and liabilities as of December 31, 2014 and 2013 are as follows:

	2014	2013
Deferred tax assets and liabilities:		
Federal net operating loss carryovers	\$ 19,938,431	\$ 18,141,285
Mineral property acquisition and exploration	29,197,413	38,207,406
Capital assets	160,543	242,699
Asset retirement obligation	735,032	-
Arkose activity	755,429	-
Stock compensation	3,267,367	-



Subtotal deferred tax assets	54,054,215	56,591,390
Less: valuation allowance	(54,054,215)	(56,591,390)
Net deferred tax asset	\$ -	\$ -

For federal income tax purposes, the Company has net operating loss carryforwards of approximately \$58 million that may be used to offset future taxable income. The net operating loss carryforwards will expire beginning 2019 through 2034. Utilization of net operating losses may be subject to an annual limitation if it was determined there was an ownership change pursuant to IRC Section 382. If so, there could be a limitation on the amount of the net operating loss that could be utilized on an annual basis. As of December 31, 2014 the Company has not performed a Section 382 limitation study. Depending on the outcome of such a study, the gross amount of net operating losses recognizable in future tax periods could be limited. A limitation in the carryforwards would decrease the carrying amount of the gross amount of the net operating loss carryforwards, with a corresponding decrease in the valuation allowance recorded against these gross deferred tax assets.

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16. Income Taxes (continued)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Due primarily to the Company's history of operating losses, management is unable to conclude that it is more likely than not that the Company will realize the benefits of the deductible differences, and accordingly has provided a valuation allowance against the entire net deferred tax asset of approximately \$54 million at December 31, 2014.

17. Segment Disclosures and Major Customers

The Company currently operates in a single reportable segment involving uranium exploration, extraction and processing.

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 operates 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.

For the year ended December 31, 2014, revenue consisted of sales to the following customers:

	2014	
	\$	
Customer A	3,900,000	39%
Customer B	6,106,673	61%
	10,006,673	100%

18. Subsequent Events

- a) On January 4, 2015, the Company entered into an Agreement and Plan of Merger (the *Merger*) with Energy Fuels Inc. ( *Energy Fuels* ), an Ontario corporation, and EFR Nevada Corp., a Nevada corporation and indirectly wholly-owned subsidiary of Energy Fuels. The Merger provides for a business combination whereby EFR Nevada Corp. will merge with and into the Company and as a result the Company will continue as the surviving operating corporation and as an indirectly wholly-owned subsidiary of Energy Fuels. Each issued and outstanding share of common stock of the Company will be canceled and extinguished and automatically converted into the right to receive 0.255 common shares of Energy Fuels.

The completion of the Merger will be subject to customary closing conditions and the approval of at least a majority of the holders of the outstanding common shares of the Company, as well as at least a majority of the votes cast by the Company's shareholders, excluding directors and officers of the Company, at a special meeting to be called to consider the Merger. The Merger provides that, upon consummation of the

Merger, Energy Fuels shall cause three nominees of the Company to be appointed to the Board of Directors of Energy Fuels. The announcement of this Agreement on January 5, 2015 caused the Transaction Announcement Fee to become due and payable. Refer to Note 15(i).

- b) On January 17, 2015, the Company granted 1,200,000 stock options to directors, officers, employees and consultants at an exercise price of \$1.14 per share expiring from January 16, 2020 to January 16, 2025.
- c) Since the announcement of the Merger on January 5, 2015, a number of putative shareholder class action complaints have been filed against the Company's Board of Directors, Energy Fuels, Inc. and EFR Nevada Corp. in the District Court, Clark County, Nevada and the District Court, Washoe County, Nevada, by purported Uranerz shareholders challenging the Merger and seeking, among other things, damages, attorneys' and experts' fees and injunctive relief concerning the alleged breaches of fiduciary duty and to prohibit the defendants from consummating the Merger. The Company believes the claims asserted in the complaints have no merit, and it and all of the members of the Board of Directors intend to defend vigorously against them. The future impact on the Company's consolidated financial statements is not determinable at this time.

**Supplemental Financial Information (\$000)**

		<b>4th</b>		<b>3rd</b>		<b>2nd</b>		<b>1st</b>
		<b>Quarter</b>		<b>Quarter</b>		<b>Quarter</b>		<b>Quarter</b>
<b>2014</b>								
Revenue	\$	6,007	\$	3,900	\$	-	\$	-
Gross profit	\$	2,369	\$	1,424	\$	-	\$	-
Net profit (loss) attributable to the Company	\$	(1,799)	\$	(814)	\$	(4,455)	\$	(4,909)
Basic and diluted profit (loss) per share		(0.01)		(0.01)		(0.05)		(0.06)
		<b>4th</b>		<b>3rd</b>		<b>2nd</b>		<b>1st</b>
		<b>Quarter</b>		<b>Quarter</b>		<b>Quarter</b>		<b>Quarter</b>
<b>2013</b>								
Revenue	\$	-	\$	-	\$	-	\$	-
Net profit (loss) attributable to the Company	\$	(7,944)	\$	(11,052)	\$	(3,194)	\$	(4,081)
Basic and diluted profit (loss) per share		(0.10)		(0.14)		(0.04)		(0.05)
		<b>4th</b>		<b>3rd</b>		<b>2nd</b>		<b>1st</b>
		<b>Quarter</b>		<b>Quarter</b>		<b>Quarter</b>		<b>Quarter</b>
<b>2012</b>								
Revenue	\$	-	\$	-	\$	-	\$	-
Net profit (loss) attributable to the Company	\$	(7,140)	\$	(5,607)	\$	(8,452)	\$	(7,775)
Basic and diluted profit (loss) per share		(0.10)		(0.07)		(0.11)		(0.10)

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None

**ITEM 9A. CONTROLS AND PROCEDURES****Disclosure Controls and Procedures**

During the period covered by this Annual Report for the fiscal year ended December 31, 2014, an evaluation was carried out under the supervision of and with the participation of our management, including the Chief Executive Officer ( CEO ) and Chief Financial Officer ( CFO ), 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.

**Internal Control over Financial Reporting*****Management s Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles.



Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the design and operation of the Company's internal control over financial reporting as of December 31, 2014, based on the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2014 and no material weaknesses were discovered.

The effectiveness of internal control over financial reporting as of December 31, 2014 has been audited by Manning Elliott LLP, the independent registered public accounting firm that audited the Company's financial statements included in this Annual Report.

The Company's independent registered public accounting firm, Manning Elliott LLP, has issued an attestation report on the Company's internal control over financial reporting.

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*Attestation Report of the Independent Registered Public Accounting Firm*

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of  
Uranerz Energy Corporation

We have audited Uranerz Energy Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Uranerz Energy Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Uranerz Energy Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework (2013) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of Uranerz Energy Corporation as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive loss, cash flows, and changes in equity (deficit) for

each of the three years in the three-year period ended December 31, 2014, and our report dated March 11, 2015 expressed an unqualified opinion thereon.

*/s/ Manning Elliott LLP*

CHARTERED ACCOUNTANTS

Vancouver, Canada

March 11, 2015

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**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting identified in connection with the above-referenced evaluation by management of the effectiveness of our internal control over financial reporting that occurred during the fourth quarter ended December 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION.**

None

**PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The following table sets forth certain information with respect to our current directors and executive officers. The term for each director expires at our next annual meeting or until his or her successor is appointed. The ages of the directors and executive officers are shown as of March 1, 2015.

<b>Name</b>	<b>Current Office with Company</b>	<b>Principal Occupation</b>	<b>Director/Officer Since</b>	<b>Age</b>
Glenn Catchpole	Chief Executive Officer; Director	Chief Executive Officer of Uranerz Energy Corporation	March 1, 2005	71
Dennis Higgs	Executive Chairman; Director	Executive Chairman of the Board of Uranerz Energy Corporation	May 26, 1999	57
Paul Goranson	President & Chief Operating Officer; Director	President & Chief Operating Officer of Uranerz Energy Corporation	December 2, 2013	53
Paul Saxton*	Director	President of Lincoln Mining Corporation	October 26, 2004	68
Gerhard Kirchner*	Director	Member, Advisory Board, Mindoro Resources Limited	March 13, 2005	84
Peter Bell*	Director	President of Ezon Healthtech Corporation	May 10, 2006	80
Arnold J. Dyck*	Director	Retired	May 23, 2006	74
Benjamin Leboe	Senior Vice President, Finance & Chief Financial Officer	Senior Vice President, Finance & Chief Financial Officer of Uranerz Energy Corporation	May 23, 2006	69

\* Indicates that the director is independent in accordance with Section 803A of the NYSE MKT Company Guide.

The following is a description of the business background of the current directors and executive officers of the Company.

**Mr. Glenn Catchpole** was appointed to the Board and became our President and Chief Executive Officer on March 1, 2005. Mr. Catchpole resigned as President of Uranerz on December 2, 2013 upon the appointment of Mr. Goranson as President & Chief Operation Officer; Mr. Catchpole retained his position as Chief Executive Officer. Mr. Catchpole is a licensed engineer with a B.S. degree in Mechanical Engineering from the University of Wyoming and an M.S.

degree in Civil Engineering from Colorado State University. He has been active in the uranium solution mining industry since 1978, holding various positions including well field engineer, project manager, general manager and managing director of several uranium solution mining operations.

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In 1988 Mr. Catchpole joined Uranerz U.S.A. Inc. and Uranerz Exploration and Mining and became Director of Regulatory Affairs, Environmental Engineering and Solution Mining. Mr. Catchpole's responsibilities included the monitoring and oversight of the environmental and regulatory aspects of two large uranium mines in Canada and the operational aspects of one uranium solution mine in the United States. In 1996 Mr. Catchpole was appointed General Manager and Managing Director of the Inkai uranium solution mining project located in the Republic of Kazakhstan (Central Asia). In 1998 Cameco Corporation acquired Uranerz U.S.A. Inc., and Mr. Catchpole continued his post at the Inkai Project for Cameco. Mr. Catchpole spent six years taking the Inkai project from acquisition through feasibility study, joint venture formulation, government licensing, environmental permitting, design, construction and the first phase start-up.

Following his departure from Cameco in 2002, Mr. Catchpole was an independent consulting engineer providing project management to the oil and gas, mining, and construction industries. Mr. Catchpole is experienced in all phases of project development including environmental permitting, budgeting, scheduling, procurement, and construction of infrastructure and mining facilities. He has served on numerous mineral evaluation and due diligence teams.

**Mr. Dennis Higgs** is Executive Chairman of the Board. Mr. Higgs was appointed to the Board as President and Chief Executive Officer on May 26, 1999, and resigned as President and Chief Executive Officer on March 1, 2005. Mr. Higgs became Executive Chairman of our Board on February 1, 2006.

Mr. Higgs has been involved in the financial and venture capital markets in the United States, Canada and Europe for over thirty years. He founded his first junior exploration company in 1983 and took it public through an initial public offering in 1984. Since then, Mr. Higgs has been involved in the founding, financing, initial public listing, and building of several companies. Mr. Higgs was directly involved with the founding and initial public offering of Arizona Star Resource Corp. and the listing and financing of BioSource International Inc.

Mr. Higgs holds a Bachelor of Commerce degree from the University of British Columbia.

**Mr. Paul Goranson** is President and Chief Operating Officer and was appointed to the Board on December 2, 2013.

Mr. Goranson is a licensed engineer with a B.S. degree in Natural Gas Engineering from Texas A&M University and an M.S. in Environmental Engineering from Texas A&M University – Kingsville. Mr. Goranson has over twenty-seven years of mining, processing and regulatory experience in the uranium extraction industry that includes both conventional and in-situ recovery mining. Most recently Mr. Goranson was President of Cameco Resources, a wholly-owned U.S. subsidiary of Cameco Corporation, which is one of the world's largest uranium mining companies. Mr. Goranson was responsible for executing the "Double U" growth strategy for Cameco's U.S. operations, including developing production expansion projects such as the North Butte ISR uranium recovery facility and the refurbishment of the Highland Central Processing Plant. While President of Cameco Resources, Mr. Goranson's responsibilities included executive leadership for the operations at the Smith Ranch-Highland, Crow Butte and North Butte ISR uranium recovery facilities.

Prior to Cameco Resources, Mr. Goranson was Vice President of Mesteña Uranium LLC where he led the construction, startup and operation of the Alta Mesa project that achieved over one million pounds of uranium extraction per year under his stewardship. At Mesteña his responsibilities included marketing uranium where he negotiated long term uranium supply contracts with nuclear utilities as well as spot uranium sales. Prior to Mesteña, Mr. Goranson was the manager for radiation safety, regulatory compliance and licensing with Rio Algom Mining LLC, a division of BHP Billiton.

**Mr. Paul Saxton** was appointed to the Board on October 26, 2004. Mr. Saxton is a mining engineer who also holds an MBA from the University of Western Ontario. He has been active in the mining industry since 1969, holding various positions including mining engineer, mine superintendent, president and chief executive officer of numerous Canadian mining companies.



Following ten years with Cominco, Mr. Saxton became Vice President and subsequently President of Mascot Gold Mines Ltd., initially working on the design and construction of the Nickel Plate mine in British Columbia, Canada. Subsequently Mr. Saxton became a Vice President of Corona Corporation where he was responsible for western operations and exploration and was instrumental in the re-opening of the Nickel Plate Mine. In 1989, Mr. Saxton was appointed Senior Vice President of Viceroy Resource Corporation where he was responsible for helping to obtain financing and the construction and operations of the Castle Mountain mine in California. In 1994, Mr. Saxton was appointed President of Loki Gold Corporation and Baja Gold Inc. where he was responsible for arranging over \$45 million in mine financing and bringing the Brewery Creek Gold mine into production. Loki Gold, Baja Gold and Viceroy merged in 1996 and Mr. Saxton was named President of the new entity.

Following his departure from Viceroy in 1999, Mr. Saxton became president of Standard Mining Corp., organizing the company and supervising its exploration activities until 2001 when Standard Mining Corp. was merged with Doublestar Resources Ltd. In March 2004, Mr. Saxton was appointed as a director and President of Lincoln Gold Corporation, a company engaged in mineral exploration in Mexico and in the States of California and Nevada.

Mr. Saxton chairs the Company's Corporate Governance & Nominating Committee and is a member of the Compensation Committee.

**Dr. Gerhard Kirchner** was appointed to the Board March 13, 2005. Dr. Kirchner has 40 years of international mine development and management experience including 20 years with Uranerz Exploration and Mining Ltd. He received a multidisciplinary education in mining engineering and economic geology, and a Doctorate in Mining Sciences from the University of Leoben, Austria.

At Uranerz Exploration and Mining Ltd., Dr. Kirchner spent nine years as General Manager and eleven years as Senior Vice President. He and his team were responsible for the Key Lake uranium discovery, and the acquisition, engineering and development of projects such as the Midwest uranium deposit, Eagle Point North uranium deposit, Star Lake gold deposit and the Crow Butte ISL uranium deposit.

Previous to his work with Uranerz, Dr. Kirchner spent six years designing, developing and managing the Kamoto Mine in Kolwezi, Zaire; four years consulting on mining and civil engineering projects in several countries including Surinam, Nigeria and Congo; and five years as a mine superintendent and exploration manager in Greenland where he discovered the Molybdenum Porphyry Erzberg. Dr. Kirchner also spent three years as a project engineer on dams in Austria and Japan, and on road projects in Saudi Arabia.

During the period June 2004 to January 2008, Dr. Kirchner was a member of Mindoro Resources Limited board of directors and served as its chairman.

Dr. Kirchner is a member of the Company's Audit, Compensation and Corporate Governance & Nominating Committees.

**Mr. Peter Bell** was appointed to the Board on May 10, 2006. Mr. Peter Bell practiced as a licensed pharmacist before becoming a business consultant and a director of a number of private and public companies. Mr. Bell has been a director of Current Technology Corporation since 1992 and a director and the President of Ezon Healthcare Corporation since 1997, companies in the health and wellness and pharmaceutical fields.

Mr. Bell has provided a wide range of consulting services to businesses and health care companies and organizations, including: sales management and reorganization of sales force; regional market development and marketing strategy; medical opinion surveys and market analysis; medical device product market development; business immigration program presentations; management studies in healthcare organizations; development and growth of public corporations and reverse takeovers in public companies.

Mr. Bell holds a Bachelor of Science Degree in Pharmacy from the University of Manitoba and a Master in Business Administration from the University of Western Ontario.

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Mr. Bell chairs the Company's Compensation Committee and is a member of the Audit and Corporate Governance & Nominating Committees.

**Mr. Arnold Dyck** was appointed to the Board on May 10, 2006. Mr. Dyck was employed at Uranerz Exploration and Mining Limited from 1977 to 1998. Mr. Dyck progressed through various positions with Uranerz Canada Limited, Uranerz Exploration and Mining Limited, and Uranerz U.S.A. Inc. to become the Senior Vice President and Chief Financial Officer for the Uranerz group of companies. He also served as a member of the board of directors for Uranerz U.S.A. Inc. and as chairman of the board of directors of a subsidiary mining company.

Prior to his employment with Uranerz Exploration and Mining Limited, Mr. Dyck was employed with and responsible for the accounting, finance and corporate secretarial functions for a three year period during the initial development of a food and feed scientific research and development pilot facility with government, university and corporate joint ownership. For the five years prior to this Mr. Dyck fulfilled various executive positions in the development of a new electronics manufacturing operation.

Mr. Dyck is a graduate of the Registered Industrial Accountant education program and was awarded the designation of Certified Management Accountant in 1975.

Mr. Dyck chairs the Company's Audit Committee and is a member of its Compensation and Corporate Governance & Nominating Committees.

**Mr. Benjamin Leboe** was appointed as the Company's Chief Financial Officer on May 23, 2006 and acted as our Corporate Secretary from October 2006 to December 2007, from January 2009 to July 2009, and from June 2014 to October 2014. Mr. Leboe also serves as the Company's Ethics Officer, Principal Accounting Officer and Senior Vice President of Finance. Mr. Leboe has been Principal, Independent Management Consultants of British Columbia, since 1990. Prior to joining Uranerz he was a Senior Consultant, Management Consulting, of the Business Development Bank of Canada from 2005 to 2006. Previously, from 1995 to 2005 he was a director, Chief Financial Officer, Principal Accounting Officer and Treasurer of numerous public companies in Canada and the U.S.A. From 1991 to June 1995, he served as Chief Financial Officer and Vice President of VECW Industries Ltd. He was a Partner of KPMG Consulting and its predecessor firms from 1978 to 1990.

Mr. Leboe holds a Bachelor of Commerce and Business Administration, Finance and Accounting, from the University of British Columbia. He is a Chartered Professional Accountant (CPA, CA) and Certified Management Consultant in Canada.

### **Audit Committee**

We have a standing Audit Committee, established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee's charter complies with Rule 10A-3 of the Exchange Act and the requirements of the NYSE MKT Company Guide. Our Audit Committee is comprised of three directors each of whom, in the opinion of the Company's Board, is independent (in accordance with Rule 10A-3 of the Exchange Act and the requirements of Section 803B of the NYSE MKT Company Guide) and financially literate: Arnold Dyck (committee Chair), Peter Bell and Gerhard Kirchner. Mr. Arnold Dyck satisfies the requirement of a "financial expert" as defined under Item 407(d)(5) of Regulation S-K and is, in the opinion of the Company's Board, "financially sophisticated" as that term is used in the NYSE MKT Company Guide.

### **Corporate Governance & Nominating Committee**

We have a standing Corporate Governance & Nominating Committee comprised of four directors all of whom, in the opinion of the Company's Board, are independent (under Section 803A of the NYSE MKT Company Guide): Paul Saxton (committee Chair), Arnold Dyck, Gerhard Kirchner and Peter Bell. We have a Corporate Governance &

Nominating Committee charter that complies with the requirements of the NYSE MKT. Our Corporate Governance & Nominating Committee is responsible for developing our approach to corporate governance issues.

There have been no material changes to the procedures pursuant to which a stockholder may recommend a nominee to the Board.

### **Arrangements between Officers and Directors**

To our knowledge, there is no arrangement or understanding between any of our executive officers and any other person, including directors, pursuant to which the executive officer or director was selected to serve as an executive officer or director.

### **Family Relationships**

None of our directors or executive officers is related by blood, marriage, or adoption to any other director or executive officer.

### **Other Directorships**

None of our directors are also directors of issuers with a class of securities registered under Section 12 of the United States Securities Exchange Act of 1934, as amended, (the “**Exchange Act**”) (or which otherwise are required to file periodic reports under the Exchange Act).

### **Legal Proceedings**

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Since the announcement of the Merger on January 5, 2015, a number of putative shareholder class action complaints have been filed against Uranerz, our Board of Directors, Energy Fuels, Inc. and EFR Nevada Corp. in the District Court, Clark County, Nevada and the District Court, Washoe County, Nevada, by purported Uranerz shareholders challenging the Merger and seeking, among other things, damages, attorneys' and experts' fees and injunctive relief concerning the alleged breaches of fiduciary duty and to prohibit the defendants from consummating the Merger.

We believe the claims asserted in the complaints have no merit, and we and all of the members of the Board of Directors intend to defend vigorously against them. For additional information, please see Part I, Item 3.

The Company is not aware of any other material legal proceedings to which any director, officer or affiliate of the Company, or any owner of record or beneficially of more than five percent of the common stock of the Company, or any associate of any director, officer, affiliate of the Company, or security holder is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.

The Company is not aware of any of its directors or officers being involved in any legal proceedings in the past ten years relating to any matters in bankruptcy, insolvency, criminal proceedings (other than traffic and other minor offenses) or being subject to any of the items set forth under Item 401(f) of Regulation S-K.

### **Code of Business Conduct and Ethics**

We have adopted a corporate Code of Business Conduct and Ethics that applies to all our employees including our principal executive officer, principal financial officer and principal accounting officer and is administered by our Senior Vice President, Finance & Chief Financial Officer, Benjamin Leboe. We believe our Code of Business Conduct and Ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct, to provide full, fair, accurate, timely and understandable disclosure in public reports, to comply with applicable laws, to ensure prompt internal reporting of code violations, and to provide accountability for adherence to the Code. Our Code of Business Conduct and Ethics provides written standards that are reasonably designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in reports and documents that are filed with, or submitted to, the SEC and in other public communications made by the Company;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the Code to an appropriate person or persons identified in the code; and
- accountability for adherence to the Code.

Our Code of Business Conduct and Ethics is available on our website at [www.uranerz.com](http://www.uranerz.com). A copy of the Code of Business Conduct and Ethics will be provided to any person without charge upon written request to the Company at its administrative office: Uranerz Energy Corporation, Suite 1410 800 West Pender Street, Vancouver, B.C., Canada V6C 2V6. We intend to disclose on our website any waiver from a provision of our Code of Business Conduct and Ethics that applies to any of our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions that relates to any element of our Code of Business Conduct and Ethics. No waivers were granted from the requirements of our Code of Business Conduct and Ethics during the fiscal year ended December 31, 2014, nor during the subsequent period from January 1, 2015, through to the date of this Annual Report.

## **ITEM 11. EXECUTIVE COMPENSATION**

### **Named Executive Officers**

Set out below under the heading Summary Compensation Table are particulars of the compensation paid to the Company's executive officers, who were also the Company's five highest paid officers during fiscal 2014 (the **Named Executive Officers**, or the **executive officers**):

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- a) the Company's Chief Executive Officer;
- b) the Company's Executive Chairman;
- c) the Company's President & Chief Operating Officer;
- d) the Company's Senior Vice President, Finance & Chief Financial Officer; and
- e) the Company's former Senior Vice President, Legal & Corporate Secretary.

***Oversight of Executive Compensation Program***

The Compensation Committee of the Board oversees the Company's executive compensation programs which are designed specifically for the Company's executive officers. Additionally, the Compensation Committee is charged with reviewing the performance of the executive officers, not less than annually, and reviewing and approving all compensation decisions relating to the executive officers.

The Compensation Committee is composed entirely of independent, non-management members of the Board. At least once each year, and at such other times as is necessary, the Board reviews any and all relationships that each director has with the Company. The Board has determined that none of the Compensation Committee members has any material business relationship with the Company.

The responsibilities of the Compensation Committee, as stated in its charter, include the following:

- to review and assess the adequacy of the Compensation Committee charter annually and submit any proposed changes to the Board for approval;
- to produce an annual report on senior executive officer compensation for inclusion in the Company's annual report or the proxy statement relating to its annual meeting of stockholders;
- to review and make such recommendations to the Board as the Compensation Committee deems advisable with regard to all incentive-based compensation plans and equity-based plans;
- to assess the achievement of personal and corporate goals and objectives that are relevant to the compensation of the Company's senior executive officers;
- to evaluate senior executive officer performance in light of the goals and objectives that were set and determine and recommend senior executive officer compensation based on such evaluation; and
- to review and make recommendations to the Board with respect to the compensation of the senior executive officers.

The Company considers its people to be our primary asset and our principal source of competitive advantage. In order to recruit, motivate and retain the most qualified individuals as senior executive officers, the Company strives to maintain an executive compensation program that is competitive in the mining industry with a global labor market. We have drawn primarily upon senior experienced talent from senior companies within the industry or relevant profession. The purpose of the Company's compensation program is to encourage exceptional organizational and individual performance and to reward senior executive officers for enhancing shareholder value and achieving corporate goals.

In order to accomplish our goals and to ensure that the Company's executive compensation program is consistent with the Company's business strategy, the Compensation Committee, in designing or adapting and applying the executive compensation program, bears these principal objectives in mind:

- to encourage and reward performance which supports the Company's core values and business objectives;
- to provide competitive total compensation and reward programs to enhance the Company's ability to attract, motivate and retain knowledgeable and experienced senior executive officers; and
- to be mindful of shareholders' interests and the Company's key objective of increasing long-term shareholder value, which objective guides the Committee toward a pay for performance system, in which an executive officer's short and long-term compensation is dependent upon both individual and Company performance.



In considering shareholder's interests, the Compensation Committee considered the approval by its shareholders of the 2014 advisory "say on pay" vote as an indication that the foregoing objective is being satisfactorily met.

### *Compensation Elements and Rationale*

There are three basic components to the Company's executive compensation program: base salary, short term incentive (cash) compensation and long-term incentive (equity) compensation. Each element, and the relative weighting, is considered in the context of the overall compensation package and with reference to the above-stated objectives.

#### (i) Base salary

##### *Historical approach*

The Compensation Committee has historically taken a conservative position in respect of base salaries which was considered appropriate to the Company's then stage of development. During 2010 the Company participated in a mining industry salary survey to which the Compensation Committee referred in assessing the competitiveness of the Company's senior executive officer compensation program. The 2010 survey, PriceWaterhouseCoopers Mining Industry Salary Survey, contained data from 290 U.S. and Canadian mining organizations (the identities of which were not provided). The Survey provided data for positions similar to the positions of the Named Executive Officers, as to average base salary, average cash incentive compensation as a percentage of base salary, average annual equity based grants and average total annual compensation. At that time the Committee concluded that the cash compensation elements of its executive officer compensation program, base salaries and short term cash incentives, appeared low relative to surveyed companies of like size and at a similar stage of development, however, the Committee considered this appropriate to the Company's then stage of development and the status of its recruiting efforts. This position was affirmed by the Committee in 2013, 2012 and 2011.

##### *2014*

In 2014 the Compensation Committee concluded that improvements to the base salaries of the executive officers were appropriate to the Company's current stage of development and given the Company's need to attract and retain senior talent at this critical time. Reference was again made to the above-mentioned survey, this time with the objective of placing the base salary component of cash compensation in the midrange rather than below mid-range, to ensure annual base salaries remained competitive and to support the Company's recruiting and executive officer succession planning efforts. The Compensation Committee intends to keep base salaries competitive as a stand-alone compensation element going forward.

#### (ii) Short term incentive (cash bonus)

The objective of the short term incentive program is to put variable pay at risk, motivate the executive officers to achieve predetermined objectives and provide a means to reward achievement of corporate milestones and fulfillment of the annual business plan.

##### *Historical approach*

Historically, in 2010 and prior years, the Company was extremely conservative in its award of short term incentives, which we considered appropriate to the Company's stage of development; awards were fully discretionary based on the judgment of the Compensation Committee.

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*Transitioning to a less subjective and more formal, objective program*

In 2011, the Compensation Committee developed a more formal framework for the potential award of short term incentive compensation to guide the Compensation Committee in exercising its discretion with respect to this compensation element. The more formal framework developed in 2011 called for the setting of annual corporate and individual goals for each executive officer and prescribed the relative weightings to be given to each in determining whether annual bonuses were earned. The Compensation Committee would then annually review demonstrated results, typically following the fiscal year end. While the more formal framework has guided the Committee in reaching such determinations since 2011, the Committee still exercises some discretion and admittedly subjective judgment. How the Committee exercised its judgment and discretion during 2014, and how performance was measured against goal achievement, is more fully described below.

In 2013 the Compensation Committee adjusted the short term incentive compensation program by setting an upper threshold for awards: each executive officer may receive up to a maximum of 60% of his or her annual base compensation after review of both personal and corporate goal achievement. Since that time, the determination of whether short term incentive compensation has been earned, and to what extent, may be more objectively and formulaically measured. Corporate goals for 2015 have been formalized, as have personal goals for 2015 for each executive officer.

(iii) Long term incentive (equity)

The Company's long term incentive program provides for the granting of stock options to executive officers to both motivate executive performance and retention, and align executive officer performance to shareholder value. In awarding long term incentives the Compensation Committee compares the long term incentive program to that of peer group companies and evaluates such factors as the number of options available in the Stock Option Plan and the number of options outstanding relative to the number of shares outstanding.

The Compensation Committee has historically sought to award stock options on a competitive basis given the conservative position taken in respect of cash compensation components. During 2012 the Company introduced a vesting schedule for options awarded to the executive officers in order to promote retention and to better align the Company's approach to this element of compensation with best governance practices.

During 2013 and 2014, the number of options awarded to the executive officer group was reduced from the numbers granted in previous years. This was in part in recognition of the fact that the cash compensation elements of the executive program have improved. No options were awarded during 2014; however, a grant recommendation was made in January of 2015 as previously described in the "Subsequent Events" section of this annual report in recognition of contributions made in 2014. The Compensation Committee intends to annually consider the factors described above, as well as other relevant factors described below, when exercising its discretion with respect to this element of executive compensation.

(iv) Non-cash compensation

The Company does not currently provide a benefit program such as health and welfare benefits or retirement saving programs to its senior executive officers who are engaged under consulting arrangements or who are based in Canada. The Company does make such standard health and welfare programs available to its other employees as well as to one of its senior executive officers.

During fiscal year 2014, three of the Company's executive officers provided services through consulting or management agreements with the Company. Compensation to the Chief Executive Officer, Executive Chairman, and the Senior Vice President, Finance & Chief Financial Officer is paid as "consulting" or "management" fees pursuant to these agreements. This has been the case for some time. The Company considers such consulting arrangements to be

no less favorable to the interests of shareholders than executive employment agreements. The Company enters into consulting agreements or employment agreements on a case by case basis depending on the executive officer's preference and individual engagement terms. In general terms, our executive officer compensation program is intended to operate in an integrated manner to meet our objectives for the program, and decisions about each element of the compensation program are made after taking into account the other elements of the program. Historically, particularly when executive officers were founders or very early stage recruits to the Company, executive officers were compensated in a manner which emphasized stock options. As additional executive officers have been hired in a highly competitive market, and the Company has matured, cash compensation elements have increased in order to ensure an appropriate mix of compensation elements, again so that the Company can attract and retain the requisite senior talent. This has been particularly necessary, in the view of the Committee, at a time when there have been significant declines in share price and/or price volatility such that an equity compensation program might not provide a return to the executive which is competitive in the employment market place. At present, the Company's executive compensation program is now more balanced as a mix of the three compensation components, less weighted to non-cash compensation than in past years, to ensure retention of the senior management team at a crucial stage in the Company's development.

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*Review of Executive Officer Performance*

The Compensation Committee reviews executive officer performance relative to corporate and individual goals not less than annually, typically at calendar year end. The Compensation Committee has the opportunity to meet with the executive officers frequently during the year, which assists the Compensation Committee in forming its own assessment of each individual's performance. Additionally, the Chief Executive Officer and the Executive Chairman provide their evaluations to the Committee of the performance of the other executive officers.

The Compensation Committee met in December of 2013 to assess the performance and accomplishments of the executive officers during the year 2013, in general terms. After assessing that corporate objectives had been substantially met and benchmarking against 2012 performance and the amount of cash incentive compensation which had been paid to the executive officer group in respect of 2012 performance, the Committee decided to accrue the sum of \$420,000 (in the aggregate) for the potential award, during 2014, of executive officer short term cash incentive compensation in respect of 2013 performance. The Committee resolved to consider, and if deemed appropriate, pay, individual allocations in fiscal year 2014, after a more detailed review of individual executive performance during 2013 and having due regard to fiscal constraints at the time that any such award would be paid.

At that time, the Compensation Committee carried out a review of the performance of each executive officer and assessed the extent to which the Company's corporate objectives were achieved. The Committee considered the recommendations of the Chief Executive Officer and the Executive Chairman with respect to the performance of the other executive officers. The Committee then met without management present to review and discuss the performance of the Chief Executive Officer and the Executive Chairman as well as the other executive officers. The Committee considered the self-evaluation by each of the executive officers as to their achievement of their personal goals, and considered the executive officers' evaluation of the Company's achievements of its corporate objectives. The Committee also considered the Company's overall financial position in exercising its discretion with respect to executive awards. No increases to the base compensation of any executive officers were made in 2013 or 2014.

In January of 2014, the Committee reached the decision to grant a cash bonus to each of the executive officers, with each officer receiving an amount in relative proportion to his or her base salary and position within the organization. The Committee determined that cash bonuses should not exceed 60% of regular base salaries, notwithstanding those corporate and personal goals were substantially achieved. The Committee was primarily influenced by corporate goal achievement in determining the bonuses of the Chief Executive Officer and the Executive Chairman. In the case of the Senior Vice President, Finance & Chief Financial Officer and the Senior Vice President, Legal & Corporate Secretary, while corporate goal achievements were factored in, personal goal achievement was given greater weight.

The Committee was influenced by these key corporate achievements in relation to pre-determined objectives, in reaching its determination of bonus awards for 2013 performance:

- a) management had successfully implemented its short term strategic plan during 2013;
  - b) Nichols Ranch construction had been completed and water circulation had commenced;
  - c) regulatory compliance was exemplary;
  - d) the workforce had been supplemented by quality new hires, and employee caliber and morale were high;
-



- e) safety and environmental standards at the highest levels were being achieved and a culture which heeds safety and environmental concerns was being established; and
- f) the Wyoming Business Council loan had been obtained under its industrial development revenue bond and additional financing had been secured in June of 2013.

In assessing corporate and individual performance it was noted that the Company's treasury position, while subsequently supplemented, had become concerning. Similarly, the Company's market performance, while it was acknowledged that this was contributed to by many external factors, had not been exemplary, and thus the interests of shareholders in this respect were considered. Evaluation of these two latter performance measurements guided the Committee to a conservative position.

In assessing the individual performance of each executive officer relative to his or her personal stated objectives, the Committee found each executive officer's performance, when measured against the achievement of corporate and personal goals, to have been exemplary. Although application of a formulaic approach based only on corporate and personal goal achievement would have yielded a larger cash bonus award in each instance, the Committee exercised its discretion, bearing in mind the Company's stage of development and having regard to market factors and shareholder interests, to lower the cash incentive amounts to be awarded to a range of approximately 50% of the executive's base salary. As stated above, while the corporate and personal goal achievement is one of the factors weighed by the Committee in evaluating bonus award entitlement, the Compensation Committee did not intend or wish to fetter its discretion to take into account additional factors.

In exercising its discretion the Committee compared the performance of the executive officers as a group during 2013 as compared to 2012 performance and determined that the performance of the group was on par with 2012 performance. The Committee thus used the amounts awarded in 2012 as reference points. Individual proposed bonus amounts for each executive officer were compared as against one another to ensure internal equity amongst the group and to acknowledge that the group worked in a team approach such that in the Committee's view the amounts to be awarded should be substantially consistent. The aggregate cash compensation figures which would be yielded after taking into account bonus awards were reviewed to ensure that the overall cash compensation, while conservative, yielded an overall cash compensation program that was not so low as to present retention issues, again having regard to the above-referenced salary survey. The individual bonus awards to each executive officer formulated through this process by the Committee are set out below.

In December of 2014 the Committee adopted a similar approach as to what it had taken in December 2013, earmarking a pool of \$510,000 for the awarding of bonuses in early 2015 to reward 2014 performance. That amount was determined after benchmarking against 2014 bonuses awarded for 2013 and taking into account the base salaries of the executive officers in 2014.

***Dennis Higgs, Executive Chairman***

Mr. Higgs is compensated through the Company's consulting agreement with Ubex Capital Inc. The Board considers Mr. Higgs' continuing involvement to be of vital interest to the Company's success and increased Ubex's consulting services over time to the point where Mr. Higgs provides the Company services as a fully involved Executive Chairman. Mr. Higgs' consulting rate is based on the Board of Directors determination upon recommendation by the Compensation Committee of the value of his expertise to the Company.

There was no increase to the annual retainer of \$250,000 per annum paid to Mr. Higgs' consulting firm in 2014. In January of 2014 Mr. Higgs was awarded a discretionary cash bonus in the amount of \$105,000 in recognition of his instrumental contribution to the achievement of corporate goals in 2013. The review process which led to the bonus award, and the underlying compensation philosophy for such compensation, is described above.

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***Glenn Catchpole, Chief Executive Officer (and President and acting Chief Operating Officer, January-November, 2013)***

Mr. Catchpole is compensated indirectly through the Company's consulting agreement with Catchpole Enterprises Inc. ("CEI"). The Company engaged CEI in early 2005 to provide industry expertise and strategic planning consulting services and full-time executive management to create a viable resource company. The Board and the Compensation Committee considers Mr. Catchpole's continuing involvement to be of vital interest to the Company's success. The Board has chosen the consulting arrangement to minimize administrative costs and to maintain the certainty and flexibility of contractual arrangements. Mr. Catchpole's consulting rate is based on the Board's determination upon recommendation by the Compensation Committee of the value of his expertise to the Company.

There was no increase to the annual retainer of \$250,000 per annum paid to Mr. Catchpole's consulting firm in 2014. In January of 2014 Mr. Catchpole was awarded a discretionary cash bonus in the amount of \$105,000 in recognition of his instrumental contribution to the achievement of corporate goals in 2013. The review process which lead to the bonus award, and the underlying compensation philosophy for such compensation, is described above.

***Paul Goranson, President & Chief Operating Officer***

Mr. Goranson was hired by the Company effective December 2, 2013 as its President & Chief Operating Officer, and as such, no discretionary cash bonus was awarded to him in 2014. There was similarly no increase to Mr. Goranson's base salary of \$230,000 per annum in 2014.

***Benjamin Leboe, Senior Vice President, Finance & Chief Financial Officer***

The Company's compensation policy for Mr. Leboe, as Principal of Independent Management Consultants of British Columbia is based on time spent consulting for the Company. The Board and the Compensation Committee believes that this provides the Company with greater flexibility in controlling expenses. Mr. Leboe's services as Chief Financial Officer entail a high and specialized degree of attention to the Company's financial management and reporting activities. Mr. Leboe has extensive expertise in the area of financial management, accounting, business valuation and management consulting, which expertise is very valuable to the Company. Mr. Leboe's consulting rate is based on the Board's determination upon recommendation by the Compensation Committee of the value of his expertise to the Company.

There was no increase to the annual retainer of \$200,000 per annum paid to Mr. Leboe's consulting firm in 2014. In January of 2014 Mr. Leboe was awarded a discretionary cash bonus in the amount of \$105,000 in recognition of his instrumental contribution to the achievement of corporate goals in 2013, his individual contribution as a member of the Company's executive team and his personal performance in fulfilling 2013 personal performance goals.

The review process which lead to the bonus award, and the underlying compensation philosophy for such compensation, is described above.

**Summary Compensation Table**

A summary of cash and other compensation paid in accordance with management consulting contracts or employment agreements for our Named Executive Officers for the last three fiscal years is as follows:

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Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards <sup>(1)</sup> (\$)	All Other Compensation (7) (\$)	Total (\$)
Dennis Higgs, Executive Chairman and Director <sup>(2)</sup>	2014	250,000	105,000	48,760	4,000	407,760
	2013	250,000	102,500	227,334	4,000	583,834
	2012	190,980	125,000	125,151	-	441,131
Glenn Catchpole, CEO and Director <sup>(3)</sup>	2014	250,000	105,000	48,760	4,000	407,760
	2013	250,000	102,500	227,334	4,000	583,834
	2012	190,980	125,000	125,151	-	441,131
Paul Goranson, President & Chief Operating Officer and Director <sup>(4)</sup>	2014	230,000	-	69,160	19,200	318,360
	2013	20,000	-	97,898	-	117,898
Benjamin Leboe, Senior Vice President, Finance and Chief Financial Officer <sup>(5)</sup>	2014	200,000	105,000	48,760	4,000	357,760
	2013	200,000	97,500	197,327	4,000	498,827
	2012	161,040	85,000	125,151	-	371,191
Sandra MacKay, Senior Vice President, Legal and Corporate Secretary <sup>(6)</sup>	2014	100,000	157,500	18,249	4,000	279,749
	2013	200,000	97,500	160,973	4,000	462,473
	2012	167,580	85,000	125,151	-	377,731

## Notes to Summary of Executive Compensation and Executive Compensation Agreements

(1) Option award compensation figures for 2014, 2013 and 2012 are a fair value calculation which is a notional amount estimated at the date of the grant using the Black-Scholes option-pricing model in accordance with Financial Accounting Standards Board ( **FASB** ) ASC 718. Option award values include all grants which vested in the year indicated. The actual value received by the executives, if any, may differ materially from that reported herein. Options granted in 2014, 2013 and 2012 vested as to 40% on the grant date and as to 30% on each of the first and second anniversaries of the grant dates. Note 12 in the Financial Statements included in this Annual Report describes the assumptions made in the valuation in accordance with FASB ASC 718.

(2) Salary is a management fee paid to a private holding company of Mr. Dennis Higgs. Mr. Higgs became Executive Chairman of our Board on February 1, 2006. In 2005 we entered into a consulting agreement with Ubex Capital Inc., wholly owned by Dennis Higgs. Under that agreement, amended in 2013, the Company currently pays a monthly fee of \$20,833 in consideration of the provision of the services of Mr. Higgs as Executive Chairman.

(3) Salary is a management fee paid to a private holding company of Mr. Glenn Catchpole. Mr. Catchpole was appointed President & Chief Executive Officer on March 1, 2005. Effective September 15, 2012, Mr. Catchpole became acting Chief Operating Officer of the Company, as well as its President & Chief Executive Officer. He relinquished the President & acting Chief Operating Officer titles on December 2, 2013. In 2005 we entered into a consulting agreement with Catchpole Enterprises Inc. Catchpole Enterprises is wholly owned by Glenn and Judy Catchpole. Under that agreement the Company currently pays a monthly consulting fee of \$20,833 in consideration of the provision of the services of Mr. Catchpole.

(4) Mr. Goranson was appointed President & Chief Operating Officer in December 2013 with a salary of \$230,000 per annum plus regular employee benefits.

(5) Salary is a consulting fee paid to an entity owned by Mr. Benjamin Leboe. Mr. Leboe was appointed Chief Financial Officer on May 23, 2006 and Senior Vice President, Finance on June 9, 2010. In 2006 we entered into a consulting agreement with Independent Management Consultants of British Columbia (IMC). IMC is wholly owned by Benjamin Leboe, our Chief Financial Officer. Under that agreement the Company currently pays for consulting services provided at the rate of \$16,667 per month.

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(6) Ms. MacKay joined the Company on July 1, 2009 and resigned effective as of June 30, 2014. Ms. MacKay was appointed Senior Vice President, Legal on December 8, 2011. Her salary in 2014 was \$16,667 per month. During fiscal year 2012, her salary was a consulting fee paid to Sandra R. MacKay Professional Law Corporation, a private corporate wholly owned by Sandra MacKay. In June of 2014, the Compensation Committee determined that upon Ms. MacKay's departure, she should be awarded 50% of her target short-term incentive compensation for 2014 in light of her performance and services rendered during the first six months of that year.

(7) Other compensation in 2013 and 2014 was \$4,000 per annum paid in lieu of benefits for each executive officer with the exception of Mr. Goranson, whose benefits include approximately \$19,200 paid by the Company in health insurance and life insurance premiums for Mr. Goranson.

#### Grants of Plan-Based Awards 2014

No options were granted to the named executive officers during 2014; however, the following options were granted subsequent to 2014 with respect to contributions made during 2014:

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/share)
Dennis Higgs	January 17, 2015	73,000 <sup>(1)</sup>	1.14
Glenn Catchpole	January 17, 2015	73,000 <sup>(1)</sup>	1.14
Paul Goranson	January 17, 2015	73,000 <sup>(1)</sup>	1.14
Benjamin Leboe	January 17, 2015	73,000 <sup>(1)</sup>	1.14

(1) Each option has a term of 10 years and is subject to vesting as to 40% on the date of grant and as to 30% on each of the first and second three month anniversaries of the date of grant.

#### Disclosure Relating to Summary Compensation Table and Grants of Plan-Based Awards

For a discussion of each individual executive officer's compensation arrangements and cash bonuses, please see the discussion under each officer's name in the Compensation Discussion and Analysis above.

No option grants were endorsed by the Compensation Committee in 2014.

#### Outstanding Equity Awards to Executive Officers at Fiscal Year-end

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Option Awards					
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiry Date
Dennis Higgs	75,000	Nil	Nil	0.75	Jan 6, 2016
	62,500	Nil	Nil	2.64	Jan 7, 2018
	20,000	Nil	Nil	0.65	Jan 5, 2019
	35,000	Nil	Nil	1.33	Jan 4, 2020
	67,500	Nil	Nil	1.89	Dec 12, 2021
	67,500	Nil	Nil	1.32	Dec 16, 2022
	75,250	32,250 (1)	Nil	1.22	Jul 11, 2023
Glenn Catchpole	190,000	Nil	Nil	0.75	Jan 6, 2016
	125,000	Nil	Nil	2.64	Jan 7, 2018
	70,000	Nil	Nil	1.33	Jan 4, 2020
	135,000	Nil	Nil	1.89	Dec 12, 2021
	135,000	Nil	Nil	1.32	Dec 16, 2022
	150,500	64,500 (1)	Nil	1.22	Jul 11, 2023
Paul Goranson	175,000	75,000 (2)	Nil	1.06	Dec 1, 2023
Benjamin Leboe	100,000	Nil	Nil	1.96	May 23, 2016
	125,000	Nil	Nil	2.64	Jan 7, 2018
	70,000	Nil	Nil	1.33	Jan 4, 2020
	135,000	Nil	Nil	1.89	Dec 12, 2021
	135,000	Nil	Nil	1.32	Dec 16, 2022
	114,100	48,900 (1)	Nil	1.22	Jul 11, 2023

(1) Vests July 12, 2015

(2) Vests December 2, 2015

**Option Exercises and Stock Vested in 2014**

Option Awards		
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)
Dennis Higgs	Nil	Nil
Glenn Catchpole	Nil	Nil
Paul Goranson	Nil	Nil
Benjamin Leboe	Nil	Nil

**Compensation Committee Interlocks and Insider Participation**

No person who served as a member of the Compensation Committee during fiscal year 2014 was a current or former officer or employee of the Company or engaged in certain transactions with the Company as required to be disclosed under Item 404 of Regulation S-K. Additionally, there was no compensation committee interlocks during fiscal year 2014, which generally means that no executive officer of the Company served as a director or member of the compensation committee of another entity which had an executive officer serving as a director or member of the Company's Compensation Committee.

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### **Pension Benefits**

None.

### **Non-Qualified Deferred Compensation**

None.

### **Potential Payments upon Termination on Change-in-Control**

In 2014 we entered into new change and control severance agreements (the **Change in Control Severance Agreements** ) with four of our executive officers, namely:

- Dennis Higgs, our Executive Chairman
- Glenn Catchpole, our Chief Executive Officer
- W. Paul Goranson, our President & Chief Operating Officer and
- Benjamin Leboe, our Senior Vice President & Chief Financial Officer.

The new Change in Control Severance Agreements replace and supersede change in control agreements between the Company and three of its executive officers: Executive Chairman Dennis Higgs, Chief Executive Officer Glenn Catchpole and Senior Vice President, Finance & Chief Financial Officer Benjamin Leboe.

The form of Change in Control Severance Agreement was filed by the Company as an exhibit to a Form 8-K on May 16, 2014. The following description of the Change in Control Severance Agreement does not purport to be complete and is qualified in its entirety to the full text of the Change in Control Severance Agreement, as filed as an exhibit to the Form 8-K.

Under the new Change in Control Severance Agreements, our executive officers will be entitled to certain severance benefits if, following a change of control (as defined in the Change in Control Severance Agreement), the Company terminates the executive's employment without cause (as defined in the Change in Control Severance Agreement), or the executive terminates his employment with the Company for good reason (as defined in the Change in Control Severance Agreement).

In such event, each executive officer would be entitled to receive:

- all earned but unpaid base salary;
  - any earned but unpaid bonus from the preceding fiscal year;
  - a credit for any accrued vacation not taken;
  - an amount equal to his target bonus for that year multiplied by a fraction, the numerator being the number of full months worked in the fiscal year, and the denominator being twelve;
  - a severance payment equal to twenty four times the sum of his monthly base salary in effect in the month preceding the change in control and 1/12 of his target bonus;
  - continued medical and dental insurance coverage for the executive officer and his dependents on the same basis in effect prior to the change in control for twenty four months following the change in control;
  - and any legal fees or expenses incurred as a result of such termination of employment.
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In addition, if an executive officer's employment is terminated following a change in control, all stock options or restricted stock owned or promised to be payable to him that were not yet vested will continue to vest per the original schedule for twenty four months following termination and shall be exercisable (together with all options or restricted stock owned by him and vested at the termination date) at the earlier of their original expiry date or twenty four months from termination.

Each Change in Control Severance Agreement also provides that, regardless of whether the executive officer continues to be employed following a change in control, for the twenty four month period following a change in control any incentive plan or arrangement (including any compensation plan, long-term incentive plan, bonus or contingent bonus arrangements or credits, performance awards or similar benefits) available to him at the time of the change in control shall continue in effect, and any benefit or compensation plan, stock ownership plan, stock purchase plan, bonus plan, life insurance plan, health-and-accident plan or disability plan in which he is eligible to participate at the time of the change in control shall continue in effect.

The Change in Control Severance Agreements provide that each executive officer will be prohibited, for a one year period after his termination, from soliciting employees or customers or suppliers of Uranerz and each executive officer will be subject to agreements related to confidentiality, non-competition, non-solicitation, non-disparagement and arbitration. Following termination of employment, the executive officer will be required to sign a release of claims against the Company prior to receiving severance benefits under the agreement.

The following table sets forth the estimated amounts of the payments and benefits that each of Uranerz's named executive officers would receive in connection with a change in control pursuant to their respective Change in Control Severance Agreement and their respective employment/ consultant agreements, as described above, should a change in control have taken place on December 31, 2014, being the last date of our last completed fiscal year. The actual amounts that would be paid upon a named executive officer's termination of employment can be determined only at the time of such executive's separation from Uranerz. As a result, the actual amounts received by a named executive officer may differ in material respects from the amounts set forth below.

Name	Cash	Equity	Perquisites/	Other	Total
	Severance		Benefits		
	(\$)(1)	(\$)(2)	(\$)(3)	(\$)(4)	(\$)
Glenn Catchpole	950,000	Nil	8,000	Nil	958,000
Dennis Higgs	950,000	Nil	8,000	Nil	958,000
Paul Goranson	874,000	Nil	38,000	Nil	912,000
Ben Leboe	760,000	Nil	8,000	Nil	768,000

- (1) The amounts reported in this column represent the potential cash severance payments that would be made to the named executive officer assuming a qualifying termination of the executive's employment on December 31, 2014, inclusive of (i) an amount equal to the target bonus for 2014 plus (ii) two times the sum of annual salary plus the target bonus. The actual amount paid in connection with the Merger, if any, will be different. In addition, we do not expect that the employment of each of the named executive officers' employment will be terminated in connection with the Merger.
- (2) The amounts reported in this column represent: (A) stock awards for which vesting would be accelerated; (B) in-the-money option awards for which vesting would be accelerated; and (C) payments in cancellation of stock

and option awards.

- (3) For Mr. Goranson, the amount reported in this column represents the estimated cost to provide the health and welfare benefits described above (including reimbursement of COBRA premiums for the applicable period) to the executive following a qualifying termination as at December 31, 2014. In the case of Messrs. Higgs, Catchpole and Leboe, the amounts reflect \$4,000 per annum in lieu of coverage.
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- (4) The amounts reported in this column represent:
- The aggregate dollar value of pension and nonqualified deferred compensation benefit enhancements;
  - The aggregate dollar value of any tax reimbursements;
  - The aggregate dollar value of any other compensation that is based on or otherwise relates to the transaction not properly reported; and
  - The aggregate dollar value of a reimbursement obligation for legal fees or expenses, if any, which cannot be estimated at this time.

### Compensation Committee Report

The Compensation Committee oversees the Company's compensation reporting process on behalf of the Board. The Compensation Committee has four members, each of whom is independent as defined in the NYSE MKT Company Guide. The committee operates under a written charter, revised and adopted by the Board.

The Committee assists the Board by overseeing the (1) annual review of director and executive officer compensation policies and goals, (2) determining the compensation of directors and executive officers, and (3) providing accurate public disclosure of the Company's compensation program.

In the course of providing its oversight responsibilities regarding the Company's compensation of directors and executive officers in 2013, the Committee reviewed and discussed with management the Compensation Discussion and Analysis included in this Annual Report.

Based on the Compensation Committee's review of the Compensation Discussion and Analysis and discussions with the Board and the Company's management, the Compensation Committee recommended that the Compensation Discussion and Analysis be included in this Annual Report.

### Submitted by the members of the Compensation Committee of the Board:

Peter Bell, Chairman  
 Arnold Dyck  
 Gerhard Kirchner  
 Paul Saxton

### Director Compensation 2014

The following table sets forth the compensation granted to our directors for the fiscal year ended December 31, 2014.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards \$(1)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non- Qualified Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Gerhard Kirchner	57,600		9,933				67,533
Paul Saxton	52,500		9,933				62,433
Arnold Dyck	76,000		12,642				88,642

Peter Bell

39,000

9,933

48,933

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- (1) Option award compensation figures are a fair value calculation of options vested in 2014 which is a notional amount estimated at the date of the grant using the Black-Scholes option-pricing model in accordance with Financial Accounting Standards Board ( **FASB** ) ASC 718. The actual value received by the directors, if any, may differ materially from that reported herein. Options granted in 2014, 2013 and 2012 vested as to 40% on the grant date and as to 30% on each of the first and second anniversaries of the grant dates. Note 12 in the Financial Statements included in this Annual Report describes the assumptions made in the valuation in accordance with FASB ASC 718.

### Director Compensation Agreements and Summary of Director Compensation Policies

During the fiscal year ended December 31, 2014, the Company compensated its independent directors as follows.

For Board service:

Annual Board retainer: \$15,000 per year; and

Per Board meeting: \$1,000 per day attendance fee in person or \$500 per telephone meeting plus a \$1,000 travel fee per in person meeting within North America or a \$2,000 travel fee per in person meeting to/from North America.

For Committee service, retainers as follows (no meeting fees):

- Audit Committee: Chair: \$15,000/year. Members: \$8,000/year.
- Corporate Governance & Nominating Committee: Chair: \$4,000/year. Members: \$2,500/year.
- Compensation Committee: Chair: \$6,000/year. Members: \$4,000/year.
- Marketing Committee: Chair: (Nil Executive). Independent Members: \$1,000/day. Executive Members: Nil.
- Special Committee: All Members: \$1,200/ eight hour day (with hours worked being cumulative).

No stock options were granted to independent directors during 2014; however, the following stock options were granted January 17, 2015 in recognition of contributions made in 2014:

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/share)
Gerhard Kirchner	January 17, 2015	34,000 <sup>(1)</sup>	1.14
Paul Saxton	January 17, 2015	34,000 <sup>(1)</sup>	1.14
Arnold Dyck	January 17, 2015	35,000 <sup>(1)</sup>	1.14
Peter Bell	January 17, 2015	34,000 <sup>(1)</sup>	1.14

- (1) Each option has a term of 10 years and is subject to vesting as to 40% on the date of grant and as to 30% on each of the first and second three month anniversaries of the date of grant.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following tables set forth information as of March 4, 2015 regarding the ownership of our common stock by:

- each named executive officer, each director and all of our directors and executive officers as a group; and
- each person who is known by us to own more than 5% of our shares of common stock.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. Shares subject to options that are exercisable within 60 days following March 4, 2015 are deemed to be outstanding and beneficially owned by the optionee for the purpose of computing share and percentage ownership of that optionee but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table, and as affected by applicable community property laws, all persons listed have sole voting and investment power for all shares shown as beneficially owned by them.

The number of shares beneficially owned and the percentage of shares beneficially owned are based on 95,912,806 shares of common stock outstanding plus 3,360,050 common share purchase options vested within 60 days of March 4, 2015.

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<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percentage of Class (1)</b>
Common Stock	Dennis Higgs Director and Executive Chairman Suite 1410 800 West Pender Street Vancouver, B.C., V6C 2V6 CANADA	2,323,850 <sup>(2)</sup>	2.41%
Common Stock	Glenn Catchpole Director, and CEO/PEO 4413 East 22 <sup>nd</sup> Street Casper, WY, 82609 USA	2,308,700 <sup>(3)</sup>	2.39%
Common Stock	Paul Goranson Director, President & COO 1701 East E Street Casper, WY, 82605 USA	226,100 <sup>(4)</sup>	**
Common Stock	Dr. Gerhard Kirchner Director Hoech 5a A-8442 St. Andrae-Hoech AUSTRIA	666,600 <sup>(5)</sup>	**
Common Stock	Paul Saxton Director 188 Stonegate Drive Furry Creek, B.C., V7R 4W7 CANADA	295,800 <sup>(6)</sup>	**
Common Stock	Peter Bell Director #105 3389 Capilano Road North Vancouver, B.C., V7R 4W7 CANADA	334,300 <sup>(7)</sup>	**
Common Stock	Arnold J. Dyck Director 504 230 Saskatchewan Crescent East Saskatoon, S.K., S7N 0K6 CANADA	287,100 <sup>(8)</sup>	**
Common Stock	Benjamin Leboe Senior VP, Finance & CFO/PFO 16730 Carrs Landing Road Lake Country, B.C., V4V 1B2 CANADA	746,200 <sup>(9)</sup>	**
Total		7,188,650	7.25%

\*\* indicates ownership less than 1%

- (1) The percent of class is based on 95,912,806 shares of common stock issued and outstanding as of March 4, 2015 plus options vested within 60 days of March 4, 2015.
- (2) Includes 1,870,000 shares and 453,850 exercisable share purchase options.
- (3) Includes 1,452,100 shares and 856,600 exercisable share purchase options.
- (4) Includes Nil shares and 226,100 exercisable share purchase options.
- (5) Includes 476,000 shares and 190,600 exercisable share purchase options.

- (6) Includes 11,500 shares and 284,300 exercisable share purchase options.
  - (7) Includes Nil shares and 334,300 exercisable share purchase options.
  - (8) Includes 3,000 shares and 284,100 exercisable share purchase options.
  - (9) Includes 16,000 shares and 730,200 exercisable share purchase options.
-



**NON-RELATED SHAREHOLDERS HOLDING OVER 5%**

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percentage of Class</b>
Common Stock	Global X Management Company LLC 623 Fifth Avenue, 15 <sup>th</sup> Floor New York, N.Y., 10022 USA	8,613,803 (Note 1)	8.98% (Note 2)

(1) (1) As reported on an amendment to Schedule 13 as filed February 13, 2015.

(2) The percent of class is based on 95,912,806 shares of common stock issued and outstanding as of March 4, 2015.

It is believed by us that all persons named have full voting and investment power with respect to the shares indicated, unless otherwise noted in the table. Under the rules of the SEC, a person (or group of persons) is deemed to be a beneficial owner of a security if he or she, directly or indirectly, has or shares the power to vote or to direct the voting of such security, or the power to dispose of or to direct the disposition of such security. Accordingly, more than one person may be deemed to be a beneficial owner of the same security. A person is also deemed to be a beneficial owner of any security, which that person has the right to acquire within 60 days, such as options or warrants to purchase our common stock.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

We had no reportable transactions with related parties since January 1, 2014, including named security holders.

#### **Policy for Review of Related Party Transactions**

The Company has a policy for the review of transactions with related persons as set forth in the Company's Audit Committee Charter and internal practices. The policy requires review, approval or ratification of all transactions in which the Company is a participant and in which any of the Company's directors, executive officers, significant shareholders or an immediate family member of any of the foregoing persons has a direct or indirect material interest, subject to certain categories of transactions that are deemed to be pre-approved under the policy - including employment of executive officers, director compensation (in general, where such transactions are required to be reported in the Company's proxy statement pursuant to SEC compensation disclosure requirements), as well as certain transactions where the amounts involved do not exceed specified thresholds. All related party transactions must be reported for review by the Audit Committee of the Board pursuant to the Audit Committee's charter and the rules of the NYSE MKT.

Following its review, the Audit Committee determines whether these transactions are in, or not inconsistent with, the best interests of the Company and its shareholders, taking into consideration whether they are on terms no less favorable to the Company than those available with other parties and the related person's interest in the transaction. If a related party transaction is to be ongoing, the Audit Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the related person.

Our policy for review of transactions with related persons was followed in all of the transactions set forth above and all such transactions were reviewed and approved in accordance with our policy for review of transactions with related persons.

**Director Independence**

We had seven Directors at December 31, 2014, including four independent Directors, as follows:

- Glenn Catchpole
- Dennis Higgs
- Paul Goranson
- Paul Saxton, independent
- Gerhard Kirchner, independent
- Peter Bell, independent
- Arnold Dyck, independent

Consistent with NYSE MKT Standards, the Board assesses the independence of its members not less than annually. The Board applies the requirements for independence set out in Rule 803A of the NYSE MKT Company Guide and considers all relevant facts and circumstances in making its assessment.

The Company's Code of Business Conduct and Ethics specifically addresses conflict of interest situations involving directors. Pursuant to our Code of Business Conduct and Ethics, all directors are required to act in the best interests of the Company and to avoid conflicts of interest.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Manning Elliott LLP was the Independent Registered Public Accounting Firm for the Company in the fiscal year ended December 31, 2014.

Our financial statements have been audited by Manning Elliott LLP, an Independent Registered Public Accounting firm, for the years ended December 31, 2014, 2013 and 2012.

The following table sets forth information regarding the amount billed to us by our independent auditor, Manning Elliott LLP for our two fiscal years ended December 31, 2014 and 2013:

	<b>Years Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Audit Fees	\$121,250	\$95,984
Audit Related Fees	\$28,372	\$29,750
Tax Fees	\$9,418	\$6,750
Other	\$12,555	\$42,250
<b>Total</b>	<b>\$171,595</b>	<b>\$174,734</b>

**Audit Fees**

Audit Fees are the aggregate fees and expenses billed by our independent auditor for the audit of our annual financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

**Audit Related Fees**

Consist of fees billed for assurance and related services that are reasonably related to the performance of the audit and

reviews of our interim consolidated financial statements and are not reported under Audit Fees .

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### **Tax Fees**

Consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include preparation of federal and state income tax returns.

### **All Other Fees**

Consist of fees for product and services other than the services reported above.

### **Policy on Pre-Approval by Audit Committee of Services Performed by Independent Auditors**

The Audit Committee has adopted procedures requiring the Audit Committee to review and approve in advance, all particular engagements for services provided by the Company's independent auditor. Consistent with applicable laws, the procedures permit limited amounts of services, other than audit, review or attest services, to be approved by one or more members of the Audit Committee pursuant to authority delegated by the Audit Committee, provided the Audit Committee is informed of each particular service. All of the engagements and fees for 2014 were pre-approved by the Audit Committee.

## **PART IV**

### **ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

#### **Documents Filed as Part of This Report.**

##### **(1) Financial Statements**

Supplemental Financial Data

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2014 and 2013

Consolidated Statements of Comprehensive Loss for the years ended December 31, 2014, 2013, and 2012

Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013, and 2012

Consolidated Statements of Changes in Equity (Deficit) for the years ended December 31, 2012, 2013, and 2014

Notes to the Consolidated Financial Statements

##### **(2) Financial Statement Schedules**

Schedules are omitted and are not applicable or not required, or the required information is shown in the financial statements or notes thereto.

##### **(3) Exhibits**

Where an exhibit is filed by incorporation by reference to a previously filed registration statement or report, such registration statement or report is identified in parentheses.

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**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>(3)</sup>
3.4	Articles of Amendment filed August 8, 2008 <sup>(14)</sup>
3.5	Articles of Amendment filed July 8, 2009 <sup>(15)</sup>
3.6	Certificate of Amendment filed August 8, 2011 <sup>(18)</sup>
4.1	Share Certificate <sup>(1)</sup>
4.2	Shareholder Rights Plan, dated August 25, 2010 <sup>(17)</sup>
4.3	Form of Warrant, dated June 7, 2013 <sup>(19)</sup>
4.4	Form of Note, issued June 7, 2013 <sup>(19)</sup>
4.5	Note Purchase Agreement by and among the Company and Deans Knight and the Investors dated May 31, 2013 <sup>(19)</sup>
4.6	Mortgage and Security Agreement and Assignment by and among the Company, Deans Knight and the Investors <sup>(19)</sup>
4.7	Collateral Agency Agreement by and among the Company, Deans Knight and the Investors dated June 5, 2013 <sup>(19)</sup>
4.8	Registration Rights Agreement by and among the Company and the Investors <sup>(19)</sup>
4.9	Form of Lock-up Agreement dated August 27, 2013 <sup>(21)</sup>
4.10	Form of Warrant Indenture dated September 6, 2013 <sup>(22)</sup>
4.11	Financing Agreement between the Company and the County dated November 26, 2013 <sup>(23)</sup>
4.12	Bond Purchase Agreement among the State, the County and the Company dated as of November 12, 2013 <sup>(23)</sup>
4.13	Promissory Note dated November 26, 2013 <sup>(23)</sup>
4.14	Mortgage & Security Agreement and Assignment between the Company and the Trustee dated November 26, 2013 <sup>(23)</sup>
4.15	Form of Lock-up Agreement dated July 17, 2014 <sup>(26)</sup>
10.1*	Office and Administration Services Agreement between the Company and Senate Capital Group Inc. dated September 1, 2005 <sup>(2)</sup>
10.2*	Agreement for Services between the Company and Highlands Capital, Inc. dated November 1, 2005 <sup>(2)</sup>
10.3	Financial Public Relations Agreement between the Company and Accent Marketing Ltd. dated November 1, 2005 <sup>(2)</sup>
10.4	Mineral Property Purchase Agreement between the Company and Ubex Capital Inc. dated April 26, 2005 <sup>(2)</sup>
10.5	Joint Venture Agreement between the Company and Triex Minerals Corporation dated November 4, 2005 <sup>(2)</sup>
10.6*	Consulting Agreement between the Company and Ubex Capital Inc. for management and consulting services <sup>(2)</sup>
10.7*	Consulting Agreement between Catchpole Enterprises and the Company <sup>(3)</sup>
10.8	Joint Venture Agreement between the Company and Bluerock Resources Ltd. <sup>(3)</sup>
10.9	Option and Purchase Agreement for federal mining claims in Wyoming <sup>(3)</sup>
10.10	Agreement to Purchase ten mining claims in Wyoming <sup>(3)</sup>
10.11*	2005 Stock Option Plan as amended June 10, 2009 <sup>(17)</sup>
10.12*	Mr. George Hartman letter agreement. <sup>(3)</sup>
10.13	Black Range Minerals Agreement dated June 7, 2006 <sup>(4)</sup>
10.14	Amendment to Joint Venture Agreement dated September 12, 2006 between the Company and Bluerock Resources Ltd. <sup>(5)</sup>
10.15	Agreement dated February 1, 2007 between the Company and Robert C. Shook to acquire three separate uranium projects located in northeast Wyoming, in central Powder River Basin <sup>(6)</sup> <sup>(7)</sup>

- 10.16 Consulting Agreement dated February 1, 2007 between the Company and O & M Partners, LLC <sup>(6)</sup> (7)
  - 10.17 Christensen Ranch Agreement dated October 30, 2006 between the Company and George Hartman <sup>(8)</sup> (10)
  - 10.18 Amendment Agreement dated January 1, 2007 between the Company and Ubex Capital Inc. <sup>(9)</sup>
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10.19	Amendment Agreement dated January 1, 2007 between the Company and Catchpole Enterprises Inc. (9)
10.20	Amendment Agreement dated January 1, 2007 between the Company and Senate Capital Group Inc. (9)
10.21	Purchase and Sale Agreement with NAMMCO dated September 19, 2007, as amended <sup>(10)</sup> (11)
10.22	Venture Agreement with United Nuclear LLC dated January 15, 2008 <sup>(12)</sup>
10.23	Agreement with Independent Management Consultants of British Columbia <sup>(12)</sup>
10.24	Subscription Agreement with Denison Mines dated March 27, 2008 <sup>(12)</sup>
10.25	Amendment to Joint Venture Agreement dated March 20, 2008 between the Company and Bluerock Resources Ltd. <sup>(13)</sup>
10.26	Amended Hartman Letter Agreement effective January 1, 2008 <sup>(16)</sup>
10.27	Form of Option Surrender Agreement <sup>(24)</sup>
10.28	Form of Change in Control Severance Agreement <sup>(25)</sup>
10.29	Agency Agreement dated July 17, 2014 <sup>(26)</sup>
10.33	Form of Indemnification Agreement with Directors <sup>(20)</sup>
10.34	Agreement and Plan of Merger <sup>(27)</sup>
10.35	Support Agreements <sup>(28)</sup>
<u>23.1</u>	<u>Consent of Manning Elliott, LLP, independent registered accountants</u>
<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>
<u>101.INS</u>	<u>XBRL Instance Document</u>
<u>101.SCH</u>	<u>XBRL Taxonomy Extension Schema</u>
<u>101.CAL</u>	<u>XBRL Taxonomy Extension Calculations</u>
<u>101.DEF</u>	<u>XBRL Taxonomy Extension Definitions</u>
<u>101.LAB</u>	<u>XBRL Taxonomy Extension Labels</u>

- (1) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant's Form SB-2 filed March 15, 2002
- (2) Previously filed as an exhibit to the Quarterly Report on Form 10-QSB filed November 21, 2005
- (3) Previously filed as an exhibit to the Annual Report SB filed April 14, 2006
- (4) Previously filed as an exhibit to the Quarterly Report on Form 10-QSB filed August 15, 2006
- (5) Filed as an exhibit to our Quarterly Report on Form 10-QSB filed November 13, 2006.
- (6) As reported in two separate Current Reports on Form 8-K filed on February 8, 2007.
- (7) Previously filed as an exhibit to the Annual Report SB filed April 2, 2006
- (8) As in Current Report on Form 8-K filed on November 2, 2006.
- (9) Filed as an exhibit to our Quarterly Report on Form 10-QSB filed August 14, 2007.
- (10) As reported and filed in Current Report on Form 8-K filed on September 24, 2007.
- (11) As reported and filed in Current Report on Form 8-K filed on January 16, 2008.
- (12) Filed as an exhibit to our Annual Report filed on March 17, 2008.
- (13) Filed as an exhibit to our Quarterly Report on Form 10-Q filed May 9, 2008.
- (14) Filed as an exhibit to our Quarterly Report on Form 10-Q filed August 11, 2008.
- (15) Filed as an exhibit to our Registration Statement on Form S-3 filed July 10, 2009.
- (16) Filed as an exhibit to our Quarterly Report on Form 10-Q filed August 10, 2009.
- (17) Form of Shareholder Rights Plan filed as an exhibit to our definitive proxy statement on Form 14A filed April 27, 2010.
- (18) Filed as an exhibit to our Form 8-K filed August 12, 2011.
- (19) Previously filed as an exhibit to the Registrant's Form 8-K, filed June 12, 2013
- (20) Previously filed as an exhibit to the Registrant's Form 8-K, filed June 28, 2013

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- (21) Previously filed as an exhibit to the Registrant s Form 8-K, filed August 27, 2013
  - (22) Previously filed as an exhibit to the Registrant s Form 8-K, filed September 6, 2013
  - (23) Previously filed as an exhibit to the Registrant s Form 8-K, filed on December 3, 2013
  - (24) Previously filed as an exhibit to the Registrant s Form 8-K, filed on February 19, 2014
  - (25) Previously filed as an exhibit to the Registrant s Form 8-K, filed on May 6, 2014
  - (26) Previously filed as an exhibit to the Registrant s Form 8-K, filed on July 18, 2014
  - (27) Previously filed as an exhibit to the Registrant s Form 8-K, filed on January 12, 2015
  - (28)
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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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/ Glenn

/s/ Benjamin

Catchpole

Leboe

Glenn Catchpole, Chief Executive Officer  
Principal Executive Officer  
Director

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

Date: March 12, 2015

Date: March 12, 2015

In accordance with the Securities Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Per: /s/ Dennis Higgs

Dennis Higgs, Executive Chairman

Date: March 12, 2015

Per: /s/ Paul Goranson

Paul Goranson, President, Chief  
Operating  
Officer, Director

Date: March 12, 2015

Per: /s/ Gerhard Kirchner

Dr. Gerhard Kirchner, Director

Date: March 12, 2015

Per: /s/ Peter Bell

Peter Bell, Director

Date: March 12, 2015

Per: /s/ Paul Saxton

Paul Saxton, Director

Date: March 12, 2015

Per: /s/ Arnold Dyck

Arnold Dyck, Director

Date: March 12, 2015

Per: /s/ Glenn Catchpole

Glenn Catchpole, Principal Executive  
Officer, Director

Date: March 12, 2015

Per: /s/ Benjamin Leboe

Benjamin Leboe, Senior Vice President,  
Finance  
Principal Financial Officer and  
Principal Accounting Officer  
Date: March 12, 2015

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