# interim financial statements

sxr Uranium One Inc.

## Consolidated Balance Sheets

as at March 31, 2006 and December 31, 2005
(in US Dollars)

| | Notes | Unaudited as at Mar 31, 2006 US$'000 | Unaudited as at Dec 31, 2005 US$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | 134,930 | 10,891 |
| Accounts receivable | | 10,472 | 8,823 |
| Inventories | | 638 | 681 |
| | | **146,040** | **20,395** |
| **Non-current Assets** | | | |
| Property, plant and equipment | 2 | 189,820 | 157,255 |
| Asset retirement fund | | 1,406 | 1,275 |
| | | **191,226** | **158,530** |
| **Total assets** | | **337,266** | **178,925** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | 13,549 | 15,045 |
| Current portion of lease obligations | | 1,494 | 1,452 |
| Short term loan | 3 | 6,374 | 993 |
| | | **21,417** | **17,490** |
| **Non-current liabilities** | | | |
| Asset retirement obligation | | 4,249 | 4,094 |
| Lease obligations | | 1,225 | 1,560 |
| Future taxation liability | 6 | 32,264 | 21,156 |
| | | **37,738** | **26,810** |
| **Non-controlling interest** | | **3,265** | - |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 4 | 356,285 | 216,123 |
| Contributed surplus | 5 | 14,013 | 11,367 |
| Accumulated deficit | | (116,309) | (114,399) |
| Currency translation adjustments | | 20,857 | 21,534 |
| | | **274,846** | **134,625** |
| **Total equity and liabilities** | | **337,266** | **178,925** |

See accompanying notes to the Consolidated Financial Statements, including:

- Nature of operations and basis of presentation (note 1)

sxr Uranium One Inc.

## Consolidated Statement of Operations and Deficit

for the 3 months ended March 31, 2006

(in US Dollars)

| | Notes | Unaudited 3 months ended March 31, 2006 US$'000 |
|---|---|---|
| **Gold sales** | | **1,021** |
| Cost of sales | | (3,373) |
| **Gross loss** | | **(2,352)** |
| Sundry income | | 114 |
| General and administrative expenditure | | (1,545) |
| Share options expensed | | (3,201) |
| Exploration expenditure | | (2,597) |
| Other net costs | | ( 49) |
| **Operating loss** | | **(9,630)** |
| Interest received | | 776 |
| Interest paid | | ( 340) |
| Profit on disposal of investments | 8 | 8,135 |
| Non-controlling interest in earnings of subsidiary | | 171 |
| **Loss before income taxes** | | **( 888)** |
| Provision for income taxes | 6 | (1,022) |
| **Net loss** | | **(1,910)** |
| Accumulated deficit at the beginning of the period | | (114,399) |
| **Accumulated deficit at the end of the period** | | **(116,309)** |
| Basic and fully diluted loss per common share (cents) | 7 | ( 1.91) |
| Weighted average number of basic common shares outstanding | 7 | 99,934,468 |

See accompanying notes to the Consolidated Financial Statements

sxr Uranium One Inc.

## Consolidated Statement of Cash Flows

for the 3 months ended March 31, 2006
(in US Dollars)

| | Notes | Unaudited 3 months ended March 31, 2006 US$'000 |
|---|---|---|
| Net Loss | | (1,910) |
| Add back: Net finance costs | | ( 436) |
| Add back: Non-cash items: | | |
| - Non-controlling interest in earnings of subsidiary | | ( 171) |
| - Depreciation and amortization | | 228 |
| - Expensing share options | | 3,201 |
| - Profit on disposal of investments | | (8,135) |
| - Future income taxes | | 1,022 |
| | | **(6,201)** |
| Movement in working capital: | | |
| - Increase in inventories | | 52 |
| - Increase in trade receivables and prepayments | | (1,583) |
| - Increase/(decrease) in trade and other payables | | (1,047) |
| Increase in rehabilitation and cost closure obligations | | ( 183) |
| **Cash utilized by operations** | | **(8,962)** |
| Net interest received | | 436 |
| **Cash flows from operating activities** | | **(8,526)** |
| Cash taken over from Sub-Nigel | 8 | 1,933 |
| Additions to property, plant and equipment | | (12,965) |
| Increase in environmental trust and other investments | | ( 5) |
| **Cash flows from investing activities** | | **(11,037)** |
| Net proceeds from the issue of ordinary shares | | 139,607 |
| Loan received during the year | | 5,381 |
| Decrease in capital element of finance lease and other long term debt | | ( 293) |
| **Cash flows from financing activities** | | **144,695** |
| **Effects of exchange rate changes on cash held in foreign currencies** | | **(1,093)** |
| Net increase in cash | | 124,039 |
| Cash at the beginning of the period | | 10,891 |
| **Cash at the end of the period** | | **134,930** |

See accompanying notes to the Consolidated Financial Statements

## 1 NATURE OF OPERATIONS AND BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared by the Corporation in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the Notes to the Corporation's audited annual consolidated financial statements for the year ended December 31, 2005, since they do not contain all disclosures required by Canadian GAAP for annual financial statements. The unaudited interim consolidated financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the interim period presented.

sxr Uranium One Inc. (the "Corporation") is a Canadian corporation with a primary listing on the Toronto Stock Exchange and a secondary listing on the JSE Limited (the Johannesburg stock exchange), engaged in the acquisition, exploration and development of properties for production of uranium in South Africa, Australia and Canada and gold in South Africa.

The Corporation owns 100% of the Dominion Uranium project in South Africa and the permitted Honeymoon Uranium project in South Australia. Through a joint venture with Pitchstone Exploration Ltd., the Corporation is also engaged in uranium exploration activities in the Athabasca Basin of Saskatchewan. The Corporation's Aflease Gold Limited subsidiary owns the Modder East gold property and related gold assets in South Africa.

The exploration and development of mineral properties involves significant financial risk. In the event these properties are determined to be commercially viable, additional financing will be required.

**Aflease Gold Limited**

On January 10, 2006 Sub Nigel Gold Mining Company Limited ("Sub Nigel") acquired all of the issued and outstanding ordinary shares of New Kleinfontein Mining Company Limited ("New Kleinfontein"), a wholly-owned subsidiary of Aflease Gold and Uranium Resources Limited ("Aflease"), and all amounts due by New Kleinfontein to Aflease on loan account. The net assets so acquired had a carrying value of $15.0 million at December 31, 2005 and the purchase consideration was $53.2 million, settled by issuing 339,011,680 new Sub Nigel ordinary shares to Aflease at 96 South African cents ($0.16) per share. Sub Nigel subsequently changed its name to Aflease Gold Limited. Through this transaction, Aflease now owns 79.09% of Aflease Gold.

For accounting purposes, the transaction is considered a reverse takeover whereby New Kleinfontein is considered the acquiring company as the shareholders of Aflease acquired more than 50% of the issued and outstanding shares of Sub Nigel. The results of operations of Sub Nigel were included with effect from January 11, 2006. The consolidated balance sheet at March 31, 2006 represents the financial position of the entire Group.

**Comparatives**

The Ontario Securities Commission, as principal regulator of the Corporation, issued a decision document dated May 4, 2006, pursuant to the Mutual Reliance Review System for exemptive relief applications, granting the Corporation an exemption from providing comparative financial information for the three months ended March 31, 2006 as prior-period information has not been prepared on a basis consistent with this period.

## 2 PROPERTY, PLANT AND EQUIPMENT

| | Mar 31, 2006 | | | Dec 31, 2005 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortization | Net | Cost | Accumulated amortization | Net |
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Mine development costs and mine plant facilities | 50,918 | (3,898) | 47,020 | 38,014 | (3,676) | 34,338 |
| Undeveloped properties | 142,428 | - | 142,428 | 122,639 | - | 122,639 |
| Motor vehicles | 525 | ( 334) | 191 | 433 | ( 316) | 117 |
| Office equipment | 598 | ( 417) | 181 | 544 | ( 383) | 161 |
| | **194,469** | **(4,649)** | **189,820** | **161,630** | **(4,375)** | **157,255** |
| Owned assets | | | 189,741 | | | 156,890 |
| Leased assets | | | 79 | | | 365 |
| Total net carrying amount as at the end of the period | | | **189,820** | | | **157,255** |

| Undeveloped properties comprise: | Mineral properties | | Undeveloped properties | |
|---|---|---|---|---|
| | Mar 31, 2006 | Dec 31, 2005 | Mar 31, 2006 | Dec 31, 2005 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| New Kleinfontein | - | - | 17,187 | 15,807 |
| Sub-Nigel | 343 | - | 17,612 | - |
| Spaarwater | - | - | 424 | - |
| Honeymoon, Australia | 6,030 | 6,016 | 28,319 | 28,670 |
| Goulds Dam, Australia | - | - | 24,900 | 24,921 |
| Billeroo / Karkarook, Australia | - | - | 43,170 | 43,170 |
| Athabasca, Canada | 1,240 | 1,281 | 1,417 | 1,427 |
| Loan guarantees, Native title and project generation | - | - | 1,786 | 1,347 |
| | **7,613** | **7,297** | **134,815** | **115,342** |

**Native title claims**

The Corporation's interests in the Honeymoon and Goulds Dam properties are subject to two Native Title claims. Agreements have been secured with both groups, whereby the Corporation pays annual administration fees to each claimant group.

## 3 SHORT TERM LOAN

| | Mar 31, 2006 | Dec 31, 2005 |
|---|---|---|
| | US$'000 | US$'000 |
| Nedcor Securities loan | 6,374 | 993 |
| | **6,374** | **993** |

The Nedcor Securities loan represents draw-downs on a facility availed by Nedcor Securities on the back of Aflease's investment in Randgold shares. This loan attracts interest in South African at a flat rate of ZAR 7.75% per annum. The loan has no fixed repayment terms.

## 4 SHARE CAPITAL

| Ordinary Shares | Number of shares | | Value of shares | |
|---|---|---|---|---|
| | **Mar 31, 2006** | **Dec 31, 2005** | **Mar 31, 2006** | **Dec 31, 2005** |
| | | | US$'000 | US$'000 |
| Opening balance of common shares in issue | 89,103,814 | 336,451,321 | 216,123 | 80,736 |
| Common shares issued in public or private offering | 22,380,831 | 50,325,405 | 139,613 | 35,508 |
| Shares issued in settlement of Eastbourne Capital loan (refer note 10) | - | 21,535,107 | - | 9,312 |
| Cancelled during the year | - | - | - | - |
| Exercise of stock options | 320,098 | 998,288 | 555 | 634 |
| Share issue costs | | | ( 6) | ( 6,220) |
| Closing balance of issued and outstanding shares (December 8, 2005) | **111,804,743** | **409,310,121** | **356,285** | **119,970** |
| | | | | |
| Conversion of Aflease shares to sxr Uranium One Inc. shares at a ratio of 0.9 | | 368,379,109 | | 119,970 |
| Share consolidation: 1 share for every 5 shares held | | 73,675,822 | | 119,970 |
| Acquisition of Southern Cross Resources Inc. | | 15,427,992 | | 95,976 |
| Warrants issued after December 8, 2005 | | | | 177 |
| Closing balance of issued and outstanding shares | **111,804,743** | **89,103,814** | **356,285** | **216,123** |

## 5 CONTRIBUTED SURPLUS

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

| | **Warrants** | **Options** | **TOTAL** | **TOTAL** |
|---|---|---|---|---|
| | | | **Mar 31, 2006** | **Dec 31, 2005** |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| At the beginning of the year | 1,813 | 9,554 | 11,367 | 2,790 |
| Share options expensed | - | 3,201 | 3,201 | 7,240 |
| Share options exercised | - | ( 555) | ( 555) | ( 259) |
| Warrants issued to BMO Nesbitt | - | - | - | 1,773 |
| Warrants exercised | - | - | - | ( 177) |
| At the end of the period | **1,813** | **12,200** | **14,013** | **11,367** |

**Options**

The fair value of stock options used to calculate compensation expense has been estimated using the binomial option pricing model with the following assumptions:

| | **Mar 31, 2006** | **Dec 31, 2005** |
|---|---|---|
| Risk free interest rate | 4.07% - 4.38% | 3.70% - 4.12% |
| Expected dividend yield | 0% | 0% |
| Expected volatility of the Company's share price | 48.9 - 50.5% | 61% |
| Average expected life of option - for options with 5 years to expiry | 4.66 years | 3.88 years |
| Average expected life of option - for options with 1 year to expiry | 0.56 years | 0.95 years |

Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

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

| | Number of options | | Weighted Average Exercise Price | |
|---|---|---|---|---|
| | **Mar 31, 2006** | **Dec 31, 2005** | **Mar 31, 2006** | **Dec 31, 2005** |
| | | | US $ | US$ |
| At the beginning of the year | 5,268,610 | 13,139,178 | 2.74 | 0.47 |
| Granted during the year | 1,747,542 | 12,759,147 | 6.73 | 0.46 |
| Exercised during the year | (320,099) | (997,130) | 1.73 | 0.40 |
| Forfeiture of share options | (77,136) | (784,847) | 2.58 | 0.36 |
| | **6,618,917** | **24,116,348** | **3.79** | **0.47** |
| Replacement options issued to Aflease at a conversion rate of 0.18 | | 4,340,943 | | |
| Southern Cross options converted at a rate of 0.20 | | 927,667 | | |
| Outstanding options as at the end of the period | **6,618,917** | **5,268,610** | **3.79** | **2.74** |

The stock option compensation expense for the quarter ended March 31, 2006 was $3.2 million. As at March 31, 2006 the aggregate unexpensed fair value of unvested stock options granted amounted to $7.5 million (December 31, 2005: $6.4 million).

The following table summarizes certain information about the Corporations stock options outstanding at March 31, 2006:

| | Options outstanding | | | Options exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices US$ | **Number outstanding as at Mar 31, 2006** | **Weighted average remaining life** (years) | **Weighted average exercise price** US$ | **Number exercisable as at Mar 31, 2006** | **Weighted average exercise price** US$ |
| 1.15 to 1.73 | 2,101,973 | 4.59 | 1.46 | 1,183,507 | 1.45 |
| 2.19 to 2.68 | 309,481 | 4.56 | 2.31 | 203,775 | 2.30 |
| 3.15 to 3.98 | 1,614,548 | 4.01 | 3.57 | 1,205,227 | 3.58 |
| 4.05 to 4.32 | 631,658 | 3.85 | 4.16 | 384,575 | 4.19 |
| 5.06 to 7.26 | 1,961,257 | 4.63 | 6.58 | 746,873 | 6.41 |
| | **6,618,917** | **4.39** | **3.79** | **3,723,957** | **3.46** |

**Warrants**

| | Number of warrants | | Allocated value | | Average exercise price | |
|---|---|---|---|---|---|---|
| | **Mar 31, 2006** | **Dec 31, 2005** | **Mar 31, 2006** | **Dec 31, 2005** | **Mar 31, 2006** | **Dec 31, 2005** |
| | | | US$'000 | US$'000 | US$ | US$ |
| At the beginning of the year | 5,976,319 | 3,876,319 | 1,990 | 217 | | 2.73 |
| Issued to BMO Nesbitt | - | 1,800,000 | - | 1,773 | - | 5.39 |
| Warrants acquired | - | 300,000 | - | - | - | 5.96 |
| At the end of the year | **5,976,319** | **5,976,319** | **1,990** | **1,990** | | |

The fair value of the Eastbourne warrants was valued, for Canadian GAAP purposes, at $0.2 million on December 31, 2004. The warrants have a term of 3 years from the date of issue and expire on September 23, 2008.

The fair value of the BMO warrants was valued at $1.8 million on December 30, 2005 using the binomial option pricing model with the following assumptions: United States zero coupon rates of between 4.39% and 4.83%, expected dividend yield of nil, expected 90 day volatility of 51.5% and expected warrants term of 1.18 years

The expiry date of the these warrants is the later of (i) March 5, 2007 and (ii) the expiry of 12 months from the date on which ordinary SXR shares become listed on Toronto Stock Exchange ("TSX").

Warrants acquired represent those acquired from Southern Cross through the reverse take-over. These warrants expire on September 17, 2007 and the beneficiary is Pitchstone Exploration Ltd.

## 6 INCOME TAXES

| | **Mar 31, 2006** |
|---|---|
| | US$'000 |
| South African taxation – current | - |
| Future income taxes | 1,022 |

Future taxes of $1 million were provided on the profit of $7.1 million on disposal by Aflease of its investment in New Kleinfontein, which constitutes a capital gain.

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 Aflease. In compliance with accounting practice, a future tax liability of $5 million was recognized on this revaluation.

## 7 BASIC LOSS PER SHARE AND FULLY DILUTED LOSS PER SHARE

| | **Mar 31, 2006** |
|---|---|
| **Basic and fully diluted loss per share:** | |
| The calculation of basic and fully diluted basic loss per share is based on net loss of the year of ($'000) | (1,910) |
| and a weighted average number of shares outstanding of | 99,934,468 |

The effect of warrants and employee stock options is not included in computing the diluted per share amounts since, in the context of reported losses for the period, such effect would be anti-dilutive.

## 8 REVERSE TAKE-OVER OF SUB NIGEL

In the current financial year the merger between Sub Nigel and New Kleinfontein was accomplished through the issue of Sub Nigel shares to Aflease in payment for all of the issued and outstanding ordinary shares of New Kleinfontein and all amounts due by New Kleinfontein to Aflease on loan account, as detailed in note 1.

Except for the cash taken over, this transaction has been excluded from the cash flow statement as it did not result in an exchange of cash.

The aggregate fair values of assets acquired and liabilities assumed on the purchase of Sub Nigel were as follows:

| | US$'000 |
|---|---|
| Property, plant and equipment | 778 |
| Undeveloped properties - Sub Nigel | 17,717 |
| Loan account | 1,518 |
| Receivables and prepayments | 66 |
| Inventory | 9 |
| Cash | 1,933 |
| Cost closure obligation | ( 35) |
| Trade and other payables | (1,069) |
| Future taxation liability | (5,138) |
| Value of business combination | 15,779 |
| Fair value of New Kleinfontein | 37,451 |
| Cash taken over | 1,933 |
| Shares consideration | (53,230) |
| Net cash flow | 1,933 |

The terms of the purchase price were agreed between the parties in terms of an agreement of acquisition dated August 23, 2005. The effective date of the reverse take-over was January 10, 2006.

The transaction was accounted for in three parts, as follows:

- The disposal, by Aflease, of all of the issued and outstanding ordinary shares of New Kleinfontein and all amounts due by New Kleinfontein to Aflease on loan account. This resulted in a gain of $7.0 million.
- The reverse take-over, by New Kleinfontein, of Sub Nigel.
- The acquisition, by Aflease, of a majority of the issued and outstanding ordinary shares of Sub Nigel. Changes in the percentage shareholding from 79.92% on January 10, 2006 to 79.09% on March 31, 2006 resulted in a further profit of $1.1 million.

## 9 SEGMENTED INFORMATION

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Corporation is managed according to the same segments.

**For the quarter ended March 31, 2006:**

| | Total South Africa US$'000 | Total Australia US$'000 | Total Canada US$'000 | Mar 31, 2006 US$'000 US$'000 |
|---|---|---|---|---|
| **Gold Sales** | **1,021** | **–** | **–** | **1,021** |
| Cost of Sales | (3,211) | ( 159) | ( 3) | (3,373) |
| **Gross loss** | **(2,190)** | **( 159)** | **( 3)** | **(2,352)** |
| Sundry income | 111 | 3 | - | 114 |
| General and administrative expenditure | ( 530) | ( 242) | ( 773) | (1,545) |
| Share options expensed | - | - | (3,201) | (3,201) |
| Exploration expenditure | (1,684) | ( 913) | - | (2,597) |
| Other net income/(costs) | ( 49) | - | - | ( 49) |
| **Operating loss** | **(4,342)** | **(1,311)** | **(3,977)** | **(9,630)** |
| Interest received | 187 | 78 | 511 | 776 |
| Interest paid | ( 340) | - | - | ( 340) |
| Profit on disposal of investments | 8,135 | - | - | 8,135 |
| Non-controlling interest in earnings of subsidiary | 171 | - | - | 171 |
| **Profit/(Loss) before income taxes** | **3,811** | **(1,233)** | **(3,466)** | **(888)** |
| Provision for income taxes | (1,022) | - | - | (1,022) |
| **Net profit/(loss)** | **2,789** | **(1,233)** | **(3,466)** | **(1,910)** |
| | | | | |
| **Total assets** | **56,009** | **68,222** | **213,035** | **337,266** |
| **Total liabilities** | **(38,858)** | **( 567)** | **(22,995)** | **(62,420)** |
| **Other segment items** | | | | |
| Capital expenditure | 12,470 | 28 | 467 | 12,965 |
| Amortization and depreciation | 153 | 72 | 3 | 228 |

**As at December 31, 2005:**

| | Total South Africa US$'000 | Total Australia US$'000 | Total Canada US$'000 | Total Dec 31, 2005 US$'000 |
|---|---|---|---|---|
| **Total assets** | **34,189** | **69,700** | **75,036** | **178,925** |
| **Total liabilities** | **(20,178)** | **(1,040)** | **(23,082)** | **(44,300)** |