URANERZ ENERGY CORP.
Form 10-Q
May 12, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **March 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	**98-0365605**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1701 East E Street, PO Box 50850	
Casper, Wyoming	**82605-0850**
(Address of principal executive offices)	(Zip Code)

(307) 265-8900
(Registrant s telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes[X]   No [   ]

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

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ]	Smaller reporting company [ ]

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

Number of shares of issuer s common stock outstanding at **May 6, 2014: 86,238,806**

INDEX

Item 1. Financial Statements (unaudited)

Uranerz Energy Corporation
(An Exploration Stage Company)

March 31, 2014 Index

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

	March 31, 2014 $ (Unaudited)	December 31, 2013 $ (Audited)
ASSETS		
Current Assets		
Cash	6,815,585	11,915,676
Prepaid expenses and deposits (Note 5(a))	1,146,439	1,313,558
Other current assets	80,824	76,654
Total Current Assets	8,042,848	13,305,888
Debt Issuance Costs (Note 7)	286,892	307,120
Prepaid Expenses and Deposits (Note 5(a))	490,937	548,271
Mineral Property Reclamation Surety Deposits (Note 8)	2,081,039	2,081,039
Property and Equipment (Note 3)	786,044	706,447
Total Assets	11,687,760	16,948,765
LIABILITIES AND DEFICIT		
Current Liabilities		
Accounts payable	306,042	580,984
Accrued liabilities (Note 5(b))	840,315	1,674,779
Current portion of note payable (Note 7)	703,749	
Due to related parties (Note 6(a))	14,525	
Total Current Liabilities	1,864,631	2,255,763
Note Payable (Note 7)	19,296,251	20,000,000
Asset Retirement Obligations (Note 8)	1,263,312	1,241,481
Total Liabilities	22,424,194	23,497,244
Commitments (Notes 4 and 13)		
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; 86,119,774 and 85,815,074 shares issued and outstanding, respectively	86,120	85,815
Additional Paid-in Capital	157,544,806	156,814,709
Deficit Accumulated During the Exploration Stage	(168,471,768)	(163,562,491)
Uranerz Stockholders Deficit	(10,840,842)	(6,661,967)
Non-controlling Interest	104,408	113,488
Total Deficit	(10,736,434)	(6,548,479)
Total Liabilities and Deficit	11,687,760	16,948,765

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

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

	Accumulated From May 26, 1999 (Date of Inception) to March 31, 2014 $	Three Months Ended March 31, 2014 $	2013 $
Revenue			
Expenses			
Depreciation	1,287,367	51,412	56,016
Accretion of asset retirement obligation (Note 8)	152,273	21,831	18,032
Foreign exchange loss (gain)	25,052	(40,925)	205
General and administrative (Notes 6 and 10)	64,984,457	1,355,240	1,276,205
Mineral property expenditures (Notes 4(m) and 10)	107,104,808	3,319,813	2,790,318
Total Operating Expenses	173,553,957	4,707,371	4,140,776
Operating Loss	(173,553,957)	(4,707,371)	(4,140,776)
Other Income (Expense)			
Gain on sale of investment securities	79,129		
Interest income	2,085,556	7,472	4,000
Interest expense	(1,636,567)	(307,728)	
Other income (expense)	(113,677)	18,323	
Mineral property option payments received	152,477		
Total Other Income (Expenses)	566,918	(281,933)	4,000
Loss from continuing operations	(172,987,039)	(4,989,304)	(4,136,776)
Discontinued operations			
Loss from discontinued operations	(28,732)		
Gain on disposal of discontinued operations	979,709		
Gain on Discontinued Operations	950,977		
Net Loss and Comprehensive Loss	(172,036,062)	(4,989,304)	(4,136,776)
Net Loss and Comprehensive Loss attributable to non-controlling interest	3,564,294	80,027	56,031
Net Loss and Comprehensive Loss Attributable to Company Stockholders	(168,471,768)	(4,909,277)	(4,080,745)
Amounts attributable to Company stockholders			
Loss from continuing operations	(169,422,745)	(4,909,277)	(4,080,745)
Gain on discontinued operations	950,977		
Net Loss Attributable to the Company	(168,471,768)	(4,909,277)	(4,080,745)
Net Loss Per Share Basic and Diluted		(0.06)	(0.05)
Weighted Average Number of Shares Outstanding		85,903,000	77,208,000

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

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

	Accumulated From May 26, 1999 (Date of Inception) to March 31, 2014 $	Three Months Ended March 31, 2014 $	Three Months Ended March 31, 2013 $
Operating Activities			
Net loss and comprehensive loss	(172,036,062)	(4,989,304)	(4,136,776)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation	1,287,367	51,412	56,016
Accretion of asset retirement obligation	152,273	21,831	18,032
Accretion of discount on notes payable	525,461		
Amortization of financing costs	318,430	20,228	
Asset retirement cost	1,111,039		33,121
Equity loss on investment	74,617		
Gain on disposition of discontinued operations	(979,709)		
Gain on sale of investment securities	(79,129)		
Other expense (income)	113,677	(18,323)	
Non-cash mineral property option payment	(37,500)		
Shares issued to acquire mineral properties	19,105,000		
Warrants issued for mineral property costs	1,258,000		
Stock-based compensation	30,553,512	337,671	239,765
Changes in operating assets and liabilities:			
Prepaid expenses and deposits	(1,631,139)	224,453	36,354
Other current assets	(61,287)	15,342	(6,308)
Accounts payable and accrued liabilities	1,277,023	(1,109,406)	(493,287)
Due to related parties	485,284	14,525	(706)
Net Cash Used in Operating Activities	(118,563,143)	(5,431,571)	(4,253,789)
Investing Activities			
Reclamation surety deposits	(2,081,039)		
Acquisition of subsidiary, net cash paid	(48)		
Proceeds from sale of marketable securities	20,548,664		
Investment in property and equipment	(1,976,183)	(132,198)	(17,861)
Purchase of investment securities	(20,432,035)		
Disposition of subsidiary	905,092		
Net Cash Used in Investing Activities	(3,035,549)	(132,198)	(17,861)
Financing Activities			
Proceeds from notes payable	26,000,000		
Repayment of notes payable	(6,098,414)		
Financing costs	(656,187)		
Advances from related party	10,700		
Contributions from non-controlling interest	3,668,703	70,947	
Proceeds from issuance of common stock	111,109,552	392,731	

Share issuance costs	(5,620,077)		
Net Cash Provided by Financing Activities	128,414,277	463,678	
Increase (Decrease) In Cash	6,815,585	(5,100,091)	(4,271,650)
Cash - Beginning of Period		11,915,676	7,016,710
Cash - End of Period	6,815,585	6,815,585	2,745,060
Non-cash Investing and Financing Activities			
Sale of 60% of subsidiary for interest in mineral property	774,216		
Investment securities received as a mineral property option payment	37,500		
Purchase of equipment with loan payable	98,414		
Stock options issued for mineral property expenditures	170,598		
Common stock issued to settle debt	744,080		
Warrants issued with notes payable	525,461		
Warrants issued for mineral property costs	1,258,000		
Common stock issued for mineral property costs	19,105,000		
Supplemental Disclosures			
Interest paid	805,283	287,500	
Income taxes paid			

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

Uranerz Energy Corporation
(An Exploration Stage Company)
Consolidated Statement of Stockholders Deficit
For the Three Month Period March 31, 2014
(Expressed in US dollars)
(Unaudited)

	Common Stock Shares #	Common Stock Amount $	Additional Paid-in Capital $	Deficit Accumulated During the Exploration Stage $	Non-Controlling Interest $	Total $
Balance, December 31, 2013	85,815,074	85,815	156,814,709	(163,562,491)	113,488	(6,548,47
Stock-based compensation			286,671			286,67
Shares issued upon the exercise of options	149,700	150	192,581			192,73
Shares issued upon the exercise of warrants	125,000	125	199,875			200,00
Shares issued for services	30,000	30	50,970			51,00
Contribution from non-controlling interest					70,947	70,94
Net loss and comprehensive loss for the period				(4,909,277)	(80,027)	(4,989,30
Balance, March 31, 2014	86,119,774	86,120	157,544,806	(168,471,768)	104,408	(10,736,43

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

Uranerz Energy Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2014
(Expressed in US dollars)
(Unaudited)

1. Nature of Operations

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

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

As at March 31, 2014, the Company has working capital of $6,178,217 and cash on hand of $6,815,585. Management expects that the Company s financial position will be sufficient to fund operations in 2014.

2. Summary of Significant Accounting Policies

a) Basis of Presentation

The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the Securities and Exchange Commission (SEC) instructions for companies filing Form 10-Q. In the opinion of management, the unaudited interim consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of March 31, 2014, and the results of operations and cash flows for the period then ended. The financial data and other information disclosed in the notes to the interim consolidated financial statements related to this period are unaudited. The results for the three-month period ended March 31, 2014 are not necessarily indicative of the results to be expected for any subsequent quarter or the entire year ending December 31, 2014. The unaudited interim consolidated financial statements have been condensed pursuant to the Securities and Exchange Commission's rules and regulations and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these unaudited interim consolidated financial statements should be read in conjunction with the Company s annual audited consolidated financial statements and notes thereto for the year ended December 31, 2013, included in the Company s Annual Report on Form 10-K filed on March 14, 2014 with the SEC.

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

b) Cash and Cash Equivalents

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

c) Financial Instruments/Concentrations

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

Uranerz Energy Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2014
(Expressed in US dollars)

2. Summary of Significant Accounting Policies (continued)

f) Fair Value Measurements

The Company measures its available-for-sale securities at fair value in accordance with ASC 820, *Fair Value Measurements*. ASC 820 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.

g) Mineral Property Costs

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

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

h) Asset Retirement Obligations

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

Estimations and assumptions used in applying the expected present value technique to determine fair values are reviewed periodically. At March 31, 2014, the Company had accrued $1,263,312 for restoration and reclamation obligations (December 31, 2013 -$1,241,481).

Estimated site restoration costs for exploration activities are accrued when incurred. Costs for environmental remediation are estimated each period by management based on current regulations, actual expenses incurred, available technology and industry standards. Any change in these estimates is included in exploration expense during the period and the actual restoration expenditures incurred are charged to the accumulated asset retirement obligation provision as the restoration work is completed. At March 31, 2014 and December 31, 2013, the Company has recorded $39,000 for well reclamation obligations in accrued liabilities for which work is required as part of its ongoing exploration expenses.

i) Income Taxes

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

Uranerz Energy Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2014
(Expressed in US dollars)

2. Summary of Significant Accounting Policies (continued)

j) Recently Adopted Accounting Pronouncements

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

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

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

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

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

3. Property and Equipment

	Cost $	Accumulated Depreciation $	March 31, 2014 Net Carrying Value $	December 31, 2013 Net Carrying Value $
Computers and office equipment	355,819	255,118	100,701	103,024
Field equipment	1,651,078	965,735	685,343	603,423
	2,006,897	1,220,853	786,044	706,447

Uranerz Energy Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2014
(Expressed in US dollars)

4. Mineral Properties

a) On November 18, 2005, the Company entered into an agreement to acquire a 100% interest in 10 mining claims located in the Powder River Basin area, Wyoming, in consideration of advanced royalty payment of $250,000. The amounts were paid in installments and completed by January 2007. These mining claims are mainly located on the Nichols Ranch ISR Uranium Project and subject to a varying royalty interest indexed to the sales price of uranium.

b) On December 9, 2005, the Company entered into an option agreement to acquire a 100% interest in 44 mining claims within six mineral properties located in the Powder River Basin area, Wyoming. As at December 31, 2007 all requirements of this option agreement were satisfied and a deed for the 44 claims was received. A royalty fee of between 6% - 8% is payable for uranium extracted, based on the uranium spot price at the time of extraction and delivery.

c) On February 1, 2007, the Company acquired three mineral properties consisting of 138 unpatented lode mining claims located in Campbell County, Wyoming for a total purchase price of $3,120,000.

d) On January 15, 2008, the Company acquired an undivided eighty-one percent (81%) interest in approximately 82,000 acres (33,100 hectares) of mineral properties located in the central Powder River Basin of Wyoming, and entered into a venture agreement (the Arkose Mining Venture) with the vendor pursuant to which the Company will explore the properties.

e) On August 20, 2008, the Company leased 891 acres of mineral properties near the Company s Nichols Ranch project area in Wyoming for an advance royalty payment of $22,275.

f) On August 20, 2008, the Company, on behalf of the Arkose Mining Venture, leased 6,073 acres of mineral properties within Arkose s area of interest in Wyoming for an advance royalty payment of $151,828.

g) On September 18, 2008, the Company leased 984 acres of mineral properties within the Company s North Reno Creek project area in Wyoming. Refer to Note 13(b).

h) On December 3, 2008, the Company, on behalf of the Arkose Mining Venture, leased 1,680 acres of mineral properties within Arkose s area of interest in Wyoming for a five year advance royalty payment of $83,993.

i) On July 7, 2009, the Company, on behalf of the Arkose Mining Venture, leased 320 acres of mineral properties within the Arkose area of interest in Wyoming.

j) On January 26, 2010, the Company acquired Geological Data on the North Reno Creek uranium prospect located in Campbell County, Wyoming for a total purchase price of $600,000.

k) On August 13, 2010, the Company acquired Geological Data on the Powder River Basin, Wyoming by issuing warrants with a fair value of $1,258,000 to purchase 2,000,000 common shares of the Company at an exercise price of $3.00 per share.

l) On July 19, 2011, the Company received its Materials License from the Nuclear Regulatory Commission which allowed it to proceed with construction of its Nichols Ranch ISR Uranium Project in Wyoming.

m) During the three months ended March 31, 2014, mineral property expenditures totaling $3,319,813 (2013 - $2,790,318) were expensed, including $2,950,035 (2013 $2,542,436) of wellfield and construction costs related to our Nichols Ranch ISR Uranium Project.

Uranerz Energy Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2014
(Expressed in US dollars)

5. Balance Sheet Details

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

	March 31, 2014 $	December 31, 2013 $
Exploration costs		7,635
Insurance	259,619	254,122
Investor relations	33,847	59,232
Lease costs	247,696	392,884
Reclamation bonding	161,776	195,558
Current portion power supply advance	24,276	-
Surface use and damage costs	236,402	309,054
Deposits	76,800	76,800
Listing fees	50,017	
Other	56,006	18,273
Current prepaid expenses and deposits	1,146,439	1,313,558
Deposits	29,892	29,892
Power supply advance	168,833	195,727
Surface use and damage costs	292,212	322,652
Non-current prepaid expenses and deposits	490,937	548,271

b) The components of accrued liabilities are as follows:

	March 31, 2014 $	December 31, 2013 $
Mineral exploration expenses (Note 13(f))	507,370	703,192
Employee costs	288,695	219,580
Executive and employee compensation		604,000
Insurance fees		7,723
Professional fees		54,060
Reclamation costs (Note 8)	39,000	39,000
Other	5,250	47,224
Total accrued liabilities	840,315	1,674,779

6. Related Party Transactions / Balances

a)

During the three months ended March 31, 2014, the Company incurred $211,714 (2013 - $172,902) 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 March 31, 2014, consulting services and expenditures incurred on behalf of the Company of $14,525 (December 31, 2013 - $Nil) are owed to these Officers, and these amounts are unsecured, non-interest bearing, and due on demand.

b) During the three months ended March 31, 2014, the Company paid fees of $33,325 (2013 - $30,125) to non- executive Directors of the Company for their services as Directors. Other general and administrative expenses were reimbursed to the directors in the normal course of business.

c) During the three months ended March 31, 2014, the Company paid $322,500 (2013 - $Nil) for bonuses (included in prior year s general and administrative expenses) to related party Officers.

Uranerz Energy Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2014
(Expressed in US dollars)

7. Notes Payable

In December 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 13.

The Company incurred financing costs of $327,348, and as of March 31, 2014, the Company had unamortized debt issuance costs of $286,892 (December 31, 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, 2014	$	Nil
December 31, 2015		2,876,280
December 31, 2016		3,045,266
December 31, 2017		3,224,181
December 31, 2018		3,413,608
December 31, 2019		3,614,163
December 31, 2020		3,826,502
Total		20,000,000
Less: current portion		(703,749)
Long-term portion	$	19,296,251

8. Asset Retirement Obligations

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

Balance at December 31, 2013	$	1,241,481
Accretion expense		21,831
Balance at March 31, 2014	$	1,263,312

The current portion of reclamation and remediation liabilities of $39,000 and $39,000 at March 31, 2014 and December 31, 2013, respectively, are included in accrued liabilities (see Note 5(b)).

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

In December 2010, the Company provided a $1,700,000 cash security to support a bond in the amount of $6,800,000 to the State of Wyoming, Department of Environmental Quality or the Secretary of the Interior, United States Government. The bond is in lieu of depositing cash to guarantee mine reclamation and surety was provided by an insurance company. The bond applies to the first year s operation of the Company s Nichols Ranch ISR Uranium Project. This amount together with other surety deposits of $381,039 have been classified as mineral property reclamation surety deposits.

Uranerz Energy Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2014
(Expressed in US dollars)

9. Common Stock

a) During the three months ended March 31, 2014, the Company issued 149,700 shares of common stock, pursuant to the exercise of stock options, for proceeds of $192,731.

Month	Shares Issued	Proceeds $
January	22,000	24,580
February	67,700	90,041
March	60,000	78,110
Total	149,700	192,731

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

c) On March 20, 2014, the Company issued 30,000 shares of common stock with a fair value of $51,000 to a consultant for consulting services. During the three months ended March 31, 2014, the Company recorded the fair value of the shares as general and administrative expenses.

10. 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 three months ended March 31, 2014, the Company granted 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. During the three months ended March 31, 2014, the Company recorded stock-based compensation for the vested portion of the options of $4,286, as mineral property expenditures.

On February 15, 2014 Executive Officers and Directors forfeited 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.

During the three months ended March 31, 2014, the Company recorded stock-based compensation for the vesting of previously granted stock options of $223,153 as general and administrative expense and $59,232 as mineral property expenditures. During the three month period ended March 31, 2013, the Company recorded

$239,765 of stock-based compensation for the vesting of previously granted stock options. At March 31, 2014, the Company had 17,621,360 shares of common stock available to be issued under the Stock Option Plan.

The weighted average grant date fair value of stock options granted during the three month period ended March 31, 2014 was $1.32, per share. The total intrinsic value of stock options exercised during the three months ended March 31, 2014 and 2013, was $60,952, and $nil 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.

Uranerz Energy Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2014
(Expressed in US dollars)

10. Stock-based Compensation (continued)

The weighted average assumptions used for each of the three months ended March 31, are as follows:

	2014	2013
Expected dividend yield	0%	
Risk-free interest rate	2.71%	
Expected volatility	90%	
Expected option life (in years)	10.00	

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

	Number of Options	Weighted Average Exercise Price $	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value $
Outstanding, December 31, 2013	11,245,380	2.07		
Granted	7,500	1.52		
Forfeited	(1,814,000)	3.43		
Exercised	(149,700)	1.29		
Expired	(807,000)	2.73		
Outstanding, March 31, 2014	8,482,180	1.73	6.35	2,897,416
Exercisable, March 31, 2014	6,691,030	1.87	5.61	1,928,053

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, 2013	1,842,150	1.07
Granted	7,500	1.32
Vested	(3,000)	1.32
Expired	(55,500)	1.07
Non-vested at March 31, 2014	1,791,150	1.07

As at March 31, 2014, there was $1,377,957 of unrecognized compensation cost related to non-vested stock option agreements. This cost is expected to be recognized over a weighted average period of 1.31 years.

11. Stock Purchase Warrants

a) In September, 2013, as a component of a public offering of Units, the Company issued 4,275,000 common share purchase warrants, exercisable for $1.60 per share during the thirty month period ending March 5, 2016. The Company has the right to accelerate the expiry date of the warrants in the event that the underlying common shares trade at a closing price on the NYSE market of greater than $2.75 per share for a period of 20 consecutive trading days. As at March 31, 2014, 125,000 warrants have been exercised.

b) 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 March 31, 2014.

c) On August 13, 2010, the Company issued warrants to purchase 2,000,000 shares of common stock to a third party in exchange for the acquisition of intellectual property related to certain uranium prospects. Each warrant entitles the holder to acquire one common share of the Company for $3.00. The warrants have a four year term and vested 25% each on July 2010, 2011, 2012 and 2013. No warrants have been exercised as at March 31, 2014. (Refer to Note 4(k)).

Uranerz Energy Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2014
(Expressed in US dollars)

11. Stock Purchase Warrants (continued)

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

	Number	Weighted Average Exercise Price $
Balance December 31, 2013	7,875,000	1.96
Exercised	125,000	1.60
Balance March 31, 2014	7,750,000	1.96

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

Number of Warrants	Exercise Price $	Expiry Date
2,000,000	3.00	June 30, 2014
1,600,000	1.60	December 5, 2015
4,150,000	1.60	March 5, 2016

12. 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.

13. Commitments

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

b) On September 18, 2008, the Company signed two mining lease agreements which require ten annual payments of $75,000. As at March 31, 2014, the first five annual payments have been made. Refer to Note 4(g).

c) Refer to Note 8 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 $50,000 (Cdn$55,000) per annum.

e) On January 22, 2014 the Company renewed an office lease for a primary term of two years, beginning the 1st day of February, 2014 and ending on the 31st day of January, 2016. Rent consideration is $142,010 per annum. The lease agreement may be renewed for two additional years.

f) The Company is party to a processing agreement under which it is committed to minimum annual payments of $450,000 for each of the years 2013, 2014 and 2015. The 2013 liability of $450,000 was paid in January, 2014. Refer to Note 5(b).

g) The Company is committed under two sales agreements to supply triuranium octoxide (U_3O_8) over a four or five year period. One sales agreement has defined pricing each year and the second agreement has pricing which contains spot market referenced prices to set the sales price, with a floor and ceiling.

Uranerz Energy Corporation
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
March 31, 2014
(Expressed in US dollars)

13. Commitments (continued)

h) In 2013 the Company signed a third sales agreement to supply triuranium octoxide (U3O8) over a five year period commencing in 2016. The agreement has pricing which contains a base with an escalation factor.

i) At March 31, 2014 the Company has operational and construction purchase orders outstanding for approximately $490,000.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking-statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements concern our anticipated results and developments in our operations in future periods, planned exploration and, if warranted, development of our properties, plans related to our business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

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

- risks related to our limited operating history;
- risks related to the probability that our properties contain reserves;
- risks related to our past losses and expected losses in the near future;
- risks related to our need for qualified personnel for exploring for, starting and operating a mine;
- risks related to our lack of known reserves;
- risks related to the fluctuation of uranium prices;
- risks related to demand for uranium;
- risks related to environmental laws and regulations and environmental risks;
- risks related to using our in-situ recovery mining process;
- risks related to exploration and, if warranted, development of our properties;
- risks related to our ability to acquire necessary mining licenses or permits;
- risks related to our ability to make property payment obligations;
- risks related to our ability to obtain financing when required;
- risks related to the competitive nature of the mining industry;
- risks related to our dependence on key personnel;
- risks related to requirements for new personnel;
- risks related to securities regulations;
- risks related to stock price and volume volatility;
- risks related to dilution;
- risks related to our lack of dividends;
- risks related to our ability to access capital markets;
- risks related to security of our cash and investments;
- risks related to our issuance of additional shares of common stock;
- risks related to acquisition and integration issues;
- risks related to defects in title to our mineral properties; and
- risk related to our outstanding notes.

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the section titled "Risk Factors” contained in our annual report on Form 10-K for the year ended December 31, 2013 and filed with the Securities and Exchange Commission (the “SEC”) on March 14, 2014 and as described below in this Quarterly Report under the heading Risk Factors . Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, except as required by law.

General

We are a U.S.-based uranium company focused on exploration and in-situ recovery (ISR) of uranium. ISR is a mining process that uses a leaching solution to dissolve uranium from sandstone uranium deposits; it is the generally accepted extraction technology used in the Powder River Basin area of Wyoming.

Our first mining unit commenced operation on April 15, 2014. The Nichols Ranch ISR Uranium Project is licensed for a recovery level of up to two million pounds of uranium per year with initial annual recovery dependent upon the extraction efficiency in our first wellfield and market factors. The project will also serve as a platform to advance our other Powder River Basin properties with potential enhanced economics for adjacent and satellite projects.

We control a large strategic land position in the central Powder River Basin. Our management team has specialized expertise in the ISR uranium mining method, and has a record of licensing, constructing, and operating ISR uranium projects.

Our Powder River Basin properties include:

- our 100% owned properties that totaled 20,121 acres as of March 31, 2014; and
- our 81% interest in Arkose Mining Venture properties that totaled 59,107 acres as of March 31, 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, and are summarized as follows:

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

(1) Subject to royalties.

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

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

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

Arkose Mining Venture

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

Property Composition	**Ownership Interest (1)**	**Number of Claims/ Leases**	**Acreage (Approximate)**
Unpatented Mineral Lode Claims	81%	2,641	43,207 acres
State Leases	81%	3	2,080 acres
Fee (private) Mineral Leases	81%	61	13,820 acres
Total			**59,107 acres**

(1) Subject to royalties.

Through a combination of claim staking, purchasing and leasing, we have also acquired interests in projects that lie within the Powder River Basin but outside of the project areas discussed above. These additional properties include the Verna Ann, Niles Ranch and Reno Creek projects. However, due to our focus on other activities, we have not yet made any development decisions on these projects.

Information regarding the location of and access to our Wyoming properties, together with the history of operations, present condition and geology of each of our significant properties, is presented in Item 2 of our Annual Report on Form 10-K for the year ended December 31, 2013 under the heading Description of Properties , previously filed with the SEC on March 14, 2014.

During this quarter we have completed construction of our processing facility and installation of our first wellfield at our Nichols Ranch ISR Uranium Project in the Powder River Basin. The Nuclear Regulatory Commission (NRC) pre-operational field inspections were conducted in December 2013 and in January 2014.

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

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

During the first quarter of 2014 we:

- completed installation of equipment and electrical components in our processing facility;
- tested injection and recovery wells for Nichols Ranch Production Area #1;
- conducted staff training for safety and operations;
- completed NRC startup field inspections;
- continued preparation of permit applications for the Jane Dough unit; and
- waited for the NRC to provide final startup approvals.

Financial Position

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

Liquidity and Capital Resources

We are carrying out an exploration, environmental and uranium recovery program in 2014 as reported in our Annual Report. This plan anticipated completion of the processing facility, deep disposal wells and initial wellfield of our Nichols Ranch ISR Uranium Project in late 2013, with recovery commencing shortly thereafter. Startup was delayed approximately three months to accommodate a technical amendment to our NRC license, which was completed on April 15, 2014. Mineral property acquisitions, dependent upon opportunities that may arise, may also be pursued in 2014.

During the three months ended March 31, 2014, operational expenditures incurred were $4,707,371. These expenditures include mine development costs incurred for the Nichols Ranch project totaling $2,950,035, all of which have been expensed in accordance with the Company’s status as an “exploration stage company” pursuant to the SEC’s Industry Guide 7.

At March 31, 2014 we had cash of $6,815,585 and working capital of $6,178,217, as compared to cash of $11,915,676 and working capital of $11,050,125 as at December 31, 2013. Our cash is invested in bank savings accounts and is available on demand.

Net cash used in operating activities was $5,431,571 for the three months ended March 31, 2014, compared to $4,253,789 for the corresponding period in 2013, increased somewhat as project construction costs were higher by $407,599. Net cash used to purchase property and equipment was $132,198 for the three months ended March 31, 2014, compared to $17,861 used in the corresponding period in 2013.

Net cash provided by financing activities amounted to $463,678 for the three months ended March 31, 2014, primarily proceeds from stock options exercised, compared to $Nil provided in the corresponding period in 2013 when no financing transactions occurred.

During the twelve-month period following the date of this quarterly report, we anticipate that we will begin to generate a modest amount of revenue. The Nichols Ranch ISR Uranium Project is expected to incur additional expenditures of approximately $5 million of wellfield expansion and related costs in 2014. We anticipate that these expenditures will be paid for from cash on hand, operations and from additional financing. We currently have sufficient working capital to fund our planned activities for the next twelve months. We may obtain new financing to fund additional exploration and property acquisitions, if we choose to conduct any

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

We anticipate that any additional financing may be in the form of equity financing from the sale of our common stock and the exercise of share purchase options and/or debt, depending on capital markets. We cannot provide assurance that additional financing will be available to us in amounts sufficient to meet our needs or on terms acceptable to us, if at all. In 2011, we filed a Form S-3 "shelf registration statement", including equity and/or debt, in the amount of $100 million which was drawn upon during our September 2013 equity issuance.

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

Results of Operations

Three-month period ended March 31, 2014 compared to three-month period ended March 31, 2013

Revenue and Operating Expenses

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

We incurred total operating expenses of approximately $4,707,371 for the three-month period ended March 31, 2014, as compared to $4,140,776 for the corresponding period in 2013. The increase of operating expenses in the amount of $566,595 was primarily attributable to an increase in mineral property expenses of $529,495 of which $407,599 was attributable to processing facility and wellfield expenditures related to the Nichols Ranch ISR Uranium Project.

Our financing expense for the three-month period ended March 31, 2014 was $307,728, as compared to $Nil for the corresponding period in 2013. Our interest income was $7,472 for the three-month period ended March 31, 2014 compared to $4,000 in 2013 when cash balances were lower. The financing expense is related to our Note payable, issued in December 2013.

Net loss for the three-month period ended March 31, 2014 was approximately $4,909,277, as compared to approximately $4,080,745 for the corresponding period in 2013. The increase in net loss was primarily attributable to the increase in operating expenses resulting from an increase in mineral property expenses.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders except as disclosed in the unaudited Financial Statements at March 31, 2014. The Company has had no material changes to its off-balance sheet arrangements as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 14, 2014 and the unaudited Financial Statements at March 31, 2014 as provided herein under the section heading "Financial Statements" above.

Critical Accounting Policies

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

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

Asset Retirement Obligations

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

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

Stock-based Compensation

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

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

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

Contractual Obligations

The Company has had no material changes to its contractual obligations as disclosed in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2014 and the unaudited Consolidated Financial Statements at March 31, 2014 as provided herein under the section heading "Financial Statements" above.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our operations are not yet exposed to risks associated with commodity prices, interest rates and credit. Commodity price risk is defined as the potential loss that we may incur as a result of changes in the market value of uranium. Interest rate risk results from our debt and equity instruments that we issue to provide financing and liquidity for our business. Credit risk would arise from the extension of credit throughout all aspects of our business but is not yet significant. Industry-wide risks can, however, affect our general ability to finance exploration, and development of exploitable resources; such effects are not predictable or quantifiable.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

During our most recently completed fiscal quarter ended March 31, 2014, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

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

(a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;

(b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and

(c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant's assets that could have a material effect on the financial statements.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors

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

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

On March 20, 2014, the Company issued 30,000 shares of common stock with a fair value of $51,000 to a consultant for consulting services. The shares of common stock were issued pursuant to Section 4(a) (2) of the United States Securities Act of 1933, as amended, in reliance on certain representations of the consultant.

Item 3. Defaults Upon Senior Securities

None.

Item 4.

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States, and that is subject to regulation by the Federal Mine Safety and Health Administration under the Mine Safety and Health Act of 1977 (Mine Safety Act), are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the quarter ended March 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.

Item 5. Other Information

None.

Item 6. Exhibits

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

Exhibit Number	Description
3.1	Articles of Incorporation (1)
3.2	Bylaws, as amended (1)
3.3	Articles of Amendment filed July 5, 2005 (2)
3.4	Articles of Amendment filed August 8, 2008(3)
3.5	Articles of Amendment filed July 8, 2009(4)
3.6	Articles of Amendment filed August 8, 2011(5)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act
32.1	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
32.2	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
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculations
101.DEF	XBRL Taxonomy Extension Definitions
101.LAB	XBRL Taxonomy Extension Labels

(1) Previously filed as an exhibit to the Registrant s Form SB-2 filed March 15, 2002
(2) Previously filed as an exhibit to the Registrant s Annual Report on Form 10-KSB filed April 14, 2006
(3) Previously filed as an exhibit to the Registrant s Quarterly Report on Form 10-Q filed August 11, 2008
(4) Previously filed as an exhibit to the Registrant s Form S-3 filed July 9, 2009
(5) Previously filed as an exhibit to the Registrant s Form 8-K, filed August 12, 2011
(6) Previously filed as an exhibit to the Registrant s Form 8-K, filed October 22, 2009
(7) Previously filed as an exhibit to the Registrant s Form 8-K, filed October 27, 2009
(8) Previously filed as an exhibit to the Registrant s Form 8-K, filed June 12, 2013
(9) Previously filed as an exhibit to the Registrant s Form 8-K, filed June 28, 2013

SIGNATURES

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

URANERZ ENERGY CORPORATION

By: /s/ *Benjamin Leboe*

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

Date: May 9, 2014

By: */s/ Glenn Catchpole*

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

Date: May 9, 2014