


Uranerz Energy Corp. (URZ-AMEX, \$4.89; URZ-T, C\$4.88) January 25, 2011

Rating: SECTOR OUTPERFORM
Revised Target Price: (+\$0.90) \$6.10
Return: 25%
YTD Performance: 23%
Risk Profile: SPECULATIVE

Geordie Mark, Ph.D. (604-697-6112, gmark@haywood.com)
 Colin Healey (604-697-6089, chealey@haywood.com)


 Uranerz Energy is poised for low-OPEX, low-CAPEX ISR uranium production by early 2012 in the Powder River Basin, Wyoming, USA.

Pending NRC SEIS: a construction signal for Nichols Ranch!

Event: Supplemental Environmental Impact Statement (SEIS) completed for Nichols Ranch by U.S. Nuclear Regulatory Commission (NRC) with no major issues cited.

Impact- Positive: The NRC's announcement yesterday that there are "no major environmental impacts that would preclude licensing the Nichols Ranch uranium recovery project..." is a very positive step toward fully permitting the project, and further de-risks the potential operation. A SEIS is the last formal document required before the NRC can issue a Source Material License (SML), the project's final license required ahead of construction, which we expect in late February.

- Forecasts** – We have modified our production schedule expectations for the company with 2012 production of ~500 klb U₃O₈, & 2013 output of ~1.15 Mlb U₃O₈.
- Target Price, Ratings** – We are increasing our target to \$6.10 from \$5.20, with the transition from a 1.0 x NAV valuation to a 50:50 blend of 10.0 x our 2013 CFPS estimate and 1.0 x our corporate NAV. In our view, the project has been significantly de-risked, and given the strength of the technical team we integrate a forward cash flow in our valuation on expectation of production commencement in Q2'12. We retain our SECTOR OUTPERFORM Rating & SPECULATIVE Risk profile.

Licensing and Permitting:

- The NRC said in its press release today, that the SEIS for the Nichols Ranch property will be 'noticed' in the Federal Register on January 28th, 2011. The language in the NRC's press release regarding this SEIS lends confidence to our contention that the NRC is mere weeks away from finalizing the Nichols Ranch SML, which it issued in draft form recently, and which is the final license required ahead of construction. (Exhibit 2 summarizes State & Federal regulators permitting process).**
- SML - Remaining License Ahead of Construction:** an SML will allow Uranerz to receive, possess, use, transfer, and deliver radioactive materials, and is required ahead of construction. Our expectation is that the existing Draft SML issued by the NRC, will be finalized by the end of February 2011, paving the way for the commencement of construction thereafter.

Valuation: Our valuation of URZ is based on a simple 50:50 blend of 1.0x our DCF_{10%} analysis of the Nichols Ranch Project, net of adjustments (corporate NAV of \$366 million or \$5.18/share), and 10.0x our 2013 CFPS estimate of \$0.71 (\$7.10). Our resulting formal 12-month target is \$6.10.

Catalysts: 1) Award of permits/licenses for Nichols Ranch ISR plant & Hank facility (Q1'11); 2) Commence construction of Nichols Ranch ISR Plant & Hank satellite facility (early Q2'11), and 3) Commence exploration on the PRB properties (Q2'11).

Forecast Risk	High
Financial Risk	High
Valuation Risk	Moderate
Political Risk	Moderate
52-Week High/Low	\$4.92 / \$0.87
Dividend Yield	N/A%
Shares O/S	70.8 (basic)/ 84.2 (F/D)
Market Capitalization	\$346
Cash & Equiv.	\$36
Debt	\$0
Working Capital	\$35
Daily Volume	2,032,296
Currency	US\$ unless noted

Company Profile

Website – www.uranerz.com

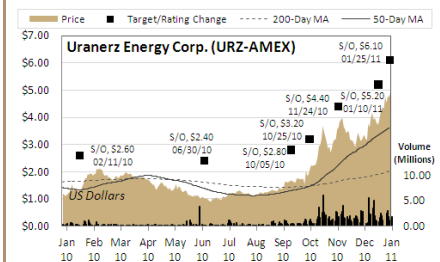
CEO – Glenn Catchpole

A uranium development company in the Powder River Basin, Wyoming. ISR production is expected in early 2012.

Estimates

	2012E	2013E	2014E
Shares (O/S), million	70.8	73.8	73.8
U ₃ O ₈ Production (k lb)	500	1,150	1,500
Operating Costs: lb ⁻¹ U ₃ O ₈	\$30.1	\$30.1	\$25.8
Revenue, \$M	42.5	97.8	127.5
EBITDA, \$M	22.8	59.0	79.3
Op. CFPS, \$	\$0.37	\$0.71	\$0.72
Current Price / CFPS	13.3x	6.9x	6.8x
Target Price / CFPS	16.6x	8.6x	9.1x

Price Performance



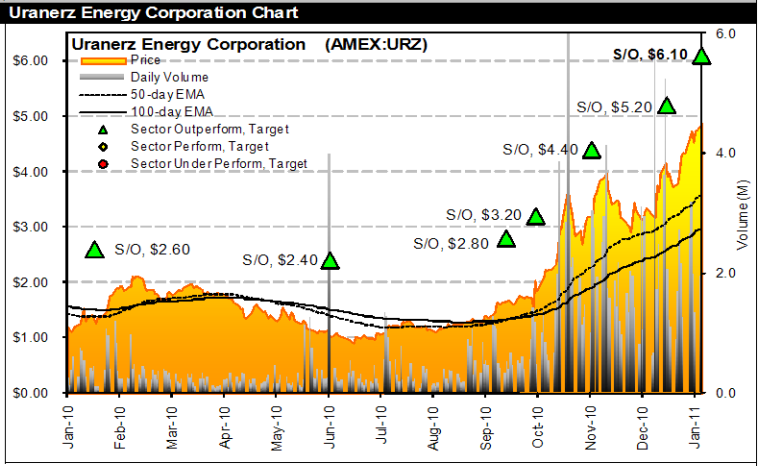
Source: Capital IQ and Haywood Securities



Uranerz Energy Corporation TSX:URZ AMEX:URZ Price: \$4.89 Rating: Sector Outperform
 January 24, 2011 Shares O/S (M) 70.8 MCap (US\$ M) \$346.1 Target: \$6.10 +25%

Comment: Uranerz Energy is well positioned to become the World's next uranium producer, with initial production anticipated in early 2012, coming from the Nichols Ranch ISR uranium project, located in the central Powder River Basin, Wyoming, USA.

Investment Highlights
 Team endowed with a fully integrated knowledge of, and experience in the entire spectrum of exploration, development and production components of the industry
 Management and technical team mainly comprised of former Uranerz Exploration and Mining Limited (once the world's 3rd largest uranium producer) employees with particular expertise in ISR mining
 Advanced Stage of Permitting and Licensing Approval from the WDEQ and NRC to construct an ISR uranium plant and satellite facility to commence uranium production in early 2012.
 Holds a strategic portfolio of uranium resources in the Powder River Basin that have the potential to grow and which could both extend plant operating life, as well as output rate.
Catalysts
Q1/11: Award of permits/licenses for Nichols Ranch ISR plant & Hank facility
Early Q2/11: Commence construction of Nichols Ranch ISR Plant & Hank satellite facility
Q2/11: Commence exploration on the PRB properties



Financials				
Year End (Dec 31)	2012	2013	2014	2015
Forecast U ₃ O ₈ Price (Blended), US\$/lb	85	85	85	80
Shares O/S, millions	73.8	73.8	73.8	73.8
Revenue, US\$M	42.5	97.75	127.5	120
Capital Expenditure	(\$12.0)	(\$5.0)	(\$9.0)	(\$4.0)
Corporate G & A	(\$3.8)	(\$3.8)	(\$3.8)	(\$3.8)
EBITDA, US\$M	\$22.8	\$59.0	\$79.3	\$72.4
EV/EBITDA	3.0	2.0	2.1	2.9
DD & A (US\$M)	\$3.83	\$3.74	\$4.07	\$3.86
Earnings				
EPS, US\$	\$0.32	\$0.66	\$0.67	\$0.62
Current Price / EPS	15.5	7.4	7.3	7.9
Target Price / EPS	19.3	9.2	9.2	9.9
Cash Flow, US\$M	\$27.2	\$52.5	\$53.2	\$49.5
CFPS, US\$	\$0.37	\$0.71	\$0.72	\$0.67
Current Price / CFPS	13.3x	6.9x	6.8x	7.3x
Target Price / CFPS	16.6x	8.6x	8.5x	9.1x
Operating Cash Flow, US\$M	\$27.2	\$52.5	\$53.2	\$49.5
Investing Cash Flow, US\$M	(\$12.0)	(\$5.0)	(\$9.0)	(\$4.0)
Financing Cash Flow, US\$M	\$15.0	\$0.0	\$0.0	\$0.0
Change in Cash, US\$M	\$30.2	\$47.5	\$44.2	\$45.5

Trading Statistics (C\$); Capital Structure
 52 Week High / Low \$4.92 / \$0.87 90-Day Average Vol. 2,032,296
 AMEX: URZ'

Ownership (M)	Management	Institutional	Major Shareholders
Shares	0.00	0.00	Denison Mines
% O/S	0%	0%	Middlefield Securities Limited

Last Financing			
29-Dec-10	\$20.0 million	Brokered 'at the market'	~6.15 M shares @ \$3.25
27-Oct-09	\$17.0 million	Private placement	8.5 M units @ \$2.00 + 1/2 warr. for 30 mths @
Shares O/S - Basic, F.D.			70.8 84.2
(US\$) (M)	Av Strike	Basic	ITM Proceeds
Cash & Equiv.			\$36.1
Options	\$1.83	7.14	7.14 \$13.0
Warrants	\$3.06	6.25	6.25 \$19.1
Total Cash & ITM		13.39	13.39 \$68.2
Market Cap			\$346.1

Peer Group Companies	Price (US\$)	EV (US\$ M)	EV/lb (Res)1	EV/lb (Rev)2
AMEX:URZ Uranerz Energy Corp.	\$4.89	\$325.2	\$17.06	4.14 x
AMEX:UEC Uranium Energy Corp.	\$5.44	\$340.9	\$30.40	10.14 x
TSX:URE UR-Energy Inc.	\$2.83	\$250.9	\$2.47	5.24 x
US:URRE Uranium Resources, Inc.	\$2.67	\$237.1	\$1.91	18.01 x
ASX:AGS Alliance Resources Ltd.	\$0.46	\$118.4	\$6.67	-
TSX:PWE Powertech Uranium Corp.	\$0.50	\$47.8	\$1.97	-

1. Est. company U resources. 2. Est. 2012 U production revenue Average \$10.08 9.38 x
 Haywood Securities estimates

Summary, Target Generation and Sensitivity					
Blended (Price)	Base	-20%	-10%	+10%	+20%
\$US lb U ₃ O ₈	\$79	\$63	\$71	\$87	\$95

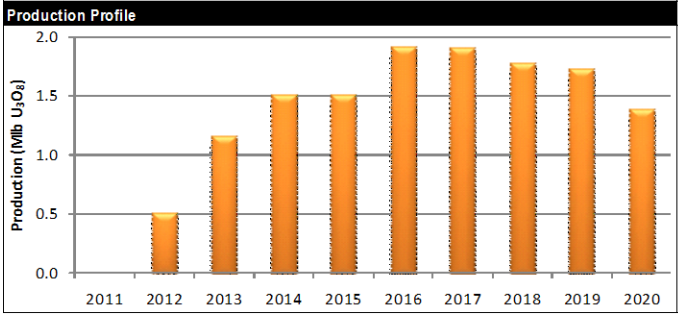
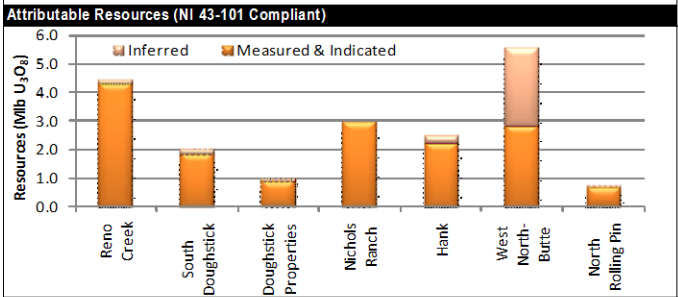
DCF @ 10.0%						
Nichols Ranch	US\$ M	\$302	\$242	\$272	\$332	\$363
PRB Exploration \$US M		\$30	\$24	\$27	\$34	\$37
Other Projects		\$0	\$0	\$0	\$1	\$1
Project		\$333	\$266	\$300	\$366	\$400
Project Equity (included in Project NAV)		\$30.0	\$30.0	\$30.0	\$30.0	\$30.0

Working Capital (FYE 2011 est.)	\$8.5	\$8.5	\$8.5	\$8.5	\$8.5
Dilutive Capital	\$31.5	\$31.5	\$31.5	\$31.5	\$31.5
Corporate G & A	-\$3.8	-\$3.8	-\$3.8	-\$3.8	-\$3.8
Exploration	-\$2.9	-\$2.9	-\$2.9	-\$2.9	-\$2.9
Corporate NAV	\$366	\$300	\$333	\$400	\$433
Corporate NAVPS	\$5.18	\$4.24	\$4.71	\$5.65	\$6.12
Current P/NAV	0.9 x	1.2 x	1.0 x	0.9 x	0.8 x
Target Price/NAV	1.0 x	1.0 x	1.0 x	1.0 x	1.0 x
2013 Cash Flow per Share	\$0.71	\$0.61	\$0.66	\$0.76	\$0.82

Target Generation	
(50% NAV)	\$2.59
(50% 10x 2013 CF)	\$3.56
Target	\$6.10

Corporate Contact
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 Telephone: 307-265-8900
 President/CEO: Glenn Catchpole

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 Colin Healey, MBA - Research Associate chealey@haywood.com 604-697-6089



Source: Haywood Securities, Capital IQ, Bloomberg, Uranerz



Investment Thesis

We believe that Uranerz can commence uranium production in 2012 via ISR mining in Wyoming, USA, and as such will join a select group of producers. The management team has extensive experience with the successful permitting, development and operation of ISR facilities in the USA and Kazakhstan, including Wyoming. Uranerz is well positioned to take full advantage of the uranium market for the long-term due to its strategic land holding in the Powder River Basin (PRB) combined with aggressive development and exploration programs. Our base case production scenario models initial production in 2012 via a plant with annual production capacity of 2.0 million pounds U_3O_8 . Production is anticipated to venture from ISR facilities that require low capital expenditure and which involve low operating costs. *The significant advantage is the flexibility of ISR uranium plants to be fed from multiple satellite resources up to ~100 km away, and provides a plant with the capacity to exploit multiple smaller resources at low capital investment rates and as such provides the Company with a sustainable operation.* **This scenario is ideal for Uranerz's asset base in the Powder River Basin, and facilitates ease of production growth and sustainability.** Thus, we consider that Uranerz provides an excellent opportunity for investors wanting exposure to a near term, low-cost uranium producer with an exceptional management and board, a definitive resource and production growth potential. Resource growth potential has been demonstrated from the Company's 2008-10 exploration activity in the Powder River Basin. Uranerz will continue its exploration activity in the Powder River Basin with an aim to add to the existing portfolio of resources to feed the planned Nichols Ranch ISR plant. The world will see few new producers commencing production between now and when we anticipate Uranerz commissions its Nichols Ranch Plant in Q2-12. Uranerz mitigates a number of risks in the uranium mining sector due to its experienced management team and location of projects in a uranium mining jurisdiction with relatively low start-up capital expenditure and operating costs.

Stage Set for Final Licensing of Nichols Ranch from the NRC

The permitting process for uranium mining in Wyoming was protracted by amendments to licensing regulations initiated by both the Nuclear Regulatory Agency, and the Environmental Protection Agency occurring during the application review process. The NRC has now publically announced its completion of the Supplementary Environmental Impact Statement (SEIS) for URZ's Nichols Ranch ISR Uranium project, located in Johnson and Campbell Counties, in the central Powder River Basin, Wyoming. According to the NRC's Press release yesterday, it has completed its final SEIS, and found *no major environmental impacts that would preclude licensing the Nichols Ranch uranium recovery project*, which is, in our view, the best possible outcome for Uranerz, and opens the door for the NRC to finalize the Draft Source Material License (SML) currently undergoing the review process. With all State and Federal approvals in place, save for the finalization of the SML, we believe Uranerz is on the cusp of receiving word from the NRC on the SML. Ahead of construction, Uranerz requires only a finalized Source Material License from the U.S. NRC, and yesterday's news from the NRC on the SEIS can only be a positive signal for the future of the project, and the NRC's intentions in that regard.

The announcement by the NRC that it has completed the SEIS, with no major findings, represents another major de-risking event of the Nichols Ranch ISR uranium project, in a series of recent permitting successes realized by Uranerz. Last year Uranium One (UUU-T, Not Covered, Not Rated), received a similar SEIS (27th August 2010), which was quickly followed by the issuance of an Operating License (1st October 2010), for the Moore Ranch ISR property, located in the same County as some of URZ's core assets in Wyoming. For more details on the permitting process please refer to Exhibit 2, which outlines the Federal and State regulators, and sub-departments involved in the licensing process, and the flow through the process in Wyoming.



Stage Set for Final Licensing of Nichols Ranch from the NRC (continued)

In December '09 the US Nuclear Regulatory Commission (NRC) issued a draft Supplemental Environmental Impact Statement (SEIS) regarding Uranerz's proposed Nichols Ranch In-Situ Recovery (ISR) uranium project (Campbell & Johnson Counties, Wyoming). The NRC has now completed its final SEIS for the project, and only the SML stands between URZ and construction at Nichols Ranch.

The NRC announced (November '10) the issuance of a *draft* Source Material License for Uranerz's Nichols Ranch project. Receipt of a *final* Source Material License would allow URZ to receive, possess, use, transfer, and deliver radioactive material. We expect finalization of the SML by late February 2011.

Major Permitting Milestones:

NRC: We anticipate that Uranerz is likely to receive an SML from the NRC in late February '11

WDEQ: URZ has effectively attained all possible State permitting at this point in development. With the Permit to Mine in place, pending Federal approvals, construction may commence. At some point ahead of production, a Deep Disposal Well permit (DDW) must be obtained, but is not required for construction commencement.

Uranerz's Powder River Basin: Resource Base

Powder River Basin Asset Base:

Uranerz's primary assets include the satellite Hank property and the Nichols Ranch property where, in addition to that property's ISR well fields, a central processing facility is planned to be constructed. The central processing facility is expected to be fed initially from Nichols Ranch production, as well as loaded resin from the Hank satellite property. The proposed central processing facility at Nichols Ranch was initially designed with excess capacity to handle production feed from several satellite ISR facilities, including the collective West North-Butte properties, which are all less than six miles from the proposed central processing facility.

Uranerz's most recently announced resource at Jane Dough is likely to be in such proximity to the planned Nichols Ranch plant for it to be exploited and fed directly to the plant without establishing a separate satellite facility. Furthermore, the Company will continue to develop and test its portfolio of properties in the PRB to select additional properties (e.g., Reno Creek) for licensing as satellite projects to feed the central processing facility at Nichols Ranch.



Uranerz's Powder River Basin: Resource Base (continued)

Uranerz continuing on its path to deliver to its resources portfolio in the Powder River Basin

Exhibit 1: NI 43-101 Compliant Resources

NI 43-101 Resources	Measured & Indicated	Grade (% U ₃ O ₈)	Inferred	Grade (% U ₃ O ₈)	Total
Reno Creek	4,292,948	0.056%	142,167	0.039%	4,435,115
South Doughstick	1,852,673	0.121%	153,337	0.096%	2,006,010
Doughstick Properties	882,736	0.081%	86,909	0.055%	969,645
Nichols Ranch	2,949,546	0.114%		0.000%	2,949,546
Hank	2,236,050	0.123%	246,753	0.087%	2,482,803
West North-Butte	2,837,015	0.153%	2,681,928	0.120%	5,518,943
North Rolling Pin	664,521	0.058%	32,522	0.042%	697,043
Total Attributable:	15,715,489	0.103%	3,343,616	0.111%	19,059,105

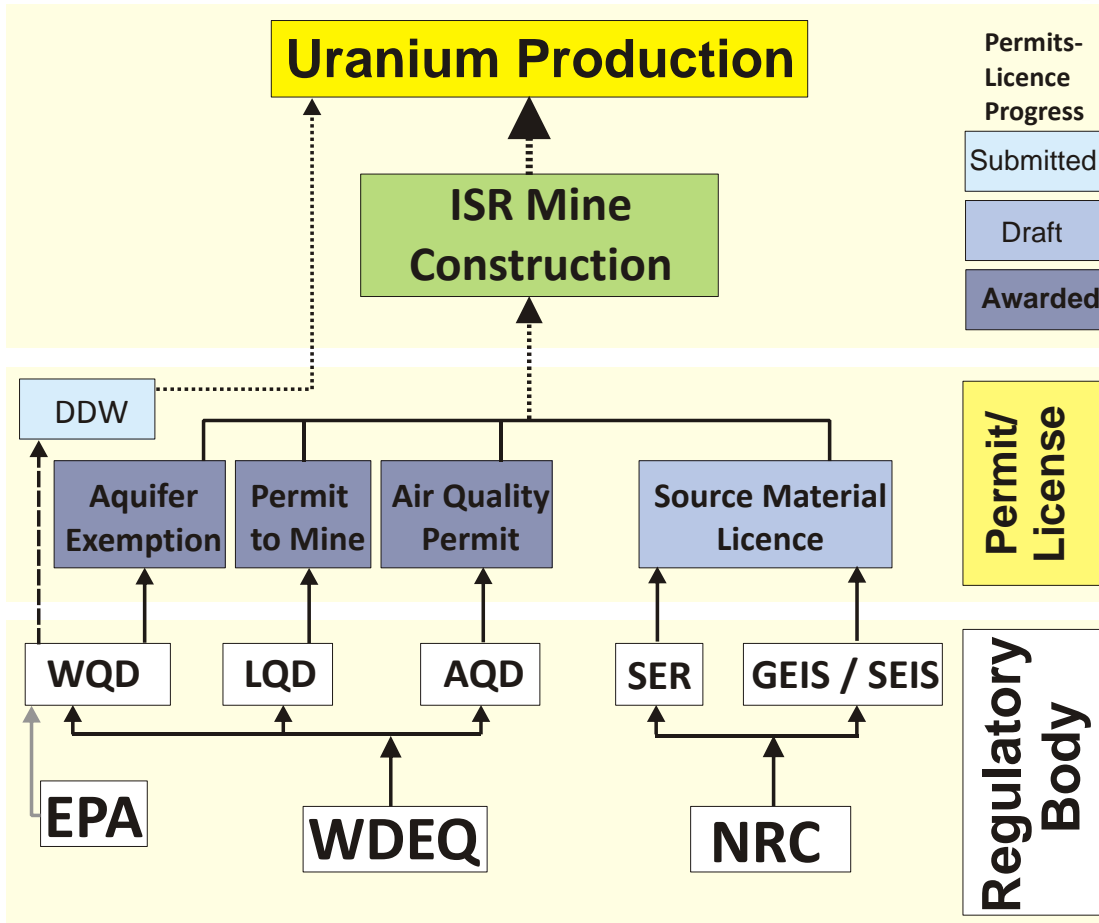
Source: Company reports

Valuation

Our valuation is the result of a 50:50 blend of: A) our 10.0% DCF analysis of the Nichols Ranch ISR Uranium plant and satellite facilities, and produces a NPV of \$301 million, plus an exploration credit of \$30 million for assets within and outside the Arkose Mining Venture, and corporate adjustments, producing a total corporate NAV of \$366 million, or \$5.15 per basic share; and, B) and 10.0x our 2013 CFPS estimate of \$0.71 (\$7.10). Our resulting formal 12-month target is \$6.10.



Exhibit 2: Permitting & Licensing Structure for ISR Uranium Mining in Wyoming



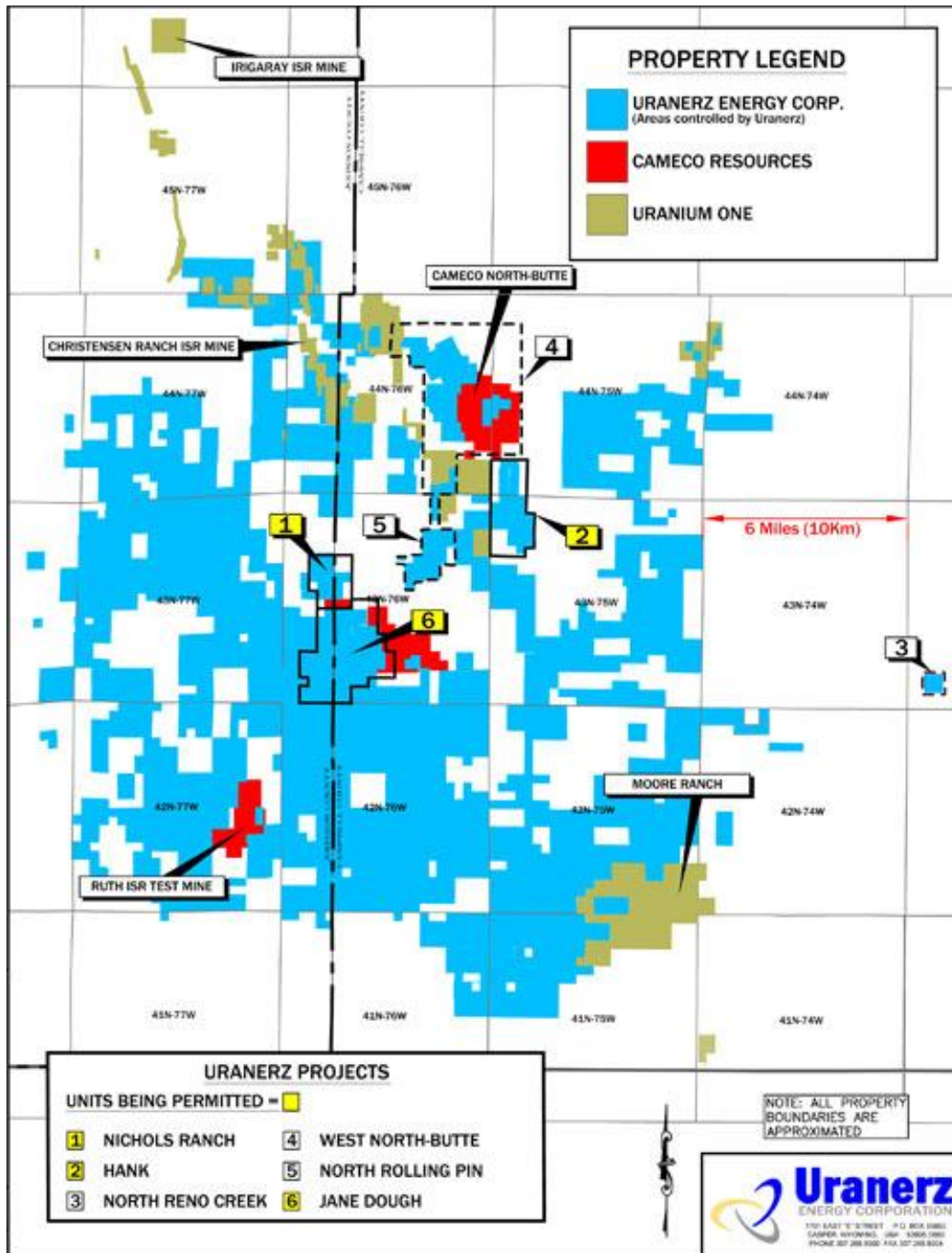
LEGEND

- EPA: U.S. Environmental Protection Agency
- WDEQ: Wyoming Department of Environmental Quality
- NRC: Nuclear Regulatory Commission
- WQD: Water Quality Division
- LQD: Land Quality Division
- AQD: Air Quality Division
- SER: Safety Evaluation Report
- GEIS: Generic Environmental Impact Statement
- SEIS: Supplemental Environmental Impact Statement
- DOW: Deep Disposal Well Permit

Source: Uranerz Energy, Haywood Securities



Exhibit 3: Uranerz's Powder River Basin Properties Overview. Note: Reno Creek.



Source: Uranerz Energy



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- n/a

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Risk Profile Parameters – Mining and Minerals Sector

Forecast Risk: High – Haywood forecasts are below guidance. The Company has a history of missing targets and/or Haywood expects guidance to be lowered. Limited hedging increases commodity leverage. Forecasts reflect higher commodity prices or production relative to guidance. Moderate – Haywood forecasts are generally in line with guidance. The Company has a history of meeting or exceeding guidance. Forecasts are consistent with current commodity pricing and production guidance. Hedging is in line with peers. Low – Haywood forecasts exceed guidance. The Company has a history of meeting or exceeding guidance. Forecasts allow for modestly lower commodity pricing or production levels. Commodity hedging lowers volatility relative to peers.

Financial Risk: High – The business plan is not fully funded, but requires debt and/or equity financing. The exploration program is funded for two years or less. This categorization does not predict whether the additional funds will be raised. Moderate – The development plan is fully funded, with the exploration program funded for three years or more. The Company's debt is rated below investment grade. Low – The Company is fully funded. Its debt is rated investment grade and/or the Company has a history of profitability or dividend payments in each of the last three years.

Valuation Risk: High – The current valuation is at the high end of historic levels and/or at a premium to peers. The valuation reflects considerable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF evaluation by more than 50%. Moderate – The current valuation is within historic ranges and generally consistent with peers. The valuation reflects reasonable exploration success and/or commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by 15% to 50%. Low – The current valuation is at the low end of historic ranges and at a discount to peer valuations. The valuation reflects limited new exploration success and no commodity appreciation. Where applicable, the current capitalization exceeds the DCF valuation by less than 15% or falls below the current market value.

Political Risk: High – Currently no industry activity or infrastructure exists. Government opposition is significant. Obtaining permits is challenging. Moderate – Industry activity or infrastructure is minimal. Government at national, regional, and local levels is indifferent. Obtaining permits is relatively straightforward. Low – Industry activity and infrastructure exist. Government is supportive. Obtaining permits is facilitated.

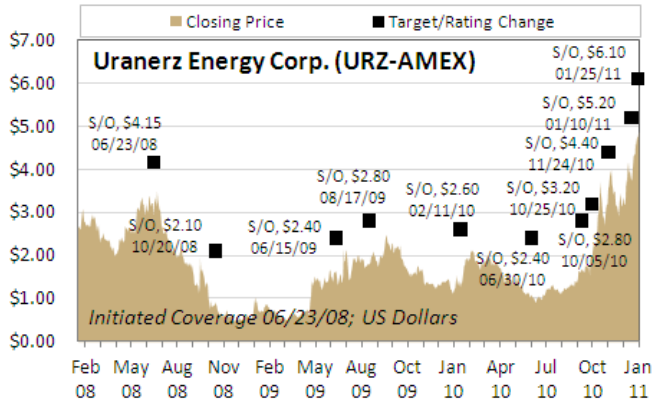
Distribution of Ratings (as of January 25, 2011)

Haywood's current rating structure (outlined above) does not correlate to the 3-tiered BUY, HOLD, SELL structure required by the FINRA. Our ratings of Sector Outperform, Sector Perform and Sector Underperform most closely correspond to Buy, Hold/Neutral and Sell respectively however, as described above, our assigned ratings take into account the relevant sector.

	Distribution of Ratings		IB Clients (TTM)
	%	#	
S/O	51.1%	68	92.9%
S/P	10.5%	14	3.6%
S/U	3.0%	4	0.0%
T	2.3%	3	0.0%
UR (S/O)	6.0%	8	0.0%
UR (S/P)	0.0%	0	0.0%
UR (S/U)	0.8%	1	0.0%
dropped (TTM)	26.3%	35	3.6%



Price Chart, Rating and Price Target History (as of January 25, 2011)



S/O: Sector Outperform; S/P: Sector Perform; S/U: Sector Underperform; T: Tender; U/R: Under Review
 Source: Capital IQ and Haywood Securities