uraniumone™
investing in our energy

annual financial statements

Annual Consolidated Financial Statements
for the year ended December 31, 2009

management's responsibility for financial reporting

Management's Responsibility for Financial Reporting

The consolidated financial statements have been prepared by management, in accordance with Canadian generally accepted accounting principles, who, when necessary, have made informed judgments and estimates of the outcome of events and transactions. Management acknowledges its responsibility for the fairness, integrity and objectivity of all information in the consolidated financial statements.

As a means of fulfilling its responsibility, management relies on the company's system of internal control. This system has been established to ensure, within reasonable limits, that the assets are safeguarded, transactions are properly recorded and are executed in accordance with management's authorization and that the accounting records provide a solid foundation from which to prepare the consolidated financial statements.

Any system of internal control has inherent limitations, therefore even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, consisting solely of non-management independent directors. This committee meets periodically, reviews the scope of the external audit, the adequacy of the system of internal control and the appropriateness of the financial reporting and then makes its recommendations to the Board of Directors. Based on those recommendations, the Board of Directors approves the consolidated financial statements.

The consolidated financial statements have been audited by the Company's independent auditors, Deloitte & Touche LLP. The Auditors' Report to the Shareholders of Uranium One Inc., outlines the scope of their examination and opinion on the consolidated financial statements.

"Jean Nortier"
Jean Nortier
President & Chief Executive Officer

"Robin Merrifield"
Robin Merrifield
Executive Vice President & Chief Financial Officer

March 9, 2010

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auditors' Report

Auditors' Report

To the Shareholders of Uranium One Inc.

We have audited the consolidated balance sheets of Uranium One Inc. (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of operations, changes in equity, comprehensive (loss) income, accumulated other comprehensive (loss) income and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
March 9, 2010
Vancouver, B.C, Canada

Uranium One Inc.

Consolidated Balance Sheets

As at December 31, 2009 and 2008
(in United States dollars)

	Notes	Dec 31, 2009 $'000	Dec 31, 2008 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4	148,465	176,225
Accounts and other receivables	5	42,405	39,926
Current portion of loans to joint ventures	6.2	-	19,158
Inventories	7	71,634	17,390
Other assets	9	24,472	12,043
		286,976	**264,742**
Non-current assets			
Mineral interests, plant and equipment	8	1,748,284	1,285,415
Loans to joint ventures	6.2	29,250	14,000
Other assets	9	33,137	62,976
Assets held for sale	3.3	51,460	-
		1,862,131	**1,362,391**
Total assets		**2,149,107**	**1,627,133**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	65,908	47,423
Income taxes payable	14	1,633	12,639
Current portion of long term debt	11	63,579	-
Other liabilities	15	137,043	-
		268,163	**60,062**
Non-current liabilities			
Long term debt	11	-	61,275
Convertible debentures	12	140,862	118,042
Asset retirement obligations	13	16,100	12,999
Future income tax liabilities	14	180,687	375,293
Other liabilities	15	49,451	48,924
Assets held for sale	3.3	12,944	-
		400,044	**616,533**
SHAREHOLDERS' EQUITY			
Share capital	16	3,823,297	3,522,824
Contributed surplus	17	133,478	131,602
Equity component of convertible debentures		46,480	46,480
Accumulated other comprehensive income / (loss)		16,392	(247,708)
Deficit		(2,538,747)	(2,502,660)
		1,480,900	**950,538**
Total shareholders' equity and liabilities		**2,149,107**	**1,627,133**

Basis of presentation and principles of consolidation (note 2.1), contingencies (note 26) & subsequent events (note 27)

The accompanying notes form an integral part of these Consolidated Financial Statements

Approved on behalf of the board of directors

"Ian Telfer"	*"Andrew Adams"*
Ian Telfer	Andrew Adams
Chairman of the board	Chairman of the audit committee

Uranium One Inc.

Consolidated Statements of Operations

For the years ended December 31, 2009 and 2008
(in United States dollars)

	Notes	Year ended Dec 31, 2009 $'000	Dec 31, 2008 $'000
Revenues		**151,992**	**149,776**
Operating expenses		(51,021)	(30,490)
Depreciation and depletion		(46,383)	(22,566)
Earnings from mine operations		**54,588**	**96,720**
General and administrative [1]		(37,903)	(48,689)
Exploration expense		(8,830)	(14,881)
Impairment of mineral interests, plant and equipment and closure costs	8.1	(265,456)	(3,322,222)
Care and maintenance		(15,386)	(1,868)
Operating loss		**(272,987)**	**(3,290,940)**
Interest and other	18	(9,145)	(7,376)
Gain on available for sale securities		193	4,345
Foreign exchange gain / (loss)	19	59,027	(11,709)
Other		(630)	2,650
Loss from continuing operations before income taxes		**(223,542)**	**(3,303,030)**
Current income tax expense	14	(20,915)	(44,191)
Future income tax recovery	14	206,379	1,013,634
Loss from continuing operations		**(38,078)**	**(2,333,587)**
Profit / (loss) from discontinued operations		1,991	(122,260)
Net loss		**(36,087)**	**(2,455,847)**
[1] Stock option and restricted share expense (non-cash) included in general and administrative	17	7,502	15,423
Loss per share from continuing operations			
Basic and diluted		$(0.08)	$(4.98)
Profit / (loss) per share from discontinued operations			
Basic and diluted		$0.00	$(0.26)
Net loss per share			
Basic and diluted		$(0.08)	$(5.24)
Weighted average number of shares (in thousands)			
Basic and diluted	21	475,583	468,424

The accompanying notes form an integral part of these Annual Consolidated Financial Statements

Uranium One Inc.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2009 and 2008
(in United States dollars)

	Share capital $'000	Contributed surplus $'000	Equity component of convertible debentures $'000	Accumulated other comprehensive income / (loss) $'000	Deficit $'000	Total $'000
Balance as at January 1, 2008	**3,496,884**	**134,387**	**46,480**	**51,967**	**(46,813)**	**3,682,905**
Net loss for the year					(2,455,847)	(2,455,847)
Stock options and restricted shares vested	-	15,423	-	-	-	15,423
Exercise of warrants	15,791	(11,460)	-	-	-	4,331
Exercise of stock options and restricted shares	10,149	(6,748)	-	-	-	3,401
Unrealized loss recognized on translation of self-sustaining foreign operations	-	-	-	(282,170)	-	(282,170)
Unrealized loss recognized on translation of self-sustaining foreign discontinued operations	-	-	-	(27,480)	-	(27,480)
Realized loss on sale of Gold One[(1)]	-	-	-	10,163	-	10,163
Fair value adjustments on available for sale securities, net of tax	-	-	-	(188)	-	(188)
Balance as at December 31, 2008	**3,522,824**	**131,602**	**46,480**	**(247,708)**	**(2,502,660)**	**950,538**
Net loss for the year	-	-	-	-	(36,087)	(36,087)
Stock options and restricted shares vested	-	7,502	-	-	-	7,502
Exercise of stock options and restricted shares	6,856	(5,626)	-	-	-	1,230
Issuance of contingent shares	388					388
Unrealized gain recognized on translation of self-sustaining foreign operations	-	-	-	16,391	-	16,391
Realized loss on sale of Gold One[(1)]	-	-	-	13,074	-	13,074
Realized loss on sale of Uranium One Africa (note 3.3)	-	-	-	234,533	-	234,533
Acquisition of Karatau (note 3.1)	293,229	-	-	-	-	293,229
Fair value adjustments on available for sale securities	-	-	-	102	-	102
Balance as at December 31, 2009	**3,823,297**	**133,478**	**46,480**	**16,392**	**(2,538,747)**	**1,480,900**

The accompanying notes form an integral part of these Annual Consolidated Financial Statements

(1) Gold One International Limited (formerly Aflease Gold)

Uranium One Inc.

Consolidated Statements of Comprehensive Income / (Loss)

For the years ended December 31, 2009 and 2008
(in United States dollars)

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Unrealized gain / (loss) recognized on translation of self-sustaining foreign operations	16,391	(282,170)
Unrealized loss recognized on translation of self-sustaining foreign discontinued operations	-	(27,480)
Realized loss on sale of Gold One	13,074	10,163
Realized loss on sale of Uranium One Africa	234,533	-
Fair value adjustments on available for sale securities	102	(188)
Other comprehensive income / (loss) for the year	**264,100**	**(299,675)**
Net loss	(36,087)	(2,455,847)
Comprehensive income / (loss)	**228,013**	**(2,755,522)**

Consolidated Statements of Accumulated Other Comprehensive Income / (Loss)

As at December 31, 2009 and 2008
(in United States dollars)

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Accumulated other comprehensive (loss) / income at January 1	(247,708)	51,967
Other comprehensive income / (loss) for the year	264,100	(299,675)
	16,392	(247,708)
Deficit	(2,538,747)	(2,502,660)
Accumulated other comprehensive loss and deficit	**(2,522,355)**	**(2,750,368)**
Components of accumulated other comprehensive income / (loss) at the end of the year:		
Unrealized foreign exchange adjustment - continuing operations	16,290	(234,634)
Unrealized foreign exchange adjustment - discontinued operations	-	(13,074)
Available for sale marketable securities and investments	102	-
	16,392	**(247,708)**

The accompanying notes form an integral part of these Annual Consolidated Financial Statements

Uranium One Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008
(in United States dollars)

		Year ended	
		Dec 31, 2009	Dec 31, 2008
	Notes	**$'000**	**$'000**
Net profit / (loss) from continuing operations		(38,078)	(2,333,587)
Items not affecting cash:			
- Fair value adjustment included in revenue	15	(7,227)	-
- Depreciation and depletion		46,383	22,566
- Impairment of mineral interest plant and equipment	8.1	265,456	3,306,001
- Gain / (loss) on available for sale securities		(193)	(4,345)
- Stock option and restricted share expense	17	7,502	15,423
- Interest accrued on loans and debentures		3,728	10,195
- Unrealized foreign exchange loss	19	(55,950)	1,339
- Future income tax recovery	14	(206,379)	(1,013,634)
- Other		497	(562)
Movement in non-cash working capital	20	(9,658)	32,730
Cash flows (used in) / from operating activities		**6,081**	**36,126**
Acquisition of mineral interests, plant and equipment		(68,208)	(216,757)
Pre-production revenue capitalized		2,587	-
Advance cash payments for other assets		(3,629)	(1,036)
Acquisition of Karatau, net of acquisition costs		(8,228)	-
Acquisition of SKZ-U, net of acquisition costs		1,290	-
Proceeds on sale of Honeymoon, net of costs		-	34,098
Cash advance for sulphuric acid plant investment		(5,385)	(5,959)
Advance cash receipts for sale of portion of Gold One		-	3,100
Proceeds on sale of Gold One		20,972	44,542
Proceeds on sale of available for sale securities		487	24,927
Cash proceeds from joint ventures		8,167	23,767
Proceeds on sale of mineral interests, plant and equipment		7,304	-
Deposit for purchase of Christensen Ranch	3.2	(8,750)	-
Short term loan repaid		1,093	-
Cash flows used in investing activities		**(52,300)**	**(93,318)**
Common shares issued, net of issue costs		1,230	7,732
Loans received by Kyzylkum		12,000	18,000
Draw-down on credit facility		-	60,467
Cash flows from financing activities		**13,230**	**86,199**
Effects of exchange rate changes on cash and cash equivalents		**5,229**	**(12,374)**
Net (decrease) / increase in cash and cash equivalents from continuing operations		**(27,760)**	**16,633**
Cash and cash equivalents at the beginning of the year		176,225	159,592
Cash and cash equivalents at the end of the year		**148,465**	**176,225**

Supplemental cash flow information (note 20)

The accompanying notes form an integral part of these Annual Consolidated Financial Statements

(in United States dollars)

1 NATURE OF OPERATIONS

Uranium One Inc. ("Uranium One"), its subsidiaries and joint ventures (collectively, the "Corporation") is a Canadian Corporation engaged through subsidiaries and joint ventures in the mining and production of uranium, and in the acquisition, exploration and development of properties for the production of uranium in Kazakhstan, the United States, Australia and South Africa.

Through the Betpak Dala joint venture, Uranium One owns a 70% interest in the Akdala and South Inkai uranium mines in Kazakhstan. The Corporation holds a 50% interest in the Karatau joint venture, which owns the Karatau uranium mine in Kazakhstan, and a 30% interest in the Kyzylkum joint venture, which owns the Kharasan Project in Kazakhstan. In the United States, the Corporation owns projects in the Powder River and Great Divide basins in Wyoming. The Corporation owns a 51% interest in the Honeymoon Uranium Project in Australia. The Corporation owns, either directly or through joint ventures, a large portfolio of uranium exploration properties in the western United States, South Australia, South Africa, and Canada.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation and principles of consolidation

The consolidated financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The consolidated financial statements include the accounts of Uranium One, its subsidiaries and the proportionate share of its interests in joint ventures. All intercompany balances and transactions have been eliminated.

The consolidated balance sheet, statement of operations, cash flow and certain comparative figures have been restated for discontinued operations.

The following are the Corporation's principal mineral properties as at December 31, 2009:

Operating mine:

Entity	Mineral property/Operation	Location	Ownership	Status
Betpak Dala LLP	Akdala Uranium Mine	Kazakhstan	70%	Proportionately consolidated
Betpak Dala LLP	South Inkai Uranium Mine[1]	Kazakhstan	70%	Proportionately consolidated
Karatau LLP	Karatau Uranium Mine[2]	Kazakhstan	50%	Proportionately consolidated

Advanced development projects:

Entity	Mineral property/Operation	Location	Ownership	Status
Kyzylkum LLP	Kharasan Uranium Project	Kazakhstan	30%	Proportionately consolidated

The Corporation is also developing the following mineral properties:

Entity	Mineral property/Operation	Location	Ownership	Status
Uranium One Americas, Inc.[3]	United States development projects	United States	100%	Consolidated
Honeymoon Uranium Project Joint Venture	Honeymoon Project	Australia	51%	Proportionately consolidated

The Corporation owns a 19% interest in the SKZ-U joint venture, which is constructing a sulphuric acid plant in Kazakhstan (note 6.1).

(1) The South Inkai Project commenced commercial operations on January 1, 2009
(2) The Karatau Uranium Mine was acquired on December 21, 2009. Refer to note 3.1
(3) Previously Energy Metals Corp (US)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of new standards

Goodwill and Intangible Assets

On January 1, 2009, the Corporation adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 – "*Goodwill and Intangible Assets*", which replaces CICA Handbook Sections 3062 – "*Goodwill and Other Intangible Assets"* and 3450 – "*Research and Development Costs"*. The revised standard aligns Canadian GAAP for goodwill and intangible assets with IFRS. The new standard provides more comprehensive guidance on intangible assets, in particular for internally developed intangible assets. Standards concerning goodwill are unchanged from the standards included in Section 3062. On adoption of CICA Section 3064, Emerging Issues Committee Abstract 27 – "*Revenues and expenditures during the pre-operating period*" no longer applies to the Corporation. The adoption of this standard did not result in a material impact on the Corporation's consolidated financial statements

Credit risk and fair value of financial assets and financial liabilities

In January 2009, the CICA issued EIC Abstract 173 – "*Credit Risk and the Fair Value of Financial Assets and Financial Liabilities"* ("EIC-173"). EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable for the Corporation's consolidated financial statements for its fiscal year ended December 31, 2009, with retrospective application. The adoption of EIC-173 did not result in a material impact on the Corporation's consolidated financial statements.

Mining exploration costs

In March 2009, the CICA issued EIC Abstract 174 – "*Mining Exploration Costs*" ("EIC-174") which supersedes EIC Abstract 126 – *Accounting by Mining Enterprises for Exploration Costs*, to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs, when an assessment of impairment of these costs is required and conditions indicate impairment. EIC-174 is applicable for the Corporation's interim and annual consolidated financial statements for its fiscal year ended December 31, 2009, with retrospective application. The adoption of EIC-174 did not result in a material impact on the Corporation's consolidated financial statements.

Financial instruments - disclosures

In June 2009, the CICA amended Handbook Section 3862 – "*Financial Instruments – Disclosures"* to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises. The amendments have been incorporated into the Corporation's annual consolidated financial statements for its fiscal year ended December 31, 2009.

Financial instruments – recognition and measurement

During 2009, the Corporation adopted the amendments made by the CICA to Handbook Section 3855 – "*Financial Instruments – Recognition and Measurement"* ("Section 3855"). Section 3855 was amended to provide additional guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category, amend the definition of loans and receivables, amend the categories of financial assets into which debt instruments are required or permitted to be classified, amend the impairment guidance for held-to-maturity debt instruments and require reversal of impairment losses on available-for-sale debt instruments when conditions have changed. The additional guidance on assessment of embedded derivatives is applicable for reclassifications made on or after July 1, 2009. All other amendments are applicable as of January 1, 2009. The adoption of these amendments did not result in a material impact on the Corporation's consolidated financial statements.

2.3 Measurement and reporting currency

Items included in the financial statements of each entity in the Corporation are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency").

The Corporation's reporting currency is the United States dollar. Uranium One, its subsidiaries and joint ventures operate in Kazakhstan, the United States, Australia, South Africa and Canada.

The financial statements of the entities that are determined to be integrated foreign operations have been translated into United States dollars by translating foreign currency denominated monetary assets and liabilities, which includes future income tax, at rates of exchange in effect at the balance sheet date. Non-monetary items are translated at historical exchange rates and revenues and expenses at average rates of exchange during the period. Exchange gains and losses arising on translation are included in the consolidated statements of operations.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial statements of the entities that are determined to be self-sustaining foreign operations have been translated into United States dollars by translating all assets and liabilities, which includes future income tax, at rates of exchange in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates for the period. All resulting exchange differences are included in accumulated other comprehensive income / (loss) on the balance sheet.

2.4 Inventories

Inventories of solutions and uranium concentrates are valued at the lower of average production cost or net realizable value. Production costs include the cost of raw materials, direct labour, mine-site related overhead expenses and depreciation and depletion of mineral interests.

Materials and supplies are valued on the weighted average basis and recorded at the lower of average cost or replacement cost.

2.5 Mineral interests, plant and equipment

Mineral interests, plant and equipment are recorded at cost less accumulated depreciation and depletion.

Mineral interests, plant and equipment includes capitalized expenditures related to the development of mineral properties and related plant and equipment. Capitalized costs and plant and equipment are depreciated and depleted using either a unit-of-production method, over the estimated economic life of the mine to which they relate, or using the straight-line method over their estimated useful lives.

The costs associated with mineral interests are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired. The value allocated to reserves is depreciated on a unit-of-production method over the estimated recoverable proven and probable reserves at the mine. The reserve value is noted as depletable mineral properties for operations in commercial production. The resource value represents the property interests that are believed to potentially contain economic mineralized material such as inferred material; measured, indicated, and inferred resources with insufficient drill spacing to qualify as proven and probable reserves; and inferred resources in close proximity to proven and probable reserves.

Resource value and exploration potential value are classified as non-depletable mineral interests. At least annually or when otherwise appropriate, value from the non-depletable category for operating mines will be transferred to the depletable category as a result of an analysis of the conversion of resources or exploration potential into reserves. Costs related to property acquisitions are capitalized until the viability of the mineral property is determined. When it is determined that a property is not economically viable the capitalized costs are written down. Exploration expenditures on properties not advanced enough to identify their development potential are charged to operations as incurred.

Mining expenditures incurred either to develop new ore bodies or to develop mine areas in advance of current production are capitalized. Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued. Mine development costs incurred to sustain current production are capitalized.

Upon sale or abandonment of any mineral interest, plant and equipment, the cost and related accumulated depreciation or accumulated depletion, are written off and any gains or losses thereon are included in the statement of operations.

2.6 Impairment of long-lived assets

The Corporation reviews the carrying values of its mineral interests, plant and equipment when changes in circumstances indicate that those carrying values may not be recoverable. Estimated future net cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. An impairment loss is recognized when the carrying value of an asset held for use exceeds the sum of undiscounted future net cash flows. An impairment loss is measured as the amount by which the asset’s carrying amount exceeds its fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Asset retirement obligations

The Corporation recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of mineral property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, the net present value of the liability for an asset retirement obligation is recognized in the period incurred. The net present value of the liability is added to the carrying amount of the associated asset and amortized over the asset's useful life. The liability is accreted over time through periodic charges to earnings and is reduced by actual costs of reclamation. Subsequent to the initial measurement, the asset retirement obligation is adjusted at the end of each year to reflect changes in the estimated future cash flows underlying the obligation.

2.8 Revenue recognition

Revenue from uranium sales is recognized when: (i) persuasive evidence of an arrangement exists; (ii) the risks and rewards of ownership pass to the purchaser, including delivery of the product; (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured.

In a uranium supply arrangement, the Corporation is contractually obligated to provide uranium concentrates to its customers. Uranium that was produced by the Corporation is delivered to conversion facilities ("Converters") where the Converter will credit the Corporation's account for the volume of accepted uranium. Based on delivery terms in a sales contract with its customer, the Corporation instructs the Converter to transfer title of a contractually specified quantity of uranium to the customer's account at the Converter. At this point, the Corporation invoices the customer and recognizes revenue for the uranium supply. The Corporation does not recognize revenue in circumstances where it delivers borrowed material into contracts.

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Corporation.

2.9 Future income and mining taxes

The Corporation uses the liability method of accounting for income and mining taxes. Under the liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax losses and other deductions carried forward. For business acquisitions, the liability method results in a gross up of mining interests to reflect the recognition of the future tax liabilities for the tax effect of such differences.

Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. A reduction in respect of the benefit of a future tax asset (a valuation allowance) is recorded against any future tax asset if it is not more likely than not to be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period in which the change is substantively enacted.

2.10 Stock based compensation

The Corporation uses the fair value method of accounting for all stock based compensation awards ("Awards"). Under this method, the Corporation determines the fair value of the compensation expense for all Awards on the date of grant using an option pricing model. The fair value of the Awards is expensed over the vesting period of the Awards.

Upon exercise of the Awards, the related amount of stock based compensation previously expensed is transferred from contributed surplus and together with consideration received, is recorded as share capital.

The Corporation's stock based compensation plans consist of the following:

Options

Under Uranium One's Stock Option Plan, options granted are non-assignable and may be granted for a term not exceeding ten years. The plan is administered by the Board of Directors, which determines individual eligibility under the plan, the number of shares reserved underlying the options granted to each individual (not exceeding 5% of issued and outstanding shares to any insider and not exceeding 1% of the issued and outstanding shares to any non-employee director on a non-diluted basis) and any vesting period which, pursuant to the stock option plan was previously one-third on the grant date, one-third on the first anniversary of the grant date and the remainder on the second anniversary of the grant date. On December 8, 2006 the Board of Directors decided to adopt an amended vesting schedule such that any options granted on and after December 8, 2006, would vest as to one-third on the first anniversary of the grant date, one-third on the second anniversary of the grant date and one-third on the third anniversary of the grant date. The maximum number of shares of Uranium One that are issuable pursuant to the plan is limited to 7.2% of issued and outstanding shares.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted shares

Under the Uranium One Restricted Share Plan, restricted share rights are granted to eligible employees, contractors and directors. Each restricted share right is exercisable for one common share of Uranium One at the end of the restricted period for no additional consideration. The vesting period for restricted shares that are currently issued is either two-thirds on the first anniversary of the grant date and the remainder on the second anniversary of the grant date, or total vesting on the third anniversary of the grant date. The aggregate maximum number of shares available for issuance under the restricted share plan is capped at three million. The number of shares for issuance to non-employee directors may not exceed 0.5% of the total number of common shares outstanding on a non-diluted basis.

2.11 Earnings / loss per share

Earnings / loss per share calculations are based on the weighted average number of common shares and common share equivalents issued and outstanding during the year. The calculation of diluted earnings per share assumes that outstanding options and warrants that are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of Uranium One at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share. Dilution from convertible securities is calculated based on the number of shares to be issued after taking into account the reduction of the related after tax interest expense. The impact of outstanding share options, warrants and convertible debentures are excluded from the diluted share calculation for loss per share amounts, because it is anti-dilutive.

2.12 Financial instruments

The Corporation's financial instruments primarily consist of cash, short-term money market investments, marketable securities, accounts receivable, accounts payable, loans to joint ventures, draw downs against credit facilities, long term debt and convertible debentures. The fair value of the financial instruments approximates their carrying values, due primarily to their immediate or short-term maturity, except for the fair values of marketable securities that have been estimated by reference to quoted market prices for actual or similar instruments where available and disclosed accordingly.

Comprehensive income comprises the Corporation’s net income and other comprehensive income. Comprehensive income represents changes in shareholders’ equity during a period arising from non-owner sources and, for the Corporation, other comprehensive income includes currency translation adjustments on its net investment in self-sustaining foreign operations, and unrealized gains and losses on available-for-sale securities.

Financial assets and financial liabilities are recognized on the balance sheet when the Corporation has become party to the contractual provisions of the instruments. Financial instruments are initially measured at fair value, which includes transaction costs, except for financial instruments classified as held for sale, where the transaction cost is expensed through the statement of operations. Subsequent to initial recognition these instruments are measured as set out below:

Investments

Purchases and sales of marketable investments are recognized on the trade date at fair value, which is the date that the Corporation commits to purchase or sell the asset. After initial recognition, the investments are classified as available for sale investments carried at fair value, with the fair value adjustments accounted for in other comprehensive income. When available for sale investments are sold, the cumulative market rate adjustment previously recorded in other comprehensive income is recognized in the statement of operations.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, deposits held at call and certificates of deposits, money market instruments, including cashable guaranteed investment certificates, bearer deposit notes and commercial paper with a remaining maturity of three months or less at date of purchase, and are carried at fair value.

Financial assets

Financial assets that are classified as held for trading are recognized at fair value on the trade date, which is the date that the Corporation commits to purchase or sell the asset. After initial recognition, the assets are carried at fair value, with the fair value adjustments accounted for in the statement of operations.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Accounts receivable are carried at amortized cost unless a provision has been recorded for uncollectability of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables.

Impairment and uncollectability of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of the asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount as follows: the carrying amount of the asset is reduced to its discounted estimated recoverable amount, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statement of operations for the year.

For investments included under financial instruments, if there is an other than temporary decline in the value of the investment, such reduction is included in the consolidated statement of operations.

Financial liabilities

After initial recognition, financial liabilities, other than held for trading liabilities, are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

Financial liabilities that are classified as held for trading are recognized at fair value on the trade date, which is the date that the Corporation commits to the contract. After initial recognition, the liabilities are carried at fair market value, with the fair value adjustments accounted for in the statement of operations.

Accounts payable

Liabilities for trade and other payables which are normally settled on 30 to 90 day terms are carried at amortized cost.

Loans payable

Loans payable are recognized initially at the proceeds received, net of transaction costs incurred. Loans payable are subsequently measured at amortized cost using the effective interest rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of operations over the period of the loan.

Offset

Where a legally enforceable right of offset exists for recognized financial assets and financial liabilities, and there is an intention to settle the liability and realize the asset simultaneously, or settle on a net basis, all related financial effects are offset.

Compound instruments

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the face value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured.

Embedded derivatives

Derivatives may be embedded in other financial instruments (the "host instrument"). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in gains or losses on derivatives within interest and other in the consolidated statement of operations.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Equity instruments

Equity instruments issued by Uranium One are recorded at the proceeds received, net of direct issue costs.

2.14 Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires the Corporation's management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates.

Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, the recoverability of accounts receivable and investments, the proven and probable reserves, resources and exploration potential of mineral interests and the related depletion and depreciation, the estimated net realizable value of inventories, impairment of mineral interests, plant and equipment, determination of fair values of financial instruments, the fair value for stock-based compensation, the valuation of investments, the provision for income taxes and composition of income tax assets and liabilities, the expected economic lives of and the estimated future operating results and net cash flows from mining interests, the anticipated costs of reclamation and closure cost obligations, and the fair value of assets and liabilities acquired in business combinations and asset acquisitions.

2.15 Non-controlling interest

Non-controlling interests exist with respect to less than wholly-owned subsidiaries of the Corporation and represent the outside interest's share of the carrying values of the subsidiaries' net assets. When the subsidiary company issues its own shares to outside parties, a dilution gain or loss arises as a result of the difference between the Corporation's share of the proceeds and the carrying value of the underlying equity.

2.16 Variable interest entities

Variable interest entities ("VIE's") as defined by the Accounting Standards Board in Accounting Guideline ("AcG") 15, "*Consolidation of Variable Interest Entities*" are entities in which equity investors do not have characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIE's are subject to consolidation by the primary beneficiary who will absorb the majority of the entity's expected losses and/or expected residual returns. The Corporation has determined that none of its equity investments, contracts or other holdings qualify as VIE's.

2.17 Recent accounting pronouncements

Financial instruments – recognition and measurement

In June 2009, the CICA amended Section 3855 to clarify the application of the effective interest rate method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument at initial recognition for accounting purposes. The amendments are applicable for the Corporation's interim and annual financial statements for its fiscal year beginning January 1, 2011. Earlier adoption is permitted.

Business combinations

CICA Section 1582 – "*Business Combinations*", which replaces CICA Section 1581 – "*Business Combinations*", establishes standards for the accounting for a business combination. It is the Canadian GAAP equivalent to International Financial Reporting Standard ("IFRS") 3, "*Business Combinations*". This standard is effective for the Corporation's business combinations with acquisition dates on or after January 1, 2011. Early adoption is permitted. The Corporation will early adopt this standard effective January 1, 2010. The standard applies prospectively and may have a material impact on the accounting for business combinations concluded from 2010 onwards.

Consolidated financial statements and non-controlling interests

CICA Section 1601 – "*Consolidated Financial Statements*" ("Section 1601") and Section 1602 – "*Non-controlling Interests*" ("Section 1602") replaces CICA Handbook Section 1600 - "*Consolidated Financial Statements*". Sections 1601 and 1602 establish standards for preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. These standards are effective for the Corporation for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted. The Corporation will early adopt this standard effective January 1, 2010. The standard applies prospectively and may have a material impact on the Corporation's financial statements from 2010 onwards.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Corporation's reporting no later than in the first quarter of 2011, with restatement of comparative information presented.

3 ACQUISITIONS AND DISPOSALS

3.1 Acquisition of the Karatau Uranium Mine

Uranium One announced on June 15, 2009 the signing of a definitive purchase agreement to acquire a 50% joint venture interest in the Karatau Uranium Mine ("Karatau") in Kazakhstan from JSC Atomredmetzoloto ("ARMZ"), the Russian state-owned uranium mining company. The other 50% joint venture interest in Karatau is held by JSC NAC Kazatomprom, the Kazakh-state owned uranium mining company. The acquisition closed in escrow on December 14, 2009 and the consideration held in escrow was released on December 21, 2009, from which date the Corporation consolidates its interest using the proportional consolidation method.

The purchase price was paid by way of the issuance of 117 million common shares of Uranium One and a promissory note of $90 million. The promissory note was repaid on January 18, 2010. The purchase agreement also provides for contingent payments to ARMZ of up to $60 million, payable in three equal tranches over the period between 2010 and 2012 subject to certain, post-closing tax related, adjustments. The first payment of $20 million was made during January 2010. Due to uncertainty regarding the payment of the remaining $40 million, it was not recognized as a liability on acquisition.

As a result of the transaction, ARMZ holds an indirect 19.92% interest in Uranium One. ARMZ has agreed to a standstill covenant under which it may not (subject to certain exceptions), without Uranium One's prior consent, for a period of at least five years from closing increase their ownership to more than 19.95% of Uranium One's outstanding common shares. Subsequent to December 31, 2009, the Corporation agreed that ARMZ may temporarily exceed the 19.95% standstill covenant until January 29, 2011. This will allow ARMZ to settle certain option agreements that they entered into with third parties based on the expectation that the transaction with Japan Uranium Management Inc. (note 27), as originally structured, would have closed.

The value of the Uranium One shares issued was calculated using the weighted average share price of Uranium One shares two days before, the day of, and two days after the date of the announcement of the arrangement.

The aggregate fair values of assets acquired and liabilities assumed were as follows on acquisition date:

	$'000
Purchase price:	
Promissory note	90,000
Common shares	293,229
Contingent payment	20,000
Acquisition costs	8,751
	411,980
Net assets acquired:	
Cash and cash equivalents	523
Inventory	26,761
Other current assets	3,102
Mineral interests, plant and equipment	511,032
Other non-current assets	2,218
Accounts payable and accrued liabilities	(28,889)
Other current liabilities	(25,051)
Future income tax liabilities	(74,850)
Other non-current liabilities	(2,866)
	411,980

3 ACQUISITIONS AND DISPOSALS (continued)

3.2 Acquisition of Christensen Ranch and Irigaray

The Corporation entered into a definitive agreement on August 7, 2009 to acquire 100% of the MALCO Joint Venture ("MALCO") from wholly-owned subsidiaries of AREVA and Électricité de France for $35 million in cash. The assets of MALCO include the licensed and permitted Irigaray ISR central processing plant, the Christensen Ranch satellite ISR facility and associated U_3O_8 resources located in the Powder River Basin of Wyoming.

Pursuant to the acquisition agreement, the Corporation placed a deposit of $8.8 million in escrow to be applied against the purchase price. The acquisition closed on January 25, 2010.

3.3 Assets held for sale

Uranium One Africa
In May 2009, the Corporation committed to a plan to sell Uranium One Africa Limited, ("Uranium One Africa"), a wholly owned subsidiary of the Corporation. Uranium One Africa owns the Dominion Uranium Project, which the Corporation has placed on care and maintenance during the third quarter of 2008.

The Corporation estimates it will receive cash proceeds of $38.5 million, net of costs related to the sale. The net carrying value of the investment of $285.0 million was impaired to the estimated proceeds of $38.5 million, resulting in an impairment of $246.5 million. The Corporation had an accumulated unrealized translation loss relating to Uranium One Africa of $234.5 million, previously recorded within other comprehensive income, which has been released through the statement of operations as a result of the reclassification of the Corporation's investment in Uranium One Africa to assets held for sale.

December 31, 2009	**Dominion $'000**
Total assets	51,460
Total liabilities	(12,944)
Net carrying value	**38,516**
Net carrying value before impairment	50,508
Accumulated translation losses	234,533
Carrying value before impairment	**285,041**
Impairment	(246,525)
Estimated recoverable amount, net of costs	**38,516**

3 ACQUISITIONS AND DISPOSALS (continued)

3.4 Disposals

During December 2009, the Corporation disposed of its Texas assets to Uranium Energy Corp ("UEC") for 2.5 million restricted common shares of UEC which had a market value of $8.5 million, net of closing costs of $0.2 million. In addition the Corporation disposed of certain other non-core assets during the year.

	Texas assets $'000	Other properties $'000	Total $'000
Assets and liabilities sold:			
Mineral interest, plant and equipment	22,051	3,580	25,631
Accounts receivables and other receivables	51	-	51
Other assets	2,327	-	2,327
Accounts payables and accrued liabilities	(59)	-	(59)
Other current liabilities	(90)	-	(90)
Asset retirement obligations	(962)	-	(962)
Other non-current liabilities	(74)	-	(74)
Carrying value of assets and liabilities sold	**23,244**	**3,580**	**26,824**
Proceeds on sales:			
Carrying value	23,244	3,580	26,824
Impairment	(14,767)	(3,239)	(18,006)
Proceeds, net of closing costs	**8,477**	**341**	**8,818**

4 CASH AND CASH EQUIVALENTS

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Cash	44,362	134,444
Money market instruments, including cashable guaranteed investment certificates, bearer deposit notes and commercial paper	104,103	41,781
	148,465	**176,225**

Cash and cash equivalents do not include any asset backed commercial paper.

5 ACCOUNTS AND OTHER RECEIVABLES

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Trade receivables	25,825	26,194
Value added tax and general sales tax	9,004	5,886
Prepayments and advances	4,747	4,151
Other receivables	2,829	3,695
	42,405	**39,926**

6 JOINT VENTURES

6.1 Proportionate interests in joint ventures

The Corporation owns the following interests in joint ventures:

Betpak Dala	70%
Kyzylkum	30%
Karatau	50%
SKZ-U LLP	19%
Honeymoon	51%
Australia Exploration	51%

The Corporation acquired a 19% joint control interest in SKZ-U LLP ("SKZ-U") during 2009 to ensure long term sulphuric acid supply to Kyzylkum and other projects in the region. The SKZ-U joint venture was established to construct a sulphuric acid plant near Kharasan at Zhanakorgan.

The Corporation acquired a 50% joint control interest in Karatau during 2009 (note 3.1).

The Corporation's proportionate share of the assets and liabilities of the joint ventures are as follows:

As at December 31, 2009	Betpak Dala	Kyzylkum	Karatau	SKZ-U	Honeymoon & Australia exploration	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash	3,062	871	160	412	5,163	9,668
Other current assets	77,871	274	18,930	5	1,388	98,468
Mineral interests, plant and equipment	658,509	205,293	510,494	3,537	78,039	1,455,872
Other assets	1,479	389	1,924	7,018	-	10,810
Current liabilities	(8,494)	(4,034)	(27,020)	(38)	(2,575)	(42,161)
Other liabilities (1) (2)	(1,479)	(48,781)	(16,687)	-	(34)	(66,981)
Future income tax liabilities	(55,844)	(12,223)	(74,637)	-	(4,074)	(146,778)
Asset retirement obligation	(8,170)	(1,356)	(2,847)	-	(705)	(13,078)
Net Assets	**666,934**	**140,433**	**410,317**	**10,934**	**77,202**	**1,305,820**

(1) In addition to the $35 million loan (note 6.2) from the Corporation, Kyzylkum negotiated unsecured bank loan facilities totaling $160 million in prior periods. One facility, in the amount of $70 million, was obtained from the Japan Bank for International Cooperation ("JBIC") and the other facility, in the amount of $90 million, was obtained from Citibank. These facilities were fully drawn down as at December 31, 2009, and the Corporation's share of these facilities is $48 million.

(2) Karatau negotiated a secured short term bank loan totaling $10 million with Citibank and the Corporation's share of this loan is $5 million.

As at December 31, 2008	Betpak Dala	Kyzylkum	Honeymoon & Australia exploration	Total
	$'000	$'000	$'000	$'000
Cash	725	92	-	817
Other current assets	8,641	656	16	9,313
Mineral interests, plant and equipment	700,006	193,018	38,619	931,643
Other assets	703	4,005	-	4,708
Current liabilities	(18,098)	(3,084)	(653)	(21,835)
Other liabilities (1)	(1,636)	(36,009)	(11)	(37,656)
Future income tax liabilities	(270,411)	(72,019)	(3,271)	(345,701)
Asset retirement obligation	(4,609)	(117)	(223)	(4,949)
Net Assets	**415,321**	**86,542**	**34,477**	**536,340**

(1) In addition to the $46.7 million loan (note 6.2) from the Corporation, Kyzylkum negotiated unsecured bank loan facilities totaling $100 million in 2007 and another $60 million in 2008. One facility, in the amount of $70 million, was obtained from the Japan Bank for International Cooperation ("JBIC") and the other facility, in the amount of $90 million, was obtained from Citibank. Total draw downs against these facilities amounted to $120 million as at December 31, 2008, of which the Corporation's share was $36 million.

6 JOINT VENTURES (CONTINUED)

6.1 Proportionate interests in joint ventures (continued)

The Corporation's proportionate share of revenue, expenses, net earnings / (loss) and cash flows for the years ended December 31, 2009 and 2008 are as follows:

Year ended December 31, 2009

	Betpak Dala $'000	Kyzylkum $'000	Karatau $'000	SKZ-U $'000	Honeymoon & Australia exploration $'000	Total $'000
Revenue	138,473	-	10,710	-	-	149,183
Expenses and other income	(86,394)	(455)	(10,684)	5	(769)	(98,297)
Foreign exchange gain / (loss)	59,153	11,497	(358)	56	-	70,348
Earnings / (loss) before income taxes	**111,232**	**11,042**	**(332)**	**61**	**(769)**	**121,234**
Current income tax expense	(16,567)	-	(1,228)	(1)	-	(17,796)
Future income tax recovery / (expense)	164,561	46,403	(103)	-	(36)	210,825
Earnings / (loss)	**259,226**	**57,445**	**(1,663)**	**60**	**(805)**	**314,263**
Cash flows (used in) / from operating activities	21,487	-	499	-	-	21,986
Cash flows used in investing activities	(19,150)	(11,221)	(339)	(4,973)	(24,281)	(59,964)
Cash flows from financing activities	-	12,000	-	5,385	29,444	46,829
Net increase / (decrease) in cash	**2,337**	**779**	**160**	**412**	**5,163**	**8,851**

Year ended December 31, 2008

	Betpak Dala $'000	Kyzylkum $'000	Honeymoon & Australia exploration $'000	Total $'000
Revenue	149,776	-	-	149,776
Expenses and other income	(50,680)	132	(56)	(50,604)
Foreign exchange (loss) / gain	(18)	660	-	642
Earnings / (loss) before income taxes	**99,078**	**792**	**(56)**	**99,814**
Current income tax expense	(42,065)	(42)	-	(42,107)
Future income tax recovery	7,122	186	-	7,308
Earnings / (loss)	**64,135**	**936**	**(56)**	**65,015**
Cash flows from / (used in) operating activities	64,344	(78)	-	64,266
Cash flows used in investing activities	(53,347)	(21,489)	-	(74,836)
Cash flows (used in) / from financing activities	(11,915)	18,000	-	6,085
Net decrease in cash	**(918)**	**(3,567)**	**-**	**(4,485)**

6 JOINT VENTURES (continued)

6.2 Loans to joint ventures

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Current portion		
Kyzylkum	-	19,158
	-	**19,158**
Long term portion		
SKZ-U	3,552	-
Kyzylkum	25,698	14,000
	29,250	**14,000**
Total	**29,250**	**33,158**

Kyzylkum loan

The Corporation made loans to Kyzylkum pursuant to its obligation to provide project financing for construction and commissioning of the Kharasan Project in the amount of $80 million. The loans bear interest at LIBOR plus 1.5% per annum, with interest payable on a semi-annual basis, commencing within two years of initial funding.

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Balance at January 1	46,666	73,333
Repaid during the year	(11,666)	(26,667)
	35,000	**46,666**
Interest accrued	1,711	702
Balance at December 31	**36,711**	**47,368**
Less: elimination of proportionate share – 30%	(11,013)	(14,210)
	25,698	**33,158**
Less: current portion	-	(19,158)
Long term portion	**25,698**	**14,000**

The loans to Kyzylkum are unsecured.

Kyzylkum has suspended scheduled payments of principal and interest to the Corporation pending receipt of additional financing currently being arranged by the Corporation and its partners in the Kyzylkum joint venture. The repayments of the $35 million due from Kyzylkum are likely to be deferred as part of the financing of Kyzylkum's activities. The Corporation therefore classified the amount outstanding on the loan to Kyzylkum as non-current.

7 INVENTORIES

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Finished uranium concentrates	41,055	5,401
Solutions and concentrates in process	24,871	2,584
Product inventory	**65,926**	**7,985**
Materials and supplies	5,708	9,405
	71,634	**17,390**

All operating expenses and depreciation and depletion are processed to inventory and expensed when the product is sold.

Finished uranium concentrates includes a fair value adjustment of $8.9 million that was processed on acquisition of Karatau, to increase the carrying value to fair market value. The fair value adjustment will be recognised as non-cash depreciation and depletion with the subsequent sale of the inventory.

8 MINERAL INTERESTS, PLANT AND EQUIPMENT

December 31, 2009	Cost $'000	Accumulated amortization $'000	Net carrying Amount $'000
Mineral interests	1,485,968	(82,852)	1,403,116
Plant and equipment	385,621	(40,453)	345,168
	1,871,589	**(123,305)**	**1,748,284**

December 31, 2008	Cost $'000	Accumulated amortization $'000	Net carrying amount $'000
Mineral interests	1,035,043	(46,850)	988,193
Plant and equipment	312,360	(15,138)	297,222
	1,347,403	**(61,988)**	**1,285,415**

A summary by property of the net book value is as follows:

December 31, 2009		**Mineral interests**				
	Country	**Depletable $'000**	**Non-depletable $'000**	**Total $'000**	**Plant and equipment $'000**	**Total $'000**
Akdala Mine	Kazakhstan	77,199	74,358	151,557	28,149	179,706
South Inkai Mine	Kazakhstan	194,753	181,068	375,821	102,598	478,419
Karatau Mine	Kazakhstan	141,052	312,575	453,627	56,867	510,494
Kharasan Project	Kazakhstan	-	140,078	140,078	68,752	208,830
United States development projects	United States	-	94,653	94,653	26,873	121,526
United States exploration projects	United States	-	114,905	114,905	493	115,398
United States conventional mining projects	United States	-	38,896	38,896	1,014	39,910
Honeymoon Project	Australia	-	31,830	31,830	46,209	78,039
Corporate and other		-	1,749	1,749	14,213	15,962
Total		**413,004**	**990,112**	**1,403,116**	**345,168**	**1,748,284**

8 MINERAL INTERESTS, PLANT AND EQUIPMENT (continued)

December 31, 2008		Mineral interests				
	Country	Depletable $'000	Non-depletable $'000	Total $'000	Plant and equipment $'000	Total $'000
Akdala Mine	Kazakhstan	92,739	74,358	167,097	28,622	195,719
South Inkai Project	Kazakhstan	-	396,963	396,963	107,017	503,980
Kharasan Project	Kazakhstan	-	144,722	144,722	48,296	193,018
Dominion Project	South Africa	-	-	-	44,586	44,586
United States development projects	United States	-	90,255	90,255	15,589	105,844
United States exploration projects	United States	-	122,586	122,586	-	122,586
Hobson Facility and La Palangana Project	United States	-	-	-	22,026	22,026
United States conventional mining projects	United States	-	39,215	39,215	1,497	40,712
Honeymoon Project	Australia	-	25,652	25,652	12,967	38,619
Corporate and other		-	1,703	1,703	16,622	18,325
Total		**92,739**	**895,454**	**988,193**	**297,222**	**1,285,415**

8.1 Impairment of mineral interests, plant and equipment

December 31, 2009	Impairment and closure costs $'000	Future income tax adjustment $'000	Net impairment $'000
United States exploration projects	789	268	521
Corporate and other	136	-	136
Mineral interests, plant and equipment	**925**	**268**	**657**
Dominion Project (note 3.3)	246,525	-	246,525
Assets held for sale	**246,525**	**-**	**246,525**
Texas assets (note 3.4)	14,767	(5,422)	20,189
Other assets (note 3.4)	3,239	1,070	2,169
Disposals during the year	**18,006**	**(4,352)**	**22,358**
Total	**265,456**	**(4,084)**	**269,540**

December 31, 2008	Impairment and closure costs $'000	Future income tax adjustment $'000	Net impairment $'000
Dominion Project	1,805,452	474,735	1,330,717
United States development projects	204,289	68,679	135,610
United States exploration projects	936,556	331,619	604,937
Hobson Facility and La Palangana Project	83,409	19,024	64,385
United States conventional mining projects	65,310	4,070	61,240
Honeymoon Project	195,358	59,196	136,162
Corporate and other assets	31,848	5,701	26,147
	3,322,222	**963,024**	**2,359,198**

9 OTHER ASSETS

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Current		
Purchased uranium concentrates	-	9,743
Borrowed uranium concentrates	8,900	-
Future income tax assets	1,070	1,206
Deposit for acquisition of Christensen Ranch and Irigaray (note 3.2)	8,750	-
Deferred business development expenditure	5,174	-
Other	578	1,094
	24,472	**12,043**
Non-current		
Asset retirement fund	13,500	19,939
Advances for future services	-	10,054
Borrowed uranium concentrates	-	8,621
Advances for investment in sulphuric acid plant	-	5,959
Advances for plant and equipment	7,487	3,938
Long term deposits and guarantees	347	2,489
Long term inventory	1,244	-
Available for sale securities	9,287	593
Deferred business development expenditure	-	503
Discontinued operations	-	9,024
Other	1,272	1,856
	33,137	**62,976**

Uranium concentrates loans

The Corporation entered into a uranium concentrates borrowing agreement to mitigate the risk of delivery delays, enabling the Corporation to meet its contractual obligations in terms of current uranium sales contracts. The asset represents the borrowed uranium concentrates, which are held at a conversion facility in the Corporation's account. The asset is recorded at its fair value. The corresponding financial liability of $8.9 million, which was classified as held for trading, is also carried at fair value and is included in uranium concentrates loans in current liabilities (note 15).

Discontinued operations

The Corporation disposed of its remaining shareholding in Gold One during the year ended December 31, 2009, realizing a gain of $2.0 million from the sale of 186.8 million shares for proceeds of $24.3 million, of which $3.1 million was received in 2008.

Available for sale securities

During the year the Corporation received 2.5 million UEC shares for the sale of the Texas properties. The fair value of the UEC shares were $8.7 million as at December 31, 2009 (note 3.4). The Corporation holds further available for sale securities with a fair value of $0.6 million.

10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Trade payables	22,325	18,222
Accruals	18,661	19,874
Advances received	19,938	-
Commodity and other taxes payable	4,378	4,148
Deposit received for sale of Gold One shares	-	3,100
Other	606	2,079
	65,908	**47,423**

11 LONG TERM DEBT

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Opening balance	61,275	-
Drawn down during the year	-	65,000
Financing fees	-	(3,876)
Amortized financing fees	2,371	-
Interest paid	(1,210)	(386)
Interest accrued	1,143	537
Closing balance	**63,579**	**61,275**
Current portion	63,579	-
Long term portion	-	61,275
	63,579	**61,275**

On June 27, 2008, the Corporation established a $100 million bank debt senior secured revolving credit facility (the "facility"). Under the terms of the facility, the Corporation had the ability to borrow up to $100 million from the lead lenders, Bank of Montreal and The Bank of Nova Scotia (the "Banks"). The facility has a two year term, and may be extended for a further year with lender consent.

Draw downs under the facility can be made at interest rates based on either the US dollar LIBOR rate or the Bank of Montreal base rate for US dollar denominated loans. Undrawn amounts are subject to a commitment fee currently at 0.50% per annum. Letters of credit can be issued under the facility at a fee of between 1.25% and 2.00% per annum.

The Corporation has made a drawdown of $65 million under the credit facility on October 20, 2008. The loan currently bears interest at 2.2% per year. Letters of credit in the amount of $9.1 million were issued under the credit facility as at December 31, 2009.

The debt is payable with no notice, anytime before June 27, 2010.

The margins over the base interest rates, the commitment fee and the letter of credit fee, are dependent on the ratio of the Corporation's net debt (consisting of total debt less certain cash balances) to its earnings before interest, taxes, stock based compensation, depreciation and depletion and other non-cash items.

Draw downs under the facility may be used for general corporate purposes, including working capital requirements and funding capital expenditures and acquisitions.

Financing fees relate to upfront costs and other costs incurred associated with establishing the credit facility, and are expensed over the term of the facility.

12 CONVERTIBLE DEBENTURES

The Corporation has outstanding convertible unsecured subordinated debentures maturing December 31, 2011 (the "debentures") with a face value of Cdn $155.3 million ($147.9 million). The debentures were originally issued at Cdn $1,000 per debenture and bear interest at an annual rate of 4.25%, payable semi-annually in arrears on June 30 and December 31 of each year. The conversion price is Cdn $20 per share, which is equivalent to 50 common shares for each Cdn $1,000 principal amount of debentures.

The table below indicates the breakdown of the liability:

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Opening balance	118,042	136,548
Interest incurred	8,739	15,075
Coupon payment	(6,049)	(5,989)
Foreign exchange movement	20,130	(27,592)
Liability as at the end of the year	**140,862**	**118,042**

13 ASSET RETIREMENT OBLIGATIONS

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Opening balance	12,999	13,927
Revision of estimates	-	(68)
Accretion expense	1,291	1,407
Settled	(959)	-
Incurred	6,555	-
Sale of 49% interest in Honeymoon	-	(307)
Karatau business combination	2,841	-
Reallocated to assets held for sale	(7,211)	-
Other	-	(727)
Foreign exchange movement	584	(1,233)
Closing balance	**16,100**	**12,999**

	Dec 31, 2009	Dec 31, 2008
Undiscounted and uninflated amount of estimated cash flows ($'000)	**23,801**	**24,864**
Payable in years	8 - 44	7 - 45
Inflation rate	2.69% - 7.00%	2.69% - 8.50%
Discount rate	8.40% - 12.52%	8.50% - 15.90%

Security of $13.5 million (2008: $19.9 million) for reclamation obligations has been provided in the form required by the relevant country's authorities (note 9).

14 INCOME TAXES

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Current income tax expense	20,915	44,191
Future income tax recovery	(206,379)	(1,013,634)
	(185,464)	**(969,443)**

Reconciliation between the average effective tax rate and the applicable statutory tax rate.

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Loss before income taxes	(223,542)	(3,303,030)
Canadian federal and provincial income tax rates	30.00%	31.00%
Expected income tax recovery	(67,063)	(1,023,939)
Permanent differences, including share based compensation and foreign exchange	(9,606)	6,075
Effect of tax rate changes	(202,201)	1,150
Change in valuation allowance	92,798	143,661
Differences in tax rates in foreign jurisdictions	(478)	(101,439)
Other	1,086	5,049
	(185,464)	**(969,443)**

Future income tax

The significant components of the Corporation's future income tax assets and liabilities are as follows:

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Future income tax assets		
Mineral interests, plant & equipment	137,003	151,815
Other	85,642	12,105
Non-capital losses	90,090	69,080
Future income tax assets before valuation allowance	312,735	233,000
Valuation allowance	(256,403)	(163,827)
Future income tax assets, net of valuation allowance	**56,332**	**69,173**
Future income tax liabilities		
Mineral interests, plant & equipment	235,949	435,096
Other	-	8,164
Future income tax liabilities	**235,949**	**443,260**
Net current portion of future income tax assets	1,070	1,206
Net long term portion of future income tax liabilities	(180,687)	(375,293)
Net future income tax liability	**(179,617)**	**(374,087)**

14 INCOME TAXES (continued)

Tax loss carry-forwards

Canada and provincial tax jurisdictions
At December 31, 2009, the Corporation had Canadian federal and provincial net operating loss carry-forwards totaling $94.5 million with a tax value of $24.6 million that expire from 2010 through 2030. A valuation allowance of $24.6 million has been applied against the future tax asset representing these losses.

United States federal and state tax jurisdictions
At December 31, 2009, the Corporation had United States federal and state net operating loss carry-forwards totaling $65.3 million with a tax value of $23.6 million that expire from 2020 through 2030. A valuation allowance of $nil million has been applied against the future tax asset representing these losses.

South Africa tax jurisdictions
At December 31, 2009, the Corporation had South Africa net operating loss carry-forwards totaling $95.1 million with a tax value of $33.3 million with no expiry. A valuation allowance of $33.3 million has been applied against future tax asset representing these losses.

Kazakhstan tax jurisdictions
At December 31, 2009, the Corporation had Kazakhstan net operating loss carry-forwards totaling $21.2 million with a tax value of $3.2 million that expire from 2010 through 2012. A valuation allowance of $3.2 million has been applied against the future tax asset representing these losses.

Australia tax jurisdictions
At December 31, 2009, the Corporation had Australian net operating loss carry-forwards totaling $18.3 million with a tax value of $5.5 million with no expiry. A valuation allowance of $nil has been applied against the future tax asset representing these losses.

15 OTHER LIABILITIES

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Current		-
Promissory note (note 3.1)	90,211	-
Contingent payment (note 3.1)	20,000	-
Unfavorable contracts	11,655	-
Uranium concentrates loan	8,900	-
Short term loan (note 3.1)	5,000	-
Other	1,277	-
	137,043	**-**
Non-current		
Uranium concentrates loan	-	10,692
Kyzylkum external loan facility (note 6)	47,574	35,453
Due to the Republic of Kazakhstan	1,696	2,138
Other	181	641
	49,451	**48,924**

Uranium concentrates loan

On September 22, 2008, the Corporation entered into a loan agreement to borrow 200,000 pounds of U_3O_8 to be repaid on September 30, 2010. Under the loan agreement, loan fees of 3.5% per annum are payable based on the value of the borrowed U_3O_8. The Corporation recognized the borrowed uranium as an Other asset (note 9). The loan which was classified as a financial liability held for trading, and the other asset are carried at fair value.

Unfavourable contract

The Corporation acquired an unfavorable contract as part of the Karatau acquisition which is carried at fair value (note 3.1). The fair value will be realized as part of revenue when the finished uranium concentrates are delivered into the contract.

Promissory note

The Corporation issued a $90 million promissory note as part of the consideration for the purchase of Karatau (note 3.1). The promissory note was due not later than 12 months from closing and was repaid on January 18, 2010.

16 SHARE CAPITAL

Issued and outstanding common shares	Number of shares	Value of shares $'000
Common shares on January 1, 2008	**467,173,423**	**3,496,884**
Exercise of warrants	1,190,000	15,791
Exercise of stock options	1,043,016	7,358
Exercise of restricted shares	206,517	2,791
Common shares on December 31, 2008	**469,612,956**	**3,522,824**
Exercise of warrants		
Exercise of stock options	600,184	6,599
Exercise of restricted shares	44,836	257
Contingent shares issued	165,600	388
Karatau acquisition share issued	117,000,000	293,229
Issued and outstanding common shares at December 31, 2009	**587,423,576**	**3,823,297**

17 CONTRIBUTED SURPLUS

The following table details the movement of contributed surplus during the year:

	Warrants $'000	Restricted shares $'000	Options $'000	Total $'000
As at January 1, 2008	**25,372**	**3,119**	**105,896**	**134,387**
Stock options issued and vested	-	-	14,145	14,145
Stock options exercised	-	-	(3,957)	(3,957)
Restricted shares vested	-	1,278	-	1,278
Restricted shares exercised	-	(2,791)	-	(2,791)
Warrants exercised	(11,460)	-	-	(11,460)
As at December 31, 2008	**13,912**	**1,606**	**116,084**	**131,602**
Stock options issued and vested	-	-	7,027	7,027
Stock options exercised	-	-	(5,369)	(5,369)
Restricted shares issued and vested	-	475	-	475
Restricted shares exercised	-	(257)	-	(257)
As at December 31, 2009	**13,912**	**1,824**	**117,742**	**133,478**

Assumptions
The fair value of stock options and restricted shares used to calculate the compensation expense was estimated using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2009	December 31, 2008
Risk free interest rate	1.7% - 2.82%	2.52% - 3.60%
Expected dividend yield	0%	0%
Expected volatility of the Uranium One's share price	98% - 115%	66% - 120%
Expected life	5 years	5 years

Warrants
The Corporation has no outstanding warrants at December 31, 2009 (2008: nil).

(in United States dollars)

17 CONTRIBUTED SURPLUS (continued)

Stock options

The following is a summary of options granted under the stock-based compensation plan:

	Number of options	Weighted average exercise price Cdn $
Outstanding options as at January 1, 2008	**20,824,788**	**8.55**
Granted options	2,559,948	3.56
Exercised options	(1,043,016)	3.74
Forfeitures of stock options	(6,483,203)	9.12
Outstanding options as at December 31, 2008	**15,858,517**	**7.82**
Granted options	6,292,351	2.23
Exercised options	(600,184)	2.25
Forfeitures of stock options	(2,986,524)	6.89
Outstanding options as at December 31, 2009	**18,564,160**	**6.26**

The stock option compensation expense for the year ended December 31, 2009 was $7.0 million and for the year ended December 31, 2008 it was $14.1 million. As at December 31, 2009, the aggregate unexpensed fair value of unvested stock options granted amounted to $5.0 million. The fair value of options granted during the year amounts to $8.2 million ($1.31 per option) (2008: $5.5 million, $2.15 per option).

The following table summarizes stock options outstanding at December 31, 2009:

	Options outstanding			Options exercisable		
Range of exercise prices Cdn $	**Number outstanding as at December 31, 2009**	**Weighted average remaining life** (years)	**Weighted average exercise price** Cdn $	**Number exercisable as at December 31, 2009**	**Weighted average remaining life** (years)	**Weighted average exercise price** Cdn $
0.78 to 2.74	6,068,700	3.98	2.18	254,814	1.30	1.49
2.75 to 4.76	3,821,199	3.00	3.86	2,701,192	2.98	3.93
4.77 to 7.79	2,161,319	2.44	6.96	2,097,715	2.41	7.02
7.80 to 9.90	3,065,950	5.63	8.44	3,047,036	5.65	8.44
9.91 to 12.93	1,827,175	2.60	12.13	1,787,510	2.60	12.13
12.94 to 15.63	613,900	2.17	13.90	555,780	2.14	13.94
15.64 to 16.59	1,005,917	2.18	16.52	707,927	2.19	16.48
	18,564,160	**3.58**	**6.26**	**11,151,974**	**3.41**	**8.30**

(in United States dollars)

17 CONTRIBUTED SURPLUS (continued)

Restricted share rights

The following is a summary of Uranium One's restricted shares issued under the Restricted Share Plan:

	Number of restricted shares
Balance at January 1, 2008	**295,532**
Granted	609,000
Exercised during the year	(206,517)
Expired	(74,520)
Balance at December 31, 2008	**623,495**
Exercised during the year	(44,836)
Expired	(127,500)
Balance at December 31, 2009	**451,159**

The following is a summary of the outstanding restricted share rights:

	Number of restricted shares	
	Dec 31, 2009	Dec 31, 2008
Grant date		
June 7, 2006	72,083	72,083
December 8, 2006	4,576	9,245
July 1, 2007	-	6,667
April 7, 2008	374,500	510,500
April 28, 2008	-	25,000
Balance at the end of the year	**451,159**	**623,495**

Restricted share rights will not expire while the rights holder is an employee of the Corporation.

The restricted share rights expense for the year ended December 31, 2009 was $0.5 million and for the year ended December 31, 2008 was $1.3 million. As at December 31, 2009 the aggregate unexpensed fair value of unvested restricted share rights granted amounted to $0.6 million (2008: $1.6 million). No restricted shares were granted during the year. The fair value of the restricted shares granted during 2008 was $2.4 million.

Contingently issuable shares
Under the terms of the acquisition agreement for the Kyzylkum JV interest, Uranium One is obligated to issue 6,964,200 common shares of Uranium One upon commencement of commercial production from Kyzylkum.

The Corporation assumed all of the obligations of Uranium One Americas, Inc. (previously Energy Metals Corporation Inc.) and its subsidiaries arising under certain option and joint venture agreements with third parties. At December 31, 2009 Uranium One has reserved a total of 57,500 common shares for issuance pursuant to the assumed obligations under contingent share rights agreements. 165,600 contingent shares were issued during the year due to the performance conditions being met. 184,000 contingent share rights have lapsed during the year.

18 INTEREST AND OTHER

	Year ended Dec 31, 2009 $'000	Year ended Dec 31, 2008 $'000
Interest income	4,885	10,315
Interest paid	(1,155)	(505)
Convertible debenture interest (note 12)	(8,739)	(15,075)
Credit facility charges	(3,720)	(1,677)
Interest and costs incurred on uranium concentrates loan	(351)	(224)
Costs incurred in relation to letters of credit	(65)	(210)
	(9,145)	**(7,376)**

19 FOREIGN EXCHANGE LOSS

A summary of the foreign exchange loss by item is as follows:

	Year ended Dec 31, 2009 $'000	Year ended Dec 31, 2008 $'000
Unrealized foreign exchange gain on future income tax liabilities	63,771	1,340
Unrealized foreign exchange loss on other items	(7,821)	(2,679)
Realized foreign exchange gain / (loss) on other items	3,077	(10,370)
	59,027	**(11,709)**

The National bank of Kazakhstan announced on February 4, 2009 that it has ceased to maintain the Kazakhstan tenge (“tenge”) within the previous range of 117-123 tenge to the US dollar and suggested the rate be set within a range of 145-155 tenge to the US dollar. The tenge closed at 148.36 tenge to the US dollar on December 31, 2009. The resulting devaluation affected the translated values of monetary assets and liabilities, resulting in a $63.8 million gain on future income tax liabilities.

20 CASH FLOW INFORMATION

	Year ended Dec 31, 2009 $'000	Year ended Dec 31, 2008 $'000
Changes in non-cash working capital excluding business combinations:		
Decrease accounts and other receivables	6,613	28,818
Decrease in prepaid expenses and other	10,379	2,651
Increase in inventories	(9,486)	(910)
Decrease in accounts payable and accrued liabilities	(7,949)	(6,279)
(Decrease) / increase in income taxes payable	(9,215)	8,450
	(9,658)	**32,730**

	Year ended Dec 31, 2009 $'000	Year ended Dec 31, 2008 $'000
Supplemental cash flow information		
Cash interest paid	8,399	7,288
Cash tax paid	30,310	35,740

21 BASIC AND DILUTED WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING

	Year ended	
	Dec 31, 2009	Dec 31, 2008
Basic weighted-average number of shares outstanding ('000)	475,583	468,424
Effect of dilutive securities:		
-stock options	-	-
-warrants	-	-
Diluted weighted-average number of shares outstanding	**475,583**	**468,424**

For the years ended December 31, 2009 and 2008, convertible debentures, stock options, warrants and restricted shares were not included in the dilutive weighted average number of shares outstanding as they were anti-dilutive.

22 CAPITAL DISCLOSURES

The Corporation's objectives when managing capital are to:

(i) Maintain a flexible capital structure which optimizes the cost of capital at acceptable risk;
(ii) Continue the development and exploration of its mineral properties; and
(iii) Support any expansion plans.

In the management of capital, the Corporation includes shareholders' equity, long term debt, cash, convertible debentures and the current portion of loans to joint ventures.

The Corporation manages its capital structure and makes adjustments to it when the economic and risk conditions of the underlying assets require change. In order to maintain or adjust the capital structure, the Corporation may issue new shares, issue new debt, and/or issue new debt to replace existing debt with different characteristics. The Corporation has in place a planning and budgeting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its operating and growth objectives.

The Corporation monitors the following ratios in this respect: total debt to total capitalization and net debt to total capitalization.

The Corporation must maintain an interest coverage ratio of greater than 2.5 to meet the credit facility's debt covenants. The interest coverage ratio is calculated as the ratio of the Corporation's earnings before interest, taxes, share based compensation, depreciation and depletion and other non-cash items ("EBITDA") to interest paid.

For years ended

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Total liabilities (excluding future income tax liabilities)	487,520	301,302
Net liabilities (total liabilities less cash, receivables, and current portion of loans to joint ventures)	296,650	65,993
Total capitalization (total shareholders' equity)	1,480,900	950,538
Total liabilities as a percentage of shareholders' equity	33%	32%
Net liabilities as a percentage of shareholders' equity	20%	7%
Credit facility:		
EBITDA (rolling 4 quarters)	49,550	69,755
Interest coverage ratio	7.1	10.5

23 FINANCIAL INSTRUMENTS

Convertible debentures	**Dec 31, 2009 $'000**	**Dec 31, 2008 $'000**
Liability component	140,862	118,042
Equity component	46,480	46,480
	187,342	**164,522**
Fair value of convertible debentures	**131,668**	**86,222**

The Corporation's activities expose it to a variety of financial risks, including the effects of changes in debt and prices of equity instruments held, foreign currency exchange rates, interest rates, and commodity prices.

The Corporation continuously monitors its exposure to risk. The risk management carried out by the Corporation is approved by the Board of Directors. The following section describes the type of significant risks that the Corporation is exposed to and its objectives and policies for managing those risk exposures.

(i) Designation and valuation of financial instruments

The following table summarizes the designation and fair value hierarchy under which the Corporation's financial instruments are valued, other than trade and other receivables and payables.

- Level 1 of the fair value hierarchy includes unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 of the hierarchy includes inputs that are observable for the asset or liability, either directly or indirectly; and
- Level 3 includes inputs for the asset or liability that are not based on observable market data. The Corporation does not have any financial instruments included in Level 3.

		As at December 31, 2009		
Designation of financial assets	**Notes**	**Loans and receivables $'000**	**Available for sale securities $'000**	**Total $'000**
Cash and cash equivalents	4	148,465	-	148,465
Shares - available for sale	9	-	9,287	9,287
Total		**148,465**	**9,287**	**157,752**

		As at December 31, 2009		
Designation of financial liabilities	**Notes**	**Held at fair value through profit and loss $'000**	**Financial liabilities at amortized cost $'000**	**Total $'000**
Long term debt	11	-	63,579	63,579
Kyzylkum external loan facility	15	-	47,574	47,574
Convertible debenture	12	-	140,862	140,862
Uranium concentrates loan	15	8,900	-	8,900
Promissory note	15	-	90,211	90,211
Contingent payment	15	-	20,000	20,000
Unfavorable contracts	15	-	11,655	11,655
Short term loan	15	-	5,000	5,000
Due to the Republic of Kazakhstan	15	-	1,696	1,696
Other	15	-	1,458	1,458
Total		**8,900**	**382,035**	**390,935**

		As at December 31, 2009		
Fair value hierarchy of financial assets and liabilities measured at fair value	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Available for sale securities – UEC shares	8,740	-	8,740	-
Available for sale securities - other	547	547	-	-
Uranium concentrates loan	(8,900)	-	(8,900)	-
Total	**387**	**547**	**(160)**	**-**

23FINANCIAL INSTRUMENTS (continued)

(ii) Foreign exchange risk

The Foreign exchange risk relates to the risk that the value of financial commitments, recognized assets or liabilities will fluctuate due to changes in foreign currency rates.

The Corporation is primarily exposed to foreign currency risk through the following assets and liabilities denominated in currencies other than US dollars:

	Financial assets and liabilities				Non-financial assets and liabilities	
December 31, 2009	**Cash and cash equivalents $'000**	**Accounts receivable $'000**	**Accounts payable and accrued liabilities $'000**	**Convertible debentures $'000**	**Mineral interests plant and equipment [(1)] $'000**	**Future income tax liabilities $'000**
Canadian dollar	170	2,539	6,186	140,862	-	-
Australian dollar	22,071	1,571	4,369	-	78,039	4,074
Kazakhstan tenge	3,496	28,981	37,761	-	-	142,704
Euro	41	-	9	-	-	-
South African Rand	674	-	-	-	-	-
	26,452	**33,091**	**48,325**	**140,862**	**78,039**	**146,778**

	Financial assets and liabilities				Non-financial assets and liabilities	
December 31, 2008	**Cash and cash equivalents $'000**	**Accounts receivable $'000**	**Accounts payable and accrued liabilities $'000**	**Convertible debentures $'000**	**Mineral interest plant and equipment [(1)] $'000**	**Future income tax liabilities $'000**
Canadian dollar	438	2,436	3,477	118,042	-	-
Australian dollar	44,597	1,212	7,558	-	38,619	3,271
Kazakhstan tenge	1,251	5,978	11,515	-	-	342,430
South African rand	5,227	4,821	17,506	-	44,586	-
	51,513	**14,447**	**40,056**	**118,042**	**83,205**	**345,701**

[(1)] *Only includes mineral interests, plant and equipment of self-sustaining operations.*

The following table shows the effect on earnings and other comprehensive income after tax as at December 31, 2009 of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above-mentioned financial and non-financial assets and liabilities of the Corporation.

	Other comprehensive income	**Net Earnings**
A 10% appreciation in all foreign currencies against the US dollar, with all other variables held constant.	**(3,295)**	**18,057**

A 10% depreciation in exchange rates would have the exact opposite effect on other comprehensive income and net earnings.

(iii) Credit risk

Credit risk is primarily associated with trade receivables, and to a lesser extent, cash equivalents.

The Corporation closely monitors its financial assets and does not have any significant concentration of credit risk. The Corporation sells its products exclusively to organizations with strong credit ratings. Cash and cash equivalents are held through large international financial institutions. Cash and cash equivalents are comprised of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These investments mature at various dates.

23 FINANCIAL INSTRUMENTS (continued)

The Corporation's maximum exposure to credit risk at the balance sheet date is as follows:

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Cash, cash equivalents and restricted cash	148,465	176,225
Accounts receivable	42,405	39,926
Available for sale securities	9,287	593
	200,157	**216,744**

(iv) Liquidity risk

The Corporation has a cash forecast and budgeting process in place to assist with the determination of funds required to support the Corporation's operating requirements on an ongoing basis and its expansion plans. The Corporation manages liquidity risk through the management of its capital structure and financial leverage as outlined in note 22.

The Corporation has established a credit facility (note 11) as part of its liquidity risk management process. The Corporation has made its first draw down against the facility in the amount of $65 million on October 20, 2008. The following table summarizes the contractual maturities of the Corporation's significant financial liabilities and capital commitments, including contractual obligations:

	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
Lease obligations	793	906	804	1,571	4,074
Kyzylkum long term debt	6,720	30,720	10,560	-	48,000
Capital commitments	15,538	1,548	221	-	17,307
Asset retirement obligations	508	6	3,038	14,562	18,114
Accounts payable and accrued liabilities	65,908	-	-	-	65,908
Credit facility repayments	65,000	-	-	-	65,000
Short term loan	5,000	-	-	-	5,000
Uranium concentrates loan (note 15)	8,900	-	-	-	8,900
Convertible debentures	-	147,894	-	-	147,894
Other	305	596	596	1,065	2,562
	168,672	**181,670**	**15,219**	**17,198**	**382,759**

The convertible debenture is redeemable in cash or shares, and may not result in a cash outflow. The uranium concentrates loan requires settlement with uranium concentrates, and may not result in a cash outflow.

The Corporation has interests in joint ventures, and is responsible for partial funding of these joint ventures pursuant to the terms of the joint venture agreements. The Corporation does not bear direct liquidity risk for liquidity of these joint ventures, except for the risk relating to the repayment to loans made to the joint ventures. The Corporation can only utilize cash generated by the joint ventures when the joint ventures pay dividends.

On January 19, 2009, in connection with the construction of a sulphuric acid plant by SKZ-U, in which the Corporation subsequently acquired a 19% joint venture interest, the Corporation provided a guarantee to a third party in respect of 19% of the construction cost of the plant, limited to a maximum amount of $7.6 million (Euro 5.5 million).

The Corporation is exposed to liquidity risk from fluctuating commodity prices when the 200,000 pounds of uranium concentrates received as part of a uranium loan transaction are utilized against contracts. As the market value of the liability to deliver the uranium concentrates fluctuates based on commodity prices, so will the market value of the uranium concentrates held by the Corporation. The effect that market fluctuations in the uranium price have on the asset and liability will offset, except in circumstances where the borrowed uranium has been utilized to make a delivery into a contract. In these circumstances, the Corporation will recognize a net fair market value adjustment.

23 FINANCIAL INSTRUMENTS (continued)

A 10% change in commodity prices, should the Corporation be exposed, would impact the Corporation's liquidity risk due to the uranium concentrates loan (note 15), as follows:

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
A 10% appreciation in commodity prices, with all other variables held constant:		
- current	-	198
- maximum exposure	890	1,060

A 10% depreciation in the commodity price would have the exact opposite effect on net earnings.

(v) Interest rate risk

The Corporation is exposed to interest rate risk on its outstanding borrowings and short-term investments. The only outstanding interest-bearing borrowings as at December 31, 2009 are the loan facility obtained by Kyzylkum (note 6.1) which bears interest at floating rates, the drawn-down amount on the credit facility which bears interest at floating rates (note 11), and the convertible debentures, with a fixed interest rate.

A 100 basis point change in the interest rate would impact the Corporation's net earnings as follows:

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
A 100 basis point appreciation in interest rates, with all other variables held constant	1,659	811

A 100 basis point depreciation in the interest rate would have the exact opposite effect on net earnings.

(vi) Commodity price risk

The Corporation is exposed to price risk with respect to commodity prices. The Corporation does not hedge its exposure to price risk, other than having market related pricing structures in the long-term sales contracts, which the Corporation has entered into. Increases in uranium prices would have a positive impact on profitability given that the majority of the Corporation's sales contracts are priced based on market values for uranium.

The Corporation is exposed to price risk from fluctuating commodity prices with respect to outstanding uranium concentrates loans if the borrowed uranium has been utilized to make a delivery. As the market value of the liability to deliver the uranium concentrates fluctuates, based on commodity prices, so will the market value of the uranium concentrates borrowed by the Corporation. The effect that market fluctuations in the uranium price have on the borrowed uranium asset and uranium concentrates liability will offset, except in circumstances where the borrowed uranium has been utilized to make a delivery into a contract. In these circumstances, the Corporation will recognize a net fair market value adjustment in the statement of operations.

24 SEGMENTED INFORMATION

The Corporation's reportable operating segments are summarized in the table below:

For the year ended December 31, 2009: (in $'000)

	Country	Revenues $'000	Operating expenses $'000	Depreciation and depletion $'000	Exploration expense $'000	Net earnings/ (loss) from continuing operations $'000	Capital expenditure $'000
Akdala Mine	Kazakhstan	74,085	(19,113)	(16,699)	-	47,228	2,345
South Inkai Mine	Kazakhstan	67,197	(28,778)	(22,131)	-	183,440	17,165
Karatau Mine	Kazakhstan	10,710	(3,130)	(7,553)	-	(1,663)	-
Kharasan Project	Kazakhstan	-	-	-	-	55,960	10,745
United States development projects	United States	-	-	-	-	(8,651)	11,780
United States exploration projects	United States	-	-	-	(6,749)	(23,205)	-
United States conventional mining projects	United States	-	-	-	-	(923)	84
Honeymoon Project	Australia	-	-	-	(880)	(798)	25,447
Corporate and other		-	-	-	(1,201)	(289,466)	642
Total		**151,992**	**(51,021)**	**(46,383)**	**(8,830)**	**(38,078)**	**68,208**

For the year ended December 31, 2008: (in $'000)

	Country	Revenues $'000	Operating expenses $'000	Depreciation and depletion $'000	Exploration expense $'000	Net earnings/ (loss) from continuing operations $'000	Capital expenditure $'000
Akdala Mine	Kazakhstan	149,776	(30,490)	(22,566)	-	61,902	10,651
South Inkai Project	Kazakhstan	-	-	-	-	26	43,139
Kharasan Project	Kazakhstan	-	-	-	-	875	19,466
Dominion Project	South Africa	-	-	-	(1,412)	(1,325,938)	94,211
United States development projects	United States	-	-	-	-	(135,666)	11,455
United States exploration projects	United States	-	-	-	(6,979)	(536,905)	1,013
Hobson Facility and La Palangana Project	United States	-	-	-	(690)	(65,077)	17,056
United States conventional mining projects	United States	-	-	-	(1,189)	(85,104)	3,854
Honeymoon Project	Australia	-	-	-	(2,339)	(139,236)	13,525
Corporate and other		-	-	-	(2,272)	(108,464)	2,387
Total		**149,776**	**(30,490)**	**(22,566)**	**(14,881)**	**(2,333,587)**	**216,757**

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24 SEGMENTED INFORMATION (continued)

As at December 31, 2009: (in $'000)

	Country	Mineral interest plant and equipment $'000	Total assets $'000	Future income tax liabilities $'000	Total liabilities $'000
Akdala Mine	Kazakhstan	179,706	214,121	18,231	24,004
South Inkai Mine	Kazakhstan	478,419	522,574	37,613	49,017
Karatau Mine	Kazakhstan	510,494	531,508	74,637	141,192
Kharasan Project	Kazakhstan	208,830	217,800	12,223	66,433
United States development projects	United States	121,526	122,040	-	154
United States exploration projects	United States	115,398	116,148	28,711	28,742
United States conventional mining projects	United States	39,910	47,324	5,198	8,226
Honeymoon Project	Australia	78,039	85,380	4,074	7,389
Corporate and other		15,962	240,752	-	330,106
Total (1)		**1,748,284**	**2,097,647**	**180,687**	**655,263**

(1) Excludes assets held for sale

As at December 31, 2008: (in $'000)

	Country	Mineral interest plant and equipment $'000	Total assets $'000	Future income tax liabilities $'000	Total liabilities $'000
Akdala Mine	Kazakhstan	195,719	200,497	66,156	81,385
South Inkai Project	Kazakhstan	503,980	506,648	204,255	212,082
Kharasan Project	Kazakhstan	193,018	197,561	72,019	111,230
Dominion Project	South Africa	44,586	69,253	-	28,629
United States development projects	United States	105,844	107,538	-	724
United States exploration projects	United States	122,586	123,532	24,182	24,418
Hobson Facility and La Palangana Project	United States	22,026	24,064	-	1,506
United States conventional mining projects	United States	40,712	55,098	5,410	8,282
Honeymoon Project	Australia	38,619	38,858	3,271	4,158
Corporate and other		18,325	295,060	-	204,181
Total (1)		**1,285,415**	**1,618,109**	**375,293**	**676,595**

(1) Excludes assets held for sale and discontinued operations

25 CONTINGENT SALE OF AN INTEREST IN THE DOMINION PROJECT

On June 7, 2005, Uranium One Africa and Micawber 397 (Proprietary) Limited ("Micawber 397"), a company owned by historically disadvantaged South Africans, entered into a definitive purchase and sale agreement, a management and skills transfer agreement and a joint venture agreement.

Pursuant to these agreements, Uranium One Africa agreed to sell to Micawber 397 an undivided 26% interest in the Dominion Project for cash consideration equal to 26% of the net present value of the Dominion assets at the date when Micawber elects to pay at least 20% of the purchase price. This election must occur within three years after receipt of Micawber 397 of their first profit distribution from the joint venture. After the first payment, Micawber is obliged to pay at least 20% of the purchase price during each subsequent three-year period, so that the purchase price is paid in full within twelve years of the date of the first payment.

The parties agreed to contribute their interests in the assets, to a joint venture, to be managed by Uranium One Africa, and to fund the development and operation of those assets in accordance with their respective joint venture interests. Uranium One agreed to lend to Micawber 397 the funds required to contribute their share under the joint venture agreement. The aggregate amount of that loan, plus accrued interest, is repayable from Micawber 397's share of joint venture profits.

Uranium One Africa's shareholders approved the Micawber transaction in September 2005, following which the South African Department of Minerals and Energy granted a "new order" mining right to the Corporation for the Dominion Project in October 2006. The Micawber 397 transaction will be accounted for in Uranium One's consolidated financial statements when the risks and rewards of the transaction are deemed to have passed to Micawber 397. Management has determined that this event will occur on the day that Micawber 397 elects to pay at least 20% of the purchase price, prompting the determination of the purchase price. As at December 31, 2009, Micawber 397 has not paid any part of the purchase price.

26 CONTINGENCIES

Due to the size, complexity and nature of the Corporation's operations, various legal and tax matters arise in the ordinary course of business. The Corporation accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the consolidated financial statements of the Corporation.

Betpak Dala acquisition

As part of the original acquisition of the interest in Betpak Dala on November 7, 2005, it was agreed that the Corporation is liable for a bonus payment payable in cash based on uranium reserves discovered on the South Inkai property in excess of 66,000 tonnes. The payment is based on the Corporation's share of U_3O_8 in excess of 66,000 tonnes times the average spot price of U_3O_8 times 6.25%. This payment is to be calculated at the end of 2011 and each year thereafter, and paid 60 days after the end of the year in which a payment is due. No payment was due at December 31, 2009 (December 31, 2008 - $Nil).

As security for the bonus payment, the Corporation has pledged its participatory interest in Betpak Dala (including the shares of a subsidiary) and its share of uranium products produced by Betpak Dala.

Kyzylkum acquisition

As part of the original acquisition of the interest in Kyzylkum on November 7, 2005, it was agreed that the Corporation is liable for a bonus payment, which is due upon commencement of commercial production. The seller initially had an option, exercisable until October 31, 2006, to elect to receive this bonus payment as a cash payment of $24 million or receive 15,476,000 shares of UrAsia Energy. The seller elected under the terms of the arrangement, to receive 15,476,000 shares of UrAsia Energy upon commencement of commercial production. The 15,476,000-bonus payment shares of UrAsia Energy have been converted to 6,964,200 Uranium One shares as part of the UrAsia Energy acquisition. The fair value of the contingently issuable shares was not been included as part of the purchase price for Kyzylkum as commencement of commercial production could not be reasonably determined.

An additional bonus payment of 30% of 12.5% (being an effective 3.75%) of the weighted average spot price of U_3O_8 will be paid on incremental reserves in excess of 55,000 tonnes of U_3O_8 discovered during each fiscal year with payment beginning within 60 days of the end of the 2008 calendar year. No payment was due at December 31, 2009 (December 31, 2008 - $Nil).

Karatau acquisition

Contingencies relating to the Karatau acquisition are described in note 3.1.

26 CONTINGENCIES (continued)

Uranium One Americas, Inc. (previously Energy Metals Corporation) acquisition

Contingencies relates to the Uranium One Americas, Inc (previously Energy Metals Corporation) are described in note 17.

27 SUBSEQUENT EVENTS

Issuance of convertible debenture to Japanese Consortium

On February 9, 2009, Uranium One entered into a subscription agreement with Japan Uranium Management Inc. ("JUMI"), a corporation formed by The Tokyo Electric Power Company Incorporated, Toshiba Corporation, and The Japan Bank of International Cooperation (collectively the "Consortium") providing for the private placement of an aggregate of 117,000,000 common shares of Uranium One, for gross proceeds of approximately C$270 million.

On December 29, 2009 the Corporation and JUMI have executed documentation revising the February 9, 2009 private placement to a debenture financing.

Under the revised terms, on January 14, 2010, the Corporation issued to JUMI C$269,100,000 aggregate principal amount of 3% unsecured convertible debentures maturing ten years from the date of issue. The debentures will automatically convert into 117,000,000 Uranium One common shares on receipt of required Kazakh regulatory approval, which is expected during 2010. If such approval is not received, the holder may, on 12 months' notice, cause the debentures to be redeemed at par plus accrued and unpaid interest. Such redemption may not occur before the second anniversary of the closing in January 2012.

Upon conversion of the debenture (and after giving effect to the shares to be issued to ARMZ in connection with the Karatau Uranium Mine transaction), JUMI will have a 16.6% equity stake in Uranium One. The agreement also contains a standstill provision under which the Consortium has agreed, subject to certain exceptions, not to acquire without Uranium One's prior approval more than 19.95% of Uranium One's issued common shares.

C$250 million bought deal financing of convertible unsecured subordinated debentures

The Corporation announced on February 18, 2010 that it has entered into an agreement for a bought deal financing with a syndicate of underwriters for C$250,000,000 aggregate principal amount of convertible unsecured subordinated debentures (the "2010 Debentures") together with an over-allotment option of up to C$37,500,000 exercisable at any time up to the closing.

The 2010 Debentures have a March 13, 2015 maturity date, with interest payable at a rate of 5.0% per annum, payable semi-annually from the date of receipt of all necessary Kazakh approvals for the conversion of the 2010 Debentures, or at a rate of 7.5% per annum, payable semi-annually before the receipt of the necessary Kazakh approvals. The 2010 Debentures will be convertible into common shares of the Corporation after receipt of all necessary Kazakh approvals, at a rate of 250 common shares per C$1,000 principle and will have a conversion price of C$4.00 per common share, representing a premium of approximately 25.8% based on a reference price of C$3.18, being the closing price on February 17, 2010.

The offering is scheduled to close on or about March 12, 2010, and is subject to the satisfaction of customary closing conditions, including approval of the Toronto Stock Exchange and the Securities regulatory authorities.

Other

Other material transactions occurring subsequent to December 31, 2009 are also described in notes 3.1 and 3.2.