



# **2007 Second Quarter Disclosure Documents**



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# management discussion and analysis

## **Management's Discussion and Analysis For the Second Quarter and Six Months Ended June 30, 2007**

Set out below is a review of the activities, results of operations and financial condition of Uranium One Inc. (formerly srx Uranium One Inc.) ("Uranium One") and its subsidiaries (collectively, the "Corporation") for the three and six months ended June 30, 2007, together with certain trends and factors that are expected to impact the remainder of its 2007 financial year. Information herein is presented as of August 10, 2007 and should be read in conjunction with the unaudited consolidated financial statements of Uranium One for the three and six months ended June 30, 2007 and the notes thereto, the December 31, 2006 audited consolidated financial statements, and the related annual Management's Discussion and Analysis of the Corporation's predecessor companies, Uranium One and UrAsia Energy Ltd. ("UrAsia Energy"), on file with the Canadian provincial securities regulatory authorities (referred to herein as the "consolidated financial statements"). The Corporation's consolidated financial statements and the financial data set out below have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All amounts are in US dollars, except where otherwise indicated, tabular amounts are in thousands, Canadian dollars are referred to herein as C\$.

Uranium One completed a business combination with UrAsia Energy on April 20, 2007. The transaction was treated as a reverse take-over under Canadian GAAP, with UrAsia Energy identified as the acquirer and Uranium One as the acquiree. For periods subsequent to the acquisition date, the comparative figures are accordingly those contained in the financial statements of UrAsia Energy. During 2006, UrAsia Energy changed its fiscal year end from July 31 to December 31. As UrAsia Energy did not prepare financial statements for the three and six months ended June 30, 2006, the most closely comparative period in the prior fiscal year was the three and six months ended July 31, 2006. Accordingly, the comparative figures used herein are those for the three and six months ended July 31, 2006 and references herein to "Q2 2006" and "Q2 2007" refer to the three months ended July 31, 2006 and the three months ended June 30, 2007, respectively, and references to "FY 2006" refer to the five months ended December 31, 2006.

The common shares of Uranium One are listed on the TSX and JSE (Johannesburg Stock Exchange). Uranium One's convertible unsecured subordinated debentures due December 31, 2011 are also listed on the TSX. The shares of Uranium One's majority-owned subsidiary, Aflase Gold Limited ("Aflase Gold"), are listed on the JSE.

Additional information about the Corporation and its business and operations can be found in its continuous disclosure documents. These documents are available under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

*This Management's Discussion and Analysis includes certain forward-looking statements. Please refer to "Forward Looking Statements".*

## HIGHLIGHTS: SECOND QUARTER 2007

### KEY FEATURES FOR THE QUARTER

- Attributable sales from Akdala during Q2 2007 were \$23.3 million, compared to \$2.9 million in Q2 2006.
- Sales from Akdala achieved a record average price of \$95 per lb during Q2 2007 versus \$42 per lb during Q2 2006.
- The average cash production cost per lb of U<sub>3</sub>O<sub>8</sub> sold was \$8 per lb, compared to \$23 per lb during Q2 2006.
- Earnings from mine operations in Q2 2007 were \$19.2 million compared to a loss from operations in Q2 2006 of \$2.0 million.
- Net loss for Q2 2007 was \$13.7 million (\$0.04 per share) compared to a net loss of \$32.2 million for Q2 2006 (\$0.15 per share).
- Akdala has increased inventory levels in expectation of scheduled deliveries during Q3 2007.
- The Kyzylkum Joint Venture has arranged a third party project loan of \$100 million.

### KEY FEATURES FOR THE HALF YEAR TO JUNE 30, 2007

- Akdala Uranium Mine produced a record of 1.3 million lbs U<sub>3</sub>O<sub>8</sub> in the six months ended June 30, 2007, slightly ahead of nameplate capacity.
- Revenue increased by 276% to \$65.0 million compared to the six months ended July 31, 2006.
- Earnings from mine operations increased to \$49.0 million compared to \$6.0 million in the six months ended July 31, 2006.
- Net loss reduced to \$5.7 million from \$44.2 million in the six months ended July 31, 2006.

### PROJECTS

- At Dominion, plant commissioning continued and U<sub>3</sub>O<sub>8</sub> production has commenced.
- Underground development at Dominion is increasing on a monthly basis and in the first half of 2007 has exceeded 5 kilometres.
- The South Inkai and Kharasan plant and well field development in Kazakhstan continues with targeted commencement of production in late 2007 and early 2008, respectively.

### CORPORATE

- On April 20, 2007, the business combination between Uranium One and UrAsia Energy was completed, creating a globally diversified low cost uranium producer; as a result of this transaction, the Corporation's assets now include Uranium One's Dominion Uranium Project and Honeymoon Uranium Project and UrAsia Energy's assets in Kazakhstan, comprising a 70% interest in the Akdala Uranium Mine and South Inkai Uranium Project and a 30% interest in the Kharasan Uranium Project.
- On April 30, 2007, Uranium One completed its purchase of assets from US Energy Corp., consisting of the Shootaring Mill in Utah and approximately 38,000 acres of uranium exploration properties in Utah, Wyoming, Arizona and Colorado.
- On August 10, 2007, Uranium One acquired all of the outstanding shares of Energy Metals Corporation ("EMC"); EMC owns a 99% interest in the Hobson ISR Uranium Processing Plant and the La Palangana Uranium Project, together with interests in a large portfolio of uranium exploration properties in the western United States.
- Additional appointments of senior personnel were made during the quarter resulting in a further strengthening of the Corporation's global corporate management team.

### OUTLOOK

- The Corporation expects to achieve attributable production of 2.5 million lbs U<sub>3</sub>O<sub>8</sub> for the year, including 1.8 million lbs of U<sub>3</sub>O<sub>8</sub> from the operating Akdala Uranium Mine.
- In Kazakhstan, production from the South Inkai Uranium Project and the Kharasan Uranium Project is scheduled to commence in Q4 2007 and Q1 2008, respectively.
- At the Dominion Uranium Project, the Corporation expects to complete the commissioning of the first autoclave in August and to commence commissioning of the second autoclave in September.
- Despite the loss of approximately 100 production days due to commissioning challenges, and with the successful commissioning of both autoclaves, it is anticipated that the Corporation will achieve its current pre-commercial production target from Dominion during 2007 from the processing of both tailings material and underground ore. Dominion is expected to reach commercial production in early 2008.
- Uranium One is proceeding with an application for a secondary listing of its common shares on the main board of the London Stock Exchange.
- Uranium One intends to take full advantage of what it anticipates will be a continuing favourable uranium price environment by selling most of its uranium under long-term contracts that offer market-related pricing at the time of delivery.
- Uranium One intends to continue exploration on its projects, with a focus on projects which it believes to be prospective and have low technical risk.

## OVERVIEW

Uranium One is a Canadian uranium 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, South Africa, Australia, the United States, Canada and the Kyrgyz Republic. Through Aflase Gold, Uranium One is engaged in the development of the Modder East Gold Project in South Africa.

Uranium One owns the Dominion Uranium Project in South Africa and a 70% interest in the producing Akdala Uranium Mine in Kazakhstan. Uranium One is also developing the South Inkai and Kharasan Uranium Projects in Kazakhstan. South Inkai, in which the Corporation owns a 70% interest, and Kharasan, in which the Corporation owns a 30% interest, are scheduled to come into production in Q4 2007 and Q1 2008, respectively. In Australia, the Corporation owns the Honeymoon Uranium Project. In the United States, the Corporation owns the Shootaring Mill in Utah and the Hobson ISR Uranium Processing Plant in Texas, both of which are currently being refurbished. The Corporation also owns a large portfolio of uranium exploration properties in the western United States, South Australia, the Athabasca Basin of Saskatchewan and the Kyrgyz Republic.

The discussion and analysis contained in this MD&A follows the reporting segments as described in the Corporation's Q2 2007 interim financial statements.

Entity	Project	Location	Status	Ownership
Betpak Dala LLP	Akdala Uranium Mine	Kazakhstan	Producing	70% J.V. interest
Betpak Dala LLP	South Inkai Uranium Project	Kazakhstan	Development	70% J.V. interest
Kyzylkum LLP	Kharasan Uranium Project	Kazakhstan	Development	30% J.V. interest
Uranium One Africa Limited	Dominion Uranium Project	South Africa	Development	100% interest <sup>(1)</sup>
Aflase Gold Limited	Modder East Gold Project	South Africa	Development	68% interest
Uranium One Australia (Proprietary) Ltd.	Honeymoon Uranium Project	Australia	Development	100% interest
Uranium One (USA) Inc.	Shootaring Mill	USA	Development	100% interest
Pitchstone Joint Venture	Pitchstone Joint Venture	Canada	Exploration	50% interest

*Note 1: Uranium One's 100% interest is subject to a definitive purchase and sale agreement of an undivided 26% interest in the Dominion Uranium Project to its Black Economic Empowerment partner Micawber 397 (Proprietary) Limited ("Micawber 397"). The Micawber 397 transaction will be accounted for in the Corporation's financial statements when the risks and rewards of the transaction are deemed to have passed to Micawber 397.*

## ACQUISITION OF ENERGY METALS CORPORATION

On June 3, 2007, Uranium One and EMC entered into a definitive business combination agreement pursuant to which Uranium One agreed to acquire all of the outstanding common shares of EMC on the basis of 1.15 shares of Uranium One for each share of EMC. The acquisition was completed on August 10, 2007. The transaction resulted in the addition of a large portfolio of uranium exploration properties located throughout the western United States and the Hobson ISR processing facility in Texas. The Hobson processing facility is currently being refurbished.

Based on the March 31, 2007 balance sheet of EMC, the preliminary allocation of the purchase price, summarized in the table below, is subject to change (Note 1):

	<b>\$'000's</b>
<b>Purchase price:</b>	
99.3 million shares of Uranium One	1,494,700
Options outstanding of EMC	72,500
Acquisition costs	8,000
	<b>1,575,200</b>
<b>Net assets acquired:</b>	
Cash and cash equivalents	76,500
Marketable securities	31,800
Other current assets	2,100
Mining interests	128,300
Other non-current assets	5,900
Accounts payable and accrued liabilities	(1,400)
Asset retirement obligations	(2,300)
Future income tax liability	(28,500)
Unallocated purchase price	1,362,800
	<b>1,575,200</b>

*Note 1: The fair value of all identifiable assets and liabilities acquired as well as any goodwill arising upon the acquisition will be determined through an independent valuation as at the date of closing of the transaction. On completion of the valuation, with corresponding adjustments to the carrying amounts of mining interests, or on recording of any finite life intangible assets on acquisition, these adjustments will impact the measurement of amortization recorded in the consolidated financial statements after the date of acquisition. No adjustments have been reflected in the table above for any change in future tax assets or liabilities that would result from recording EMC's identifiable assets and liabilities at fair value as the process of estimating the fair value of identifiable assets and liabilities is not complete.*

## SELECTED FINANCIAL INFORMATION

The Corporation's consolidated financial statements and the financial data set out below have been prepared in accordance with Canadian GAAP. Uranium One and its operating subsidiaries use the United States dollar, the South African rand, the Australian dollar and the Canadian dollar as measurement currencies.

(US dollars in thousands except per share amounts)	Three Months Ended June 30, 2007	Three Months Ended July 31, 2006
Revenues	\$ 23,265	\$ 2,922
Net loss	(13,694)	(32,165)
Cash flows from operating activities	(18,728)	16,353
Loss per share	(0.04)	(0.15)
Adjusted net loss <sup>(1)</sup>	(7,517)	(3,587)
Average realized uranium price (per lb U <sub>3</sub> O <sub>8</sub> )	95	42
Sales volume (lbs of U <sub>3</sub> O <sub>8</sub> ) (Corporation's share)	244,200 lbs	70,000 lbs
Production volume (lbs of U <sub>3</sub> O <sub>8</sub> ) (Corporation's share)	452,200 lbs	478,400 lbs
Average uranium (U <sub>3</sub> O <sub>8</sub> ) spot price	\$ 126	\$ 46

*(1) Net loss for the three months ended June 30, 2007 has been adjusted to exclude a \$6.2 million unrealized exchange loss (\$28.6 million exchange loss for the three months ended July 31, 2006) on the translation of future income tax liabilities in respect of the Corporation's investment in Kazakhstan for the strengthening of the local currency against the US dollar. Adjusted net earnings / (loss) is a non-GAAP measure used to provide investors with additional information about the Corporation's performance. Accordingly, it should be considered as supplemental in nature and should not be considered in isolation or as a substitute for measured performance prepared in accordance with GAAP.*

## REVIEW OF OPERATIONS

### AKDALA URANIUM MINE

Akdala is an operating acid in situ leach ("ISL") uranium mine located in the Suzak region of South Kazakhstan. Betpak Dala Joint Venture Limited Liability Partnership, a Kazakhstan registered limited liability partnership ("Betpak Dala") owns a 100% interest in the Akdala Mine. Uranium One owns a 70% joint venture interest in Betpak Dala; the remaining 30% is owned by JSC NAK Kazatomprom ("Kazatomprom"), a Kazakhstani state owned company responsible for the mining, importing and exporting of uranium in Kazakhstan.

The production rate at the Akdala Mine is 1,000 tonnes (2,600,000 lbs  $U_3O_8$ ) of uranium per year. It is expected that production will continue at this rate until exhaustion of the current resources in approximately 2020.

In situ leaching involves circulating ground water fortified with acid through the ore by means of a grid of injection and production wells and processing the water pumped from the production wells to recover uranium in the processing plant before returning the leach solution to the injection wells.

**Production:** Akdala production is ahead of schedule with 1,343,000 lbs of  $U_3O_8$  produced for the six months ended June 30, 2007, which is slightly above nameplate capacity.

**Operations:** The total number of production well patterns in operation was managed by adjusting the number of wells in operation to average 132 pumping wells during the quarter. At June 30, 2007 there were 137 operating production wells. Feed to the pregnant solutions plant from the well field had an average grade of 113 ppm U during the quarter. The number of wells in operation and the flow from each well is adjusted based on uranium content in the flow from each well to produce the targeted production rate. The number of drill rigs at site has been increased from three to six with the addition of a second drilling contractor. The number of drill rigs is sufficient to ensure that well field development should continue to match budgeted production levels from the mine.

**Construction:** Construction of the yellowcake precipitation and filtration plant commenced in April 2007 and is expected to be completed by the fourth quarter of 2007. When operational, this plant is expected to result in cash operating cost savings as the Corporation will then no longer be required to use external facilities for yellowcake precipitation and filtration. Installation of the drying plant is in the design phase and construction is scheduled for completion in 2008.

## **SOUTH INKAI URANIUM PROJECT**

South Inkai is an ISL uranium development project located in the Suzak region of South Kazakhstan. Betpak Dala owns a 100% interest in the South Inkai Project. Accordingly Uranium One owns a 70% interest in the project.

**Exploration Drilling:** The drilling program to convert Russian C2 to C1 resources as per the Kazakhstan classification system continued at South Inkai. For this project, beginning in 2006, a total of 255 holes have been drilled of a planned project of 390. Final preparation of a report and approval by the State Committee for Reserves is expected in 2008 for a total addition of 15,000–17,000 tonnes of C1 category resource. Approval of adequate C1 resources is part of the process for approval of industrial production from South Inkai. During the quarter, 54 drill holes were completed compared to a plan for 48 drill holes.

**Production Drilling and Well Completion:** Joint Drilling, Betpak Dala's drilling and well completion contractor, had five Russian Ziff 1200 rigs drilling production wells on South Inkai. Currently, five Russian Ziff rigs and two GEFCO SS-40 rigs are drilling and completing wells. A total of 64 wells have been completed as scheduled for the September 2007 start of pilot well field production, as part of the process of Industrial Production Licensing. Management expects that the required portion of process plant and well field production facilities will be ready for the commencement of well field acidification by August 2007 with production flow commencing from the first block of pilot well patterns by September 2007 in preparation for pilot stage production in Q4 2007. Capital construction of the portion of the industrial complex required for pilot stage production is currently on schedule for operation by Q4 2007. A training program for the drill crews on the new GEFCO rigs is underway and is expected to result in drilling productivity improvements when training is completed.

**Construction:** Uranium processing facilities being constructed at South Inkai are similar to the processing plant that has been constructed at the Akdala Mine. The plant is being fully constructed to the capacity of 2,000 tonnes U per year. Construction of the industrial complex is underway. Completion of the required portion of the processing acidification system is expected to be completed by September 2007 to facilitate the initiation of production from the first block of pilot well fields. Final completion is expected for mid year 2008. Completion of the buildings in the complex is as follows:

- main administration building - 56% complete
- utility building - 54% complete
- special laundry - 57% complete
- auxiliary buildings - 58% complete
- ammonium nitrate storage building - 32% complete

The shift camp is partially completed and one section is in use. The sulphuric acid storage has been completed with the exception of commissioning for use. The processing plant has all major equipment installed, structural steel erected, and piping of the first two ion exchange (absorption) columns and the first elution (desorption) column is expected to be completed by September 2007 to allow the start of pilot production in Q4 2007 to demonstrate performance for the obtaining of the Industrial Production Licenses.

Project to date expenditure relating to the construction project at South Inkai is \$19.5 million.

## KHARASAN URANIUM PROJECT

The Kharasan Project is a uranium development project located in the Suzak region of South Kazakhstan. Kyzylkum LLP ("Kyzylkum"), a Kazakhstan registered limited liability partnership, owns a 100% interest in the Kharasan Project. Uranium One owns a 30% joint venture interest in Kyzylkum; the remaining interests in Kyzylkum are owned as to 30% by Kazatomprom and 40% by Energy Asia (BVI) Ltd., which is owned by a consortium of Japanese utilities and a trading company.

**Exploration Drilling:** Kyzylkum has plans to drill 137 drill holes in 2007 to convert Russian C2 to C1 resources as per the Kazakhstan classification system. As of June 9, 2007 - 59 drill holes have been completed. The plan is to complete this program by the end of the year to add 5,000 tonnes of C1 resources to the already approved 6,560 tonnes to bring total C1 resources at Kharasan to 11,560 tonnes, sufficient for the Industrial Production License. For this program, Volkogeology, a Kyzylkum drilling contractor, drilled 15 drill holes during 2006 and has agreed to complete an additional 25 drill holes to bring the total to be completed by Volkogeology to 75 in this program. This leaves 62 drill holes which are planned for Joint Drilling, a second Kyzylkum drilling contractor to complete. Currently Volkogeology has 1 drill rig on site drilling on this program.

**Production Drilling:** The drilling plan for the first pilot production consists of 26 well patterns made up of 108 wells. It is planned to complete these pilot production patterns in two blocks. An initial 33 wells (7 patterns) will comprise the first operating block. Of this program, Joint Drilling has completed 14 wells to date. Joint Drilling has five Russian Ziff Rigs and 6 GEFCO SS-40 drill rigs on site. Training on the GEFCO rigs began in May and continues to progress. The training and certification of sufficient qualified and trained drillers will allow the GEFCO rigs to significantly accelerate the rate of drilling and completing wells.

**Construction:** The industrial complex, including the first phase with annual production of 750 tonnes per year, is to be developed on the basis of an annual production rate of 2,000 tonnes of U. A second processing plant, (a satellite plant) with capacity of 1,000 tonnes of U per year is expected to be constructed to allow for production to increase from 2,000 tonnes to 3,000 tonnes per year. Design is currently in progress to allow the project to reach a capacity of 3,000 tonnes U.

The construction schedule for the process plant and shift camp has been designed to deliver initial pilot production in Q1 2008. The full completion of the process plant and related facilities is expected in November 2007, the road construction and the bridge are expected to be completed in October 2007. The railroad switching station and Phase 1 of the railroad transshipment base are expected to be completed in March 2008. Until the transshipment base is available for shipment of  $U_3O_8$ , it will be necessary to store the product on site, as it is not legally approved to ship  $U_3O_8$  through the villages on the alternate routes to other shipping points.

Project to date expenditure relating to the construction project at Kharasan is \$39.1 million.

**Project Finance Facility:** Kyzylkum has entered into an unsecured bank loan facility totaling \$100 million. \$70 million of this facility is provided by the Japan Bank for International Cooperation and \$30 million is provided by Citibank. The first draw down on these facilities is planned for August 2007. These loan facilities, when drawn down, will be repayable after full repayment of the existing loan from the Corporation. The Corporation's proportionate share of the new unsecured bank loan facility will be \$30 million when fully drawn down. The loan facilities have floating interest rates of LIBOR plus 0.25% and 0.35%, respectively.

## DOMINION URANIUM PROJECT

The Dominion Uranium Project is situated in the North West Province of South Africa, approximately 150 kilometres west-southwest of Johannesburg.

Total capital cost to completion is now estimated to be approximately 25% over the early 2006 feasibility study estimate of \$180 million. Changes in design, scope, material specifications and material prices accounts for approximately 70% of the forecasted overrun.

**Metallurgical Plant Construction:** Commissioning of the atmospheric leach circuit commenced on February 28, 2007, with the first uranium bearing material being processed through the plant; the first ADU was produced on May 18, 2007. Two shipments of ADU were delivered to a calcining facility in July 2007, yielding 20,339 lbs of  $U_3O_8$ .

The commissioning of the uranium plant is following a planned phased approach using a blend of underground ore and lower grade historic tailings material as feed stock. The solvent extraction section of the plant was successfully commissioned during June 2007, marking completion of the commissioning of the atmospheric leach production circuit. The first autoclave (pressure leach vessel) was mechanically and electrically completed by the end of June 2007; has been brought up to design temperature and pressure and is currently being prepared to be fed with a blend of lower grade historic tailings material and ore from underground. Construction of the second autoclave is progressing well and is scheduled for completion by the end of August 2007 and commissioning is expected to commence in September 2007. The completion and successful commissioning of both autoclaves will allow the uranium plant's design efficiency parameters to be realized (200,000 tonnes per month throughput and a uranium recovery rate of approximately 85%).

**Mine Development:** A total of 5,384 metres of development was achieved in the six months ended June 30, 2007 compared to feasibility of 7,485 metres. The previously reported problematic ground conditions associated with a fault zone at the Dominion 2 decline has been successfully negotiated and decline development is now progressing in normal ground conditions.

Stoping operations have commenced at all 3 production sections (Dominion 1, Dominion 2 and Rietkuil).

**Process re-optimization:** The tailings material has provided the project with considerable flexibility and as a result the Corporation is completing a study that will assess the optimal mix of tailings material and ore from underground in order to maximize plant throughput and recovery rates.

**Expansion:** A conceptual study considering the expansion of the Dominion Uranium Project commenced in September 2006 and was completed in May 2007. The conceptual study is based predominantly on inferred resources. The expansion considers two areas, namely the Dominion North (D3 and D4 decline areas) and a vertical shaft at Rietkuil. The full feasibility study for the D3 and D4 area, based on the upgraded indicated resources, will be completed by the end of Q4 2007 and a pre-feasibility for the vertical shaft area by Q1 2008. The plans consider staged production and plant expansion from the current 200,000 tonnes per month, to 300,000 and then to 400,000 tonnes per month.

**Exploration:** A total of 58,975 m of exploration drilling has been completed for the six months ended June 30, 2007. The primary focus of the exploration campaign at Rietkuil and Dominion remains to increase the indicated resource base for the planned expansion program.

Sample analysis of the exploration holes have been constrained due to the lack of accredited laboratories. To facilitate catching up on the sample back log, an externally operated and managed laboratory has been commissioned on site which commenced sample analysis on August 1, 2007.

An aero-radiometric and magnetic survey to be flown across the Corporation's existing prospecting rights commenced on July 28, 2007 and is anticipated to be completed by the middle of August 2007. Physical exploration (i.e. surface drilling) is expected to commence in the Ottosdal area once required approvals are received.

### **HONEYMOON URANIUM PROJECT**

The Honeymoon Uranium Project is located in the north-eastern section of the State of South Australia, approximately 75 kilometres northwest of Broken Hill.

Honeymoon construction is progressing and a new design using pulse columns is being finalized. The Corporation is currently completing a revised timeline and cost estimate for the project.

### **SHOOTARING MILL AND ASSOCIATED URANIUM PROPERTIES**

On April 30, 2007, Uranium One completed the purchase of the Shootaring Mill in Utah, an acid leach facility with 750 tons per day throughput capacity.

In addition to the mill, a land package comprising approximately 38,000 acres of uranium exploration properties in Utah, Wyoming, Arizona and Colorado and a substantial database of geological information were acquired.

The process to request for proposals on the refurbishment of the Shootaring Mill was initiated during Q2 2007.

An exploration program consisting of airborne surveys has been conducted over certain of the U.S. exploration properties, additional claims were staked as a result of the targets identified in the surveys.

### **AFLEASE GOLD LIMITED**

Uranium One owns 67% of Alease Gold. Alease Gold's principal property is the Modder East Gold Project in the East Rand gold fields of South Africa's Witwatersrand Basin. Alease Gold is solely responsible for funding the development of its assets, including the Modder East Gold Project.

#### **Modder East Gold Project**

The Modder East Gold Project is located approximately 30 kilometres east of Johannesburg, South Africa. Project construction commenced in May 2006 and has advanced significantly, with the entire mine infrastructure required for development operations in place.

The revision of the Modder East feasibility study was completed and submitted to SRK Consulting for auditing. The preliminary results for the feasibility have shown significant improvement in values for the project. Audit completion is scheduled for August 2007.

Total project expenditure to date amounts to \$11.0 million.

#### **Sub Nigel Gold Project**

A revised pre-feasibility study was completed and will be submitted to SRK for audit at the beginning of August. Upon completion the feasibility study will be presented to the board of Alease Gold.

### **EXPLORATION PROJECTS**

The Corporation is exploring its other properties and has current exploration programs in progress on its properties in the western United States, the Pitchstone Joint Venture in Canada and the Kyrgyzstan exploration properties.

## RESULTS OF OPERATIONS AND DISCUSSION OF FINANCIAL POSITION

### Summary of Quarterly Results

	June 30 2007	Mar 31 2007	Dec 31 2006 <sup>(2)</sup>	Oct 31 2006	Jul 31 2006	Apr 30 2006	Jan 31 2006	Oct 31 2005
	\$(000's)	\$(000's)	\$(000's)	\$(000's)	\$(000's)	\$(000's)	\$(000's)	\$(000's)
Revenue from uranium sales	23,265	41,730	46,256	4,193	2,922	14,383	6,202	-
Net income / (loss) for period	(13,694)	7,971	(6,228)	25,912	(32,165)	(12,068)	(5,502)	796
Basic and diluted earnings / (loss) per share	(0.04)	0.02	(0.01)	0.05	(0.15)	(0.03)	(0.01)	0.01
Total assets	4,247,176	999,950	971,618	949,530	951,025	810,086	683,418	45,523

#### Note:

1. The basic and diluted earnings (loss) per share is computed separately for each quarter presented and therefore may not sum to the July 31, 2006 twelve month period or December 31, 2006 five month period.
2. The December 31, 2006 quarter consists of a 2 month period.

Uranium sales are recorded upon delivery to utilities and intermediaries and do not occur evenly throughout the year. Changes in sales, net earnings / (loss) and cash flow are affected primarily by fluctuations in delivery of product from quarter to quarter as well as changes in the price of uranium.

Operating expenses are related to sales and are lower in periods when sales are lower. There is a corresponding build up of inventory in periods when sales are lower. Operating expenses related to sales for Q2 2007 were \$2.1 million and sales were \$23.3 million compared to production costs of \$1.6 million for Q2 2006 with corresponding sales of \$2.9 million.

During Q2 2007 a net loss was affected by an unrealized foreign exchange loss resulting from a strengthening of the Kazakhstan tenge against the US dollar. The \$6.0 million loss on exchange recorded in the current quarter results from a \$6.2 million loss related to an unrealized foreign exchange loss on translation of future income tax liabilities arising from the purchase of assets in Kazakhstan and a \$0.2 million gain related to other items.

The following table shows the production, sales and production costs trends over the quarterly periods. The interest in the Akdala Uranium Mine was acquired in November 2005; consequently there are no figures for operations during the three month period ended October 31, 2005.

	3 months ended June 30 2007	3 months ended March 31 2007	3 months ended Dec 31 2006	3 months ended Oct 31 2006	3 months ended Jul 31 2006	3 months ended Apr 30 2006	3 months ended Jan 31 2006
(all figures are the Corporation's attributable share)							
	lbs	lbs	lbs	lbs	lbs	lbs	lbs
Production of U <sub>3</sub> O <sub>8</sub> in lbs	452,200	488,000	426,500	513,100	478,400	388,800	325,700
Sales of U <sub>3</sub> O <sub>8</sub> in lbs	244,200	605,000	881,000	99,000	70,000	380,000	361,000
	\$	\$	\$	\$	\$	\$	\$
Sales (000's)	23,265	41,730	46,256	4,193	2,922	14,383	6,202
Sales \$ / lb U <sub>3</sub> O <sub>8</sub> sold	95	69	53	42	42	38	17
Operating expenses (000's)	2,058	7,043	7,872	1,417	1,630	3,863	2,560
Operating expenses \$ / lb U <sub>3</sub> O <sub>8</sub> sold	8	12	9	14	23	10	7
Depletion and depreciation (000's)	2,024	4,859	7,240	1,209	3,294	976	837
Depletion and depreciation \$ / lb U <sub>3</sub> O <sub>8</sub> sold	8	8	8	12	47	3	2

## THREE MONTHS ENDED JUNE 30, 2007

### Uranium sales and operating costs

Sales attributable to the Corporation during Q2 2007 amounted to approximately 244,200 lbs  $U_3O_8$  (93,900 kg U). The Corporation's attributed share of revenue from uranium sales amounted to \$23.3 million. Mining operations reflected a pre-tax income of \$19.2 million after the deduction of operating expenses of \$2.1 million and depreciation and depletion charges of \$2.0 million. Sales in Q2 2006 amounted to approximately 70,000 lbs of  $U_3O_8$  (27,000 kg U). Attributable revenue from uranium sales amounted to \$2.9 million. Mining operations reflected a loss of \$2.0 million after the deduction of operating expenses and depletion costs of \$4.9 million.

The average unit price received for sales in Q2 2007 was \$95 per pound of  $U_3O_8$ , which is a 38% increase over the average unit price for sales in the prior quarter. The average price obtained in Q2 2006 was \$42 per pound of  $U_3O_8$ . The spot price of uranium at June 30, 2007 was \$136 per pound of  $U_3O_8$  compared to a spot price of \$47 per pound of  $U_3O_8$  at Q2 2006.

During Q2 2007 operating expenses were \$2.1 million or approximately \$8 per pound of  $U_3O_8$  sold. Operating expenses in the prior quarter were \$12 per pound of  $U_3O_8$  sold. Operating costs during Q2 2006 were \$1.6 million or \$23 per pound of  $U_3O_8$  sold. The average unit cost of depletion in Q2 2007 was \$8 per pound of  $U_3O_8$  sold compared to \$8 per pound of  $U_3O_8$  sold in the prior quarter.

### General and administration costs

General and administration expenses, including stock-based compensation expense, were \$18.7 million for Q2 2007 compared to \$4.5 million Q2 2006. The comparative expense for Q2 2006 relates to the costs of UrAsia Energy while expenses in Q2 2007 include the combined costs of UrAsia Energy and Uranium One. Higher administrative costs are related to increase in size of operations resulting from acquisition activities and growth. The major increases in general and administration during Q2, other than the combined administration expenses resulting from the business combination, were increased travel and accommodation expenses as a result of integration sessions held in the regions and increased salaries and wages as a result of additional employees and executive salaries.

Stock-based compensation expense, which is included in general and administration expense, has increased to \$9.7 million in Q2 2007 from \$1.6 million in Q2 2006.

### Exploration

Exploration expenditure in Q2 2007 of \$5.0 million related to geological programs being undertaken on the Corporation's license areas in Canada, Australia, Africa, the United States and Kyrgyzstan. During Q2 2006 exploration expenditures totaling \$1.6 million related to properties in Kyrgyzstan only.

### Interest and Prior Financing Activities

Interest income amounted to \$4.5 million for Q2 2007 compared to \$2.3 million for Q2 2006. In addition to the interest earned on loans to joint ventures, the acquisition of Uranium One assets resulted in increased interest income due to income from funds held on deposit by Uranium One.

Interest expense relates primarily to the short term loans from Nedcor Securities.

In the year ended December 31, 2006, Uranium One completed two financings for aggregate net proceeds of \$272.3 million. The proposed use of those proceeds (other than for working capital), amounts spent in Q2 2007 and amounts spent to date are as follows:

	Proposed Use of Proceeds	Amounts Spent in Q2 2007	Amounts Spent To Date
<b>Dominion Uranium Project</b>			
- completion of mine and related facilities and mine working capital	\$113.6 million	\$55.0 million	\$103.6 million
<b>Honeymoon Uranium Project</b>			
- construction of mine and related facilities	\$39.3 million	\$4.8 million	\$8.1 million
Refinancing credit facilities	\$39.5 million	-	-

**Dilution loss on disposal of investment**

Dilution loss on disposal of investments occurs when the percentage of equity held in Alease Gold by Uranium One's wholly owned subsidiary, Uranium One Africa Limited ("Uranium One Africa"), decreases when shares in Alease Gold are issued to shareholders other than Uranium One Africa. During Q2 2007 Uranium One's interest in Alease Gold decreased from 68.05% to 67.61% resulting in a dilution loss of \$0.3 million. There was no dilution loss in the comparative period for the prior year.

**Foreign exchange losses**

The foreign exchange loss during Q2 2007 amounted to \$6.0 million consisting of an unrealized loss of \$6.2 million arising from the strengthening of the Kazakhstan tenge against the US dollar during the period and a \$0.2 million gain related to other items. In Q2 2006, a foreign exchange loss of \$28.7 million was recorded, mostly consisting of a \$28.6 million unrealized exchange loss arising from a strengthening of the Kazakhstan tenge against the US dollar in the quarter.

**Income taxes**

Current income tax expense for Q2 2007 was \$7.8 million and represents taxes paid and payable in Kazakhstan on profits from the Corporation's Akdala Uranium Mine. In Q2 2006 a \$0.7 million tax recovery was recorded as a result of over provision of taxes in prior quarters.

Future income tax recovery during Q2 2007 of \$2.2 million arises from a reduction in the future income tax liability related to the acquisition of assets through the purchase of participating interests in the joint ventures in Kazakhstan. In Q2 2006 a recovery of future income taxes of \$1.4 million was recorded related to the reduction in the future income tax liability.

**Non-controlling interest**

Non-controlling interest relates to Uranium One Africa's 68% ownership of its subsidiary company, Alease Gold. The non-controlling interest's share of the net loss for the three months ended June 30, 2007 was \$0.7 million.

**Net loss for the period**

The net loss for Q2 2007 amounted to \$13.7 million or \$0.04 per share compared to a net loss of \$32.2 million or \$0.15 per share in Q2 2006.

## SIX MONTHS ENDED JUNE 30, 2007

### Uranium sales and operating costs

Revenue from uranium sales attributable to the Corporation during the six months ended June 30, 2007 amounted to \$65.0 million for approximately 849,200 lbs U<sub>3</sub>O<sub>8</sub> (319,000 Kg U) sold. Mining operations reflected a pre-tax income of \$49.0 million after the deduction of operating expenses of \$9.1 million and depreciation and depletion charges of \$6.9 million. Revenue from attributable uranium sales during the six months ended July 31, 2006 amounted to \$17.3 million for approximately 450,000 lbs of U<sub>3</sub>O<sub>8</sub> (173,000 Kg U) sold. Mining operations reflected a pre-tax income of \$6.0 million after deduction of production and depletion costs totaling \$11.3 million.

The average unit price received for sales in the six month period ended June 30, 2007 was \$77 per pound of U<sub>3</sub>O<sub>8</sub>. The average price obtained in the six months ended July 31, 2006 was \$38 per pound of U<sub>3</sub>O<sub>8</sub>.

Operating expenses for the six month period ended June 30, 2007 were \$9.1 million or approximately \$11 per pound of U<sub>3</sub>O<sub>8</sub> sold. Operating expenses during the six months ended July 31, 2006 were \$7.0 million or \$16 per pound of U<sub>3</sub>O<sub>8</sub> sold. The average unit cost of depletion was \$8 per pound of U<sub>3</sub>O<sub>8</sub> sold in the six months ended June 30, 2007 compared to \$9 per pound for the U<sub>3</sub>O<sub>8</sub> sold in the six months ended July 31, 2006.

### General and administration costs

General and administration expenses, including stock-based compensation expense, of \$23.3 million were recorded for the six months ended June 30, 2007 compared to \$7.2 million in the six months ended July 31, 2006. The comparative amount for the six months ended July 31, 2006 includes general and administration costs for UrAsia Energy only. General and administration costs are in line with expectations and are due to an increase in size of operations resulting from the acquisition of Uranium One, and an increase in staffing requirements due to growth of the Corporation.

Stock-based compensation expense included in general and administration costs of \$13.1 million was recorded for the six months ended June 30, 2007 compared to \$5.0 million for the six month period ended July 31, 2006.

### Exploration

Exploration expenditures in the six month period ended June 30, 2007 of \$6.4 million related to geological programs being undertaken on the Corporation's exploration programs in Canada, Australia, Africa, the United States and Kyrgyzstan. During the six months ended July 31, 2006 exploration expenditures totaling \$2.6 million related to properties in Kyrgyzstan only.

### Interest

Interest income amounted to \$5.6 million for the six months ended June 30, 2007 compared to \$3.8 million for the six months ended July 31, 2006. The increase in interest results from interest earned on the loans to joint ventures and cash balances during the period.

### Dilution loss on disposal of investment

During the six month period ended June 30, 2007 Uranium One Africa's interest in Alease Gold decreased from 71.36% to 67.61% resulting in a dilution loss of \$0.3 million.

### Foreign exchange losses

The foreign exchange loss during the six months ended June 30, 2007 amounted to \$13.4 million which includes an unrealized loss of \$14.8 million arising from the strengthening of the Kazakhstan tenge against the US dollar during the period. In the six months ended July 31, 2006 a foreign exchange loss of \$41.1 million was recorded that included \$42.6 million unrealized exchange loss that arose from translation of the future income tax liability denominated in Kazakhstan tenge, and was offset by a realized gain of \$1.5 million on translation of normal transactions and asset and liability revaluations.

### Income taxes

Current income tax expense for the six months ended June 30, 2007 was \$20.4 million. Income tax expense represents taxes paid and payable in Kazakhstan on income from the Akdala Uranium Mine. For the six months ended July 31, 2006 a \$4.7 million tax expense was recorded.

Future income tax recovery of \$4.4 million was recorded for the six months ended June 30, 2007 compared to \$1.7 million for the six months ended July 31, 2006. A recovery of future income tax is recorded as the mineral property asset to which it relates is depreciated.

### Non-controlling interest

Non-controlling interest relates to Uranium One Africa's 68% ownership of its subsidiary company, Alease Gold. The non-controlling interest's share of the net loss for the six months ended June 30, 2007 was \$0.7 million.

### Net loss for the period

The net loss for the six months ended June 30, 2007 amounted to \$5.7 million or \$0.02 per share compared to a net loss of \$44.2 million or \$0.20 per share for the six months ended July 31, 2006.

## FINANCIAL CONDITION

On June 30, 2007, the Corporation had cash and cash equivalents of \$298.3 million compared to \$61.8 million at December 31, 2006. The increase is mainly due to the addition of \$291.1 million in cash and cash equivalents on acquisition when the assets of Uranium One and UrAsia Energy were combined.

Accounts receivable increased by \$12.0 million over the six months ended June 30, 2007; the increase is mainly a result of an increase in recoverable value added taxes.

Inventories increased by \$4.8 million or 40% over the amount held at December 31, 2006, the increase was due to build up of uranium concentrates and solutions and concentrates in process on hand as well as an increase in material and supplies.

Loans receivable from the joint venture, Betpak Dala, of \$62.6 million plus interest of \$0.9 million were repaid during the six months ended June 30, 2007. The Corporation advanced \$32 million to the joint venture Kyzylkum during the period for development of the Kharasan Uranium Project.

Mineral interests, plant and equipment increased when compared to the balance sheet at December 31, 2006 due to the business combination and the addition of \$2.4 billion in Uranium One assets to UrAsia Energy's assets. Other increases were attributable as to \$102.0 million to the acquisition of the Shootaring Mill and exploration properties from U.S. Energy Corp. ("U.S. Energy") and to additions to plant and equipment during the period of \$84.7 million. Goodwill of \$255.3 million was recorded as a result of the acquisition of the Uranium One assets; of which \$119.2 million has been allocated to Alease Gold and \$136.2 million has been allocated to the Dominion Uranium Project. Allocation of the excess purchase price to Uranium One assets acquired and to goodwill is subject to change; a valuation report is being prepared and will be the basis of the final allocation.

Other assets increased by \$24.0 million over the six month period, \$13.5 million, of which was due to the asset additions resulting from the business combination with UrAsia Energy and the acquisition of the U.S. Energy assets, and consists primarily of an asset retirement fund.

The increase in current liabilities from December 31, 2006 can be attributed to an increase in accounts payable and accrued liabilities resulting from increased costs due to growth and to the costs of the business combination; an increase in taxes payable in Kazakhstan due to the profits from the Akdala Uranium Mine; and the short term loan liability assumed on acquisition of Uranium One.

Long term liabilities increased by \$1.1 billion from December 31, 2006; \$122.7 million of this amount results from the business combination and the recording of convertible debentures that were issued by Uranium One in December 2006. Asset retirement obligations increased by \$14.5 million. Future income tax liabilities increased by \$928 million as a result of assets acquired in the business combination.

A non-controlling interest of \$11.3 million is a result of the acquisition of the Uranium One assets and represents the non-controlling interest share of its subsidiary, Alease Gold.

Shareholders' equity increased by \$2.0 billion from December 31, 2006, the largest component of the increase was share capital which increased by \$1.9 billion from December 31, 2006. The increase consists of \$1.7 billion from shares issued for the acquisition of all of the shares of UrAsia Energy; \$99.4 million from shares issued for the acquisition of U.S Energy assets; \$1.7 million for services; and \$42.9 million for the exercise of options, warrants and restricted shares.

Other contributions to the increases in shareholders' equity were the increase in contributed surplus of \$51.3 million. Increases in contributed surplus were a result of stock based compensation of which \$62.0 million related to the fair value of options, restricted shares and warrants acquired in the business combination; and stock based compensation expense of \$13.1 million recorded for options and restricted shares granted during the period and a reduction of \$23.9 million for options and restricted shares exercised. Other increases in shareholder's equity are a result of the equity component of the convertible debentures acquired from Uranium One of \$46.5 million; and \$77.5 million in accumulated other comprehensive income from foreign currency translation of foreign operations.

Shareholders' equity was reduced by the net loss of \$5.7 million (\$0.02 per share) for the six month period ended June 30, 2007.

## LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2007 the Corporation had working capital of \$249.8 million. As of June 30, 2007 the Corporation has cash and cash equivalents of \$298.3 million, including the proportionate share of the Corporation's cash and cash equivalents at its joint venture operations in Kazakhstan and cash held by Aflase Gold. The interest earned on these cash balances will also be applied to existing commitments in respect of the Kharasan Uranium Project, the Dominion Uranium Project, the Honeymoon Uranium Project and other current commitments.

The Corporation anticipates that it has sufficient liquidity and capital resources to meet the Corporation's development plans and corporate costs for the next twelve months. Please refer to "Commitments and Contingencies".

The Corporation's liquidity position could be influenced if margin calls in excess of ZAR175 million are made in respect of Uranium One Africa's futures position under the August 2006 Nedcor facility. A margin call may be made if Aflase Gold's share price declines to approximately ZAR1.65 per share. In the period since the facility was drawn down, Aflase Gold's share price has strengthened, closing at ZAR 2.90 per share on July 31, 2007.

The Corporation earns revenue on the income from the sale of uranium from the operating Akdala Uranium Mine in Kazakhstan. Additional sales revenue will be earned from uranium sales when the South Inkai and Kharasan Uranium Projects in Kazakhstan, the Dominion Uranium Project in South Africa and the Honeymoon Uranium Project in Australia reach commercial production.

Uranium is sold under forward long-term delivery contracts. All such contracted deliveries are planned to be filled from the Corporation's mining operations. The ability to deliver contracted product is therefore dependent upon the continued operations of the mining operations as planned.

Should Uranium One be required to provide funds to support the development of any of the Corporation's projects, prospective sources of additional funding include equity financing, debt financing and the proceeds from the exercise of stock options and warrants. Uranium One's ability to raise capital is highly dependent on the commercial viability of its projects and the underlying prices of uranium.

Declines in the prices for uranium may negatively impact Uranium One's ability to raise additional funding. The Corporation has negotiated sales contracts for 28% of the Dominion Uranium Project's planned production from 2008 to 2012; 40% of the Honeymoon Uranium Project's planned production from 2008 to 2014; and 20% of the production from the Kharasan Uranium Project. Open executed contracts for sales from Betpak Dala represent future sales of approximately 24.9 million lbs of  $U_3O_8$ . The Corporation has negotiated floor price protection on certain sales contracts, there are no other mechanisms in place to manage exposure to price fluctuations.

Other risk factors, for instance, the Corporation's ability to develop its projects into commercially viable mines, international uranium industry competition, public acceptance of nuclear power and governmental regulation can also adversely affect Uranium One's ability to raise additional funding. There is no assurance that additional sources of funding, if required, will be forthcoming. Please refer to "Risks and Uncertainties".

During Q2 2007 there have been no material changes in the specified contractual obligations identified in Uranium One's Management's Discussion and Analysis for the year ended December 31, 2006 that are outside the ordinary course of Uranium One's business.

## COMMITMENTS AND CONTINGENCIES

- a) Bepak Dala has entered into various agreements for the construction and commissioning of the South Inkai Project. Pursuant to these agreements, Bepak Dala had future payment commitments of \$19.4 million as of June 30, 2007, of which \$13.6 million is the Corporation's proportionate share. The Corporation is not required to fund the Joint Venture; funds are expected to come from operations.
- b) Kyzylkum has entered into various agreements for construction and commissioning of the Kharasan Project. Pursuant to these agreements, Kyzylkum had future payment commitments of \$55.2 million as of June 30, 2007, of which \$16.6 million is the Corporation's share. The Corporation is not required to fund the joint venture; Kyzylkum has arranged an unsecured credit facility totaling \$100 million. \$70 million of the facility was acquired from Japan Bank for International Cooperation and \$30 million from Citibank. The first draw down on these facilities is planned for August 2007. The loan facilities, when drawn down will be repayable after full repayment of the loan from the Corporation. The Corporation's proportionate share of the loan, when fully drawn down, will be \$30 million. The loan facility bears interest at the floating rates of LIBOR (3 month LIBOR rate) plus 0.25% – 0.30% per annum.
- c) Capital expenditures of \$42.5 million, of which \$16.1 million represent current commitments, will be required to complete the construction of phase 1 of the Dominion Uranium Project.
- d) The Corporation has approved budgeted expenditures totaling \$17.7 million for planned exploration programs as follows:

Project	Budget (millions)	Spent to Date (millions)
Dominion Uranium Project	\$ 9.4	\$ 4.9
Honeymoon Uranium Project	1.0	0.7
Pitchstone Joint Venture	1.2	1.1
Modder East Gold Project	3.8	1.0
Kyrgyzstan Exploration	2.3	0.7
<b>Total</b>	<b>\$ 17.7</b>	<b>\$ 8.4</b>

- e) Alease Gold is not funded by Uranium One and it currently funds itself by issuing shares through its listing on the JSE. Alease Gold committed \$20.0 million towards the development of the Modder East Gold Project as at June 30, 2007. Cash of \$13.7 million and ongoing share placements to shareholders other than Uranium One are expected to fund the further development of the Modder East Gold Project. Further capital expenditure of \$90.0 million, for which no current commitments exist, will be required to complete the construction of the Modder East Gold Project.
- f) The Corporation entered into agreements for the purchase of twelve U.S.-built GEFCO drill rigs to supplement the current drill program in Kazakhstan. The contract is for a total of \$17.9 million, of which \$14.4 million was paid by June 30, 2007.
- g) On October 20, 2006, UrAsia Energy concluded an Accession Agreement, which is subject to certain closing conditions, with owners of a drilling company in Kazakhstan, Joint Drilling LLP, whereby the Corporation will acquire a 50% interest for \$3.8 million payable in cash. At June 30, 2007 the transaction had not yet closed.
- h) The Corporation has two loan facilities with Nedcor Securities, the loans are secured by Uranium One Africa's investment in Randgold and Exploration Company Limited ("Randgold") shares and by Uranium One Africa's investment in Alease Gold shares respectively. The loans bear interest in South Africa at a specified rate that is adjusted pursuant to a formula which is influenced by the movements in the share price of the shares held as security. Of the total liability of \$53.1 million; one loan for \$52.8 million is due on September 20, 2007; the remaining loan for \$0.3 million has no fixed repayment terms. Both loans are denominated in South African rand.
- i) On December 20, 2006, Uranium One completed a debt offering of \$133.2 million convertible unsecured subordinated debentures maturing December 31, 2011. The debentures bear interest at 4.25% payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2007. The conversion price was set at C\$20 per share, which is equivalent to 50 common shares for each C\$1,000 principal amount of debentures.

#### **Acquisition of the Shootaring Mill**

Further payments due under the purchase agreement for the Shootaring Mill and related uranium exploration properties are \$27.5 million dependent on achievement of certain production targets and the payment of a royalty to U.S. Energy of 5% of the gross proceeds from the sale of commodities produced at the Mill, to a maximum amount of \$12.5 million.

#### **Acquisition of interest in Betpak Dala**

- a) A bonus payment is 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 pounds 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 initially calculated at the end of year 2011 and each year thereafter, and paid 60 days after the end of the year in which a payment is due. As security for the bonus payments, the Corporation pledged its participatory interest in Betpak Dala (including the shares of a subsidiary) and its share of uranium products produced by Betpak Dala.
- b) In respect of the Akdala Uranium Mine, Betpak Dala is obligated to reimburse the Government of Kazakhstan for the cost of the geologic studies of the region aggregating \$1.5 million, of which \$1.0 million is attributable to the Corporation. The payments are to be made in 40 equal, quarterly installments, commencing January 1, 2008 and ending December 31, 2017.
- c) In respect of the South Inkai Project, Betpak Dala is obligated to reimburse the Government of Kazakhstan for the cost of geologic studies of the region, aggregating \$1.7 million of which \$1.2 million is proportionately attributable to the Corporation. The payments are to be made as to \$35,000 on signing of the contract and the remaining \$1.7 million to be paid as to \$66 per tonne of uranium produced.

#### **Acquisition of interest in Kyzylkum**

- a) A bonus payment is due upon commencement of commercial production. The seller elected, under the terms of the arrangement, to receive 6,964,200 shares of Uranium One upon commencement of commercial production.
- b) 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 end with payments beginning within 60 days of the end of the 2008 calendar year.
- c) At June 30, 2007, Kyzylkum was obligated to reimburse the Government of Kazakhstan for \$2.1 million in respect of the historic cost of geologic studies performed in respect of the Kharasan property, of which \$0.6 million is proportionately attributable to the Corporation; \$31,000 was paid on signing of the contract and the remainder is to be paid as to \$66 per tonne of uranium produced.

## OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

## OUTSTANDING SHARE DATA

As of the August 10, 2007, there were 365,487,753 common shares issued and outstanding and common share purchase warrants for 300,000 Series D warrants exercisable at C\$6.95 per warrant and 2,431,619 warrants exercisable at C\$3.55 per warrant. Each warrant is exercisable for one common share of Uranium One. In addition, a warrant was issued in connection with the acquisition of the Corporation's interest in Kyzylkum and entitles the holder to acquire 6,964,200 shares in Uranium One for no additional consideration upon commencement of commercial production from the Kharasan Uranium Project in Kazakhstan.

As of August 10, 2007, there were 13,083,897 stock options outstanding under Uranium One's stock option plan at exercise prices ranging from \$1.33 to \$16.87 and 360,119 restricted shares outstanding.

Uranium One has 155,250 convertible debentures outstanding, each convertible to 50 common shares of Uranium One, representing 7,762,500 common shares.

## DIVIDEND POLICY

There have been no dividend payments on the common shares of Uranium One. Holders of common shares are entitled to receive dividends if, as and when declared by the Board of Directors. There are no restrictions on Uranium One's ability to pay dividends except as set out under its governing statute.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenditures during the reporting period. Note 2 of the Corporation's consolidated financial statements for the three and six months ended June 30, 2007 describes all of the Corporation's significant accounting policies.

### New / Changes in Accounting Policies

The Corporation's accounting policies have been consistently followed except that the Corporation has adopted the following CICA standards effective January 1, 2007:

#### (a) *Section 3855 – Financial Instruments – Recognition and Measurement*

Section 3855 requires that all financial assets except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. Investments classified as available for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments subject to significant influence are reported at cost and are not adjusted to fair market value.

#### (b) *Section 1530 – Comprehensive Income*

Comprehensive income is the change in the Corporation's assets that result from transactions, events and circumstances from sources other than the Corporation's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses such as changes in currency adjustment relating to self-sustaining foreign operations; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges or the net investment in self-sustaining foreign operations.

The classification of the Corporation's financial instruments as at January 1, 2007 and their subsequent changes to June 30, 2007 have resulted in no material gains or losses that require separate presentation in other comprehensive income.

(c) *Section 3251 – Equity*

Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The adoption of this new standard by the Corporation is not expected to have a material impact.

(d) *Section 1506 – Accounting Changes*

Section 1506: Accounting Changes, effective for fiscal years beginning on or after January 1, 2007 establishes standards and new disclosure requirements for the reporting of changes in accounting policies and estimates and the reporting of error corrections. CICA 1506 clarifies that a change in accounting policy can be made only if it is a requirement under Canadian GAAP or if it provides reliable and more relevant financial statement information. Voluntary changes in accounting policies require retrospective application of prior period financial statements, unless the retrospective effects of the changes are impracticable to determine, in which case the retrospective application may be limited to the assets and liabilities of the earliest period practicable, with a corresponding adjustment made to opening retained earnings.

## **RISKS AND UNCERTAINTIES**

The Corporation's operations and results are subject to various risks and uncertainties. These include, but are not limited to, the following: exploration and mining involves operational risks and hazards; mineral resources and mineral reserves are estimates only; there is no certainty that further exploration will result in new economically viable mining operations or yield new reserves to replace and expand current reserves; Uranium One cannot give any assurance that the South Inkai Uranium Project, Kharasan Uranium Project, Dominion Uranium Project, Honeymoon Uranium Project and Modder East Gold Project will become operating mines; or when the Shootaring Mill or the Hobson Uranium ISR Processing Facility will become fully operational; mineral rights and tenures may not be granted or renewed on satisfactory terms and may be revoked, altered or challenged by third parties; limited supply of desirable mineral lands for acquisition; risks and problems associated with integrating acquisitions; competition in marketing uranium and gold; in the case of uranium, competition from other sources of energy and public acceptance of nuclear energy; volatility and sensitivity to uranium and gold prices; the capital requirements to complete the Corporation's current projects and expand its operations are substantial; currency fluctuations; the Corporation's operations and activities are subject to environmental risks; government regulation may adversely affect the Corporation; risks associated with foreign operations including, in relation to South Africa, economic, social and political issues such as employment creation, black economic empowerment and land redistribution, crime, corruption, poverty and HIV / AIDS; the Corporation is dependent on key personnel; and potential conflicts of interest.

Uranium One's risk factors are discussed in detail in its Annual Information Form for the year ended December 31, 2006, which is available on SEDAR at [www.sedar.com](http://www.sedar.com), and should be reviewed in conjunction with this document. UrAsia Energy's risk factors are discussed in detail in its Annual Information Form for the year ended July 31, 2006 which is available on SEDAR at [www.sedar.com](http://www.sedar.com), and should be reviewed in conjunction with this document.

## **STOCK OPTION AND RESTRICTED SHARE PLANS**

A significant contributing factor to Uranium One's future success is its ability to attract and retain qualified and competent personnel. To accomplish this, Uranium One adopted a stock option plan and a restricted share plan to advance its interests by encouraging directors, officers and employees to have equity participation in Uranium One.

Under the stock option plan, options granted are non-assignable and may be granted for a term not exceeding ten years. The aggregate maximum number of common shares available for issuance under the stock option plan may not exceed 7.2% of the common shares outstanding from time to time on a non-diluted basis and the aggregate maximum number of common shares available for issuance to non-employee directors under the plan may not exceed 1.0% of the total number of common shares outstanding on a non-diluted basis.

Under the restricted share plan, restricted share rights exercisable for common shares of Uranium One at the end of a restricted period are granted by the Board of Directors in its discretion to eligible directors, officers and employees. The aggregate maximum number of common shares available for issuance under the restricted share plan is capped at three million; the number of shares available for issuance to non-employee directors may not exceed 0.5% of the total number of common shares outstanding on a non-diluted basis.

During Q2 2007 stock options or restricted share rights activity was as follows:

- Pursuant to the business combination agreement with UrAsia Energy options that were outstanding in UrAsia Energy at April 20, 2007 were exchanged for an equal number of options in Uranium One multiplied by 0.45; at an exercise price equal to the exercise price of the options of UrAsia Energy divided by 0.45; accordingly 9,763,498 options of Uranium One were granted to UrAsia Energy option holders at prices ranging from C\$1.25 to C\$15.63 per share, with expiry dates ranging from April 20, 2008 to March 30, 2017.
- On April 26, 2007, 1,310,400 options were granted to directors and employees at a price of C\$16.59 per share, exercisable on or before April 26, 2012.
- 4,746,498 options were exercised during Q2 2007 and 57,198 were forfeit.
- No restricted shares were granted during Q2 2007; 64,112 restricted shares were exercised.

## **DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including Uranium One's President and Chief Executive Officer and Chief Financial Officer, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, the President and Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in Uranium One's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management including the President and Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure.

## **INTERNAL CONTROLS AND PROCEDURES**

The Corporation evaluated the design of its internal controls and procedures over financial reporting as defined under Multilateral Instrument 52-109 for the five months ended December 31, 2006. Based on this evaluation, the President and Chief Executive Officer and Chief Financial Officer have concluded that the design of these internal controls and procedures over financial reporting was effective.

There have been no material changes in the Corporation's internal control over financial reporting during the Corporation's six month period ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## FORWARD LOOKING STATEMENTS

*This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the price of uranium and gold, the estimation of mineral resources and reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, the timing of uranium processing facilities being fully operational, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, possible variations in grade and ore densities or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes or other risks of the mining industry, delays in obtaining government approvals or financing or in completion of development or construction activities, risks relating to the integration of acquisitions, to international operations, to prices of uranium and gold as well as those factors referred to in the section entitled "Risk factors" in Uranium One's Annual Information Form for the year ended December 31, 2006, and in the section entitled "Risks Factors" in UrAsia Energy's Annual Information Form for the year ended July 31, 2006 which are available on SEDAR at [www.sedar.com](http://www.sedar.com), and which should be reviewed in conjunction with this document. Although Uranium One has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Uranium One expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.*

*Readers are advised to refer to independent technical reports for detailed information on the Corporation's material properties. Those technical reports, which are available at [www.sedar.com](http://www.sedar.com) under Uranium One's profile, and also under UrAsia Energy's profile, provide the date of each resource or reserve estimate, details of the key assumptions, methods and parameters used in the estimates, details of quality and grade or quality of each resource or reserve and a general discussion of the extent to which the estimate may be materially affected by any known environmental, permitting, legal, taxation, socio-political, marketing, or other relevant issues. The technical reports also provide information with respect to data verification in the estimation.*

*This document and the Corporation's other publicly filed documents use the terms "measured", "indicated" and "inferred" resources as defined in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects. United States investors are advised that while these terms are recognized and required by Canadian regulations, the SEC does not recognize them. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into reserves. In addition, "inferred resources" have a great amount of uncertainty as to their existence and economic and legal feasibility and it cannot be assumed that all or any part of an inferred mineral resource will be ever be upgraded to a higher category. Investors are cautioned not to assume that all or any part of an inferred resource exists or is economically or legally mineable. Mineral resources are not mineral reserves and do not have demonstrated economic viability.*

*Historical estimates referred to herein and in the Corporation's other publicly filed documents, as Russian C1 and C2 resources are derived from Kazatomprom documents, an entity of the Government of Kazakhstan. Although Russian C1 and C2 Resources do not meet Canadian Institute of Mining, Metallurgy and Petroleum (CIM) standards on Mineral Resource and Reserve definitions, they are considered relevant because of previous pilot plant production, but should not be relied upon. The CIM resource definition which most closely resembles C1 resources is that of Inferred Resources. However, there is less confidence attributed to a C1 resource since a C1 resource is estimated on the basis of a lower drill density than an inferred resource.*

*Scientific and technical information contained herein has been reviewed on behalf of the Corporation by Mr. M.H.G. Heyns, Pr.Sci.Nat. (SACNASP), MSAIMM, MGSSA, Senior Vice President Technical Services of the Corporation, a qualified persons for the purposes of NI 43-101. Neither the Corporation nor Mr. Heyns have not done sufficient work to classify the historical estimates as current mineral resources or mineral reserves. The Corporation does not intend to treat such historical estimates of mineral resources and mineral reserves as a current estimate and the historical estimates should not be relied upon.*

