

Uranerz Energy Corporation

(URZ-T: C\$4.88), (URZ-A: US\$4.89)

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BUY, High Risk*

12-month target price: C\$5.60 (was C\$4.25)

NRC Completes Final Environmental Impact Statement

Risk*				High
52-Week Range		C\$ 0.93	-	C\$ 4.91
Shares Outstanding (MM)				70.8
Fully Diluted Shares (MM)				84.2
Market Capitalization (MM)				C\$ 345.4
Ave. Volume (000 shares/day)				1,628
Working Capital (30-Sept-10) - (MM)				\$ 21.0
Value Cash, ST Inv. (30-Sept-10) - (MM)				\$ 21.1

Dundee Assumptions		2009A	2010E	2011E	Long Term
U Term (US\$/lb)	66	60	65	65	65
U Spot (US\$/lb)	47	46	65	65	65
U Realised (US\$/lb)	0	0	65	65	65
FX (US\$/C\$)	0.88	0.99	1.00	0.90	0.90

Valuation (C\$/share)		
2012E - 10% DCF Corporate Value		C\$ 4.45
2011E Year-end Cash, ST Inv. etc.		C\$ 0.21
2011E Additional Resource Value		C\$ 0.95
NAV		C\$ 5.60
DCF Multiple		1.00
Target		C\$ 5.60

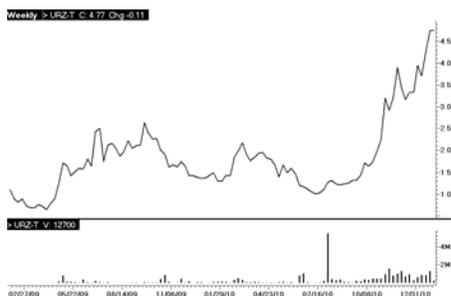
Earnings and Cash Flow (US\$/share)		2008A	2009A	2010E	2011E
EPS		-0.66	-0.15	-0.22	0.02
CFPS before WC		-0.25	-0.13	-0.15	0.02

All figures in US\$ unless otherwise noted

Source: See Note 1

URZ-T: Price/Volume Chart

Insert Chart here



Source: Thomson ONE

Company Description

Uranerz is focused on the development of in situ recovery (ISR) uranium projects in the Powder River and Great Divide Basins of Wyoming. Nichols Ranch, Hank, West North Butte and surrounding projects host almost 20 MM lbs U3O8 in resources. The Nichols Ranch plant is being permitted for 2 MM lbs annually. Initial production of 200,000 s expected in 2011, ramping to ~800,000 lbs for the next two years before we believe the company would expand to 1.6 MM lbs annually.

Conclusion: We are increasing our 12-month share price target to C\$5.60 from C\$4.25 as risk decreases significantly with the receipt of its Final SEIS. We now expect its final NRC license within 30-40 days. We continue to recommend the stock at BUY and expect the stock to perform well over the next month towards the expected issuance of its final NRC permits.

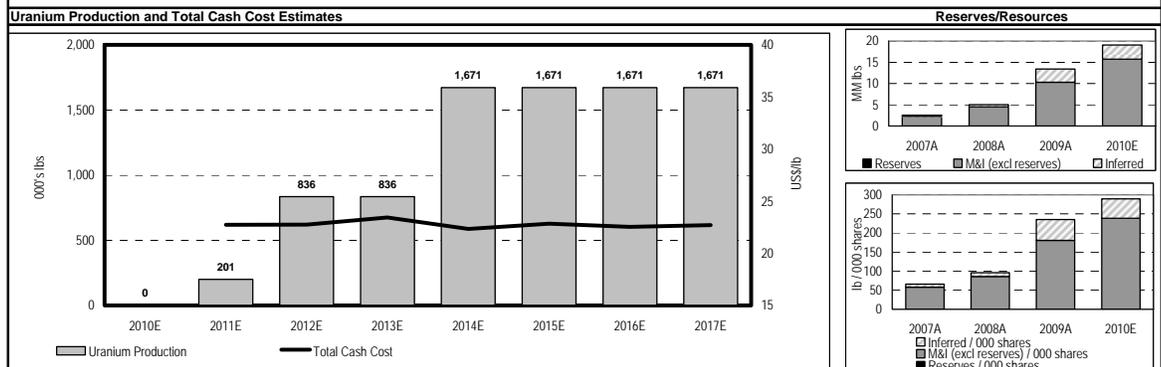
Strong performance of the sector, near term uranium production potential, a well respected management team, pending NRC and WDEQ permits, a US listing and strong retail interest are all continuing to push the company's stock price upwards. The stock has outperformed most of its peers - over the past three months URZ is up 141% compared to its peer groups rise of 65%.

We are raising our target price as Uranerz prepares itself to join the ranks of producers. We have increased our additional resource value to US\$3/lb U3O8 from US\$2/lb to be in line with the other producers - and this is still a 33% discount to where the street values stocks on a pound in the ground basis (at ~US\$4.50/lb). We increased our mineral inventory upside to 43.5 MM lbs from 34.9 MM lbs, and our DCF modelled resource to 22.4 MM lbs from 16.8 MM lbs (adding two years of production). Our current estimates remains well below an NI 43-101 report suggesting potential for 41-70 MM lbs U3O8 on the Arkose property alone. With construction now taking centre stage, we expect the company to continue to drill to expand resources - they are up 240% over the past three years. However for Uranerz to truly receive a higher valuation from here (barring increases to our uranium price assumptions) we believe that a production expansion beyond our forecast of 1.5 MM lbs in 2013 is required.

NRC Licensing Nearly Complete

- **Final SEIS Completed** - It was announced yesterday that the US Nuclear Regulatory Commission (NRC) completed the final Supplemental Environmental Impact Statement (SEIS) for Nichols Ranch ISR project in Wyoming. "There are no major environmental impacts that would preclude licensing...". The SEIS is expected to be noticed in the Federal Register on 28-Jan-11.
- **Uranium Recovery License (URL) pending.** We expect the final Uranium Recovery License (also known as Radioactive Materials License) to be issued within 30-40 days of the issuance of SEIS, perhaps as early as late February 2011.
- **Focus shifts to construction.** Management expects to break ground immediately after receipt of the NRC license. They will now order long lead time items such as the IX columns and sand filters. We don't expect the Sage Grouse mating season to impact construction of this project, unlike other places in Wyoming.
- **Spring hiring.** Uranerz likely has the most experienced executive team in Wyoming but we believe the challenge will be able to recruit middle management and ISR experienced field operators. Uranerz is likely to hire 50 people this year starting in the spring compared to its existing compliment of about 25.

URANERZ ENERGY CORPORATION					URZ-T		C\$ 4.88			
Rating	BUY		C\$ Target	\$5.60	Shares O/S (MM)		70.8			
Risk*	High		C\$ Close	\$4.88	Float (MM)		56.0			
12-month return	15%				Mkt. Capitalization (MMS)		C\$ 345			
All figures in US\$, unless stated otherwise										
EVALUATION DATA				BALANCE SHEET						
Year-end Dec.	2008A	2009A	2010E	2011E	(000\$)	(000\$)	(000\$)			
EPS	\$ (0.66)	\$ (0.15)	\$ (0.22)	\$ 0.02	2008A	2009A	Q3/10			
P/E	N/A	N/A	N/A	N/A	Assets					
CFPS before changes in WC	\$ (0.25)	\$ (0.13)	\$ (0.15)	\$ 0.02	Cash & ST Investments	21,253	29,193	21,084		
P/CF	N/A	N/A	N/A	N/A	Other Current Assets	651	9,524	826		
market cap/reserve lb					Current Assets	21,905	38,717	21,910		
enterprise value/reserve lb					Mineral Properties	318	319	320		
market cap/resource lb					Other non-current Assets	643	541	1376		
enterprise value/resource lb					Total Assets	22,866	39,577	23,606		
ASSUMPTIONS				EARNINGS SUMMARY						
U Price Realized	US\$/lb	0	0	0	65	2008A	2009A	2010E	2011E	
Exchange	US\$/C\$	0.94	0.88	0.99	1.00	Revenue				
Dundee Modelled Reserves and Other Mineralization (MM lb)					22.4	Uranium	-	-	-	13,074
						Other	610	155	-	1,250
RESERVES & RESOURCES (Ju-09 NR; Ma-08 H; De-08 WNB; Au-09 SD, Ja-10 D)				STATEMENT OF CASH FLOWS						
	Tonnes	Grade	Cont U3O8 (MM lbs)			2008A	2009A	2010E	2011E	
Ownership	MM t	% U3O8	100% Basis	URZ Share		(34,248)	(8,699)	(14,656)	1,077	
Proven and Probable Reserves				Net Income (000's\$)						
Nichols Ranch						129	176	146	91	
Hank						-	-	-	-	
Total Reserves	-	-	-	-		-	-	-	-	
Measured and Indicated Resources (including reserves)				Future income taxes						
Nichols Ranch	100%	1.17	0.114	2.95	2.95	-	-	-	-	
Hank	100%	0.83	0.123	2.24	2.24	-	-	-	-	
North Rolling Pin	100%	0.64	0.058	0.66	0.66	-	-	-	-	
West North Butte	100%	0.84	0.153	2.84	2.84	-	-	-	-	
Doughstick	81%/100%	0.54	0.081	0.97	0.88	-	-	-	-	
South Doughstick	81%	0.96	0.121	2.29	1.85	-	-	-	-	
Reno Creek	100%	3.83	0.056	4.29	4.29	-	-	-	-	
Total M&I Resources		8.81	0.088	16.24	15.72	-	-	-	-	
Inferred Resources				FX Gain						
Nichols Ranch						-	-	-	-	
Hank	100%	0.13	0.087	0.25	0.25	-	-	-	-	
North Rolling Pin	100%	0.30	0.042	0.03	0.03	-	-	-	-	
West North Butte	100%	1.01	0.120	2.68	2.68	-	-	-	-	
Doughstick	81%/100%	0.07	0.055	0.09	0.09	-	-	-	-	
South Doughstick	81%	0.10	0.096	0.19	0.15	-	-	-	-	
Reno Creek	100%	0.18	0.039	0.14	0.14	-	-	-	-	
Total Inferred Resources		1.80	0.092	3.38	3.34	-	-	-	-	
TOTAL RESOURCE		10.61	0.089	19.62	19.06	-	-	-	-	
PRODUCTION ESTIMATES (lb)				Other Operating						
Year-end Dec.	2008A	2009A	2010E	2011E	2012E	20,880	907	4,477	-	
Nichols Ranch	0	0	0	201,138	835,716	-	-	-	-	
Sub total	0	0	0	201,138	835,716	-	-	-	-	
TOTAL CASH COST ESTIMATES (US\$/lb)				Total Operating CF						
Year-end Dec.	2008A	2009A	2010E	2011E	2012E	(13,164)	(7,483)	(9,934)	1,168	
Nichols Ranch	0	0	0	23	23	-	-	-	-	
Wt. Ave.	0	0	0	23	23	-	-	-	-	
NET ASSET VALUE (beginning 2012)				Short term investments						
	0% NAV (C\$MM)	C\$/share	10% NAV (C\$MM)	C\$/share		-	-	-	-	
Corporate DCF	396	6.94	254	4.45		-	-	-	-	
Cash and other	12	0.21	12	0.21		-	-	-	-	
Exploration & unmodelled Resources	54	0.95	54	0.95		-	-	-	-	
Total	462	8.10	320	5.60		-	-	-	-	
Dundee DCF Target Multiple				1.0x		-	-	-	-	
Share Price Target				C\$ 5.60		-	-	-	-	
NAV & Target Sensitivity (C\$/share) to Long-term Uranium Price Assumption				Total Investing CF						
	Long Term Uranium Price Assumption (US\$/lb)									
NAV (C\$/share)	40	50	60	70	80	(20,160)	11,590	7,322	(34,000)	
0% Discount	4.74	6.05	7.35	8.64	9.94	24,221	17,166	20,000	87	
5% Discount	3.99	5.01	6.02	7.03	8.04	-	-	-	-	
10% Discount	3.46	4.28	5.10	5.92	6.73	-	-	-	-	
15% Discount	3.09	3.77	4.45	5.12	5.79	-	-	-	-	
NAV & Target Sensitivity (C\$/share) to Long-term Uranium Price Assumption				Total Financing CF						
	Long Term Uranium Price Assumption (US\$/lb)									
NAV (C\$/share)	40	50	60	70	80	22,802	15,498	20,598	87	
0% Discount	4.74	6.05	7.35	8.64	9.94	-	-	-	-	
5% Discount	3.99	5.01	6.02	7.03	8.04	-	-	-	-	
10% Discount	3.46	4.28	5.10	5.92	6.73	-	-	-	-	
15% Discount	3.09	3.77	4.45	5.12	5.79	-	-	-	-	
NAV & Target Sensitivity (C\$/share) to Long-term Uranium Price Assumption				Foreign Exchange effect						
	Long Term Uranium Price Assumption (US\$/lb)									
NAV (C\$/share)	40	50	60	70	80	(10,521)	19,605	17,986	(32,745)	
0% Discount	4.74	6.05	7.35	8.64	9.94	-	-	-	-	
5% Discount	3.99	5.01	6.02	7.03	8.04	-	-	-	-	
10% Discount	3.46	4.28	5.10	5.92	6.73	-	-	-	-	
15% Discount	3.09	3.77	4.45	5.12	5.79	-	-	-	-	
NAV & Target Sensitivity (C\$/share) to Long-term Uranium Price Assumption				Change in cash						
	Long Term Uranium Price Assumption (US\$/lb)									
NAV (C\$/share)	40	50	60	70	80	21,253	29,193	47,179	14,434	
0% Discount	4.74	6.05	7.35	8.64	9.94	-	-	-	-	
5% Discount	3.99	5.01	6.02	7.03	8.04	-	-	-	-	
10% Discount	3.46	4.28	5.10	5.92	6.73	-	-	-	-	
15% Discount	3.09	3.77	4.45	5.12	5.79	-	-	-	-	



Source: Company Reports, Thomson ONE, Dundee Capital Markets Estimates

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The Research Analyst/Associate and/or Dundee Securities Corporation has been partially reimbursed for expenses by the following issuer(s) for travel to material operations of the issuer(s): Uranerz Energy Corporation.

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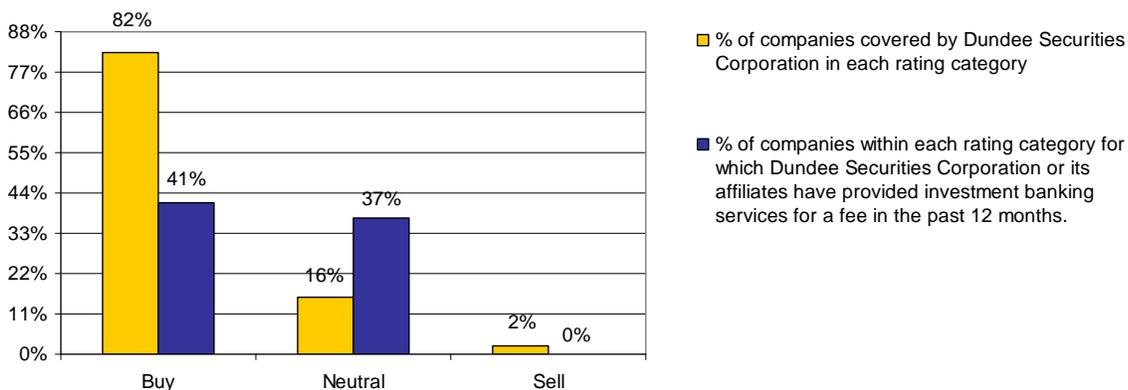
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