

URANERZ ENERGY CORP.
Form 10KSB/A
October 11, 2006

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

FORM 10-KSB/A
Amendment No. 1

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

For the fiscal year ended **December 31, 2005**

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the transition period from _____ to _____

Commission File Number **000-50180**

URANERZ ENERGY CORPORATION
(Name of small business issuer in its charter)

NEVADA

(State or Other Jurisdiction of
Incorporation or Organization)

98-0365605

(I.R.S. Employer Identification No.)

**Suite 1410 800 West Pender Street,
Vancouver, British Columbia**

(Address of Principal Executive Offices)

V6C 2V6

(Zip Code)

Issuer's Telephone Number **(604) 689-1659**

Securities registered under Section 12(b) of the Exchange Act:

Title of each class
Common Stock, \$0.001 per share

Name of each exchange on which registered

Securities registered under Section 12(g) of the Exchange Act:

None

(Title of class)

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Edgar Filing: URANERZ ENERGY CORP. - Form 10KSB/A

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [x]

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

State issuer's revenues for its most recent fiscal year. **Nil**

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.)

\$50,717,300 as at April 6, 2006

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: **31,770,998 Shares of Common Stock as at July 31, 2006**

EXPLANATORY NOTE

This Amendment No. 1 to Form 10-KSB hereby amends the Company's original Annual Report on Form 10-KSB for the year ended December 31, 2005, originally filed with the Securities and Exchange Commission on April 14, 2006, as follows:

- the Company's audited financial statements for the year ended December 31, 2005 are amended to:
 - remove the common stock issued for services from the Non-cash Investing and Financing Activities disclosed in the Company's statements of cash flows;
 - change the previous heading entitled Shares issued for cash at \$0.001 per share with stock based compensation of \$3,808,975 to Shares issued for compensation to related parties with a fair value of \$1.01 per share (Note 6(d)) in the Company's statement of changes in shareholders equity (deficit); and
 - amend Note 2(e) entitled Mineral Property Costs in order to state that payments received from options for mineral properties are applied against mineral property costs, or if there are no capitalized costs to be offset, then option payments received are recognized directly in earnings for the period.

PART II

Item 7. Financial Statements

Our audited financial statements, as set forth below, are included with this Annual Report on Form 10-KSB.

	PAGE
<u>Auditors Report</u>	<u>F-1</u>
<u>Consolidated Balance Sheets, December 31, 2005 and 2004</u>	<u>F-3</u>
<u>Consolidated Statements of Operations for the years ended December 31, 2005 and 2004 and for the period from inception (May 26, 1999) to December 31, 2005</u>	<u>F-4</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2005 and 2004 and for the periods from inception (May 26, 1999) to December 31, 2005</u>	<u>F-5</u>
<u>Consolidated Statements of Stockholders Equity for the period from inception (May 26, 1999) to December 31, 2005</u>	<u>F-6</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-7</u>

Uranerz Energy Corporation
(formerly Carleton Ventures Corporation)
(An Exploration Stage Company)
Notes to the Financial Statements
September 30, 2005
(Expressed in US dollars)

Report of Independent Registered Public Accounting Firm

To the Directors and Stockholders
Uranerz Energy Corporation (formerly Carleton Ventures Corp.)
(An Exploration Stage Company)

We have audited the accompanying balance sheet of Uranerz Energy Corporation (formerly Carleton Ventures Corp.) as of December 31, 2005, and the related statements of operations, cash flows and stockholders' equity for the year then ended and accumulated from January 1, 2005 to December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying balance sheet of Uranerz Energy Corporation as of December 31, 2004 and the related statements of operations, cash flows and stockholders' deficit for the year then ended and accumulated for the period from May 26, 1999 (Date of Inception) to December 31, 2004, were audited by other auditors in their report dated March 18, 2005. Those auditors expressed an unqualified opinion on those financial statements and included an explanatory paragraph describing the substantial doubt about the Company's ability to continue as a going concern.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Uranerz Energy Corporation as of December 31, 2005, and the results of its operations and its cash flows for the year then ended and accumulated from January 1, 2005 to December 31, 2005, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has not generated any revenue and has incurred significant operating losses since inception. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CHARTERED ACCOUNTANTS

Vancouver, Canada

March 23, 2006

F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Directors of
Carleton Ventures Corp.
(An exploration stage company)

We have audited the accompanying balance sheet of Carleton Ventures Corp. (an exploration stage company) as at December 31, 2004 and the related statements of operations, cash flows, and stockholders' equity for the year ended December 31, 2004, and for the cumulative period from May 26, 1999 (date of inception) to December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and the results of its operations and its cash flows for the periods indicated in conformity with United States generally accepted accounting principles.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company incurred a net loss of \$148,306 since inception, has not attained profitable operations and is dependent upon obtaining adequate financing to fulfil its exploration activities. These factors raise substantial doubt that the Company will be able to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Vancouver, Canada

Morgan & Company

March 18, 2005

Chartered Accountants

Tel: (604) 687-5841
Fax: (604) 687-0075
www.morgan-cas.com

P.O. Box 10007 Pacific Centre
Suite 1488 - 700 West Georgia Street
Vancouver, B.C. V7Y 1A1

Uranerz Energy Corporation
(formerly Carleton Ventures Corporation)
(An Exploration Stage Company)
Balance Sheets
(Expressed in US dollars)

	December 31, 2005 \$	December 31, 2004 \$
ASSETS		
Current Assets		
Cash	1,925,021	7,470
Prepaid expenses (Note 5(a) and (b))	20,686	
Advances to related party (Note 5(d))	23,358	
Total Current Assets	1,969,065	7,470
Property and Equipment (Note 3)	9,278	
Total Assets	1,978,343	7,470
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable	27,699	14,278
Accrued liabilities	22,087	
Due to related parties (Note 5)	143,700	50,823
Total Liabilities	193,486	65,101
Commitments and Contingencies (Notes 1, 4 and 8)		
Subsequent Events (Note 10)		
Stockholders Equity (Deficit)		
Preferred Stock, 10,000,000 shares authorized, \$0.001 par value; Nil shares issued and outstanding		
Common Stock, 100,000,000 shares authorized, \$0.001 par value; 21,995,000 and 5,640,500 shares issued and outstanding, respectively	21,995	5,641
Additional Paid-in Capital	6,913,393	85,034
Deficit Accumulated During the Exploration Stage	(5,150,531)	(148,306)
Total Stockholders Equity (Deficit)	1,784,857	(57,631)

Total Liabilities and Stockholders	Equity (Deficit)	1,978,343	7,470
------------------------------------	------------------	-----------	-------

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

F-3

Uranerz Energy Corporation
(formerly Carleton Ventures Corporation)
(An Exploration Stage Company)
Statements of Operations
(Expressed in US dollars)

	Accumulated From May 26, 1999 (Date of Inception) to December 31, 2005 \$	2005 \$	Years Ended December 31, 2004 \$
Revenue			
Expenses			
Depreciation	1,207	1,207	
Foreign exchange loss	3,794	3,794	
General and administrative (Notes 5 and 6)	4,590,652	4,482,133	18,227
Impairment loss on mineral properties	340,195	315,143	
Mineral exploration	103,850	89,115	1,869
Total Operating Expenses	5,039,698	4,891,392	20,096
Operating Loss	(5,039,698)	(4,891,392)	(20,096)
Other Income (Expense)			
Mineral property option payment received	21,167	21,167	
Loss on settlement of debt	(132,000)	(132,000)	
Net Loss	(5,150,531)	(5,002,225)	(20,096)
Net Loss Per Share Basic and Diluted		(0.38)	
Weighted Average Shares Outstanding		12,995,000	5,640,500

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

Uranerz Energy Corporation
(formerly Carleton Ventures Corporation)
(An Exploration Stage Company)
Statements of Cash Flows
(Expressed in US dollars)

	Accumulated From May 26, 1999(Date of Inception) to December 31, 2005 \$	2005 \$	Year Ended December 31, 2004 \$
Operating Activities			
Net loss	(5,150,531)	(5,002,225)	(20,096)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation	1,207	1,207	
Impairment loss on mineral properties	340,196	315,143	
Loss on settlement of debt	132,000	132,000	
Stock-based compensation	3,823,975	3,808,975	
Changes in operating assets and liabilities:			
Prepaid expenses	(20,686)	(20,686)	
Accounts payable and accrued liabilities	169,909	115,508	16,819
Due to related parties	69,519	69,519	
Net Cash Used in Operating Activities	(634,411)	(580,559)	(3,277)
Investing Activities			
Acquisition of mineral properties	(340,196)	(315,143)	
Purchase of property, plant and equipment	(10,485)	(10,485)	
Net Cash Flows Used In Investing Activities	(350,681)	(325,628)	
Financing Activities			
Advances from related party	10,700		10,700
Proceeds from issuance of common stock	2,899,413	2,823,738	
Net Cash Flows Provided By Financing Activities	2,910,113	2,823,738	10,700
Increase In Cash	1,925,021	1,917,551	7,423
Cash - Beginning of Period		7,470	47
Cash - End of Period	1,925,021	1,925,021	7,470
Non-cash Investing and Financing Activities			
Common stock issued to settle debt	212,000	212,000	
Common stock issued for mineral property	15,000		
Supplemental Disclosures			
Interest paid			
Income taxes paid			

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

Uranerz Energy Corporation
 (formerly Carleton Ventures Corporation)
 (An Exploration Stage Company)
 Statements of Stockholders' Equity (Deficit)
 For the Period from May 26, 1999 (Date of Inception) to December 31, 2005
 (Expressed in US dollars)

	Common Stock Shares #	Amount \$	Additional Paid-in Capital \$	Deficit Accumulated During the Exploration Stage \$	Total \$
Balance, May 26, 1999 (Date of inception)	-	-	-	-	-
Net loss for the period	-	-	-	(2,465)	(2,465)
Balance, December 31, 1999	-	-	-	(2,465)	(2,465)
Net loss for the year	-	-	-	-	-
Balance, December 31, 2000	-	-	-	(2,465)	(2,465)
Shares issued for cash at \$0.001 per share	1,500,000	1,500	-	-	1,500
Shares issued for cash at \$0.01 per share	2,500,000	2,500	22,500	-	25,000
Shares issued to acquire mineral property interest					
at \$0.01 per share	1,500,000	1,500	13,500	-	15,000
Shares issued for cash at \$0.35 per share	90,500	91	31,584	-	31,675
Net loss for the year	-	-	-	(47,158)	(47,158)
Balance, December 31, 2001	5,590,500	5,591	67,584	(49,623)	23,552
Shares issued for cash at \$0.35 per share	50,000	50	17,450	-	17,500
Net loss for the year	-	-	-	(51,671)	(51,671)
Balance, December 31, 2002	5,640,500	5,641	85,034	(101,294)	(10,619)
Net loss for the year	-	-	-	(26,916)	(26,916)
Balance, December 31, 2003	5,640,500	5,641	85,034	(128,210)	(37,535)
Net loss for the year	-	-	-	(20,096)	(20,096)
Balance, December 31, 2004	5,640,500	5,641	85,034	(148,306)	(57,631)
Shares issued for cash at \$0.10 per share, net of issue costs of \$911	6,959,500	6,959	688,080	-	695,039
Shares issued for cash at \$0.40 per unit, net of issue costs of \$43,076	5,420,000	5,420	2,119,504	-	2,124,924
Shares issued to settle debt	200,000	200	211,800	-	212,000
Shares issued for compensation to related parties with a fair value of \$1.01 per share (Note 6(d)).	3,775,000	3,775	3,808,975	-	3,812,750
Net loss for the year	-	-	-	(5,002,225)	(5,002,225)
Balance, December 31, 2005	21,995,000	21,995	6,913,393	(5,150,531)	1,784,857

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

Uranerz Energy Corporation
(formerly Carleton Ventures Corporation)
(An Exploration Stage Company)
Notes to the Financial Statements
December 31, 2005
(Expressed in US dollars)

1. Nature of Operations and Continuance of Business

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

The Company is an Exploration Stage Company, as defined by Statement of Financial Accounting Standard (SFAS) No.7 *Accounting and Reporting by Development Stage Enterprises*. The Company's principal business is the acquisition and exploration of uranium and mineral resources. The Company has not presently determined whether its properties contain mineral reserves that are economically recoverable.

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated any revenue since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploitation of economically recoverable reserves in its resource properties, confirmation of the Company's interests in the underlying properties, and the attainment of profitable operations. As at December 31, 2005, the Company has working capital of \$1,775,579, and has accumulated losses of \$5,150,531 since inception. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Subsequent to year end, the Company issued 7,245,000 units at \$1.00 per unit to raise cash proceeds of \$7,245,000, before issue costs. Refer to Note 10(d).

2. Summary of Significant Accounting Policies

a) Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. The Company's fiscal year-end is December 31.

b) Use of Estimates

The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c) Cash and Cash Equivalents

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

d) Property and Equipment

Property and equipment consists of computer hardware, is recorded at cost and is depreciated on a straight line basis over five years.

F-7

Uranerz Energy Corporation
(formerly Carleton Ventures Corporation)
(An Exploration Stage Company)
Notes to the Financial Statements
December 31, 2005
(Expressed in US dollars)

2. Summary of Significant Accounting Policies (continued)

e) Mineral Property Costs

The Company has been in the exploration stage since its formation on May 26, 1999 and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition and exploration of mining properties. Mineral property exploration costs are expensed as incurred. Mineral property acquisition costs are initially capitalized when incurred using the guidance in EITF 04-02, "*Whether Mineral Rights Are Tangible or Intangible Assets*". The Company assesses the carrying costs for impairment under SFAS 144, "*Accounting for Impairment or Disposal of Long Lived Assets*" at each fiscal quarter end. Payments received from options for mineral properties are applied against mineral property costs, or if there are no capitalized costs to be offset, then option payments received are recognized directly in earnings for the period. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property, are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations. During the year ended December 31, 2005, mineral property acquisition payments totaling \$315,143 were impaired as there are no proven or probable reserves on these properties.

f) Financial Instruments

The fair values of cash, advances to related party, accounts payable, accrued liabilities and due to related parties approximate their carrying values due to the immediate or short-term maturity of these financial instruments. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash in excess of federally insured amounts. To date, the Company has not incurred a loss relating to this concentration of credit risk.

g) 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 SFAS No. 109 *Accounting for Income Taxes* as of its inception. Pursuant to SFAS No. 109 the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefits of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

h) Foreign Currency Translation

The Company's functional and reporting currency is the United States dollar. Foreign currency transactions are primarily undertaken in Canadian dollars and are translated into United States dollars using exchange rates at the date of the transaction in accordance with SFAS No. 52 *Foreign Currency Translation*. Monetary assets and liabilities denominated in foreign currencies are remeasured at each balance sheet date at the exchange rate prevailing at the balance sheet date. Foreign currency exchange gains and losses

are charged to operations. The Company has not, to the date of these financials statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

i) Stock-based Compensation

The Company records stock-based compensation in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*. All transactions in which goods or services are provided to the Company in exchange for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. Equity instruments issued to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments issued.

2005 Stock Option Plan

The Company adopted a Stock Option Plan dated November 7, 2005 under which the Company is authorized to grant options to acquire up to a total of 10,000,000 shares of common stock. As at December 31, 2005, no options have been granted.

j) Comprehensive Loss

SFAS No. 130, *Reporting Comprehensive Income*, establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at December 31, 2005 and 2004, the Company has no items that represent a comprehensive loss and, therefore, has not included a schedule of comprehensive loss in the financial statements.

Uranerz Energy Corporation
(formerly Carleton Ventures Corporation)
(An Exploration Stage Company)
Notes to the Financial Statements
December 31, 2005
(Expressed in US dollars)

2. Summary of Significant Accounting Policies (continued)

k) Basic and Diluted Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128, *"Earnings per Share"*. SFAS No. 128 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive.

l) Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, *Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and SFAS No. 3*. SFAS 154 changes the requirements for the accounting for and reporting of a change in accounting principle and applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The provisions of SFAS No. 154 are effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29*. The guidance in APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS No. 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Early application is permitted and companies must apply the standard prospectively. The adoption of this standard did not have a material effect on the Company's results of operations or financial position.

In December 2004, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 123R, *Share Based Payment*. SFAS 123R is a revision of SFAS No. 123 *Accounting for Stock-Based Compensation*, and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* and its

related implementation guidance. SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). SFAS 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Public entities that file as small business issuers will be required to apply SFAS 123R in the first interim or annual reporting period that begins after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In March 2005, the SEC staff issued Staff Accounting Bulletin No. 107 (SAB 107) to give guidance on the implementation of SFAS 123R. The Company will consider SAB 107 during implementation of SFAS 123R.

F-9

Uranerz Energy Corporation
(formerly Carleton Ventures Corporation)
(An Exploration Stage Company)
Notes to the Financial Statements
December 31, 2005
(Expressed in US dollars)

2. Summary of Significant Accounting Policies (continued)

m) Reclassifications

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

	Cost	Accumulated Depreciation	December 31, 2005 Net Carrying Value	December 31, 2004 Net Carrying Value
	\$	\$	\$	\$
Computer hardware	10,485	1,207	9,278	

4. Mineral Properties

- a) The Company entered into an agreement dated March 14, 2001 to acquire a 100% interest in fourteen mineral claims located in Elko County, Nevada, in consideration of \$10,052 and the issuance of 1,500,000 shares of common stock with a fair value of \$15,000. This agreement was with a company controlled by a director of the Company. During the year ended December 31, 2005, the Company terminated its interest in these claims.
- b) On April 26, 2005, the Company entered into an agreement (the Agreement) to acquire a 100% interest in two mineral claims located in the Athabasca Basin area of Saskatchewan, Canada in consideration of Cdn\$40,757 and a 2% net smelter royalty. This Agreement was with a company controlled by a director of the Company. On October 20, 2005, the Agreement was amended so that the Company has a one time right exercisable for ninety days following the completion of a bankable feasibility study to buy one half of the vendor's royalty interest for Cdn\$1,000,000.

On November 4, 2005, the Company entered into an option agreement with a Company (the Optionee) on the Company's two mineral claims. The Optionee can earn a 60% interest in the property by paying the Company Cdn\$75,000 in three annual installments of Cdn\$25,000 each (Cdn\$25,000 received) and incurring Cdn\$1,500,000 in exploration expenditures in various stages by May 1, 2008. The Optionee can elect to earn an additional 10% interest by incurring an additional Cdn\$1,500,000 by November 1, 2009.

- c) In May 2005 the President of the Company acquired, on behalf of the Company, a 100% interest to a mineral license in Mongolia for \$105,945. The President of the Company intends to transfer title to the property to the Company's wholly-owned Mongolian subsidiary, which was acquired subsequent to year end.
- d) A consultant to the Company acquired, on behalf of the Company, the right to one exploration license located in Mongolia for a nominal amount. The consultant intends to transfer title to the property to the

Company's wholly-owned Mongolian subsidiary, which was acquired subsequent to year end.

- e) An agent of the Company acquired, on behalf of the Company, the rights to six exploration licenses located in Mongolia for \$13,300. The amount was advanced to the agent by the President of the Company. The agent transferred title to the property to a Mongolian company, which became the Company's wholly-owned subsidiary subsequent to year end.
- f) The Company has 16 mineral leases in the State of Wyoming on 31 parcels of land, for an aggregate cost of \$14,600. Some of the applications were made in the name of the President or the Vice-President of the Company and will be transferred to the Company in the next twelve months. The Company has also staked 208 mineral claims.
- g) The Company entered into an agreement dated November 18, 2005 to acquire a 100% interest in 10 mining claims located in the Powder River Basin area, Wyoming, in consideration of \$250,000 payable in stages to January, 2007. As at December 31, 2005, \$120,000 has been paid and \$50,000 has been paid subsequent to year end.
- h) The Company entered into an option agreement dated December 9, 2005 to acquire a 100% interest in 44 mining claims within six mineral properties located in the Powder River Basin area, Wyoming. The Company can earn a 100% interest in the properties by incurring \$750,000 in exploration costs within a three year period and paying an advance royalty of \$250,000 (paid subsequently). The Company must pay a royalty fee of between 6% - 8%.

F-10

Uranerz Energy Corporation
(formerly Carleton Ventures Corporation)
(An Exploration Stage Company)
Notes to the Financial Statements
December 31, 2005
(Expressed in US dollars)

5. Related Party Transactions

- a) During the year ended December 31, 2005, the Company incurred \$49,068 (2004 - \$12,000) for general and administrative expenses to a company controlled by a director of the Company. At December 31, 2005, \$57,857 (2004 - \$49,857) is owing to this company, which is unsecured, non-interest bearing, and due on demand. As at December 31, 2005, the Company had \$10,599 (2004 - \$Nil) in prepaid expenses to this Company.
- b) During the year ended December 31, 2005, the Company incurred \$43,758 for consulting services (included in general and administrative expenses) to a company controlled by a director of the Company. At December 31, 2005, \$18,336 is owing to this company, which is unsecured, non-interest bearing, and due on demand. As at December 31, 2005, the Company had \$9,216 (2004 - \$Nil) in prepaid expenses to this Company.
- c) During the year ended December 31, 2005, the Company incurred \$86,000 for consulting services (included in general and administrative expenses), \$5,791 towards mineral property costs, and \$12,754 for general and administrative expenses to a director. At December 31, 2005, \$53,138 is owing to this director, which is unsecured, non-interest bearing, and due on demand.
- d) During the year ended December 31, 2005, the Company paid a total of \$80,000 in consulting services (included in general and administrative expenses) to the President and a company controlled by the President of the Company. The Company also reimbursed the President of the Company \$19,867 for general and administrative expenses incurred on behalf of the Company. The President of the Company was advanced \$167,900 during the year for costs to be incurred on behalf of the Company. Of these advances, \$119,245 was used to acquire mineral licenses, \$7,045 used for mineral exploration expenses and \$18,252 used for general and administrative expenses. As at December 31, 2005, \$23,358 of these advances remained owing to the Company, which is unsecured, non-interest bearing, and due on demand.
- e) During the year ended December 31, 2005, the Company incurred \$21,983 of general and administrative expenses to a director. At December 31, 2005, \$14,369 (2004 - \$966) is owing to this director, which is unsecured, non-interest bearing, and due on demand.
- f) During the year ended December 31, 2005, the Company incurred \$2,650 of general and administrative expenses to a director.
- g) During the year ended December 31, 2005, the Company incurred \$853 of general and administrative expenses to a director.
- h) The mineral claims referred to in Note 4(b) were acquired from a company controlled by a director of the Company. The mineral licenses referred to in Note 4(c) and (f) were acquired and are held in the name of the President or the Vice President of the Company on behalf of the Company.

Uranerz Energy Corporation
(formerly Carleton Ventures Corporation)
(An Exploration Stage Company)
Notes to the Financial Statements
December 31, 2005
(Expressed in US dollars)

7. Share Purchase Warrants

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

	Number	Weighted Average Exercise Price
Balance, December 31, 2003 and 2004		
Issued	2,710,000	0.60
Balance, December 31, 2005	2,710,000	0.60

As at the December 31, 2005, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,622,500	0.60	October 17, 2006
87,500	0.60	November 17, 2006
2,710,000	0.60	

8. Commitments

- a) On September 1, 2005, the Company entered into an office and administration services agreement with a company controlled by a director, at \$10,511 (Cdn\$12,305) per month, for a three-year term expiring on August 31, 2008. Future payments for the next three fiscal years are as follows:

2006	\$126,100
2007	126,100
2008	84,100
	\$336,300

- b) The Company entered into an agreement with a company effective November 1, 2005 for public and investor relations services to be provided to the Company for an initial term of one year at \$5,000 per month.
- c) The Company entered into an agreement with a company effective November 1, 2005 for public relations services to be provided to the Company for an initial term of three months. The Company agreed to pay \$6,000 per month, and is to issue 100,000 shares of common stock.
- d)

On July 1, 2005, the Company entered into an agreement with a company controlled by a director of the Company for consulting services to be provided to the Company at \$8,598 (Cdn\$10,000) per month.

- e) On May 24, 2005, the Company entered into an agreement to acquire certain uranium related data and receive consulting services. The Company must pay \$24,000 for the data, payable \$2,000 per month over twelve months.
- f) On March 1, 2005, the Company entered into an agreement with a company controlled by the President of the Company for consulting services to be provided to the Company at \$8,020 per month.

F-12

Uranerz Energy Corporation
(formerly Carleton Ventures Corporation)
(An Exploration Stage Company)
Notes to the Financial Statements
December 31, 2005
(Expressed in US dollars)

9. Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has net operating losses of approximately \$1,194,000, which commence expiring in 2019. Pursuant to SFAS No. 109 the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefits of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years. For the years ended December 31, 2005 and 2004, the valuation allowance established against the deferred tax assets increased by \$371,300 and \$7,000, respectively.

The components of the net deferred tax asset at December 31, 2005 and 2004, and the statutory tax rate, the effective tax rate and the elected amount of the valuation allowance are indicated below:

	2005	2004
	\$	\$
Net Operating Losses Carried Forward	1,194,000	133,000
Statutory Tax Rate	35%	35%
Effective Tax Rate		
Deferred Tax Asset	417,900	46,600
Valuation Allowance	(417,900)	(46,600)
Net Deferred Tax Asset		

10. Subsequent Events

- a) Subsequent to year end, the Company granted a total of 2,112,230 stock options to various directors and consultants exercisable at \$0.51 per share to \$1.40 per share on or before January 27, 2011.
- b) On January 9, 2006, the Mongolian company, Rolling Hills Resources LLC, which was incorporated by an individual on behalf of the Company, was transferred to the Company to become a wholly owned subsidiary of the Company.
- c) On February 17, 2006, as amended on March 22, 2006, the Company entered into a letter agreement to option its eight Mongolian projects to another company (the Optionee). The Optionee has the right to acquire a 55% interest in the projects in consideration for the following payments:
 - (i) \$5,000 upon execution of the letter agreement (received);
 - (ii) \$30,000 and 150,000 shares of the Optionee paid on the later of the following: a 30 day due diligence period; or 10 days after the review of a report currently being written; or acceptance for filing by the TSX Venture Exchange (TSX-V). The payment must be made by April 21, 2006 upon TSX-V approval and certain conditions (good title, etc.) are met. If the good title condition is not met, the \$5,000 deposit will be paid back to the Optionee;
 - (iii) \$30,000 by October 18, 2006;
 - (iv) \$40,000 by October 18, 2007;
 - (v) \$50,000 by October 18, 2008; and

(vi) \$50,000 by October 18, 2009.

In addition, the Optionee must make the following expenditures:

- (i) \$400,000 in year 2006;
- (ii) \$500,000 in year 2007;
- (iii) \$900,000 in year 2008; and
- (iv) \$1,200,000 in year 2009.

Once the Optionee has earned a 55% interest, the Company will have the right to earn back a 6% interest by spending \$300,000.

F-13

Uranerz Energy Corporation
(formerly Carleton Ventures Corporation)
(An Exploration Stage Company)
Notes to the Financial Statements
December 31, 2005
(Expressed in US dollars)

10. Subsequent Events (continued)

- d) On March 3, 2006, the Company completed a private placement consisting of 7,245,000 units at \$1.00 per unit for total proceeds of \$7,245,000. Each unit consists of one share of common stock and one-half share purchase warrant. The Company issued 7,245,000 shares of common stock and 3,622,500 warrants. Each full warrant entitles the holder to purchase one additional share of common stock for a period of two years at an exercise price of \$1.75 per share until March 3, 2007, and at an exercise price of \$2.50 per share until March 3, 2008. The Company paid \$88,660 in cash and issued 185,750 units for commissions pertaining to this private placement.

F-14

PART III**Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The following table sets forth certain information concerning the number of shares of our common stock owned beneficially as of March 25, 2006 by: (i) each person (including any group) known to us to own more than five percent (5%) of any class of our voting securities, (ii) each of our directors, (iii) each of our named executive officers; and (iv) officers and directors as a group. Unless otherwise indicated, the shareholders listed possess sole voting and investment power with respect to the shares shown.

Title of Class	Name and Address Of Beneficial Owner	Number of Shares of Common Stock	Percentage of Common Stock ⁽¹⁾
Directors and Officers			
Common Stock	Dennis L. Higgs Director, Chairman 1410 800 West Pender Street Vancouver, British Columbia Canada, V6C 2V6	4,551,501 ⁽²⁾	15.05%
Common Stock	Aileen Lloyd Director, Chief Financial Officer Secretary 1410 800 West Pender Street Vancouver, British Columbia Canada, V6C 2v6	1,575,000 ⁽³⁾	5.23%
Common Stock	Glenn Catchpole Director, President 222 Carriage Circle Cheyenne, WY, 82009	1,780,000 ⁽⁴⁾	5.89%
Common Stock	Paul Saxton Director 188 Stonegate Drive Furry Creek, British Columbia V0N 3G4	250,000 ⁽⁵⁾	.83%
Common Stock	Dr. Gerhard Kirchner Director 330 325 Keevil Crescent Saskatoon, Saskatchewan British Columbia, S7N 4R8	750,000 ⁽⁶⁾	2.49%
Common Stock	George Hartman Director, Vice President	960,800 ⁽⁷⁾	3.17%

	P.O. Box 50850 Casper, Wyoming 82605-0850		
Common Stock	All Directors and Officers as a group (6 persons)	9,867,301	33.11

- 4 -

Title of Class	Name and Address Of Beneficial Owner	Number of Shares of Common Stock	Percentage of Common Stock ⁽¹⁾
5% Stockholders			
Common Stock	Darcy Higgs 4756 Drummond Drive Vancouver, British Columbia Canada, V6T 1B4	1,955,000 ⁽⁸⁾	6.56%

- (1) The percent of class is based on **29,801,375** of common stock issued and outstanding as of March 25, 2006.
- (2) Includes 2,250,834 shares in the name of Dennis Higgs, 375,000 shares held in the name of Senate Equities Corp., which is wholly owned by Menace Capital Corp., which is in turn wholly owned by Dennis Higgs, and 1,500,000 shares were acquired in the name of Senate Capital Group Inc. in exchange for the assignment of the mineral claims. Senate Capital is wholly owned by Dennis Higgs. Includes 75,667 shares that can be acquired upon the exercise of warrants and includes 350,000 shares that can be acquired upon the exercise of stock options.
- (3) Includes 1,050,000 shares in the name of Aileen Lloyd and 250,000 in the name of her husband, Gordon Lloyd.; includes 25,000 shares upon the exercise of warrants and 250,000 shares upon the exercise of stock options;
- (4) Includes 1,370,000 shares held in the name of Glenn Catchpole, 60,000 shares that can be acquired upon the exercise of warrants and 350,000 shares that can be acquired upon the exercise of stock options.
- (5) Includes 100,000 shares held in the name of Paul Saxton and 150,000 shares that can be acquired upon the exercise of stock options.
- (6) Includes 450,000 shares held in the name of Gerhard Kirchner, 25,000 shares that can be acquired upon the exercise of warrants and 275,000 shares that can be acquired upon the exercise of stock options.
- (7) Includes 500,000 shares held in the names of George Hartman and 460,800 shares that can be acquired upon the exercise of stock options.
- (8) Includes 1,605,000 shares held in the names of Darcy Higgs and 350,000 shares held in the name of Santorini Investments Ltd. Santorini Investments Ltd. Santorini is wholly-owned by Carleen Higgs, wife of Darcy Higgs. It is believed by us that all persons named have full voting and investment power with respect to the shares indicated, unless otherwise noted in the table. Under the rules of the Securities and Exchange Commission, a person (or group of persons) is deemed to be a "beneficial owner" of a security if he or she, directly or indirectly, has or shares the power to vote or to direct the voting of such security, or the power to dispose of or to direct the disposition of such security. Accordingly, more than one person may be deemed to be a beneficial owner of the same security. A person is also deemed to be a beneficial owner of any security which that person has the right to acquire within 60 days, such as options or warrants to purchase our common stock. In computing the percentage ownership of any person in the table above, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding on March 25, 2006

CHANGE IN CONTROL

We are not aware of any arrangement that might result in a change in control in the future.

- 5 -

EQUITY COMPENSATION PLAN INFORMATION

As at December 31, 2005, we had one equity compensation plan under which our common shares have been authorized for issuance to our officers, directors, employees and consultants, namely our 2005 Stock Option Plan. Our 2005 Stock Option Plan has not been approved by our shareholders.

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

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Plan Category	(a)	(b)	(c)
Equity Compensation Plans Approved By Security Holders	Not Applicable	Not Applicable	Not Applicable
Equity Compensation Plans Not Approved By Security Holders	Nil	Not Applicable	10,000,000

As disclosed above under Executive Compensation Stock Option Grants, we have granted options to purchase shares of our common stock under our 2005 Stock Option Plan subsequent to December 31, 2005.

ITEM 13. EXHIBITS

The following exhibits are attached to this Annual Report on Form 10-KSB:

Exhibit Number	Description
3.1	Articles of Incorporation ⁽¹⁾
3.2	Bylaws, as amended ⁽¹⁾
3.3	Articles of Amendment ⁽³⁾
4.1	Share Certificate ⁽¹⁾
10.1	Office and Administration Services Agreement between the Company and Senate Capital Group Inc. dated September 1, 2005 ⁽²⁾
10.2	Agreement for Services between the Company and Highlands Capital, Inc. dated November 1, 2005 ⁽²⁾
10.3	Financial Public Relations Agreement between the Company and Accent Marketing Ltd. dated November 1, 2005 ⁽²⁾

Exhibit Number	Description
10.4	Mineral Property Purchase Agreement between the Company and Ubex Capital Inc. dated April 26, 2005 ⁽²⁾
10.5	Joint Venture Agreement between the Company and Triex Minerals Corporation dated November 4, 2005 ⁽²⁾
10.6	Consulting Agreement between the Company and Ubex Capital Inc. for management and consulting services ⁽²⁾
10.7	Consulting Agreement between Catchpole Enterprises and the Company ⁽³⁾
10.8	Joint Venture Agreement between the Company and Bluerock Resources Ltd. ⁽³⁾
10.9	Option and Purchase Agreement for federal mining claims in Wyoming ⁽³⁾
10.10	Agreement to Purchase ten mining claims in Wyoming ⁽³⁾
10.11	2005 Stock Option Plan ⁽⁴⁾
10.12	Hartmann Letter Agreement dated May 6, 2005 ⁽³⁾
<u>23.1</u>	<u>Consent of Manning Elliott ⁽⁵⁾</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act ⁽⁵⁾</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act ⁽⁵⁾</u>
<u>32.1</u>	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002 ⁽⁵⁾</u>
<u>32.2</u>	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ⁽⁵⁾</u>

- (1) Previously filed with the Securities and Exchange Commission as an exhibit to the Registrant's Form AB-2 filed March 15, 2002
- (2) Previously filed as an exhibit to the Quarterly Report on Form 10-QSB filed November 21, 2005
- (3) Filed as an exhibit to our Annual Report on Form 10-KSB filed with the Securities and Exchange Commission on April 14, 2006.
- (4) Filed as an exhibit to our Registration Statement on Form S-8 filed with the SEC on November 21, 2005.
- (5) Filed as an exhibit to this Amendment No. 1 to Form 10-KSB.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

URANERZ ENERGY CORPORATION

By: */s/ Glenn Catchpole*

Glenn Catchpole, President and Director

Date: October 6, 2006

the capacities and on the dates indicated

Per: */s/ Glenn Catchpole*

Glenn Catchpole, President, Director

Date: October 6, 2006

Per: */s/ Dennis Higgs*

Dennis Higgs, Chairman, Director

Date: October 6, 2006

Per: */s/ Dr. Gerhard Kirchner*

Dr. Gerhard Kirchner, Director

Date: October 6, 2006

Per: */s/ George Hartman*

George Hartman, Vice President Exploration
and Director

Date: October 6, 2006

Per: */s/ Ben LeBoe*

Ben LeBoe, Chief Financial Officer and
Principal Accounting Officer

Date: October 6, 2006

Per: */s/ Paul Saxton*

Paul Saxton, Director

Date: October 6, 2006