

# management's discussion and analysis

## Management's Discussion and Analysis

Set out below is a review of the activities, results of operations and financial condition of Uranium One Inc. ("Uranium One") and its subsidiaries (collectively, the "Corporation") for the year ended December 31, 2008, together with certain trends and factors that are expected to impact its 2009 financial year. Information herein is presented as of March 11, 2008 and should be read in conjunction with the annual consolidated financial statements of the Corporation for the year ended December 31, 2008 and the notes thereto, 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 ("GAAP"). All amounts are in US dollars and tabular amounts are in thousands, except where otherwise indicated. Canadian dollars are referred to herein as C\$. South African rands are referred to herein as ZAR. Australian dollars are referred to herein as A\$.

Uranium One completed a business combination with UrAsia Energy Limited ("UrAsia Energy") on April 20, 2007. The transaction was treated as a reverse take-over under GAAP, with UrAsia Energy identified as the acquirer and Uranium One as the acquiree. Consequently, the historic figures used herein for periods up to and including March 31, 2007 are those of UrAsia Energy. References herein to "the 2007 financial year" and "the 2008 financial year" refer to the years ended December 31, 2007 and December 31, 2008, respectively.

The common shares of Uranium One are listed on the Toronto and Johannesburg stock exchanges ("TSX" and "JSE", respectively). Uranium One's convertible unsecured subordinated debentures due December 31, 2011 are also listed on the TSX.

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 and other information".*

## HIGHLIGHTS

- Total production during 2008 was 2,864,700 pounds of U<sub>3</sub>O<sub>8</sub>, an increase of 41% from total production of 2,038,700 pounds of U<sub>3</sub>O<sub>8</sub> during 2007.
- Attributable sales volumes during 2008 were 2,210,900 pounds of U<sub>3</sub>O<sub>8</sub>, an increase of 37% compared to attributable sales volumes of 1,608,700 pounds of U<sub>3</sub>O<sub>8</sub> during 2007.
- Average realized U<sub>3</sub>O<sub>8</sub> sales price during 2008 was \$68 per pound, generating revenue of \$149.8 million, compared to an average realized U<sub>3</sub>O<sub>8</sub> sales price of \$83 per pound, generating revenue of \$134.0 million during 2007.
- Earnings from mine operations were \$96.7 million during 2008, a 5% decrease over earnings from mine operations of \$101.8 million during 2007, primarily due to a lower realized U<sub>3</sub>O<sub>8</sub> sales price.
- In June 2008, the Corporation concluded a \$100 million senior secured revolving credit facility with Bank of Montreal and The Bank of Nova Scotia.
- In November 2008, the Corporation received an inaugural dividend of \$40 million (net of Kazakh withholding taxes) from its Betpak Dala joint venture.
- In December 2008, the Corporation entered into joint venture agreements under which Mitsui & Co., Ltd. acquired a 49% interest in the Australian assets of Uranium One, including the Honeymoon Project for a minimum cash commitment of approximately \$73 million (A\$104 million).
- The Corporation wrote down mineral interests, plant and equipment by \$2.4 billion (net of future income tax recoveries) in 2008: \$1.3 billion on Dominion; \$1.0 billion on properties in the United States; and \$0.1 billion on Honeymoon and Australian exploration.
- In February 2009, the Corporation announced a C\$270 million private placement and formation of a strategic relationship with a Japanese consortium.

## OPERATIONS AND PROJECTS

- Akdala - attributable production during 2008 was 1,873,600 pounds of U<sub>3</sub>O<sub>8</sub>; cash operating costs for 2008 were \$14 per pound of U<sub>3</sub>O<sub>8</sub> sold.
- South Inkai – received industrial production approval in December 2008 to ramp up production over the next three years to attributable production of 3,600,000 pounds of U<sub>3</sub>O<sub>8</sub> and commenced commercial production on January 1, 2009; attributable pre-commercial production during 2008 was 792,200 pounds of U<sub>3</sub>O<sub>8</sub>.
- Kharasan – commenced mining on a pilot production basis in September 2008; attributable pre-commercial production during 2008 of 9,400 pounds of U<sub>3</sub>O<sub>8</sub>.
- United States - continued with permitting activities at the Moore Ranch, Antelope and JAB projects in Wyoming; in late 2008, the start-up of the Hobson, Texas ISR processing facility was deferred pending the delineation of additional resources and the receipt of all required permits.
- Dominion - pre-commercial production during 2008 was 189,500 pounds of U<sub>3</sub>O<sub>8</sub>; on October 22, 2008, operations were suspended and the project was placed on care and maintenance pending the evaluation of available strategic alternatives.

## FINANCIAL CONDITION AND LIQUIDITY

Recent disruptions in global credit and financial markets have resulted in a significantly deteriorating economic climate, which contributed to the asset impairments discussed elsewhere in this document.

In response to these conditions, the Corporation has taken a number of steps, following the initial sustained drop in the uranium price, to reduce or defer previously planned capital and corporate expenditures, including placing the Dominion Project on care and maintenance, deferring project start-up at Hobson, obtaining a partner to fund the development of Honeymoon and implementing significant reductions in exploration expenditure and corporate costs across all operations.

In October 2008, the Corporation drew down \$65 million under its credit facility as an internal cash reserve and in February 2009 negotiated a C\$270 million private placement with a Japanese consortium. The Corporation will therefore have cash resources sufficient to sustain capital and corporate expenditures planned for 2009. Capital expenditures by the Betpak Dala and Kyzylkum joint ventures are funded through the joint ventures' operating cash flow or by way of third party debt facilities. The Corporation's Australian joint ventures, including Honeymoon, will be funded from the cash commitment of approximately \$73 million (A\$104 million) from Mitsui in 2009.

The Corporation is currently evaluating the application of the proceeds from the private placement with the Japanese consortium. The potential uses of these proceeds include acceleration of the Corporation's growth and development plans, the reduction of debt and working capital.

## OUTLOOK

- In 2009 to the end of February, Betpak Dala has received more than its full allocation of sulphuric acid and Betpak Dala and Kyzylkum are expected to have sufficient sulphuric acid supplies to meet their 2009 production targets at Akdala, South Inkai and Kharasan.
- Total production for 2009 is estimated to be 3.5 million pounds of  $U_3O_8$ , comprising 1.8 million pounds from Akdala, 1.5 million pounds from South Inkai and 0.2 million pounds from Kharasan.
- Total production for 2010 is estimated to be 5.6 million pounds of  $U_3O_8$ .
- During 2009, the average cash cost per pound of  $U_3O_8$  sold is expected to be approximately \$15 per pound at Akdala and \$28 per pound at South Inkai.
- The Corporation currently has contracts for the sale of an aggregate of 26 million attributable pounds of  $U_3O_8$ ; 16 million pounds of this material are contracted at weighted average floor prices of approximately \$47 per pound. The remainder of contracted attributable sales is not subject to floors and such sales are therefore directly related to the spot price of  $U_3O_8$ , except for 910,000 pounds, which will be sold at an average fixed price of \$79 per pound, subject to escalation.
- For 2009, the Corporation expects to sell an aggregate of 2.8 million attributable pounds of  $U_3O_8$ . The Corporation has already contracted for the sale of 2.2 million attributable pounds of  $U_3O_8$  in 2009, of which 700,000 pounds have weighted average floor prices of approximately \$43 per pound.
- Attributable inventory levels at Betpak Dala are expected to increase from approximately 1.2 million pounds of  $U_3O_8$  at December 31, 2008 to approximately 1.8 million pounds of  $U_3O_8$  by the end of 2009.
- In 2009, the Corporation expects to incur capital expenditures of \$21 million for the development of its assets in Wyoming and to contribute \$6 million to the costs of constructing a sulphuric acid plant at Zhanakorgan in Kazakhstan.
- General and administrative expenses, excluding stock-based compensation, are expected to be approximately \$28 million for 2009; care and maintenance costs at Dominion are expected to be \$12 million for 2009.
- The Corporation carries unrealized foreign exchange translation losses of \$244.8 million relating to its investment in Uranium One Africa Limited on its balance sheet. The foreign exchange losses were not taken into consideration in calculating the impairment on Dominion and would only be realized in the statement of operations if the Corporation sells its investment in Uranium One Africa Limited.

## KEY STATISTICS

### TOTAL PRODUCTION

	2008	2007
Attributable production from Akdala (lbs of U <sub>3</sub> O <sub>8</sub> )	1,873,600	1,827,200
Attributable pre-commercial production from South Inkai (lbs of U <sub>3</sub> O <sub>8</sub> )	792,200	40,200
Pre-commercial production from Dominion (lbs of U <sub>3</sub> O <sub>8</sub> )	189,500	171,300
Attributable pre-commercial production from Kharasan (lbs of U <sub>3</sub> O <sub>8</sub> )	9,400	-
Total production	2,864,700	2,038,700

### FINANCIAL

	2008	2007
Attributable production (lbs of U <sub>3</sub> O <sub>8</sub> ) <sup>(1)</sup>	1,873,600	1,827,200
Attributable sales (lbs of U <sub>3</sub> O <sub>8</sub> ) <sup>(1)</sup>	2,210,900	1,608,700
Average realized sales price (\$ per lb of U <sub>3</sub> O <sub>8</sub> ) <sup>(2)</sup>	68	83
Average cash cost of production sold (\$ per lb of U <sub>3</sub> O <sub>8</sub> ) <sup>(2)</sup>	14	11
Revenues (\$ millions)	149.8	134.0
Earnings from mine operations (\$ millions)	96.7	101.8
Net loss from continuing operations (\$ millions)	(2,333.6)	(16.2)
Loss per share from continuing operations – basic and diluted (\$ per share)	(4.98)	(0.05)
Loss from discontinued operations (\$ millions)	(122.3)	(1.4)
Loss per share from discontinued operations – basic and diluted (\$ per share)	(0.26)	(0.00)
Net loss (\$ millions)	(2,455.8)	(17.6)
Net loss per share – basic and diluted (\$ per share)	(5.24)	(0.05)
Adjusted net earnings (\$ millions) <sup>(2)</sup>	22.3	3.4
Adjusted net earnings per share – basic (\$ per share) <sup>(2)</sup>	0.05	0.01

#### Notes:

(1) Attributable production and sales are from assets that are in commercial production – therefore only Akdala in 2007 and 2008.

(2) The Corporation has included non-GAAP performance measures: average realized sales price per pound of U<sub>3</sub>O<sub>8</sub>, cost per pound of U<sub>3</sub>O<sub>8</sub> sold, adjusted net earnings and adjusted net earnings per share. In the uranium mining industry, these are common performance measures but do not have any standardized meaning, and are non-GAAP measures. The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, the Corporation and certain investors use this information to evaluate the Corporation's performance and ability to generate cash flow. The additional information provided herein should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. See "Non-GAAP Measures".

## OVERVIEW

Uranium One is a Canadian corporation engaged through subsidiaries and joint ventures in the mining and production of uranium, and in the acquisition, exploration and development of properties for the production of uranium in Kazakhstan, the United States, Australia, South Africa and Canada.

Through the Betpak Dala joint venture, Uranium One owns a 70% interest in the Akdala and South Inkai uranium mines in Kazakhstan. The Corporation holds a 30% interest in the Kyzylkum joint venture, which owns the Kharasan Project in Kazakhstan. In the United States, the Corporation owns projects in the Powder River and Great Divide basins in Wyoming. The Corporation has suspended operations at its Dominion Project in South Africa and placed it on care and maintenance while evaluating strategic alternatives for the project. The Corporation owns a 51% interest in the Honeymoon Uranium Project in Australia. The Corporation owns, either directly or through joint ventures, a large portfolio of uranium exploration properties in the western United States, South Australia and South Africa.

The following are the Corporation's principal mineral properties and operations (discussed in more detail below):

### Operating mines

Entity	Project	Location	Status	Ownership
Betpak Dala LLP	Akdala Uranium Mine	Kazakhstan	Producing	70% J.V. interest
Betpak Dala LLP	South Inkai Uranium Mine	Kazakhstan	Producing	70% J.V. interest

### Advanced development project

Entity	Project	Location	Status	Ownership
Kyzylkum LLP	Kharasan Uranium Project	Kazakhstan	Commissioning <sup>(1)</sup>	30% J.V. interest

The Corporation is also developing the following mineral properties:

Entity	Project	Location	Status	Ownership
Energy Metals Corp. (US)	Powder River Basin, Wyoming (Moore Ranch, Peterson, Ludeman, Allemand-Ross, and Barge)	USA	Development	100% interest
Energy Metals Corp. (US)	Great Divide Basin, Wyoming (JAB and Antelope)	USA	Development	100% interest
Uranium One Australia (Proprietary) Ltd.	Honeymoon Uranium Project	Australia	Development	51% interest

The Corporation has suspended development of the following projects:

Entity	Project	Location	Status	Ownership
Uranium One Africa Limited	Dominion Project	South Africa	Care and maintenance	100% interest <sup>(2)</sup>
South Texas Mining Venture	Hobson Facility and La Palangana Project, Texas	USA	Standby	99% interest

#### Notes:

- (1) The Kharasan Uranium Project is in the commissioning stage; production has commenced but the mine has not yet achieved commercial production. Commercial production is achieved when a pre-defined operating level, based on the design of the plant, is maintained and the Kazakhstan Government has issued an operating license.
- (2) Uranium One's 100% interest is subject to a definitive purchase and sale agreement of an undivided 26% interest in the Dominion 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.

## REVIEW OF OPERATIONS

### AKDALA URANIUM MINE

Akdala is an operating acid in situ recovery ("ISR") uranium mine located in the Suzak region of South Kazakhstan, owned indirectly as to 70% by the Corporation through the Betpak Dala joint venture, a Kazakhstan registered limited liability partnership ("Betpak Dala"). The other 30% interest is owned by JSC NAC Kazatomprom ("Kazatomprom"), a Kazakhstan state-owned company responsible for the mining and exporting of uranium in Kazakhstan.

Pursuant to the terms of its subsoil use contract, the permitted production rate at the Akdala Mine is 2,600,000 pounds of U<sub>3</sub>O<sub>8</sub> (1,000 tonnes uranium ("U")) per year.

**Production:** In line with the production plan for 2008, Akdala produced 2,676,600 pounds of U<sub>3</sub>O<sub>8</sub> (1,030 tonnes U) during 2008, of which 1,873,600 pounds of U<sub>3</sub>O<sub>8</sub> (721 tonnes U) is attributable to the Corporation.

Production from Akdala in 2009 is estimated to be 2,600,000 pounds of U<sub>3</sub>O<sub>8</sub> (1,000 tonnes U), of which 1,820,000 pounds of U<sub>3</sub>O<sub>8</sub> (700 tonnes U) will be attributable to the Corporation.

**Operations:** The following is a summary of the operational statistics (100%) for Akdala over the last four quarters:

	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m <sup>3</sup> /hour)	Concentration in solution (mg U/l)	Production (lbs of U <sub>3</sub> O <sub>8</sub> )
Q1 2008	70	162	1,152	96.9	616,400
Q2 2008	89	167	1,359	83.6	621,800
Q3 2008	29	190	1,571	78.6	689,300
Q4 2008	-	185	1,614	79.3	749,100

A total of 188 wells were installed during 2008. The program for 2009, which is expected to commence during Q2 2009, provides for the installation of 164 wells to achieve the production target for the year.

During 2008, three new production blocks were acidified and commissioned. Production block #24 was acidified in Q4 2008 and will be commissioned when the concentration from the current production blocks reaches sub-optimal levels. Higher quantities of solution were pumped at lower head grades in order to achieve the production in 2008, as the existing production blocks are still achieving economic uranium levels.

Due to the fact that it is still economical to produce uranium from the existing production blocks at lower concentrations and higher flow rates, the processing capacity of the Akdala plant was expanded during Q4 2008. A seventh ion-exchange column and additional main productive solution pumps were installed in the processing plant to cope with the increased flow rate. The plant can now operate at lower concentration levels and still achieve 1,000 tonnes U capacity. The cost of the plant expansion was \$3.1 million and was financed from operations.

The construction of the precipitation and filtration circuit at Akdala was completed in Q1 2008. The circuit enables Akdala to produce yellowcake slurry on site, with only the drying and packaging to be performed by external processing facilities. Due to technical issues experienced by the external processing facilities when introducing the yellowcake slurry produced at Akdala into their drying process, the production of yellowcake at Akdala was suspended and, as in the past, rich eluate was shipped to the external processing facility in Q2 and Q3 2008. During Q4 2008, the production of yellowcake on site resumed after successful resolution of the technical issues experienced by the external processing facility.

## AKDALA URANIUM MINE - continued

**Financial information:** The following table shows the attributable production, sales and production cost trends for Akdala over the prior eight quarters:

(All figures are the Corporation's attributable share)	3 months ended							
	Dec 31, 2008	Sep 30, 2008	Jun 30, 2008	Mar 31, 2008	Dec 31, 2007	Sep 30, 2007	Jun 30, 2007	Mar 31, 2007
Production of U <sub>3</sub> O <sub>8</sub> in lbs	524,400	482,400	435,300	431,500	435,400	451,600	452,200	488,000
Sales of U <sub>3</sub> O <sub>8</sub> in lbs	393,900	848,100	685,600	283,300	689,200	70,000	244,300	605,200
Inventory U <sub>3</sub> O <sub>8</sub> in lbs	345,000	232,800	620,500	886,500	748,900	1,007,000	636,800	436,500
Revenues (\$000's)	21,146	56,723	49,390	22,517	61,010	8,019	23,265	41,730
Sales (\$/lb of U <sub>3</sub> O <sub>8</sub> sold)	54	67	72	79	89	115	95	69
Operating expenses (\$000's)	5,918	11,793	9,487	3,292	7,521	660	2,058	7,043
Operating expenses (\$/lb of U <sub>3</sub> O <sub>8</sub> sold)	15	14	14	12	11	9	8	12
Depreciation and depletion (\$000's)	4,370	8,305	6,960	2,931	6,966	1,058	2,016	4,859
Depreciation and depletion (\$/lb of U <sub>3</sub> O <sub>8</sub> sold)	11	10	10	10	10	15	8	8

Uranium revenues are recorded upon delivery of product to utilities and intermediaries and do not occur evenly throughout the year. Timing of deliveries is usually at the contracted discretion of customers within a quarter or similar time period. Annual sales of product from a mine, which is normally determined from opening inventory plus a percentage of forecast production for the year, does not always occur evenly throughout the year and could vary significantly from quarter to quarter as illustrated in the table above.

Changes in revenues, net earnings / loss and cash flow are therefore affected primarily by fluctuations in contracted delivery of product from quarter to quarter as well as by changes in the price of uranium.

Operating expenses are directly related to the quantity of U<sub>3</sub>O<sub>8</sub> sold and are lower in periods when the quantity of U<sub>3</sub>O<sub>8</sub> sold is lower. There is a corresponding build-up of inventory in periods when the quantity of U<sub>3</sub>O<sub>8</sub> sold is lower.

The cost of production for the year at \$14 per pound of U<sub>3</sub>O<sub>8</sub> sold was in line with the Corporation's revised forecast.

## SOUTH INKAI URANIUM MINE

South Inkai is an operating ISR uranium mine located in the Suzak region of South Kazakhstan, owned indirectly as to 70% by the Corporation through the Betpak Dala joint venture. The other 30% interest is held by Kazatomprom.

The design capacity of the South Inkai mine is 5,200,000 pounds of U<sub>3</sub>O<sub>8</sub> (2,000 tonnes U) per year. It is expected that the annualized rate of production will reach this level in 2011.

**Pre-commercial production:** Pre-commercial production from South Inkai was 1,131,800 pounds of U<sub>3</sub>O<sub>8</sub> (435 tonnes U) in 2008, of which 792,200 pounds of U<sub>3</sub>O<sub>8</sub> (305 tonnes U) is attributable to the Corporation.

Production from South Inkai in 2009 is estimated to be 2,140,000 pounds of U<sub>3</sub>O<sub>8</sub> (825 tonnes U), of which 1,500,000 pounds of U<sub>3</sub>O<sub>8</sub> (577 tonnes U) will be attributable to the Corporation.

**Operations:** The following is a summary of the operational statistics (100%) for South Inkai over the last four quarters:

	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m <sup>3</sup> /hour)	Concentration in solution (mg U/l)	Production (lbs of U <sub>3</sub> O <sub>8</sub> )
Q1 2008	53	24	163.5	229.0	206,400
Q2 2008	90	30	253.0	258.2	367,300
Q3 2008	114	36	341.3	108.1	209,100
Q4 2008	105	46	430.4	136.8	349,000

A total of 362 wells were installed in 2008. The program for 2009 provides for the installation of 343 wells to achieve the production target for the year.

Due to ongoing transportation and logistics constraints in Kazakhstan, South Inkai did not receive sufficient quantities of sulphuric acid during Q3 and early in Q4 2008 to acidify production blocks as planned and the resulting lower than expected acid deliveries negatively affected the concentration of uranium in the solution as well as production in Q3 and Q4 2008. By year end, the acid supply shortfall was eliminated with sufficient acid being supplied in late December 2008. The acid shortages in Q4 2008 resulted in the acidification of block #5 being delayed until beginning of 2009.

**Industrial production:** The Kazakh Ministry of Energy and Mineral Resources ("MEMR") formally approved the commencement of industrial production at South Inkai in December 2008. The approval, which was given by way of an amendment to the South Inkai subsoil use agreement, permits South Inkai to ramp up production over the next three years to 5,200,000 pounds U<sub>3</sub>O<sub>8</sub> per year. As a result of the approval, commercial production for accounting purposes commenced at South Inkai on January 1, 2009. Inventory at South Inkai attributable to the Corporation was 808,400 pounds U<sub>3</sub>O<sub>8</sub> as at January 1, 2009 at an average cash cost of production of \$18 per pound.

At full capacity, Uranium One's attributable production from South Inkai is expected to be 3,640,000 pounds U<sub>3</sub>O<sub>8</sub> per year.

**Construction:** State acceptance of the industrial complex at South Inkai was completed in December 2008, with some landscaping and asphalt work remaining to be completed in 2009 once warmer weather permits completion.

To date, expenditure incurred by Betpak Dala (on a 100% basis) relating to the construction of South Inkai is \$61 million; further capital expenditure (on a 100% basis) to complete the project to design capacity is expected to be \$3 million.

The capital expenditure on South Inkai is being funded by Betpak Dala out of operating cash flow from Akdala.

# REVIEW OF DEVELOPMENT PROJECTS - KAZAKHSTAN

## KHARASAN URANIUM PROJECT

Kharasan is an ISR uranium development project located in the Suzak region of South Kazakhstan, owned indirectly as to 30% by the Corporation through the Kyzylkum joint venture, a Kazakhstan registered limited liability partnership ("Kyzylkum"). The remaining interests are owned as to 30% by Kazatomprom and as to 40% by Energy Asia (BVI) Ltd., which is owned by a consortium of Japanese utilities and a trading company.

The design capacity of Kharasan is 5,200,000 pounds of U<sub>3</sub>O<sub>8</sub> (2,000 tonnes U) per year. It is expected that the annualized rate of production will reach this level in 2012.

**Pre-commercial production:** Pre-commercial production from Kharasan was 31,200 pounds of U<sub>3</sub>O<sub>8</sub> (12 tonnes U) in 2008, of which 9,400 pounds of U<sub>3</sub>O<sub>8</sub> (4 tonnes U) is attributable to the Corporation.

Production from Kharasan in 2009 is estimated to be 650,000 pounds of U<sub>3</sub>O<sub>8</sub> (250 tonnes U), of which 195,000 pounds of U<sub>3</sub>O<sub>8</sub> (75 tonnes U) will be attributable to the Corporation.

**Operations:** The following is a summary of the operational statistics (100%) for Kharasan over the last four quarters:

	Drill rigs on site <sup>(1)</sup>	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m <sup>3</sup> /hour)	Concentration in solution (mg U/l)	Production (lbs of U <sub>3</sub> O <sub>8</sub> )
Q1 2008	10	30	-	-	-	-
Q2 2008	10	58	-	-	-	-
Q3 2008	10	74	28	6.9	47.8	-
Q4 2008	10	31	36	76.9	41.6	31,200

Note:

(1) As at end of quarter for well field development

Acidification of the first well field at Kharasan commenced in March 2008. Although the flow rate has continued to increase, both flow rate and concentration of U in solution remains low at 76.9m<sup>3</sup>/hour and 41.6 mg U/l, respectively. Well field maintenance work commenced at the end of Q3 2008, but was not as effective as expected. By the beginning of December 2008, a more detailed study was initiated to identify other factors contributing to wellfield underperformance. The study includes a full investigation of the original data and a review of all drilling logs to verify vertical location of screens and layout of the wellfield. Wellfield maintenance work is continuing.

In November 2008, Kyzylkum appointed a new Kharasan general manager, with over 20 years experience in ISL operations in the region. In December 2008, Kyzylkum also appointed a new general director, who is recruiting experienced personnel to assist in addressing wellfield underperformance.

Well installation for future well fields continued in 2008. In accordance with the plan for the year, an additional 193 wells were installed in 2008.

**Industrial production:** A delineation drilling program to convert a sufficient amount of resources from the Russian C2 category to the Russian C1 category, consisting of a drilling program of 338 holes, is ongoing. 163 drill holes were completed in 2008 for delineation purposes, compared to a plan of 169 holes.

Kyzylkum intends to make an interim application for permission to move to industrial production based on the results of an ISR operation in close proximity to Kharasan which operates under similar geological conditions. The 256 exploration holes already drilled, together with 82 holes to be completed in Q1 2009 (for a total of 338 holes), as well as the performance of the pilot production block, will serve as the basis for the application. It is expected that the application will be made later in 2009 when sufficient information from the pilot production block is available. Industrial production approval is expected for Kharasan in 2010.

**Construction:** The major operating facilities of the production complex have been inspected by the necessary regulatory authorities and final acceptance of the facilities is expected by Q2 2009.

To date, expenditure incurred by Kyzylkum (on a 100% basis) relating to the construction of the industrial complex at Kharasan is \$47.8 million. Further capital expenditure (on a 100% basis) to complete the project to design capacity of 2,000 tonnes per year is expected to be \$18 million.

The capital expenditure on Kharasan is funded by Kyzylkum from the project finance facility with Japan Bank for International Cooperation ("JBIC") and Citibank.

## **KHARASAN URANIUM PROJECT - continued**

**Infrastructure development:** The railroad switching station was completed in Q2 2008 and a new section of line adjacent to the main line to Moscow was transferred to the State of Kazakhstan. Private entities are not allowed to own railroad installations, except on private land. The main facilities of the transshipment base for production ramp up in 2009, including storage facilities for sulphuric acid, ammonium nitrate and caustic storage will be commissioned in Q1 2009.

Total expenditure incurred by Kyzylkum (on a 100% basis) to date relating to infrastructure development at Kharasan amounts to \$60.0 million with further capital expenditure (on a 100% basis) to complete the required infrastructure expected to be \$2 million. A consortium agreement was concluded with an adjacent uranium ISR development joint venture to share in the development cost of the local infrastructure required to support both operations (road, bridge, rail and marshalling facilities). The agreement resulted in a return of \$22.6 million in capital to Kyzylkum relating to infrastructure amounts expended to date.

The development of infrastructure is jointly funded by an adjacent uranium ISR development joint venture and by Kyzylkum from a project finance facility provided by the JBIC and Citibank.

**Project finance facility:** In addition to the original \$80 million loan from the Corporation, Kyzylkum negotiated unsecured bank loan facilities in Q2 2007 totalling \$100 million. One facility, in the amount of \$70 million, was obtained from JBIC and the other facility, in the amount of \$30 million, was obtained from Citibank. During December 2008, Citibank agreed to increase its facility by \$60 million to \$90 million, increasing the total unsecured bank loan facilities to \$160 million. Total draw downs against these facilities amounted to \$120 million as at December 31, 2008.

The original \$80 million loan from the Corporation (principal of \$46.7 million outstanding as at December 31, 2008) must be repaid in full before the JBIC and Citibank facilities can be repaid. As the Corporation proportionately consolidates its 30% interest in Kyzylkum, the Corporation's share of these facilities amounts to \$36 million. When the \$160 million facility is fully drawn down, the Corporation's share of these facilities will amount to \$48 million. The loan facilities have floating interest rates of LIBOR plus 0.25% and 0.35%, respectively.

## **SULPHURIC ACID SUPPLY IN KAZAKHSTAN**

Kazakhmys commissioned a new sulphuric acid plant located at Balkhash in eastern Kazakhstan in June 2008. This plant, which has an annual capacity of 1.2 million tonnes of sulphuric acid, provides Kazakh uranium producers, including the Corporation's Betpak Dala and Kyzylkum joint ventures, with a significant additional source of sulphuric acid in the country. The Corporation does not expect the production of sulphuric acid from the Balkhash plant to be affected by Kazakhmys' reduced copper production and expects that Balkhash will remain a reliable supplier of sulphuric acid in Kazakhstan. The logistical constraints experienced earlier in 2008 eased towards the end of 2008 and the early part of 2009 and are not expected to delay sulphuric acid deliveries in Q1 2009. Given the recent worldwide economic downturn, the Corporation expects a decline in demand for sulphuric acid over the short to medium term, with supply remaining largely intact and that additional sources of sulphuric acid may therefore become available to the Corporation.

Betpak Dala entered into a contract for the supply of 35,000 tonnes of sulphuric acid at market related prices during 2009. Together with the 60,000 tonnes allocated to Betpak Dala in 2009 by Kazatomprom, Betpak Dala should have sufficient supply of sulphuric acid to meet the 2009 production targets for both Akdala and South Inkai. Betpak Dala received the first delivery under this contract in February 2009 according to the agreed schedule.

Kyzylkum received a sufficient sulphuric acid allocation during Q4 2008 to enable Kharasan to continue planned wellfield acidification and to facilitate its planned production ramp-up. Kyzylkum's allocation of sulphuric acid from Kazatomprom is expected to be sufficient to meet the 2009 production target for Kharasan.

To ensure long term sulphuric acid supply continuity, the Corporation has established a joint venture with Kazatomprom and other affected parties to build a sulphuric acid plant near Kharasan at Zhanakorgan. The Corporation's ownership percentage in this joint venture is expected to be 19%. The total construction cost of the plant is expected to be approximately \$217 million, of which approximately 30% will be funded by the joint venture partners during Q4 2008 and the first half of 2009 and the balance potentially funded through debt financing. Construction of the plant is expected to be completed in 2011.

The Corporation contributed \$6.0 million in Q4 2008 towards construction of the sulphuric acid plant and will contribute \$6 million from working capital in the first half of 2009, with the balance of approximately \$29 million to be funded in 2010 and 2011.

Engineering design is already in progress with the Italian construction company Desmet Ballestra, including cooperation with LLP Joint Venture "Soyuzcomplex" for engineering work on the power plant. Equipment orders are in progress, with delivery of equipment starting in mid-2009.

## NEW TAX CODE IN KAZAKHSTAN

Kazakhstan adopted a new Tax Code effective January 1, 2009. Among other things, the new Code reduces the corporate income tax rate from 30% to 20% for 2009, amends the basis for determining excess profits tax and replaces royalty charges with a mineral extraction tax. Mineral extraction tax, which has a different tax basis from the system of royalty charges it replaced, is levied at a rate of 22% for 2009. For uranium, the mineral extraction tax is calculated according to a formula related to the cost of production, rather than revenue. The new Tax Code also abolished the former contractual "stabilization" regime relating to the taxation of subsoil users, except for those operating under product sharing agreements and subsoil use contracts approved by the President of Kazakhstan (Akdala has a stability clause in its subsoil use contract; the subsoil use contracts for South Inkai and Kharasan, which are of more recent date, do not have such provisions).

There is considerable uncertainty surrounding the interpretation and application of the new Tax Code to the operations of Betpak Dala and Kyzylkum, including with respect both to excess profits tax and the effect on the stability clause in Akdala's subsoil use contract. At the request of the MEMR, Betpak Dala and Kyzylkum will be entering into discussions with the MEMR later this year on the application of the new Tax Code to their operations. Pending the outcome of these discussions, the Corporation, together with its joint venture partners and its tax advisers, will continue to evaluate the impact of the new Code on its operations in Kazakhstan.

Given the current uncertainty relating to the interpretation and application of the new Tax Code, the Corporation has not given effect to the provisions of the new Tax Code in its 2008 consolidated financial statements.

## REVIEW OF DEVELOPMENT PROJECTS – UNITED STATES

The Corporation is proceeding with the planned development of new uranium production centres in the western United States. In Wyoming, the Corporation is focussed on permitting two ISR central processing plants, one at Moore Ranch in the Powder River Basin and the other at Antelope in the Great Divide Basin. In Texas, the Corporation has completed renovation of the Hobson central processing plant; operation of that facility has, however, been suspended pending the delineation of additional resources and the receipt of all required permits.

### POWDER RIVER BASIN, WYOMING

The Powder River Basin in Wyoming hosts several of the Corporation's uranium projects. The most advanced project in the Powder River Basin is the Moore Ranch Project, located in Campbell County, 25 miles east of Edgerton, Wyoming. Moore Ranch has a NI 43-101 compliant measured resource suitable for in situ recovery. The Corporation intends to construct an in situ uranium recovery facility at Moore Ranch with capacity of 2,000,000 pounds of U<sub>3</sub>O<sub>8</sub> per year. Uranium extraction is planned to commence at Moore Ranch in 2010. Any excess plant capacity would be used to process uranium bearing resins from other properties owned by the Corporation in the Powder River Basin.

In October 2007, the Corporation submitted an application to the U.S. Nuclear Regulatory Commission ("NRC") for a license to construct and operate an in situ uranium recovery facility at Moore Ranch. The application was the first of its kind received by the NRC since 1988. The Corporation also submitted at the same time an application to the Wyoming Department for Environmental Quality ("WDEQ") for a mining permit. The NRC and WDEQ technical reviews of the application to build and operate an in situ uranium recovery facility at the Moore Ranch Project are currently in progress. The Corporation is continuing to progress these applications and expects to receive the license and permit during Q4 2009.

Baseline characterization efforts in support of similar license and permit applications for the Ludeman project in Converse County have been completed and will be submitted to the NRC and WDEQ in March 2009. Assuming a two year licensing process, the Corporation anticipates receiving the license and permit during early 2011, with initial production from Ludeman late in 2011. The Ludeman project will be licensed as three satellite operations that can feed either the Moore Ranch central processing plant or another plant.

The Corporation resumed wellfield development drilling at Moore Ranch in January 2009. In 2009, 90 drill holes are planned to complete delineation of the first well field. Another 270 drill holes are planned this year to extend existing mineralized trends on the property. Monitor well ring installation is also planned for this year after receipt of regulatory approval and finalization of the design of the first and second well field. Cased well installation in the well field will follow after issuance of the required licenses and permits.

The Corporation has revised its mine plans and economic models for its United States development assets during Q4 2008 and concluded that the carrying values of its United States development assets exceeded their fair value. The carrying value of Moore Ranch and the Corporation's other United States development assets were therefore written down by \$204.3 million.

The Corporation intends to complete additional delineation drilling and data purchases at its Ludeman and Peterson properties during 2009. Delineation drilling and data collection for permitting purposes are also scheduled in 2009 at other Powder River Basin properties, including the Allemand-Ross and Barge projects.

In total, capital expenditure of approximately \$17 million is planned in 2009 for the Corporation's Powder River Basin properties.

### GREAT DIVIDE BASIN, WYOMING

The Corporation's principal properties in the Great Divide Basin are the JAB and Antelope projects. JAB has a NI 43-101 compliant measured and indicated resource suitable for in situ recovery.

A central processing facility is planned for construction at the Antelope project, with a satellite facility at JAB. The central processing facility has a design capacity of 2,000,000 pounds of U<sub>3</sub>O<sub>8</sub> per year. In addition to processing resin from the satellite plant on JAB, the Antelope central processing facility would have the capacity to accept resins from other Uranium One projects in the Great Divide Basin. Those potential projects include Twin Buttes, Cyclone Rim, West JAB, Stewart Creek, Crooks Creek and Bull Springs. In July 2008, the Corporation submitted licensing and permit applications for Antelope and JAB to the NRC and WDEQ. Delineation drilling is ongoing at Antelope; since August 2008 a total of 254 holes have been drilled, and another 400 drill holes are planned in 2009 to further define and delineate proposed well field areas.

In total, capital expenditure of approximately \$4 million is planned in 2009 for the Corporation's Great Divide Basin properties.

## **HOBSON AND LA PALANGANA**

The Hobson Facility is an ISR uranium processing facility located near to the town of Hobson in Karnes County, Texas. The refurbishment of the processing plant, to a capacity of a nominal 1,000,000 pounds of U<sub>3</sub>O<sub>8</sub> per year of dried natural uranium concentrate, was completed in July 2008.

The Palangana Uranium Project is an ISR amenable deposit located five miles north of the town of Benavides in Duval County, Texas. During 2008, a better understanding of the extensive faulting on and near the Palangana salt dome led the Corporation to re-interpret the previously reported inferred resource of 5.8 million pounds U<sub>3</sub>O<sub>8</sub>, with the result that this resource was re-classified and removed from the Corporation's resource inventory. An impairment of \$83.4 million was recognized on Hobson and La Palangana in 2008, to account for the reduction in the fair value of the Hobson facility and the reduction in the recoverable resources in the Palangana mine plan.

Operation of the Hobson plant, and further capital expenditure at La Palangana, were suspended in late 2008 pending the delineation of additional resources and the completion of the permitting process. In the meantime, the Corporation will continue with planned delineation drilling and the acquisition of additional potential development areas.

## **UNITED STATES CONVENTIONAL URANIUM PROPERTIES**

The Corporation is continuing to assess the resource potential of conventional uranium properties mainly in Utah, Colorado and Arizona. These properties include the Corporation's Frank M, Velvet, Woods and Breccia Pipes properties.

In 2008, the Corporation concluded that the Shootaring Canyon Mill could not be operated economically with the currently available resource base and fully wrote down the carrying value of the mill, due to its negligible salvage value. The Corporation evaluated the economic feasibility of its conventional mining properties as well and concluded that certain of its properties cannot be put to economic use in the current economic environment. The total associated impairment was \$65.3 million. Care and maintenance costs for the Shootaring mill are expected to be approximately \$1.3 million per year.

The Corporation does not plan any capital expenditure on its conventional uranium properties during 2009.

## REVIEW OF DEVELOPMENT PROJECTS – AUSTRALIA

### HONEYMOON URANIUM PROJECT

The Honeymoon Uranium Project is located in South Australia, approximately 75 kilometres northwest of the City of Broken Hill, New South Wales. The project has a design capacity of 880,000 pounds of U<sub>3</sub>O<sub>8</sub> per year, with an expected mine life (including production ramp-up) of six years. The revised capital expenditure estimate for the completion of construction at Honeymoon is A\$118 million, of which A\$39 has been spent to date, on a 100% basis. The Corporation received approval to commence construction at Honeymoon in January 2008 from the South Australian regulatory authorities.

In Q1 of 2008, the Corporation postponed the development of Honeymoon pending a review of strategic options for its Australian business. In October 2008 the Corporation reached an agreement with Mitsui & Co., Ltd. under which Mitsui would acquire a 49% interest in the Honeymoon project and the company's Australian exploration portfolio. This transaction closed in December 2008, after receipt of required regulatory approvals. Under this agreement, the total minimum cash commitment from Mitsui is approximately A\$104 million for its share of Uranium One Australia's assets. The majority of these funds will be used to advance the development of the Honeymoon project through to commercial production which is scheduled for 2010. Pursuant to the terms of the Honeymoon joint venture agreement, the Corporation committed up to A\$49.8 million of the proceeds from the investment by Mitsui to fund its share of Honeymoon's development expenditures.

An impairment of \$195.4 million was recorded against the Corporation's Australian assets in 2008, to reflect the fair value ascribed to these assets in the Mitsui transaction.

## REVIEW OF PROJECTS – SOUTH AFRICA

### DOMINION

The Dominion Project is situated in the North West Province of South Africa, approximately 150 kilometres west-southwest of Johannesburg. The Project was placed on care and maintenance on October 22, 2008. The decision to place Dominion on care and maintenance reflected the significant deterioration in the Project's economics associated with the continuing decline in uranium prices during 2008 and significant inflation-related increases in project costs, together with a slower than expected ramp-up in development and production. The decision followed the completion of the Corporation's detailed life of mine planning process and budget for the Project, which showed that the Project would require a sustained recovery in uranium prices, as well as significant additional capital investment, in order to become economically viable. As a result of the determination by the Corporation that the Dominion Project is not economically viable and a subsequent reinterpretation of the project's mineral resources, the previously published reserves for the project can no longer be considered reserves. The majority of the workforce at Dominion has been retrenched in accordance with the requirements of applicable South African legislation; a core team of employees has been retained to oversee care and maintenance activities.

The costs associated with the suspension of operations were \$17.5 million in Q4 2008, with further potential suspension costs of approximately \$3 million, and care and maintenance costs of approximately \$12 million per year thereafter. Care and maintenance activities will include limited development activities.

As Dominion was placed on care and maintenance without certainty as to when or whether production might be resumed, an impairment of \$1.8 billion was recognized in 2008. The Corporation carries unrealized foreign exchange translation losses of \$244.8 million in accumulated other comprehensive losses relating to the translation to US dollars of its investment in Uranium One Africa Limited ("Uranium One Africa"), the wholly owned subsidiary which owns the Project. The foreign exchange losses were not taken into consideration in calculating the impairment on Dominion and would only be realized in the statement of operations if the Corporation sells its investment in Uranium One Africa. The value of the losses is calculated based on the South African rand and US dollar exchange rates and will change as exchange rates change.

## EXPLORATION PROJECTS

The Corporation is exploring its other properties and has current exploration programs in progress on its properties in South Africa, the western United States and Australia. During 2008, impairments of \$936.6 million were recognized on various United States exploration properties due to a range of factors including economic feasibility, cancellation of option agreements, metallurgical recovery, licensing and environmental issues.

## CORPORATE

### PRIVATE PLACEMENT WITH JAPANESE CONSORTIUM

On February 9, 2009, Uranium One entered into a subscription agreement with a special purpose corporation formed by The Tokyo Electric Power Company, Incorporated ("TEPCO"), Toshiba Corporation, and The Japan Bank for International Cooperation ("JBIC") (collectively, the "Consortium") providing for the private placement of an aggregate of 117,000,000 common shares of Uranium One, for gross proceeds of approximately C\$270 million. TEPCO and Toshiba Corporation will each have a 40% equity interest in the special purpose corporation; JBIC will have a 20% equity interest.

Concurrently with the execution of the subscription agreement, Uranium One has also entered into a long-term offtake agreement and a strategic relationship agreement with the Consortium, both of which will become effective upon closing of the private placement.

Under the offtake agreement, the Consortium may elect to purchase, on industry-standard terms, up to 20% of the Corporation's available production from the Corporation's existing uranium projects for which it has marketing rights and will have access to production of the Corporation's future projects if it maintains its equity interest in Uranium One above certain equity ownership levels. Deliveries under the offtake agreement to the Consortium members will commence in 2014.

Under the strategic relationship agreement, the Consortium may appoint two directors to the Uranium One board and has a right of first opportunity to invest in any uranium mining asset or project which the Corporation may in its discretion decide to make available to third parties. In addition, the Consortium may second two employees to Uranium One, and will have representation on an inter-company coordinating committee. This agreement also contains a standstill provision under which the Consortium has agreed, subject to certain exceptions, not to acquire without Uranium One's prior approval more than 19.95% of Uranium One's issued common shares. The rights granted under both the offtake agreement and the strategic partnership agreement are generally subject to the Consortium continuing to meet certain equity ownership thresholds.

The private placement issue price of C\$2.30 per share represented a 15% premium to the 20-day volume weighted average price of Uranium One common shares on the Toronto Stock Exchange prior to the announcement of the transaction. Upon closing of the private placement, the Consortium will have a 19.95% equity stake in Uranium One. The proceeds from the private placement are expected to be used for general corporate purposes, to accelerate the Corporation's growth and development plans and will allow the Corporation to take advantage of any value-enhancing acquisition or partnership opportunities that may arise. Closing of the transaction is subject to the receipt of certain regulatory approvals.

### CREDIT FACILITY

The Corporation concluded a senior secured revolving credit facility with Bank of Montreal and The Bank of Nova Scotia at the end of Q2 2008. Under the terms of the facility, the Corporation has the ability to borrow up to \$100 million; the facility has a two year term, and may be extended for a further year with lender consent.

The Corporation drew down \$65 million under the credit facility on October 20, 2008. The effective interest rate on the loan up to December 31, 2008 was 4.1% per year and the loan currently bears interest at 1.8% per year. Additionally, a letter of credit in the amount of \$12.9 million was issued under the credit facility on September 25, 2008 as security for a uranium loan of 200,000 pounds of U<sub>3</sub>O<sub>8</sub>. Undrawn amounts under the facility are currently subject to a commitment fee of 0.40%.

Draw downs under the facility may be used for general corporate purposes, including working capital requirements and funding capital expenditures and acquisitions. The credit facility requires the Corporation to maintain an interest coverage ratio, measured on a rolling four quarter basis, of at least 2.5:1. The interest coverage ratio is calculated as the ratio of the Corporation's earnings before interest, taxes, share based compensation, depreciation and depletion and other non-cash items to interest paid. The Corporation's interest coverage ratio at December 31, 2008, calculated in accordance with the credit agreement, was 10.5:1.

### SALE OF SHAREHOLDING IN AFLEASE GOLD

On April 8, 2008 the Corporation sold 152.2 million Alease Gold shares for \$41.3 million (ZAR320 million). An option granted to the purchaser to acquire Uranium One Africa's remaining shareholding in Alease Gold lapsed on May 8, 2008. Prior to year end, the Corporation sold an additional 12.5 million Alease Gold shares for \$3.2 million (ZAR25.9 million), decreasing the Corporation's shareholding to 34% at year end.

The assets and liabilities of Alease Gold have been classified as discontinued operations for all periods presented in the consolidated financial statements. The Corporation wrote down the investment to its fair market value as at December 31, 2008, resulting in an impairment of \$121.3 million.

Subsequent to December 31, 2008, the Corporation sold a further 153.5 million Alease Gold shares for proceeds of \$16.2 million (including a deposit of \$3.1 million received in 2008), decreasing the Corporation's shareholding in Alease Gold to 6%.

## **SALE OF NON-CORE ASSETS**

During Q2 2008, Uranium One Africa disposed of its shareholding of 8.6 million shares in Randgold and Exploration Company Limited ("Randgold") for proceeds of approximately \$13.0 million. In 2005 Randgold was de-listed by the NASDAQ and suspended by the JSE for failure to file audited financial statements for its 2004 financial year. The Corporation therefore attributed no value to these shares during the business combination between Uranium One and UrAsia Energy on April 20, 2007. Taxes of \$1.5 million on the capital gain realized on the sale were set off against tax loss carry-forwards of Uranium One Africa.

The Corporation sold other available for sale securities for net cash proceeds of \$11.9 million during the year. A loss of \$5.5 million was realized on the sale of these securities. Tax of \$0.9 million on the capital gain was set off against the Corporation's tax loss carry-forwards.

## **URANIUM LOAN AGREEMENT**

On September 22, 2008, the Corporation entered into a two year loan agreement to borrow 200,000 pounds of U<sub>3</sub>O<sub>8</sub> to provide the Corporation with flexibility to meet its long term contractual obligations in terms of future uranium sales contracts. Pursuant to the loan agreement, loan fees of 3.5% per annum are payable based on the value of the borrowed material. In December 2008, the Corporation delivered 37,300 pounds of this material into a sales contract on behalf of Betpak Dala, to assist them in dealing with unexpected shipping delays over the holiday period. Betpak Dala returned the material to the Corporation after year end.

## SUMMARY OF QUARTERLY RESULTS

(US dollars in thousands  
except per share and per  
lb amounts)

	3 months ended							
	Dec 31, 2008 \$	Sep 30, 2008 \$	Jun 30, 2008 \$	Mar 31, 2008 \$	Dec 31, 2007 \$	Sep 30, 2007 \$	Jun 30, 2007 \$	Mar 31, 2007 \$
Revenues	21,146	56,723	49,390	22,517	61,010	8,019	23,265	41,730
Net (loss) / earnings from continuing operations <sup>(2)</sup>	(241,393)	(2,013,684)	(68,195)	(10,315)	5,879	(16,980)	(13,108)	7,971
Basic and diluted (loss) / earnings per share from continuing operations <sup>(1) (2)</sup>	(0.51)	(4.30)	(0.15)	(0.02)	0.01	(0.04)	(0.04)	0.04
(Loss) / earnings from discontinued operations <sup>(2)</sup>	(17,412)	(567)	274	(104,555)	(508)	(277)	(586)	-
Basic and diluted (loss) / earnings per share from discontinued operations <sup>(1) (2)</sup>	(0.04)	(0.00)	0.00	(0.22)	(0.00)	(0.00)	(0.00)	-
Net (loss) / earnings	(258,805)	(2,014,251)	(67,921)	(114,870)	5,371	(17,257)	(13,694)	7,971
Basic and diluted (loss) / earnings per share <sup>(1)</sup>	(0.55)	(4.30)	(0.15)	(0.24)	0.01	(0.04)	(0.04)	0.04
Total assets	1,627,133	1,995,911	4,970,117	5,052,346	5,612,898	5,710,605	4,247,176	999,950

### Notes:

- (1) The basic and diluted earnings / loss per share are computed separately for each quarter presented and therefore may not sum to the years ended December 31, 2007 and December 31, 2008.
- (2) With the classification of Alease Gold as a discontinued operation in Q1 2008, the operating results of Alease Gold for periods up to Q1 2008 were reclassified from previously reported headings to earnings / (loss) from discontinued operations. The net impairment on Alease Gold of \$121.3 million in 2008 is also reported under this heading.

## THREE MONTHS ENDED DECEMBER 31, 2008

The following items and events affected the Corporation's financial condition, cash flows and results of operations in Q4 2008.

### MITSUI TRANSACTION

The Corporation received the proceeds from the sale of 49% of its Australian business during Q4 2008. The majority of the proceeds will be used to advance the development of the Honeymoon project to production in 2010.

### AFLEASE GOLD IMPAIRMENT

The carrying value of the Corporation's investment in Alease Gold exceeded its fair value on December 31, 2008 and the Corporation regards this reduction in value as permanent. The loss from discontinued operations on \$14.4 million in Q4 2008 therefore consists mainly of a further write-down of the Corporation's investment in Alease Gold.

### CREDIT FACILITY DRAWDOWN

The Corporation drew down \$65 million under the credit facility on October 20, 2008 and incurred interest charges of \$0.5 million up to December 31, 2008. Further costs relating to the credit facility, including availability fees and amortization of up-front costs, amounted to \$0.8 million Q4 2008, for a total cost of \$1.7 million for the year.

### KYZYLKUM PROJECT FINANCE FACILITY

Kyzylkum increased its project finance facility with Citibank from \$30 million to \$90 million during the quarter and made a drawdown of \$20 million against the extended facility during Q4 2008. The Corporation's proportionate share of the draw down amounts to \$6 million.

## **IMPAIRMENT OF MINERAL INTERESTS, PLANT AND EQUIPMENT**

The Corporation revised the mine plans and economic models for its ISR mining projects in Wyoming, resulting in an impairment of the carrying value of the Corporation's United States development properties of \$204.3 million. The impairment, net of future income tax recoveries of \$68.7 million, was \$135.6 million.

The Corporation cancelled option agreements pursuant to which it could earn into properties in New Mexico and re-evaluated the economic feasibility of certain of its United States exploration properties. This resulted in a write down of the carrying value of United States exploration properties of \$135.4 million, which is \$86.2 million net of future income tax recoveries of \$49.2 million. The review also resulted in further write downs in the carrying value of certain United States conventional mining assets of \$17.5 million, which is \$13.4 million net of future income tax recoveries of \$4.1 million. Included in this amount is the write off of a stockpile previously valued at \$6.6 million, due to a significant reduction in an external toll milling facility's ore buying rates.

During Q4 2008, the Corporation cancelled the agreement whereby it leased its 8 GEFCO SS40 drill rigs to a drilling company in Kazakhstan. The Corporation has not concluded a lease agreement with another drilling company and impaired the drill rigs to their salvage value. The related impairment charge was approximately \$9.7 million.

## **URANIUM SALES, INVENTORY AND OPERATING COSTS**

The Corporation had attributable sales of 393,900 pounds of U<sub>3</sub>O<sub>8</sub> during Q4 2008, compared to 689,200 pounds of U<sub>3</sub>O<sub>8</sub> in Q4 2007. The Corporation's attributed share of revenue from sales in Q4 2008 amounted to \$21.1 million, compared to \$61.0 million in Q4 2007. The decrease in revenue is due to a 43% lower sales volume and a 39% decrease in the average realized uranium price per pound of U<sub>3</sub>O<sub>8</sub> compared to Q4 2007. The average realized price per pound of U<sub>3</sub>O<sub>8</sub> sold in Q4 2008 was \$54, compared to an average spot price per pound of U<sub>3</sub>O<sub>8</sub> of \$51 in the quarter.

Earnings from mining operations were \$10.9 million in Q4 2008 after the deduction of operating expenses of \$5.9 million (\$15 per pound of U<sub>3</sub>O<sub>8</sub> sold) and depreciation and depletion charges of \$4.4 million (\$11 per pound of U<sub>3</sub>O<sub>8</sub> sold). During Q4 2008, attributable inventory increased by 112,200 pounds of U<sub>3</sub>O<sub>8</sub> as less U<sub>3</sub>O<sub>8</sub> was delivered into sales contracts than the production for the quarter.

## **CARE AND MAINTENANCE**

In Q4 2008, the Corporation suspended development activities at La Palangana and placed the Hobson facility on standby pending the identification of additional resources in Texas. In addition, the Corporation placed the Shootaring mill on care and maintenance, having concluded it could not be economically operated with the current resource base. The cost of maintaining these properties and facilities (recognized as care and maintenance costs on the Corporation's statement of operations) was \$1.9 million for Q4 2008.

With the exception of limited development activities, all mining and processing activities at the Dominion Project have been suspended and the cost of suspension of operations is recognized as Impairment of mineral interests, plant and equipment and closure costs in the Corporation's statement of operations. Costs incurred after the operations have been fully suspended will be recognized as care and maintenance costs. Closure costs amounted to \$17.5 million in Q4 2008.

## **FUTURE INCOME TAX RECOVERY**

In addition to the future income tax recovery on the future income tax liability associated with the Akdala uranium mine of \$1.5 million in Q4 2008 and future income tax recoveries on impairments to mineral interests, plant and equipment of \$122.0 million, future income tax recoveries of \$43.6 million were recorded, relating to future income tax assets raised in respect of temporary differences and the Corporation's net operating losses.

## NON-GAAP MEASURES

### ADJUSTED NET EARNINGS / LOSS

The Corporation has included non-GAAP performance measures, adjusted net earnings / loss and adjusted net earnings / loss per share throughout this document. Adjusted net earnings / loss and adjusted net earnings / loss per share do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures reported by other companies. The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Corporation's performance and ability to generate cash flow. This is provided as additional information and should not be considered in isolation of, or as a substitute for, measures of performance prepared in accordance with GAAP.

Adjusted net earnings / loss is calculated by adjusting the net profit / loss from continuing operations with unrealized foreign exchange gains / losses on future income tax liabilities, impairments, cost of suspension of operations and gains / losses from the sale of assets. These items are added back due to their inherent volatility and/or infrequent occurrence. Adjusted net earnings / loss previously were not adjusted for impairments, cost of suspension of operations and gains / losses from the sale of assets, as these items were not material in previous financial years.

The following table provides a reconciliation of adjusted net earnings / loss to the financial statements:

	Year ended	
	Dec 31, 2008 \$(000's)	Dec 31, 2007 \$(000's)
Net loss from continuing operations	(2,333,587)	(16,238)
Unrealized foreign exchange (gain) / loss on future income tax liabilities	(1,340)	18,727
(Gain) / loss on sale of available for sale securities (net of tax of \$2,397)	(1,948)	932
Impairment of mineral interests, plant and equipment and closure costs (net of future income tax recovery of \$963,024)	2,359,198	-
<b>Adjusted net earnings</b>	<b>22,323</b>	<b>3,421</b>
Adjusted net earnings per share – basic (\$)	0.05	0.01
Weighted average number of shares (thousands) – basic	468,424	360,656

### AVERAGE REALIZED SALES PRICE PER POUND OF U<sub>3</sub>O<sub>8</sub> AND COST PER POUND OF U<sub>3</sub>O<sub>8</sub> SOLD

The Corporation has included non-GAAP performance measures throughout this document: average realized sales price per pound of U<sub>3</sub>O<sub>8</sub> and cost per pound of U<sub>3</sub>O<sub>8</sub> sold. The Corporation reports total cash costs on a sales basis. In the uranium mining industry, these are common performance measures but do not have any standardized meaning, and are non-GAAP measures. The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, the Corporation and certain investors use this information to evaluate the Corporation's performance and ability to generate cash flow. This is provided as additional information and should not be considered in isolation of, or as a substitute for, measures of performance prepared in accordance with GAAP.

As in previous periods, sales per pound of U<sub>3</sub>O<sub>8</sub> and cost per pound of U<sub>3</sub>O<sub>8</sub> sold are calculated by dividing the Revenues and Operating expenses found in the Statement of Operations in the Consolidated Financial Statements by the pounds of U<sub>3</sub>O<sub>8</sub> sold in the period.

## RESULTS OF OPERATIONS AND DISCUSSION OF FINANCIAL POSITION

### SELECTED FINANCIAL INFORMATION

The Corporation's consolidated financial statements and the financial data set out below have been prepared in accordance with 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 and per lb amounts)	Year ended		5 months ended <sup>(2)</sup>	Year ended
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006
	\$	\$	\$	\$
Revenue	149,776	134,024	50,449	23,507
(Loss) / earnings from continuing operations	(2,333,587)	(16,238)	19,684	(48,939)
Loss from discontinued operations	(122,260)	(1,371)	-	-
Net (loss) / earnings	(2,455,847)	(17,609)	19,684	(48,939)
Adjusted net earnings / (loss)	22,323	3,421	(5,052)	(6,337)
Cash flows from / (to) operating activities	36,126	21,192	(11,375)	(1,437)
(Loss) / earnings per share from continuing operations	(4.98)	(0.05)	0.09	(0.27)
Loss per share from discontinued operations	(0.26)	(0.00)	-	-
(Loss) / earnings per share	(5.24)	(0.05)	0.09	(0.27)
Adjusted net (loss) / earnings per share	0.05	0.01	(0.02)	(0.03)
Product inventory carrying value <sup>(1)</sup>	7,985	15,221	10,826	10,760
Total assets	1,627,133	5,612,898	971,618	951,025
Long term financial liabilities	616,533	1,849,709	341,964	368,490
Average realized uranium price per lb of U <sub>3</sub> O <sub>8</sub>	68	83	51	29
Average U <sub>3</sub> O <sub>8</sub> spot price per lb	62	99	60	38
	<b>lbs of U<sub>3</sub>O<sub>8</sub></b>	<b>lbs of U<sub>3</sub>O<sub>8</sub></b>	<b>lbs of U<sub>3</sub>O<sub>8</sub></b>	<b>lbs of U<sub>3</sub>O<sub>8</sub></b>
Attributable sales volume	2,210,900	1,608,700	980,000	811,700
Attributable production volume	1,873,600	1,827,200	939,600	1,192,800
Attributable inventory <sup>(1)</sup>	345,000	748,900	565,400	637,000

#### Notes:

(1) Inventory as at December 31, 2008 is attributable to the Akdala Uranium Mine. Pre-commercial production from the Corporation's development projects are capitalized to the project as pre-production capital expenditure.

(2) The Corporation changed its year end from July to December in 2006.

Uranium One completed a business combination with UrAsia Energy on April 20, 2007. The transaction was treated as a reverse take-over under GAAP, with UrAsia Energy identified as the acquirer and Uranium One as the acquiree. Consequently, the historic figures used herein for periods up to and including March 31, 2007 are those of UrAsia Energy. The fair value net assets acquired by UrAsia Energy were \$1.8 billion.

On April 30, 2007, the Corporation completed the purchase, from U.S. Energy Corporation of the Shootaring Canyon Uranium Mill in Utah, as well as a land package comprising uranium exploration properties in Utah, Wyoming, Arizona and Colorado and a substantial database of geological information. The fair value of net assets acquired by the Corporation pursuant to this transaction was \$108.5 million.

On August 10, 2007, the Corporation completed the purchase of Energy Metals Corporation ("EMC"). The transaction resulted in the addition of a large portfolio of uranium exploration properties located throughout the western United States, including the Corporation's Powder River Basin and Great Divide Basin properties, and the Hobson ISR processing facility in Texas. The fair value of net assets acquired by the Corporation pursuant to this transaction was \$1.1 billion.

Aflease Gold was classified as a discontinued operation in Q1 2008 and the operating results of Aflease Gold for periods up to Q1 2008 were reclassified from previously reported headings to earnings / (loss) from discontinued operations. The net loss from discontinued operations in 2008 includes an impairment charge, net of tax, of \$121.3 million.

The Corporation wrote down mineral interests, plant and equipment by \$3.3 billion in 2008 - \$1.8 billion on Dominion; \$0.9 billion on United States exploration properties; \$0.2 billion on United States development properties; \$0.2 billion on Honeymoon and Australian exploration; \$0.1 billion on United States conventional mining properties; and \$0.1 billion on Hobson and La Palangana. The future income tax recovery on the write down was \$1.0 billion, resulting in a net total impairment of \$2.4 billion.

## RESULTS OF OPERATIONS

### URANIUM SALES, INVENTORY AND OPERATING COSTS

The spot price of U<sub>3</sub>O<sub>8</sub> reached record levels during Q2 2007, with a closing price of \$136 per pound of U<sub>3</sub>O<sub>8</sub> on June 30, 2007. Since then it has steadily declined, reaching a monthly low of \$45 per pound of U<sub>3</sub>O<sub>8</sub> in October 2008 and closing at \$53 per pound of U<sub>3</sub>O<sub>8</sub> on December 31, 2008. As the majority of the Corporation's sales contracts are related to the spot price of U<sub>3</sub>O<sub>8</sub> at the time of delivery, fluctuations in the spot price of U<sub>3</sub>O<sub>8</sub> have a direct impact on the Corporation's revenue.

The Corporation's sales volumes are determined by the terms of long term sales contracts with customers and the delivery schedules which customers are allowed to select each given year. The Corporation forecasts the amount of U<sub>3</sub>O<sub>8</sub> to be produced from its mines over the medium to long term and enters into long term sales contracts (i.e., contracts for delivery more than 12 months from the date of execution) with customers for specific yearly quantities. The Corporation commits a relatively high degree of its projected production for delivery into contracts in the immediate future, with progressively lower percentages being committed to contracts with delivery dates more than four to five years in the future. The Corporation also maintains a 'cushion' between projected production and committed sales to ensure that it can meet all delivery commitments even in the event of lower than projected production. Sales contracts normally provide for delivery of a fixed quantity of uranium concentrates per year. Delivery schedules are generally fixed, with minor allowances for customers to select the exact month of delivery depending on their refuelling schedules. Customers normally schedule deliveries to ensure the U<sub>3</sub>O<sub>8</sub> is delivered in time to correspond to their schedules for conversion, enrichment, and fabrication, which in turn depend on their schedule for reloading of fuel at their nuclear power plants. The exact timing of sales is therefore not entirely at the Corporation's discretion and sales are often uneven from quarter to quarter depending on the exact dates that customers choose for delivery of their uranium.

Customers take delivery of U<sub>3</sub>O<sub>8</sub> at conversion facilities and the Corporation ships the U<sub>3</sub>O<sub>8</sub> produced at its mines to converters in time for scheduled deliveries to customers. In situations where deliveries are scheduled shortly after a quarter end, the Corporation often has low sales in that quarter, with higher inventory levels in anticipation of the delivery. Where deliveries are scheduled shortly before a quarter end, sales for the quarter could be higher, with relatively low inventory balances at the end of the quarter. Depending on the location of the conversion facility, shipping times from Kazakhstan can be up to four months and the lead time between production of U<sub>3</sub>O<sub>8</sub> and sales therefore has a significant impact on inventory levels at any given time.

Pursuant to existing contracts, the Corporation had attributable sales of 2,210,900 pounds of U<sub>3</sub>O<sub>8</sub> during 2008, compared to 1,608,700 pounds of U<sub>3</sub>O<sub>8</sub> in 2007. The Corporation's attributed share of revenue from sales in 2008 amounted to \$149.8 million, compared to \$134.0 million in 2007, with the 37% higher sales volume partially offset by a 19% decrease in the average realized uranium price per pound of U<sub>3</sub>O<sub>8</sub> compared to 2007.

The average realized price per pound of U<sub>3</sub>O<sub>8</sub> sold in 2008 was \$68, compared to an average spot price per pound of U<sub>3</sub>O<sub>8</sub> of \$62 over the year. The average realized price per pound of U<sub>3</sub>O<sub>8</sub> sold in 2007 was \$83, compared to an average spot price per pound of U<sub>3</sub>O<sub>8</sub> of \$99 during 2007.

Earnings from mining operations were \$96.7 million in 2008 after the deduction of operating expenses of \$30.5 million (\$14 per pound of U<sub>3</sub>O<sub>8</sub> sold) and depreciation and depletion charges of \$22.6 million (\$10 per pound of U<sub>3</sub>O<sub>8</sub> sold). The Corporation initially expected the average cash cost per pound of U<sub>3</sub>O<sub>8</sub> sold in 2008 to be \$12 per pound and the increase to \$14 per pound of U<sub>3</sub>O<sub>8</sub> was largely due to increased costs of sulphuric acid caused by sulphuric acid shortages in Kazakhstan for extended periods in 2008.

During 2008 attributable inventory decreased by 403,900 pounds of U<sub>3</sub>O<sub>8</sub> as more U<sub>3</sub>O<sub>8</sub> was delivered into sales contracts than the production for the year.

In 2007, earnings from mining operations were \$101.8 million after the deduction of operating expenses of \$17.3 million (\$11 per pound of U<sub>3</sub>O<sub>8</sub> sold) and depletion costs of \$14.9 million (\$9 per pound of U<sub>3</sub>O<sub>8</sub> sold).

### GENERAL AND ADMINISTRATIVE COSTS

The main drivers of the cash component of general and administrative expenses are salaries, directors' fees, consulting and advisor fees, travel expenses and office rent. Non-cash stock option and restricted share expenses are normally a significant contributor to general and administrative expenditure as 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.

General and administrative expenses, including stock option and restricted share expenses of \$15.4 million, amounted to \$48.7 million for 2008, compared to \$68.6 million for 2007, including stock option and restricted share expenses of \$37.7 million. The expense in 2007 was higher than usual mainly due to the increased costs associated with the business combinations between Uranium One, UrAsia Energy and Energy Metals Corp. Stock-based compensation was unusually high in 2007, due to the revaluation of options acquired during the business combinations. The general and administrative expense for 2008 includes salaries and directors' fees of \$19.1 million, consulting and advisor fees of \$7.3 million, travel expenses of \$2.1 million and office rent of \$2.0 million.

### EXPLORATION

The Corporation has a significant resource base and does not rely on exploration success for current and future production activities. Exploration expenditure is therefore purely discretionary and the extent of exploration programs is determined by the amount of cash available for exploration. Exploration expenditure relates to exploration programs undertaken on the Corporation's licence areas in the United States, South Africa, Canada, Australia and the Kyrgyz Republic and amounted to \$14.9 million during 2008 compared to \$16.8 million during 2007.

## **IMPAIRMENT OF MINERAL INTERESTS, PLANT AND EQUIPMENT AND CLOSURE COSTS**

The Corporation completed a detailed planning process in 2008, including life of mine planning and a three year budget. Due to several indicators of impairment, the Corporation performed impairment testing during this period and impairments were recognized on several projects. The total impairment of mineral interests, plant and equipment for 2008 amounted to \$3.3 billion, with future income tax recoveries of \$1.0 billion. The impairment, net of future income tax recoveries, amounted to \$2.4 billion.

### *Dominion*

A significant deterioration in Dominion's economics associated with the continuing decline in uranium prices over the last year and significant inflation-related increases in project costs, together with a slower than expected ramp-up in development and production were the major factors contributing to the Corporation's decision to place the Dominion project on care and maintenance. The fair value of Dominion at December 31, 2008 has been estimated as its salvage value of \$44.6 million and an impairment of \$1.8 billion has been recognized. A future income tax recovery of \$474.7 million has been recorded, reducing the net impairment to \$1.3 billion. The cost of suspension of operations at Dominion amounted to \$17.5 million in 2008.

### *Honeymoon*

The Corporation agreed with Mitsui & Co., Ltd. to create joint ventures in relation to the Australian assets of the Corporation. Under the agreement, Mitsui acquired a 49% interest in the Honeymoon project and the company's Australian exploration portfolio. As the transaction value was below the carrying value of these assets, Honeymoon and the Australian exploration properties were written down to fair value. An impairment of \$195.4 million has been recorded. A future income tax recovery of \$59.2 million reduced the net impairment to \$136.2 million.

### *Hobson and La Palangana*

During mine planning in 2008, it was concluded that the La Palangana project has an estimated fair value of \$6.2 million, which was substantially lower than its carrying value. The downward revision in value was due to substantially lower than anticipated recoverable resources at La Palangana. In light of the reduced recoverable resources, the Corporation decided to place the Hobson facility on care and maintenance and postpone the development of La Palangana until additional feed for Hobson has been identified. An impairment of \$83.4 million has been recognized on Hobson and La Palangana, with an associated future income tax recovery of \$19.0 million, for a net impairment of \$64.4 million.

### *United States development projects*

The Corporation revised the mine plans and economic models for its ISR mining projects in Wyoming, resulting in an impairment of the carrying value of the Corporation's United States development properties of \$204.3 million. The impairment, net of future income tax recoveries of \$68.7 million, was \$135.6 million.

### *United States conventional mining projects*

The Corporation concluded that the Shootaring Canyon Mill cannot be operated economically with the current available resource base when taking the total cost of operation and associated contingent payments into account and has fully written down the carrying value of the mill, due to its having a negligible salvage value. The Corporation evaluated the economic feasibility of its conventional mining properties as well and concluded that certain of its properties cannot be put to economic use in the current economic environment. The total resultant impairment was \$65.3 million, with an associated future income tax recovery of \$4.1 million for a net impairment of \$61.2 million.

### *United States exploration projects*

Further impairments of \$936.6 million were recognized on various United States exploration properties due to a range of factors including economic feasibility, cancellation of option agreements, metallurgical recovery, licensing and environmental issues. The impairment net of a future income tax recovery of \$331.7 million was \$604.9 million.

### *Corporate and other*

During Q4 2008, the Corporation cancelled an agreement to lease 8 GEFCO SS40 drill rigs to a drilling company in Kazakhstan. The Corporation has not concluded a lease agreement with another drilling company and has accordingly impaired the drill rigs to their salvage value. The related impairment charge of \$9.7 million is included in the \$31.8 million impairment on corporate and other assets.

## **CARE AND MAINTENANCE**

The cost to maintain Hobson, La Palangana and Shootaring are recognized as care and maintenance costs on the Corporation's statement of operations and was \$1.9 million for 2008.

## **INTEREST AND OTHER**

Interest income amounted to \$10.3 million in 2008, compared to \$12.0 million in 2007. In addition to the interest earned on loans to joint ventures, interest is earned on funds held on deposit by the Corporation.

Interest accrued on the Corporation's convertible debentures was \$15.1 million in 2008. The expense of \$9.7 million in 2007 represents the expense from April 20, 2007, the date on which the debentures were acquired in the Uranium One / UrAsia business combination.

The interest expense on the \$65 million drawn down under the Corporation's credit facility on October 20, 2008 was \$0.5 million up to December 31, 2008. The loan currently bears interest at 1.8%. Other charges related to the credit facility, including amortization of upfront costs and the availability fee were \$1.7 million in 2008.

Other interest paid in 2007 of \$2.8 million, included interest paid on short term loans which were repaid in September 2007.

## **GAIN / LOSS ON SALE OF AVAILABLE FOR SALE SECURITIES**

The Corporation owns shares in several junior uranium exploration companies. These companies were severely affected by the recent disruptions in global credit and financial markets. A permanent decline in the value of these shares resulted in a \$3.1 million impairment of available for sale securities in 2008.

A gain of \$7.5 million was realized on the disposal of available for sale securities, including the Corporation's investment in Randgold during 2008. Taxes of \$2.4 million on the profits realized were offset against available tax loss carry forwards. In 2007, the Corporation recognized a \$0.9 million loss on available for sale securities.

## **FOREIGN EXCHANGE LOSS**

The net foreign exchange loss for 2008 amounted to \$11.7 million and consisted of a realized loss of \$13.0 million, offset by a \$1.3 million unrealized exchange gain arising from translation of the future income tax liability in respect of the Corporation's investment in Kazakhstan, which increased as result of a weakening of the Kazakhstan tenge against the US dollar during the year. For the 2007 year, a foreign exchange loss of \$13.0 million was recorded.

The National Bank of Kazakhstan announced on February 4, 2009 that it will cease to maintain the Kazakhstan tenge within the previous corridor of 117-123 tenge to the US dollar and suggested that the rate be set to between 145 and 155 tenge to the US dollar. This amounted to a devaluation of 25%, which will impact the translated values of monetary assets and liabilities, with the effect being processed through the statement of operations in Q1 2009.

The devaluation was necessitated by a general devaluation of most currencies against the US dollar in 2008. According to the National Bank of Kazakhstan, for the period from January 2008 to January 2009, the national currencies of a number of other countries all significantly weakened against the U.S. dollar: Russia (44%), Belarus (28%), Ukraine (52.5%), the United Kingdom (38%), Europe (13%), Norway (28%), Brazil (31%), Australia (27%) and Canada (26%).

## **INCOME TAXES**

Current income tax expense for 2008 was \$44.2 million represents taxes paid and payable in Kazakhstan on profits from the Corporation's Akdala Uranium Mine. For 2007 a \$41.2 million income tax expense was recorded, mainly for the Akdala Uranium Mine.

The future income tax recovery for 2008 of \$1.0 billion arises from a recovery of the future income tax liability related to the acquisition of the Akdala mine of \$7.9 million, a future income tax recovery of \$963.0 million on impairments recognized on mineral interests, plant and equipment as well as an increase of \$42.6 million in future income tax assets due to temporary differences and tax loss carry forwards. In 2007, a recovery of future income taxes of \$17.6 million was recorded, being a recovery of the future income tax liability related to the acquisition of the Akdala mine of \$5.3 million and an increase of \$12.3 million in future income tax assets due to temporary differences and tax loss carry forwards.

## **LOSS FROM DISCONTINUED OPERATIONS**

Aflease Gold was classified as a discontinued operation in Q1 2008 and all items related to Aflease Gold in the Statement of Operations were separated from normal operations. The net loss from discontinued operations of \$122.3 million includes an impairment charge, net of tax, of \$121.3 million.

## **NET LOSS FOR THE YEAR**

The net loss for 2008 amounted to \$2.5 billion or \$5.24 per share, compared to a net loss of \$17.6 million or \$0.05 per share for 2007.

## FINANCIAL CONDITION

On December 31, 2008, the Corporation had cash and cash equivalents of \$176.2 million, compared to \$159.6 million at December 31, 2007.

Inventories decreased to \$17.4 million from the \$21.0 million held at December 31, 2007, due to a decrease of \$7.2 million in finished uranium concentrates and solutions and concentrates in process. The decrease was partially offset by an increase in materials and supplies of \$3.7 million. Materials and supplies increased in line with higher inventories of spares used in the maintenance of the Corporation's drill rigs deployed in Kazakhstan and increased consumables inventory at Kharasan and South Inkai in line with increased activity levels.

As at December 31, 2008 the Corporation had attributable inventory of 345,000 pounds of U<sub>3</sub>O<sub>8</sub> of which approximately 226,200 pounds is held in the form of saleable product. The saleable product on hand as at December 31, 2008, is committed for delivery under existing sales contracts subsequent to year end. Shipping times for finished product can be up to four months, depending on the distance between the mine site and conversion facility, where sales are concluded through transfer of legal title and ownership.

Inventory as at December 31, 2008 is attributable to the Akdala Uranium Mine. Pre-commercial production from the Corporation's development projects are not accounted for as inventory. Attributable material produced and on hand from the Corporation's development projects at December 31, 2008 amounted to 808,400 pounds of U<sub>3</sub>O<sub>8</sub> at South Inkai, 132,500 pounds of U<sub>3</sub>O<sub>8</sub> at Dominion and 9,400 pounds of U<sub>3</sub>O<sub>8</sub> at Kharasan. In addition to the material produced, Dominion held 164,000 pounds of U<sub>3</sub>O<sub>8</sub> purchased to deliver into sales contracts subsequent to year end, accounted for as purchased uranium concentrates in other assets.

A summary of Akdala's attributable inventory carried at the end of 2008 is as follows:

Category	Location	Lbs of U <sub>3</sub> O <sub>8</sub> (000's)
In process	Mine site	34.6
In process	External processing facilities	84.2
Finished product ready to be shipped	External processing facilities	-
Finished product In transit	In transit	161.9
Finished product at conversion facility	Conversion facilities	64.3
<b>Total inventory</b>		<b>345.0</b>

Short term loans advanced to Betpak Dala, of which \$17.0 million was outstanding at December 31, 2007, were repaid in full by February 9, 2008. Scheduled repayments on the loan to Kyzylkum of \$26.7 million plus interest were received from Kyzylkum during the year, resulting in an outstanding loan balance of \$46.7 million as at December 31, 2008. Scheduled repayments from Kyzylkum during 2009 are expected to be \$26.7 million.

Impairments to mineral interests, plant and equipment were \$3.3 billion in 2008, with an associated future income tax recovery of \$1.0 billion.

A further decrease in the reporting values of mineral interests, plant and equipment due to a 36% weakening of the South African rand against the US dollar and a 26% weakening of the Australian dollar against the US dollar during the year, were offset by cash additions to mineral interests, plant and equipment of \$216.8 million.

Available for sale securities with a carrying value of \$17.4 million were disposed of during the year and a permanent impairment of \$3.1 million was recognized in the statement of operations. A further temporary decline in value of \$0.2 million was recognized in other comprehensive income during the year.

Due to the Corporation's decision in Q1 2008 to dispose of Aflase Gold, it has been treated as a discontinued operation in comparative periods and its assets and liabilities are therefore presented as follows in December 31, 2007: current assets of \$95.0 million; non-current assets of \$286.6 million; current liabilities of \$5.2 million; and non-current liabilities of \$183.1 million, for a net asset value of \$193.2 million. The decrease in the December 31, 2007 carrying value to the carrying value of \$9.0 million as at December 31, 2008 is mainly due to the sale of shares with a carrying value of \$34.4 million and an impairment of \$121.3 million. The \$27.5 million unrealized foreign exchange loss due to the 36% weakening of the South African rand against the US dollar was accounted for as other comprehensive income.

The Corporation borrowed 200,000 pounds of U<sub>3</sub>O<sub>8</sub> pursuant to a uranium loan agreement to provide the Corporation with flexibility to meet its long term contractual obligations in terms of future uranium sales contracts. As 37,300 pounds of the material were delivered into a sales contract on behalf of Betpak Dala, which experienced unexpected shipping delays over the year-end holiday period, a non-current asset of \$8.6 million is accounted for in respect of the borrowed uranium concentrates of 162,700 pounds of U<sub>3</sub>O<sub>8</sub> on hand as at December 31, 2008. The corresponding non-current liability of \$10.7 million reflects the full liability to repay the 200,000 pounds of U<sub>3</sub>O<sub>8</sub> on September 30, 2010.

The debt component of the convertible debentures decreased by \$18.5 million due to an unrealized foreign exchange gain of \$27.6 million, which is included in other comprehensive income, partially offset by the net increase in accrued interest of \$9.1 million. The convertible debentures are denominated in Canadian dollar and unrealized foreign exchange gain was caused by the 24% weakening of the Canadian dollar against the US dollar during the year.

The Corporation drew down \$65 million against its \$100 million credit facility during the year. The upfront costs associated with the credit facility of \$5.7 million are being amortized over the initial period of the loan and the balance of \$3.9 million as at December 31, 2008 have been offset against the proceeds of the loan, in line with the Corporation's accounting policies.

Future income tax liabilities decreased by \$1.1 billion from December 31, 2007 due to a future income tax recovery on the impairment of mineral interests, plant and equipment of \$963.0 million, the recovery of future income taxes on Akdala of \$7.9 million, an increase of \$42.6 million in future income tax assets due to temporary differences and tax loss carry forwards and fluctuations in foreign exchange rates.

The Corporation's 30% proportionate share of the Kyzylkum finance facility increased to \$35.5 million as Kyzylkum increased their drawdown against the facility from \$60 million to \$120 million during the year.

Changes in shareholders' equity consist mainly of the net loss for the year of \$2.5 billion and a foreign translation loss on the translation of continuing self-sustaining foreign operations during the year, of \$282.2 million.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2008 the Corporation had working capital of \$204.7 million. Included in this amount is cash and cash equivalents of \$176.2 million, which includes the proportionate share of the Corporation's cash and cash equivalents at its joint venture operations in Kazakhstan. The interest earned on these cash balances will be applied to existing commitments in respect of the Corporation's development projects and other current commitments. Approximately 70% of the Corporation's total cash balances were held in United States dollars with 5 Canadian banks with a credit rating of at least A-1/P-1/R-1 high at December 31, 2008.

Cash held by the Corporation's joint venture operations is applied to the business of the joint ventures and cash flows between the Corporation and the joint ventures normally only occur through loans to the joint ventures and dividends declared by the joint ventures. The Corporation received its first dividend of \$40 million from Betpak Dala in November 2008 and expects regular dividend payments from Betpak Dala from 2009 onwards. The Corporation expects that Betpak Dala will fund its capital requirements from operations, without the need for finance from the Corporation or third parties.

Kyzylkum has \$40 million available under its Citibank project finance facility. The Corporation expects that Kyzylkum will require additional funding to the undrawn facility in the second half of 2009 to finance its activities until the generation of positive cash flow from operations. If Kyzylkum is unsuccessful in obtaining further third party finance, the Corporation may have to defer a portion of the \$26.7 million repayment on the loan Kyzylkum received from the Corporation due in 2009.

The Corporation expects that its Australian operations will be self-funding in 2009, utilizing the proceeds from the Mitsui transaction for the development of Honeymoon and for general corporate purposes.

In addition to working capital at hand and the approximately \$220 million (C\$270 million) which will be available to the Corporation on the closing of the private placement to a Japanese consortium announced on February 10, 2009, the Corporation has access to an additional \$21.5 million through its credit facility, which was concluded with Bank of Montreal and The Bank of Nova Scotia at the end of Q2 2008. Under the credit agreement, the Corporation is required to maintain an interest coverage ratio of more than 2.5:1 on a rolling four quarters basis. The interest coverage ratio is the ratio of the Corporation's earnings before interest, tax, share based compensation, depreciation and depletion and other non-cash items to interest paid. The Corporation's interest coverage ratio as at December 31, 2008, calculated in accordance with the credit agreement, was 10.5:1.

During 2008, the Corporation received cash proceeds of \$69.5 million through the sale of non-core investments, including a portion of its shareholding in Aflase Gold (\$44.5 million), Randgold (\$13.0 million) and other available for sale securities (\$11.9 million). Subsequent to year end, the Corporation received approximately \$16.2 million from the sale of Aflase Gold shares.

The Corporation earns revenue from the sale of uranium from the operating Akdala and South Inkai uranium mines in Kazakhstan. Additional sales revenue will be earned from uranium sales when the Corporation's development projects reach commercial production.

Attributable inventory levels at Betpak Dala are expected to increase from approximately 1.2 million pounds of U<sub>3</sub>O<sub>8</sub> at December 31, 2008 to approximately 1.8 million pounds of U<sub>3</sub>O<sub>8</sub> by the end of 2009.

Uranium is sold under forward long-term delivery contracts. 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 operation of the mining operations as planned. The Corporation has entered into market related sales contracts with price mechanisms that reference the spot price in effect at or near the time of delivery. In addition, the Corporation has negotiated floor price protection in most of its sales contracts.

At December 31, 2008, there were outstanding sales commitments for 3,925,000 pounds of U<sub>3</sub>O<sub>8</sub> in respect of sales contracts for the Dominion project. The Corporation plans to meet these commitments by selling inventory on hand from Dominion of approximately 132,500 pounds of U<sub>3</sub>O<sub>8</sub>, delivering 164,000 pounds which were purchased for this purpose in 2008, the additional purchase of material in the spot market, and the possible assignment of certain of these sales contracts to other group entities. The Corporation has floor price protection in all the Dominion contracts and does not expect to incur material losses in honouring the sales commitments for Dominion.

For 2009, committed sales under contract represent approximately 62% of expected production, without taking any available inventory into account.

Recent disruptions in global credit and financial markets have resulted in a significantly deteriorating economic climate, which contributed to the asset impairments discussed elsewhere in this document.

In response to these conditions, the Corporation has taken a number of steps, following the initial sustained drop in the uranium price, to reduce or defer previously planned capital and corporate expenditures, including placing the Dominion Project on care and maintenance, deferring project start-up at Hobson, obtaining a partner to fund the development of Honeymoon and implementing significant reductions in exploration expenditure and corporate costs across all operations.

In October 2008, the Corporation drew down \$65 million under its credit facility as an internal cash reserve and in February 2009 negotiated a C\$270 million private placement with a Japanese consortium. The Corporation will therefore have cash resources sufficient to sustain capital and corporate expenditures planned for. Capital expenditures by the Betpak Dala and Kyzylkum joint ventures are funded through the joint ventures' operating cash flow or by way of third party debt facilities. The Corporation's Australian joint ventures, including Honeymoon, will be funded from the cash commitment of approximately \$73 million (A\$104 million) from Mitsui in 2009.

The Corporation is currently evaluating the application of the proceeds from the private placement with the Japanese consortium. The potential uses of these proceeds include acceleration of the Corporation's growth and development plans, the reduction of debt and working capital.

The Corporation's short term investments have not been affected by current financial market disruptions as these investments are primarily held in bearer deposit notes issued and guaranteed mainly by Canadian chartered banks. The Corporation plans on reinvesting the proceeds of these notes on their maturity in similar short term instruments.

The outstanding amount under the credit facility is repayable on June 27, 2010, and the repayment date may be extended, if needed, to June 27, 2011, with lenders' consent. The \$65 million drawdown under the credit facility currently attracts interest of 1.8% per annum, payable on a monthly basis. Uranium One's convertible debentures mature on December 31, 2011. Fixed interest of 4.25% on the debentures is payable semi-annually in arrears.

In addition to the factors described above, Uranium One's ability to raise capital is highly dependent on the commercial viability of its projects and the underlying price of uranium. Other risk factors including 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".

## CONTRACTUAL OBLIGATIONS

Contractual obligations (\$'000)	Total	Payments due by period			
		Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Lease obligations	7,414	511	4,042	1,370	1,491
Kyzylkum long term debt	35,453	-	19,750	15,703	-
Convertible debenture	126,797	-	126,797	-	-
Credit facility repayments	65,000	-	65,000	-	-
Capital commitments	38,543	9,543	29,000	-	-
Asset retirement obligation	12,999	-	-	-	12,999
Other	1,551	149	-	-	1,402
<b>Total contractual obligations</b>	<b>287,757</b>	<b>10,203</b>	<b>244,589</b>	<b>17,073</b>	<b>15,892</b>

## COMMITMENTS AND CONTINGENCIES

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

### 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 depending on the 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 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<sub>3</sub>O<sub>8</sub> in excess of 66,000 tonnes times the average spot price of U<sub>3</sub>O<sub>8</sub> times 6.25%. This payment is initially to be calculated at the end of 2011 and each year thereafter, and paid 60 days after the end of the year in which a payment is due. 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.

### ACQUISITION OF INTEREST IN KYZYLKUM

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. An additional bonus payment of 30% of 12.5% (being an effective 3.75%) of the weighted average spot price of U<sub>3</sub>O<sub>8</sub> will be paid on incremental reserves in excess of 55,000 tonnes of U<sub>3</sub>O<sub>8</sub> discovered during each fiscal year end, with payments beginning within 60 days of the end of the 2008 calendar year.

## **ACQUISITION OF EMC**

The Corporation has assumed all of the obligations of EMC and its subsidiaries arising under certain option and joint venture agreements with third parties. Uranium One has reserved a total of 407,100 common shares of Uranium One for issuance pursuant to the assumed obligations under the Contingent Share Rights Agreements.

Production payments are due under the purchase agreement for the Hobson Processing plant and related exploration properties. The agreement provides for a payment of \$0.75 per pound for the first eight million pounds produced from the Hobson facility, for a total maximum payment of \$6 million.

## **CONSTRUCTION OF A SULPHURIC ACID PLANT AT ZHANAKORGAN**

To ensure long term supply continuity of sulphuric acid in Kazakhstan, the Corporation has established a joint venture with Kazatomprom and other affected parties to build a sulphuric acid plant near Kharasan at Zhanakorgan. The Corporation's ownership percentage in this joint venture is expected to be 19%. On January 19, 2009, the Corporation provided a guarantee to Desmet Ballestra in respect of 19% of the value of orders placed by Desmet Ballestra for certain long lead items, limited to a maximum amount of \$7.6 million (€5.5 million).

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet arrangements.

## **OUTSTANDING SHARE DATA**

As of March 11, 2009, there were issued and outstanding 469,616,197 common shares

A warrant was issued in connection with the acquisition of the Corporation's interest in Kyzylkum entitling 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. Uranium One has reserved a total of 407,100 common shares for issuance to third parties under certain property option and joint venture agreements.

As of March 11, 2009, there were 14,265,689 stock options outstanding under Uranium One's stock option plan and the security based compensation plans assumed by the Corporation pursuant to its acquisitions, at exercise prices ranging from C\$0.78 to C\$16.59 and 577,254 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.

## **DIVIDENDS**

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**

Note 2 to the Corporation's consolidated financial statements for the year ended December 31, 2008 describes all of the Corporation's significant accounting policies.

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

## **MINERAL INTERESTS, PLANT AND EQUIPMENT**

Depreciation and depletion of mineral interests, plant and equipment is primarily calculated using the unit of production method. This method allocates the cost of an asset to each period based on the current period's production as a portion of the total expected production of the life of the mine, or a portion of the estimated recoverable ore reserves. Estimates of the production over the life of the mine and amounts of recoverable reserves are subject to judgment and significant change over time. If actual mineral reserves prove to be significantly different than the estimates, there could be a material impact on the amounts of depreciation and depletion charged to the statement of operations.

## **ASSET RETIREMENT OBLIGATIONS**

Significant decommissioning and reclamation activities are often not undertaken until substantial completion of the useful lives of the productive assets. Regulatory requirements and alternatives with respect to these activities are subject to change over time. A significant change to either the estimated costs or recoverable reserves may result in a material change in the amount charged to earnings.

## IMPAIRMENT OF LONG-LIVED ASSETS

The Corporation assesses the carrying value of mineral interests, plant and equipment annually or more frequently if warranted by a change in circumstances. If it is determined that carrying values of the mineral interest, plant and equipment cannot be recovered, the unrecoverable amounts are written off. Recoverability is dependent upon assumptions and judgments regarding future prices, costs of production, sustaining capital requirements and economically recoverable reserves. A material change in assumptions may significantly impact the potential impairment of these assets.

## TAXES

The Corporation operates in a number of tax jurisdictions and is therefore required to estimate its income taxes in each of these tax jurisdictions in preparing its consolidated financial statements. In calculating income taxes, consideration is given to factors such as tax rates in the different jurisdictions, non-deductible expenses, valuation allowances, changes in tax laws and management's expectations of future results.

The Corporation estimates future income taxes based on temporary differences between the income and losses reported in its financial statements and its taxable income and losses as determined under the applicable tax laws. The tax effect of these temporary differences is recorded as future tax assets or liabilities in the consolidated financial statements. The calculation of income taxes requires the use of judgment and estimates. If these judgments and estimates prove to be inaccurate, future earnings may be materially impacted. The determination of the ability of the Corporation to utilize tax loss carry-forwards to offset future income tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Corporation. Management is required to assess whether the Corporation is "more likely than not" to benefit from these prior losses and other future tax assets.

Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses. In the event that it is determined that certain of the losses are not likely to be utilized, a valuation allowance would have to be recorded against the recognized future tax assets through a charge to the statement of operations. Conversely, where amounts that are considered not likely to be utilized to reduce future tax payable are determined to be likely to be utilized in the future, the valuation allowances against these losses would be removed by recording a future income tax recovery in the statement of operations.

## STOCK BASED COMPENSATION

The Corporation grants stock options and restricted share rights to employees of the Corporation under its stock option and restricted share rights plans. The Corporation uses the fair value method of accounting for all stock based compensation awards ("Awards"). Under this method, the Corporation determines the fair value of the compensation expense for all Awards on the date of grant using the Black-Scholes pricing model. The fair value of the Awards is expensed over the vesting period of the Awards. In estimating fair value, management is required to make certain assumptions and estimates regarding such items as the life of options and forfeiture rates. Changes in the assumptions used to estimate fair value could result in materially different results.

## 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, 2008, none of which had a material impact on the Corporation's consolidated financial statements:

### (a) *Section 3031 – Inventories*

The new Section 3031 on inventories replaces Section 3030 and converges with the International Accounting Standard Board's recently amended standard IAS 2, Inventories. The standard introduces significant changes to the measurement and disclosure of inventory. Changes apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The main differences between the new section and Section 3030 include measurement of inventories at the lower of cost and net realizable value, with guidance on the determination of cost, including allocation of overhead expenses and other costs to inventory. The new section also requires consistent use of either first in, first out (FIFO) or weighted average cost formula to measure the cost of other inventories and the reversal of previous write downs to net realizable value when there is a subsequent increase in the value of inventories. Inventory policies, carrying amounts, amounts recognized as an expense, write downs and the reversals of write downs are required to be disclosed.

### (b) *Section 3862 – Financial Instruments – Disclosures and Section 3863 – Financial Instruments – Presentation*

These sections apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 establishes standards for disclosures about financial instruments and non-financial derivatives. The main features of this Section are requirements for an entity to disclose the significance of financial instruments for its financial position and performance, revised from those of Section 3861. The requirements for disclosures about fair value are revised, but not substantially different, from those of Section 3861. The revised requirements for the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments are more extensive than those of Section 3861. The qualitative disclosures describe management's objectives, policies and processes for managing such risks. The quantitative disclosures provide information about the extent to which the entity is exposed to credit risk, liquidity risk and market risk (i.e., currency risk, interest rate risk, and other price risk). Section 3863 carries forward, unchanged from Section 3861, standards for presentation of financial instruments and non-financial derivatives.

**(c) Section 1535 – Capital Disclosures**

The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. This section will require the Corporation to disclose qualitative information about its objectives, policies and processes for managing capital and quantitative data about what the Corporation regards as capital. It will also be a requirement to disclose whether the Corporation has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance.

Effective January 1, 2009 and October 1, 2001, the Corporation will adopt the following CICA standards:

**(a) Section 3064 – Goodwill and Intangible Assets**

Effective January 1, 2009, the Corporation will be adopting the new CICA Handbook Section 3064 – Goodwill and Intangible Assets which aligns GAAP for goodwill and intangible assets with IFRS. The new standard provides more comprehensive guidance on intangible assets, in particular for internally developed intangible assets. The Corporation has determined that there will be no financial reporting impact upon adoption of this standard.

**(b) Section 1582 - Business Combinations**

Section 1582, Business Combinations, which replaces Section 1581, Business Combinations, establishes standards for the accounting for a business combination. It is the Canadian equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. This standard is effective for the Corporation for interim and annual financial statements beginning on January 1, 2011. The Corporation has not yet determined the impact of the adoption of this change on its consolidated financial statements.

**(c) Section 1601 - Consolidated Financial Statements and Section 1602 - Non-controlling Interests**

Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests replaces Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for the Corporation for interim and annual financial statements beginning on January 1, 2011. The Corporation has not yet determined the impact of the adoption of these changes on its Consolidated Financial Statements.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the fiscal year immediately preceding the year in which they first adopt IFRS. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed.

To ensure a smooth transition to IFRS, the Corporation established an IFRS conversion project team to achieve a clearly scoped conversion of financial reporting from Canadian GAAP to IFRS by Q1 2011. The project team comprises representatives from as many stakeholder groups as possible to ensure complete information transfer and consideration of the implications as the project progresses. Stakeholders include senior management from finance, treasury, tax, the Corporation's regional business units, information technology, human resources, the Board of Directors through the Audit Committee, among others.

The Corporation has a multi-year transition plan that comprises three major phases, including a scope and planning phase, a design and build phase and an implement and review phase culminating in the reporting of financial information in accordance with IFRS for Q1 2011.

The Corporation is in the scope and planning phase and is also assessing the impact of policy alternatives on its consolidated financial statements, systems, processes and controls. As the transition progresses, the Corporation will provide increased clarity into the expected effects of accounting policy changes. The Corporation is in the process of developing a detailed project plan for 2009 and 2010, which will include staff communications, a training plan and an external stakeholder communication plan. The design and build phase will be completed in 2009 and implementation will begin during 2009 and will be completed by the end of 2010.

The Corporation is implementing new accounting and consolidation systems in various parts of its business in 2009 and expected changes in accounting policies, processes and collection of additional information for disclosure are being incorporated in the design and implementation of these systems. The impact on internal controls over financial reporting and disclosure controls and procedures will be determined during the design and implementation phases.

## **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 any of its development projects will become operating mines; or that the Shootaring Canyon Mill, the Hobson Uranium ISR Processing Facility or the Palangana Uranium Project will become 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; competition from other sources of energy and public acceptance of nuclear energy; volatility and sensitivity to uranium prices; the capital requirements to complete the Corporation's current projects and expand its operations are substantial; currency fluctuations; potential conflicts of interest; the Corporation's operations and activities are subject to environmental risks; government regulation may adversely affect the Corporation; the risks of obtaining and maintaining necessary licences and permits; risks associated with foreign operations including, in relation to Kazakhstan, the risk of future sulphuric acid constraints and the risk that the new tax code introduced by the Kazakhstan Ministry of Finance effective from January 1, 2009 may adversely affect the Corporation; and the Corporation is dependent on key personnel.

In November 2007, the parliament of Kazakhstan enacted legislation, giving the government the right in certain circumstances to re-negotiate previously concluded subsoil use permits. Together with its joint venture partner, Kazatomprom, the Corporation has been reviewing the potential impact and application of this legislation. Based on these discussions, the Corporation understands that the legislation is not directed at the uranium mining industry in Kazakhstan.

Uranium One's risk factors are discussed in detail in its Annual Information Form for the year ended December 31, 2008, 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

Under the Corporation's 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 Corporation's restricted share plan, restricted share rights exercisable for common shares of Uranium One at the end of a restricted period, for no additional consideration, 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 2008 stock options and restricted share rights activity was as follows:

- 2,559,948 options were granted during the year.
- 1,043,016 options were exercised and 6,483,203 lapsed.
- 609,000 restricted shares were granted, 206,517 were exercised during the year and 74,520 expired.

## 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 National 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's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Chief Financial Officer, the Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Corporation's internal control over financial reporting 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 internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

There have been no material changes in the Corporation's internal control over financial reporting during the year ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## OUTLOOK

During 2009, the Corporation is focused on maintaining production of  $U_3O_8$  from Akdala at current levels, ramping up production at South Inkai towards a level of 5,200,000 pounds of  $U_3O_8$  (2,000 tonnes U) in 2011, achieving commercial production from its development projects, controlling costs at its operations and remaining a reliable supplier of  $U_3O_8$  to the nuclear fuel industry.

In 2009 to the end of February, Betpak Dala and Kyzylkum have received more than their full allocation of sulphuric acid and production at Akdala, South Inkai and Kharasan is on target to meet the Corporation's guidance for 2009. The Corporation's attributable production estimate for 2009 is 3.5 million pounds of  $U_3O_8$ , made up as follows:

Operation	Status	Total estimated production (lbs of $U_3O_8$ )	Ownership %	Estimated attributable production (lbs of $U_3O_8$ )
Akdala	Producing	2,600,000	70%	1,820,000
South Inkai	Producing	2,140,000	70%	1,500,000
Kharasan	Pre-commercial	650,000	30%	195,000
Totals:		5,390,000		3,515,000

Attributable production for 2010 is estimated to be 5.6 million pounds of  $U_3O_8$ . Attributable production estimates assume that Betpak Dala and Kyzylkum receive their projected allotments of sulphuric acid from sources in Kazakhstan and outside the country.

The 25% devaluation of the Kazakhstan tenge in February 2009 is not expected to have an immediate impact on the Corporation's cash costs per pound of  $U_3O_8$  sold from Kazakhstan due to the fact that opening inventory balances are translated to US dollars at historic exchange rates and the change in exchange rate will therefore not have a significant impact on the cost of  $U_3O_8$  sold in Q1 2009. The Corporation will continue to monitor the inflationary effect of the devaluation and its effect on the Corporation's Kazakh cost base. The new Tax Code in Kazakhstan, as discussed elsewhere in this document, replaced the payment of royalty charges with a mineral extraction tax. As with royalty charges in the past, the mineral extraction tax will be included in the cash cost per pound of  $U_3O_8$  sold. As soon as the calculation of mineral extraction tax is clarified, the impact of mineral extraction tax on the cash cost per pound of  $U_3O_8$  sold will be assessed. In the meantime, the Corporation is maintaining its 2009 guidance on average cash cost per pound of  $U_3O_8$  sold, which is expected to be approximately \$15 per pound of  $U_3O_8$  sold from Akdala. The cash cost per pound of  $U_3O_8$  sold from South Inkai is expected to be on average approximately \$28 in 2009.

The Corporation currently has contracts for the sale of an aggregate of 26 million attributable pounds of  $U_3O_8$ ; 16 million pounds of this material is contracted at weighted average floor prices, subject to escalation, of approximately \$47 per pound. The remainder of contracted attributable sales is not subject to floors and such sales are therefore directly related to the spot price of  $U_3O_8$ , except for 910,000 pounds, which will be sold at an average fixed price of \$79 per pound, subject to escalation. For 2009, the Corporation expects to sell an aggregate of 2.8 million attributable pounds of  $U_3O_8$ . The Corporation has already contracted for the sale of 2.2 million attributable pounds of  $U_3O_8$  in 2009, of which 700,000 pounds have weighted average floor prices of approximately \$43 per pound.

For 2009, the Corporation expects to incur capital expenditures of \$21 million on fully owned development projects in the United States, including \$17 million on Moore Ranch and other Powder River Basin properties and \$4 million on JAB and Antelope in the Great Divide Basin. The Corporation is currently evaluating the application of the proceeds from the private placement with the Japanese consortium. The potential uses of these proceeds include acceleration of capital expenditure in the United States, external growth opportunities, delevering the Corporation's balance sheet and working capital.

The Corporation expects to make contributions to the construction of a sulphuric acid plant in Kazakhstan of approximately \$6 million in the first half of 2009. Capital expenditures by Betpak Dala and Kyzylkum are funded through the joint ventures' working capital or third party debt facilities. The Corporation's Australian joint ventures, including Honeymoon, will be funded from the cash commitment of approximately \$73 million (A\$104 million) from Mitsui in 2009.

General and administrative expenses, excluding stock based compensation, are expected to be approximately \$28 million and exploration expenditure is expected to be \$12 million for 2009.

## FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION

*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, possible shortages of sulphuric acid in Kazakhstan, possible changes to the tax code in Kazakhstan, 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, 2008 which is 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 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.*

*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 person for the purposes of NI 43-101.*