

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

January 25, 2011

David A. Talbot / (416) 350-3082
dtalbot@dundeesecurities.com

Mansur Khan / (416) 350-3314
makhan@dundeesecurities.com

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

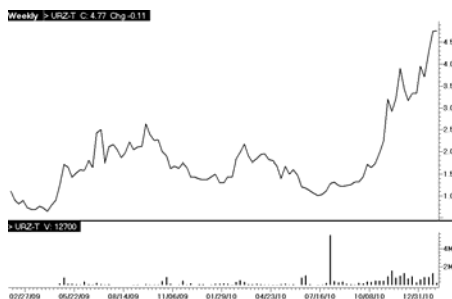
Earnings and Cash Flow (US\$/share)		2008A	2009A	2010E	2011E
EPS		-0.66	-0.15	-0.22	0.02
CFPS before WC		-0.25	-0.13	-0.15	0.02

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.

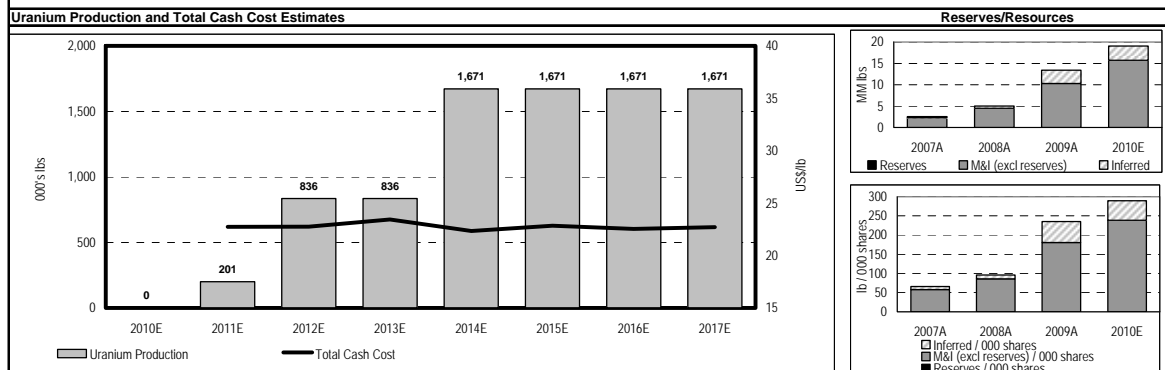
Strong performance of the sector, near term uranium production potential, a well respected management team, pending NRC and WDEQ permits, a US listing and strong retail interest are all continuing to push the company's stock price upwards. The stock has outperformed most of its peers - over the past 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
P/CF	N/A	N/A	N/A	N/A	Other Current Assets	651	9,524
market cap/reserve lb					Current Assets	21,905	38,717
enterprise value/reserve lb					Mineral Properties	318	319
market cap/resource lb					Other non-current Assets	643	541
enterprise value/resource lb					Total Assets	22,866	39,577
ASSUMPTIONS				EARNINGS SUMMARY			
U Price Realized	US\$/lb	0	0	0	2008A	2009A	2010E
Exchange	US\$/C\$	0.94	0.88	0.99	2011E	2011E	2011E
Dundee Modelled Reserves and Other Mineralization (MM lb)					Revenue		
					Uranium	-	-
					Other	610	155
					Total Revenue	610	155
					Operating costs	-	-
					NSR	-	-
					Exploration	0	0
					G&A	6,153	4,599
					DD&A	129	176
					Other	29,528	4,778
					Interest & Financing Costs	-	-
					FX	(4)	3
					EBT	(35,197)	(9,401)
					Taxes	-	-
					Minority Interest	(949)	(702)
					Net Income (reported)	(34,248)	(8,699)
					EPS	\$ (0.66)	\$ (0.15)
					Average shares (MM)	52.3	57.1
						65.8	65.9
					STATEMENT OF CASH FLOWS		
					2008A	2009A	2010E
					2011E	2011E	2011E
					Net Income (000's\$)		
					(34,248)	(8,699)	(14,656)
					D, D&A	129	176
					Future income taxes	-	-
					Writedown of min. properties	-	-
					FX Gain	-	(4)
					Change in working capital	75	133
					Other Operating	20,880	907
					Total Operating CF	(13,164)	(7,483)
					Short term investments	-	-
					Mineral Properties	(364)	(75)
					Acquisitions	(20,432)	(0)
					Increase in Investments	-	-
					Other Investing	636	11,665
					Total Investing CF	(20,160)	11,590
					Equity financing	24,221	17,166
					Debt Issue	-	-
					Debt Repayment	(32)	(34)
					Other financing	(1,387)	(1,635)
					Total Financing CF	22,802	15,498
					Foreign Exchange effect	-	0
					Change in cash	(10,521)	19,605
					Cash & ST Inv, end of year	21,253	29,193
						47,179	14,434



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

Disclosures & Disclaimers

Dundee Securities Corporation is an affiliate of Dundee Corporation, DundeeWealth Inc., and Goodman & Company, Investment Counsel Ltd.

Research Analyst Certification: Each Research Analyst involved in the preparation of this Research Report hereby certifies that: (1) the views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this Research Report; and (2) his/her compensation is not and will not be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst in this Research Report.

U.S. Residents: Dundee Securities Inc. is a U.S. registered broker-dealer and an affiliate of Dundee Securities Corporation. Dundee Securities Inc. accepts responsibility for the contents of this Research Report, subject to the terms and limitations as set out above. U.S. residents seeking to effect a transaction in any security discussed herein should contact Dundee Securities Inc. directly.

This Research Report is not an offer to sell or the solicitation of an offer to buy any of the securities discussed herein. The information contained in this Research Report is prepared from sources believed to be reliable but Dundee Securities Corporation makes no representations or warranties with respect to the accuracy, correctness or completeness of such information. Dundee Securities Corporation accepts no liability whatsoever for any loss arising from any use or reliance on this Research Report or the information contained herein. Any reproduction in whole or in part of this Research Report without permission is prohibited.

Dundee Securities Research is distributed by email, website or hard copy. Dissemination of initial reports and any subsequent reports is made simultaneously to a pre-determined list of Dundee Securities' Institutional Sales and Trading representative clients and Retail Private Client offices. The policy of Dundee Securities with respect to Research reports is available on the Internet at www.dundeewealth.com.

The compensation of each Research Analyst/Associate involved in the preparation of this Research Report is based upon, among other things, the overall profitability of Dundee Securities Corporation, which includes the overall profitability of the Investment Banking Department.

© Dundee Securities Corporation

Note 1: All historical data including financial and operating data on the issuer(s) mentioned in this report come from publicly available documents including statutory filings of these issuer(s). Data may also be sourced from Bloomberg, Baseline, Thomson ONE.

Informal Comments are analysts' informal comments that are posted on the Dundee website. They generally pertain to newsflow and do not contain any change in analysts' opinion, estimates, rating or target price. Please refer to formal published research reports for valuation methodologies used in determining target prices for companies under coverage. Please refer to formal published research reports for company specific disclosures and analyst specific disclosures for companies under coverage.

Mineral Exploration Watchlist: Dundee Securities Corporation has not initiated formal continuing coverage of Mineral Exploration Watchlist companies. The companies will have recommendations and risk ratings as per our regular rating system, see Explanation of Recommendations and Risk Ratings for details. Risk ratings will be either Speculative or Venture. Speculative Risk rated companies are those companies that have published National Instrument 43-101 or JORC compliant resources or reliable historic resources and/or economic evaluations (scoping, pre-feasibility or feasibility studies) that could reasonably form the basis of a discounted cash flow analysis. Venture Risk rated companies are those companies that are generally at an earlier stage of exploration and/or development, where no material resource estimate, historic or compliant, exists. No price targets will be set for Mineral Exploration Watchlist companies as there are limited financial metrics upon which to base a reasonable valuation. Valuation methodologies and models will not be provided for Mineral Exploration Watchlist companies. Dundee clients should consult their investment advisor as to the appropriateness of an investment in the securities mentioned.

Base Metals & Iron Ore Weekly Dashboard is a compilation of market statistics and media reports that is posted on the Dundee website. The Dashboard does not contain any change in the analyst's opinion, estimates, ratings or target prices. Please refer to formal published research reports for valuation methodologies used in determining target prices for companies under coverage. Please refer to formal published research reports for company specific disclosures and analyst specific disclosures for companies under coverage.

Presentations do not include disclosures that are specific to analysts and specific to companies under coverage. Please refer to formal published research reports for company specific disclosures and analyst specific disclosures for companies under coverage. Please refer to formal published research reports for valuation methodologies used in determining target prices for companies under coverage.

Dundee Securities Corporation and its affiliates, in the aggregate, may beneficially own 1% or more of a class of equity securities issued by company(ies) discussed in this report.

Disclosures required under Rule 3400 for sector research reports covering six or more issuers can be found on the DundeeWealth website in Capital Markets, Investments, Dundee Securities Research, see 'Research Disclosures' section.

A Research Analyst/Associate involved in the preparation of this report has visited certain material operations of the following issuer(s): Uranerz Energy Corporation. The analyst visited the Nichols Ranch, Hank and area development projects in Wyoming – viewed plans, sections, witnessed drilling set-ups, and had discussions with management.

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.

Explanation of Recommendations and Risk Ratings

Valuation methodologies used in determining the 12-month target price(s) for the issuer(s) mentioned in this report are contained in current and/or prior research. Target Price N/A: a target price is not available if the analyst deems there are limited financial metrics upon which to base a reasonable valuation.

BUY: total returns expected to be materially better than the overall market with higher return expectations needed for more risky securities. NEUTRAL: total returns expected to be in line with the overall market. SELL: total returns expected to be materially lower than the overall market. TENDER: the analyst recommends tendering shares to a formal tender offer.

*Risk Ratings: risk assessment is defined as Medium, High, Speculative or Venture. Medium: securities with reasonable liquidity and volatility similar to the market. High: securities with poor liquidity or high volatility. Speculative: where the company's business or financial risk is high and is difficult to value. Venture: an early stage company where the business or financial risk is high, and there are limited financial metrics upon which to base a reasonable valuation.

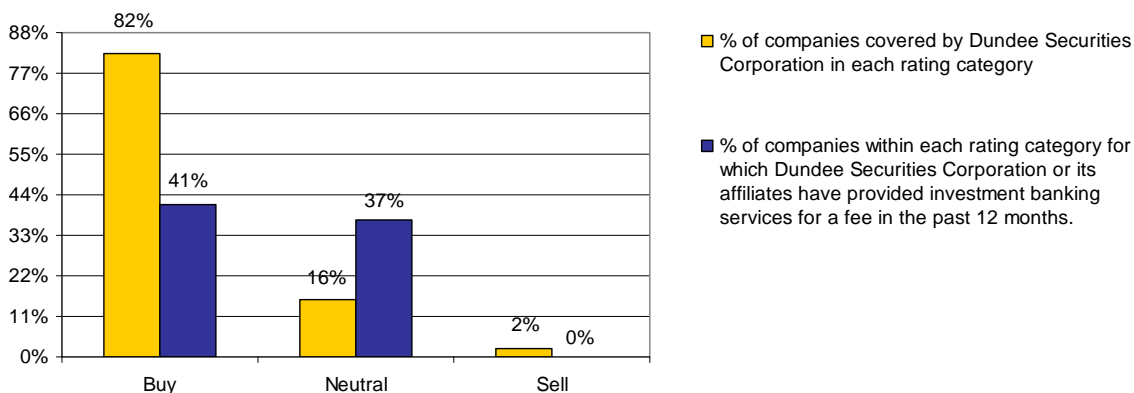
Medium and High Risk Ratings Methodology: Medium and High risk ratings are derived using a predetermined methodology based on liquidity and volatility. Analysts will have the discretion to raise the risk rating if it is determined a higher risk rating is warranted. Securities with poor liquidity or high volatility are considered to be High risk. Liquidity and volatility are measured using the following methodology: a) Price Test: All securities with a price <= \$3.00 per share are considered high risk for the purpose of this test. b) Liquidity Test: This is a two-tiered calculation that looks at the market capitalization and trading volumes of a company. Smaller capitalization stocks (<\$300MM) are assumed to have less liquidity, and are, therefore, more subject to price volatility. In order to avoid discriminating against smaller cap equities that have higher trading volumes, the risk rating will consider 12 month average trading volumes and if a company has traded >70% of its total shares outstanding it will be considered a liquid stock for the purpose of this test. c) Volatility Test: In this two step process, a stock's volatility and beta are compared against the diversified equity benchmark. Canadian equities are compared against the TSX while U.S. equities are compared against the S&P 500. Generally, if the volatility of a stock is 20% greater than its benchmark and the beta of the stock is higher than its sector beta, then the security will be considered a high risk security. Otherwise, the security will be deemed to be a medium risk security. Periodically, the equity risk ratings will be compared to downside risk metrics such as Value at Risk and Semi-Variance and appropriate adjustments may be made. All models used for assessing risk incorporate some element of subjectivity. Risk in relation to forecasted price volatility is only one method of assessing the risk of a security and actual risk ratings could differ.

SECURITY ABBREVIATIONS: NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares).

Ideas of Interest

Dundee Securities Corporation from time to time publishes reports on securities for which it does not and may not choose to provide continuous research coverage. Such reports are published as Ideas of Interest.

Dundee Securities Equity Research Ratings



December 31, 2010

Source: Dundee Securities Corp.