

management discussion and analysis

Management's Discussion and Analysis of Financial Condition and Results of Operations

for the quarter ended March 31, 2006

Set out below is a review of the activities, results of operations and financial condition of sxr Uranium One Inc. ("Uranium One") and its subsidiaries for the quarter ended March 31, 2006, together with certain trends and factors that are expected to impact the balance of its 2006 financial year. This information is presented as of May 12, 2006. The discussion below should be read in conjunction with the unaudited consolidated financial statements of Uranium One for the quarter ended March 31, 2006 and the notes thereto (referred to herein as the "consolidated financial statements").

Uranium One's consolidated financial statements and the financial data set out below have been prepared in accordance with Canadian generally accepted accounting principles. All amounts in this report are in US dollars, except where otherwise indicated.

Uranium One is a Canadian corporation engaged in the acquisition, exploration and development of properties for production of uranium in South Africa, Australia and Canada and gold in South Africa.

During the quarter, Uranium One's New Kleinfontein Gold Mining Company completed the reverse take-over of Sub Nigel Gold Mining Company Limited ("Sub Nigel"). Sub Nigel, which retained its listing on the Johannesburg stock exchange, was subsequently renamed Alease Gold Limited. Alease Gold now owns the Modder East Gold project, as well as the South African gold assets of the former Sub Nigel.

The common shares of Uranium One are listed on the Toronto and Johannesburg stock exchanges.

This Management Discussion and Analysis includes certain forward-looking statements. Please read the cautionary note at the end of this report.

GENERAL

Uranium One's principal assets are the Dominion Uranium project in South Africa, the Honeymoon Uranium project in Australia and, through its 79%-owned subsidiary, Alease Gold, the Modder East Gold project in South Africa.

The previously announced sale of an undivided 26% interest in the Dominion Uranium project and the Bonanza Gold project to Uranium One's black economic empowerment joint venture partner, Micawber 397 (Proprietary) Limited ("Micawber"), will be accounted for when the risks and rewards of the transaction are deemed to have passed to Micawber.

Dominion Reefs Uranium Mine

The Dominion Reefs Uranium mine which encompasses both the Dominion Uranium project and the Bonanza South Gold mine, is situated in the North West Province of South Africa approximately 150 kilometres west-southwest of Johannesburg.

The two projects share infrastructure and as a result are now run as a single operation. In the future synergies will result from the appropriate economies of scale.

During the quarter, exploration of the prospecting rights area continued. A revised resource statement is currently being compiled and an independently audited feasibility study for the Dominion Uranium project is expected to be finalized in the second quarter of 2006.

In line with the decision taken by the former board of Alease in July 2005, the mine is being fast tracked through the current prospecting license. Development of the R1 decline at the Rietkuil section continues with 92 metres developed in the March quarter. The Rietkuil incline shaft has been dewatered and recommissioned to 2 level. Development operations have commenced on 2 level. At the Dominion section development of the D1 decline has commenced with 62 metres to date. The excavation of the D2 portal is in progress. The upgrade of the facilities to provide enhanced permanent power supply through Eskom is on schedule and the design and negotiations to secure additional potable and process water supplies are proceeding satisfactorily.

The engineering, procurement, construction and management (EPCM) contract with Bateman for the completion of the Uranium plant has been signed and the construction of the new uranium plant has commenced. The earth works are complete and the associated civils and mechanical erection is in progress. The erection of the first thickeners has commenced. Orders for the long lead time items, including the autoclaves, have been placed. The uranium plant program is currently 35% complete.

All documentation required for the granting of the mining rights including the environmental management plan have been completed and submitted to the South African authorities. The public participation processes have been undertaken and all surface rights necessary for the establishment of phase 1 of the mine secured. Uranium One awaits the granting of the necessary mining right.

In line with Uranium One's requirement of expediting the development of the new uranium mine, equipment and trained production crews have been relocated from the Bonanza South section to development areas of the new uranium mine. The Bonanza South section will be used as a training area in order to provide trained staff for the establishment of the R1, D1 and D2 declines. The gold plant is undergoing an upgrade in order to re-establish its capacity to process 200,000 tons per month and is being integrated into the new uranium plant. As such it will only be periodically available for batch treatment of gold ore for the rest of the year. The quantity of ore mined from Bonanza will therefore be reduced, stockpiled and processed on a batch basis.

In Q1 2006, 32,251 tons were milled at a head grade of 1.31 g/t producing 42 kg of gold. The Bonanza South deposit has been shown to be highly geologically disturbed and this is affecting the recoverable grade. A further infill surface drilling program will be undertaken in order to better delineate the geological domains.

Honeymoon Uranium project

The Honeymoon Uranium project is located in northeast South Australia, approximately 75 kilometres northwest of Broken Hill on mining lease 6109. The Gould's Dam component of the project is located 80 kilometres to the northwest.

Resources

The 40 metres spaced delineation drilling program on the Honeymoon uranium deposit has been completed and the information is being processed to delineate additional resources. Geological and sedimentological information derived from the delineation drilling program will also be used for well- field design optimization. The resource estimation will be audited by SRK Consulting and is expected to be published in Q2 2006.

Exploration

In addition to the delineation drilling program at Honeymoon, two diamond drill exploration holes were drilled into the 5 kilometres by 5 kilometres granite structure (thought to be the source of the uranium at Honeymoon) 2 kilometres south of the Honeymoon deposit. The results of the granite exploration drilling will be known in Q2 2006.

Further exploration activity in 2006 for Australia has been planned at Billeroo as well as the Ethudna and Karkarook projects.

Feasibility Study

The Honeymoon feasibility study which is being undertaken by Mayfield Engineering is nearing completion and will be audited for 43-101 compliance by Aker Kvaerner. The results of the feasibility study are expected to be published early in Q3 2006.

Modder East Gold project

The Modder East Gold project is located 30 kilometres east of Johannesburg, South Africa.

Exploration

The surface exploration drilling program scheduled for completion in 2006 is progressing well. Year to date three surface boreholes (DD55, DD56 and DD57) totalling 1710 metres in length including deflections, and three underground holes (KRUG3, KRUG10 and KRUG11) totalling 175 metres in length were drilled in the Modder East Kimberley Reef target areas to increase the Inferred Resource base within the UK3 and UK5 reef packages and to upgrade the UK9A Inferred Resource base to an Indicated Resource category. The underground holes were drilled in a complex area adjacent to dykes and faults and were also used to improve on the structural interpretation of the area in order to optimally layout development ends for on reef UK9A prospecting.

The closely spaced drilling program has enabled the ore body (Black Reef and UK9A Reef horizons) to be clearly delineated for mine design purposes.

Reserves and Resources

During the quarter under review a new reserve and resource estimation based on information gathered up to November 2005 was completed for Modder East. The revised statement shows a reserve of 1.3 million ounces in the probable category, grading at an average of 4.02 g/t gold. This represents a 28% increase over the reserve gold estimates contained in the October 20, 2005 amended independent technical report on the Modder East property prepared by SRK Consulting. In addition, the revised statement shows a resource of 2.0 million ounces in the indicated category (a 21% increase from the 1.7 million ounces previously reported) and 1.0 million ounces in the inferred category (a 23% increase from the 0.8 million ounces previously reported). In all cases, mineral reserves and resources have been reported in accordance with the classification criteria of the South African Code for Reporting of Mineral Resources and Mineral Reserves and are NI 43-101 compliant.

Feasibility Study

During the quarter, Uranium One continued with metallurgical, geotechnical and other test work related to the Modder East project. A revised resource statement is currently being compiled and an independently audited feasibility study for the Modder East project is expected to be finalized in the second quarter of 2006.

SELECTED FINANCIAL INFORMATION

The table below sets forth selected financial data relating to Uranium One's quarter ended March 31, 2006. This financial data is derived from Uranium One's unaudited consolidated financial statements which are prepared in accordance with Canadian GAAP. All figures are in thousands of US dollars, except per share amounts; earnings per share data is presented in cents.

	Quarter ended March 31, 2006
Total gold sales	1,021
Net loss	(1,910)
Net loss per share – basic & diluted	(1.91)
Total assets	337,266
Long term financial liabilities	37,738
Short term financial liabilities	21,417

RESULTS OF OPERATIONS

Revenue and operation results of gold production

During the quarter ended March 31, 2006, Uranium One produced and sold 49kg (1,591 oz) of gold from the Bonanza project, of which 7kg (234 oz) were declared as gold sold from the 2005 gold-in-process.

Revenue from gold production was \$1.0million for the quarter ended March 31, 2006.

For the quarter ended March 31, 2006, the cost of gold production was \$2,120/oz due to high unit costs resulting from the gold plant being inoperative for January and February 2006. The gold plant was inoperative as a result of a breakdown of the Primary Jaw crusher. For the quarter ended March 31, 2006, the loss from gold production was \$2.4 million.

General and administrative expenditure

Expenditure for the quarter ended March 31, 2006 was \$1.5 million, mostly in line with expectations and it compares favourably with expenditure in previous periods. The expenditure consisted mostly of corporate expenditure.

Projects and exploration expenditure

Included in the operating loss is exploration expenditure, which was \$2.6 million for the quarter ended March 31, 2006. It consists of expenditure on Honeymoon and other Australian projects of \$0.9 million and on various exploration projects in South Africa of \$1.7 million.

Operating loss

Operating losses for the quarter ended March 31, 2006 of \$9.6 million included the loss from gold production of \$2.4 million, general and administrative expenditure of \$1.5 million and exploration expenditure of \$2.6 million as discussed above. Share option expenses of \$3.2 million are also included in the operating loss.

Finance cost

Net finance income amounted to approximately \$0.4 million for the quarter ended March 31, 2006. Interest received increased significantly in this quarter to \$0.8 million, mostly due to the investment of the proceeds from the February 2006 capital raising. The proceeds are mainly utilized to fund the development of the Dominion Uranium project and will therefore decline in line with the capital expenditure on the project. Finance costs related predominantly to the loan servicing cost of equipment used in Uranium One's operations and the short term loan from Nedcor Securities. The loan from Nedcor Securities increased from \$1.0 million to \$6.4 million at the end of the quarter.

Taxes

Gold mining tax on mining income is determined by taking into account the taxable income, total mining income and capital expenditure from mining operations during the year. No mining tax was payable in the first quarter of 2006 as Uranium One has an unredeemed capital expenditure balance and a calculated tax loss balance. The mining tax rates utilized as at March 31, 2006 were 34.12% in Canada, 30% in Australia and 29% in South Africa.

The disposal of Uranium One's investment in New Kleinfontein Mining Company during the quarter gave rise to a capital gain of \$35.1 million in a subsidiary company which is deferred until Uranium One disposes of its shares in Afilease Gold. At a Group level only \$7.0 million of the capital gain is recognized, being the portion effectively disposed of to third parties. A charge for capital gains tax of \$1 million (at a rate of 14.5%) was credited to future tax liability, being the excess of the future tax liability created by the gain over the unredeemed capital expenditure and calculated loss balances.

A fair value increment in mining assets of \$17.7 million arose on the fair valuation of the assets of Sub Nigel that formed part of the reverse take over of Sub Nigel by New Kleinfontein. In compliance with accounting practice, a future tax liability of \$5.1 million was recognized on this revaluation.

A fair value increment in mining assets of \$17.3 million arose on the fair valuation of assets that formed part of the acquisition of Sub Nigel by Afilease. In compliance with accounting practice, a future tax liability of \$5 million was recognized on this revaluation.

Afilease Gold and Uranium Resources Limited, the South African Subsidiary of Uranium One, has lodged objections to its income tax assessments for the tax years from 1998 to 2001 and is still awaiting resolution, believing that the adjustments made to its original submissions will be reversed by the revenue authorities.

DISCUSSION OF CASH FLOWS

Cash outflow from operating activities was \$8.5 million for the quarter ended March 31, 2006, due to \$2.6 million in exploration expenditure, general and administrative expenditure (excluding depreciation) of \$1.3 million and a cash loss on gold production of \$2.4 million. Net interest received for the quarter was \$0.4 million. The decrease in trade and other payables of \$1.0 million and the increase in deposits and prepayments of \$1.6 million due to guarantees in respect of acquisition of property for the Dominion Uranium project made up the balance of the cash outflow from operating activities.

On February 17, 2006, Uranium One completed a private placement of 22,300,000 common shares at a price of \$6.64 (Cdn \$7.65) per share, for gross proceeds of \$147.7 million (Cdn \$170.6 million). The net proceeds of \$139.6 million (Cdn \$161.2 million), after 5.5% agents' commission of \$8.1 million (Cdn \$9.4 million), are being used primarily for the development of the Dominion property, corporate expenditure and further corporate development. The private placement was denominated in Canadian dollars.

An increase in the Nedcor Securities loan by the amount of \$5.4 million raised the cash inflow from financing activities to \$144.7 million after taking repayments on finance leases of \$0.3 million into account.

Uranium One impaired its investment in Randgold and Exploration Limited ("Randgold") to zero as at December 31, 2005. The RGE shares are traded on the OTC market in the United States where the closing price was \$2.53 per share on May 12, 2006. The finance raised against the investment as at March 31, 2006 was \$6.4 million (December 31, 2005: \$1.0 million).

Other cash flow items included the cash acquired through the reverse take-over of Sub Nigel amounting to \$1.9 million and an investment of \$13.0 million in the development of the Dominion Uranium project.

DISCUSSION OF FINANCIAL POSITION AND LIQUIDITY

Cash and Non-Cash Assets

Cash balances available at March 31, 2006 increased to \$134.9 million (December 31, 2005 - \$10.9 million) primarily due to increased financing and capital raising activities.

Accounts receivable increased to \$10.5 million at March 31, 2006 (December 31, 2004 - \$8.8 million). The increase was largely due to the following factors:

- an increase in value-added tax owed to Uranium One of \$0.9 million attributable to the increased spending on the construction of the Dominion Uranium project; and
- an increase in pre-payments of \$1.3 million due to guarantees issued in respect of the acquisition of properties for the development of the Dominion Uranium project

Non-current assets increased to \$191.2 million at March 31, 2006 (December 31, 2005 - \$158.5 million). The increase is primarily related to the reverse acquisition of Sub Nigel.

Mine development costs of \$13.0 million (December 31, 2005: \$7.4 million) were capitalized in respect of the Dominion Uranium project.

Investing activities

Uranium One impaired its investment in Randgold to zero as at December 31, 2005.

Financing activities

Uranium One's interest-bearing long and short term borrowings totalled \$9.1 million at March 31, 2006 (December 31, 2005 - \$4.0 million). The increase was due primarily due to the increase in the Nedcor Securities short term loan by \$5.4 million.

Total liabilities

Total liabilities increased to \$59.2 million at March 31, 2006 (December 31, 2005 - \$44.3 million), due to the increase in future tax liability of \$11.1 million in respect of the capital gain on the disposal on New Kleinfontein Mining Company and the future tax liability on the revaluation of undeveloped properties in the Alease Gold transaction and the increase in interest-bearing debt as discussed above. Accounts payable decreased by \$1.5 during the quarter.

Shareholders' Equity

Shareholders' equity increased to \$274.8 million at March 31, 2006 (December 31, 2005 - \$134.6 million) primarily due to the share issuances and share option expense during the quarter as described above, after setting off the net loss for the quarter of \$1.9 million.

SUMMARY OF INTERIM INFORMATION

The table below sets forth selected financial data for the periods indicated. During the year ended December 31, 2005, in accordance with the rules of the Johannesburg stock exchange applicable to developmental companies, Alease prepared half-yearly, and not quarterly, interim financial statements. Information is accordingly presented for the three month periods ended June 30, 2005 and 2004 and for the six month periods ended December 31, 2005 and 2004 as it is impracticable to present quarterly, interim financial information. The financial data presented is derived from Uranium One's unaudited financial statements, which are prepared in accordance with Canadian GAAP. All figures are in thousands of US dollars, except per share amounts; earnings per share data is presented in cents.

	Three Months Ended March 31, 2006 (Unaudited)	Six Months Ended Dec 31, 2005 June 30, 2005 (Unaudited) (Unaudited)		Three Months Ended June 30, 2005 (Unaudited)	Six Months Ended Dec 31, 2004 June 30, 2004 (Unaudited) (Unaudited)		Three Months Ended June 30, 2004 (Unaudited)
	Total gold sales	1 021	2,730	-	-	250	1,642
Net loss	(1,910)	(34,719)	(7,021)	(3,255)	(10,673)	(4,090)	(2,494)
Net loss per share basic and diluted	(1,91)	(27,34)	(31,33)	(13,30)	(24,64)	(10,45)	(6,26)

OUTLOOK

In the balance of 2006, Uranium One is focussed on (i) completing feasibility studies for the first phase of its Dominion Uranium project and for the Honeymoon Uranium project, (ii) advancing the Dominion Uranium project to production in the first quarter of 2007 and (iii) progressing the Honeymoon Uranium project to a production decision in 2006. Uranium One's cash position is sufficient to fund the completion of the Dominion feasibility study and, subject to the outcome of that study, the construction of all or substantially all of the Dominion Uranium project. Additional financing would be required to construct the Honeymoon project and for other corporate development activities which may be undertaken. A portion of this is anticipated to consist of debt finance. The amount of the additional financing, and the extent to which this will include debt as well as equity, is expected to be determined in the second quarter of 2006. Aflase Gold has commenced and will continue with a capital raising strategy issuing shares for cash to fund the start of operations at Modder East and Sub Nigel 1,2 and 3 areas.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The interim consolidated financial statements of the Corporation have been prepared by the Corporation in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The consolidated financial statements do not include all the information and disclosure required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair and consistent presentation of the interim financial statements have been included. The accounting policies and their methods of application are consistent with those used in the December 31, 2005 consolidated financial statements. For further information, see the Corporation's consolidated financial statements and the accompanying notes included in the 2005 Annual Report.

The preparation of the interim consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the interim consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Operating results for the quarter ended March 31, 2006 are not necessarily an indication of the results that may be expected for the full fiscal year ended December 31, 2006.

RISKS AND UNCERTAINTIES

Uranium One'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;
- feasibility studies to determine the economic viability of Uranium One's principal projects, Dominion, Honeymoon and Modder East, are in progress and Uranium One cannot give any assurance that these projects will become operating mines;
- 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 Uranium One's current projects and expand its operations are substantial;
- currency fluctuations;
- Uranium One's operations and activities are subject to environmental risks;
- government regulation may adversely affect Uranium One;
- 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;
- Uranium One 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, 2005, which is available on SEDAR at www.sedar.com, and should be reviewed in conjunction with this document.

RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2006, Uranium One paid \$0.3 million to Davis & Company LLP, a partner of which is also a director of Uranium One and was prior to December 27, 2005 a director of Aflase. These payments were on account of fees for legal services rendered in connection with the private placement as discussed above, employment agreements, corporate development activities and advice on corporate governance.

OUTSTANDING SHARE DATA

As at May 12, 2006, Uranium One had issued and outstanding 111,893,843 common shares and the following common share purchase warrants, each exercisable for one common share of Uranium One:

- 300,000 Series D warrants exercisable at Cdn \$6.95 per warrant
- 1,800,000 broker warrants exercisable at U.S. \$5.39 per warrant
- 3,876,319 warrants exercisable at Cdn \$3.55 per warrant

In addition, Uranium One had an aggregate of 6,527,817 options outstanding under its stock option plan, at exercise prices ranging from \$1.15 to \$6.78 per share.

ADDITIONAL INFORMATION

Additional information relating to Uranium One, including Uranium One's most recent annual information form, is available on SEDAR at www.sedar.com

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, 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 Uranium One 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 "Risks and Uncertainties" in 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.