

annual financial statements

**Annual Consolidated Financial Statements
for the year ended December 31, 2007**

management's responsibility for financial reporting

Management's Responsibility for Financial Reporting

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

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

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

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

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

"Jean Nortier"

Jean Nortier
President & Interim Chief Executive Officer

"Robin Merrifield"

Robin Merrifield
Executive Vice President & Chief Financial Officer

auditors' report

Auditors' Report to the Shareholders

To the Shareholders of Uranium One Inc.

We have audited the consolidated balance sheets of Uranium One Inc. as at December 31, 2007 and 2006 and July 31, 2006 and the consolidated statements of operations, changes in equity and cash flows for the year ended December 31, 2007, the five months ended December 31, 2006 and the year ended July 31, 2006 and the consolidated statement of comprehensive income for the year ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and July 31, 2006 and the results of its operations and its cash flows for the year ended December 31, 2007, the five months ended December 31, 2006 and the year ended July 31, 2006 in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants,
Vancouver, Canada
March 31, 2008

Uranium One Inc.

Consolidated Balance Sheets

As at December 31, 2007 and 2006 and July 31, 2006

(in United States dollars)

	Notes	Dec 31, 2007 \$'000	Dec 31, 2006 \$'000	Jul 31, 2006 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	5	252,219	61,838	128,328
Restricted cash		-	500	2,500
Accounts and other receivables	6	72,635	49,186	11,350
Current portion of loans to joint ventures	7.2	32,867	13,488	4,440
Inventories	8	20,994	12,044	11,940
Other assets		18,056	-	-
		396,771	137,056	158,558
Non-current assets				
Mineral interests, plant and equipment	9	5,112,907	768,887	762,547
Loans to joint ventures	7.2	24,359	39,850	21,000
Available for sale securities	10	21,257	-	-
Other assets	11	57,604	25,825	8,920
		5,216,127	834,562	792,467
Total assets		5,612,898	971,618	951,025
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	12	75,882	12,947	6,095
Income taxes payable		4,402	1,018	3,080
		80,284	13,965	9,175
Non-current liabilities				
Convertible debentures	13	136,548	-	-
Aflease Gold convertible bonds	14	90,551	-	-
Asset retirement obligations	15	15,011	2,856	1,953
Future income tax liabilities	16	1,576,262	337,642	365,491
Long term debt	7.1	18,205	-	-
Other long term payables		1,824	1,466	1,046
		1,838,401	341,964	368,490
Non-controlling interest		11,308	-	-
SHAREHOLDERS' EQUITY				
Share capital	17	3,496,884	613,607	612,941
Contributed surplus	18	134,387	31,286	9,307
Equity component of convertible debentures	3.1	46,480	-	-
Deficit		(46,813)	(29,204)	(48,888)
Accumulated other comprehensive income		51,967	-	-
		3,682,905	615,689	573,360
Total shareholders' equity and liabilities		5,612,898	971,618	951,025

Basis of presentation and principles of consolidation (note 2.1)

Commitments and contingencies (note 4 & 22)

Subsequent event (note 26)

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

Approved on behalf of the board of directors

"Ian Telfer"

Ian Telfer

Chairman of the board

"Andrew Adams"

Andrew Adams

Chairman of the audit committee

Uranium One Inc.

Consolidated Statements of Operations

For the year ended December 31, 2007, 5 months ended December 31, 2006 and year ended July 31, 2006
(in United States dollars)

	Notes	Year ended Dec 31, 2007 \$'000	5 months ended Dec 31, 2006 \$'000	Year ended Jul 31, 2006 \$'000
Revenues		134,024	50,449	23,507
Operating expenses		(17,282)	(9,289)	(9,548)
Depreciation and depletion		(14,922)	(8,449)	(5,107)
Earnings from mine operations		101,820	32,711	8,852
General and administrative ⁽¹⁾		(74,272)	(24,799)	(14,863)
Exploration expense		(19,178)	(2,914)	(2,648)
Other		1,129	(552)	(169)
Operating earnings / (loss)		9,499	4,446	(8,828)
Interest and other income		13,031	3,742	4,408
Interest expense		(12,536)	-	-
Dilution gain on investment in Aflease Gold		5,339	-	-
Foreign exchange (loss) / gain	19	(13,022)	23,507	(41,120)
Earnings / (loss) before income taxes and non-controlling interest		2,311	31,695	(45,540)
Current income tax expense	16	(41,346)	(15,984)	(5,304)
Future income tax recovery	16	17,621	3,973	1,905
(Loss) / earnings before non-controlling interest		(21,414)	19,684	(48,939)
Non-controlling interest		3,805	-	-
Net (loss) / earnings		(17,609)	19,684	(48,939)
⁽¹⁾ - Stock option and restricted share expense (non-cash) included in general and administrative	18	37,660	22,162	9,370
(Loss) / earnings per share		(0.05)	0.09	(0.27)
Basic		(0.05)	0.09	(0.27)
Diluted				
Weighted average number of shares (in thousands)				
Basic	21	360,656	215,999	182,808
Diluted	21	360,656	217,975	182,802

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

Uranium One Inc.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2007, 5 months ended December 31, 2006 and year ended July 31, 2006

(in United States dollars)

	Share capital	Contributed surplus	Equity component of convertible debenture	Accumulated other comprehensive income	Deficit	Total
Balance as at August 1, 2005	4,094	-	-	-	51	4,145
Net loss for the period	-	-	-	-	(48,939)	(48,939)
Share options issued and vested	-	9,370	-	-	-	9,370
Acquisition of Signature	271	153	-	-	-	424
Acquisition of Kyzylkum	37,500	-	-	-	-	37,500
Exercise of warrants	673	-	-	-	-	673
Exercise of stock options and restricted shares	579	(216)	-	-	-	363
Shares issued for private placements	569,824	-	-	-	-	569,824
Balance as at July 31, 2006	612,941	9,307	-	-	(48,888)	573,360
Net earnings for the period	-	-	-	-	19,684	19,684
Share options issued and vested	-	22,162	-	-	-	22,162
Exercise of warrants	48	-	-	-	-	48
Exercise of stock options and restricted shares	618	(183)	-	-	-	435
Balance as at December 31, 2006	613,607	31,286	-	-	(29,204)	615,689
Net loss for the period	-	-	-	-	(17,609)	(17,609)
Share options and restricted shares vested	-	37,660	-	-	-	37,660
Exercise of warrants	2,115	(1,035)	-	-	-	1,080
Exercise of stock options and restricted shares	54,912	(30,873)	-	-	-	24,039
Uranium One Inc / UrAsia Energy Ltd business combination	1,709,647	62,042	46,480	-	-	1,818,169
U.S. Energy Corp asset purchase consideration	99,401	-	-	-	-	99,401
Energy Metals Corporation asset purchase	1,013,215	35,307	-	-	-	1,048,522
Unrealized gains recognized on translation of self-sustaining foreign operations	-	-	-	51,779	-	51,779
Shares issued for services rendered	3,987	-	-	-	-	3,987
Gain on available for sale securities, net of tax benefit (note 10)	-	-	-	188	-	188
Balance as at December 31, 2007	3,496,884	134,387	46,480	51,967	(46,813)	3,682,905

Uranium One Inc.

Consolidated Statements of Comprehensive Income

For the year ended December 31, 2007

(in United States dollars)

	Notes	2007 \$'000
Net loss		(17,609)
Unrealized gains recognized on translation of self-sustaining foreign operations		51,779
Gain on available for sale securities, net of tax benefit	10	188
Comprehensive income		34,358

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

Uranium One Inc.

Consolidated Statements of Cash Flows

For the year ended December 31, 2007, 5 months ended December 31, 2006 and year ended July 31, 2006

(in United States dollars)

	Notes	Year ended Dec 31, 2007 \$'000	5 months ended Dec 31, 2006 \$'000	Year ended Jul 31, 2006 \$'000
Net (loss) / earnings		(17,609)	19,684	(48,939)
Items not affecting cash:				
- Depreciation and depletion		14,922	8,449	5,107
- Accretion of asset retirement obligation	15	1,000	-	-
- Stock option expense	18	37,660	22,162	9,370
- Interest accrued on loans and debentures		4,585	-	-
- Unrealized foreign exchange loss / (gain)		26,196	(22,622)	42,662
- Fair value adjustment on Aflase Gold convertible bonds		3,106	-	-
- Future income tax recovery		(17,621)	(3,973)	(1,905)
- Non-controlling interest		(1,179)	-	-
- Other		935	-	120
Movement in non-cash working capital	20	(29,926)	(35,075)	(7,852)
Cash flows from / (to) operating activities		22,069	(11,375)	(1,437)
Acquisition of Uranium One Inc., net of acquisition costs	3.1	271,670	-	-
Acquisition of Energy Metals Corporation, net of acquisition costs	4.2	76,706	-	-
Acquisition of interest in Betpak Dala		-	-	(356,224)
Acquisition of interest in Kyzylkum		-	-	(38,925)
Acquisition of Signature		-	-	465
Acquisition of mineral interests, plant and equipment		(279,370)	(13,509)	(12,319)
Advance cash payment for other assets		(2,606)	(16,054)	(8,675)
Joint venture earn in payments received		1,600	-	-
Restricted cash		500	2,000	(2,500)
Cash advances to joint ventures	7	(27,500)	(27,150)	(25,440)
Cash proceeds from joint ventures	7	23,447	-	-
Cash flows from / (to) investing activities		64,447	(54,713)	(443,618)
Common shares issued, net of issue cost		25,119	483	570,859
Convertible bond issued by subsidiary		87,445	-	-
Shares issued by subsidiary to non-controlling shareholders		2,061	-	-
Loans received by Kyzylkum, net of acquisition costs	7.1	17,769	-	-
Short term loan repaid	20	(53,131)	-	-
Other		-	-	(106)
Cash flows from financing activities		79,263	483	570,753
Effects of exchange rate changes on cash and cash equivalents		24,602	(885)	-
Net increase / (decrease) in cash and cash equivalents		190,381	(66,490)	125,698
Cash and cash equivalents at the beginning of the period		61,838	128,328	2,630
Cash and cash equivalents at the end of the period	5	252,219	61,838	128,328

Supplemental cash flow information (note 20)

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

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

1 NATURE OF OPERATIONS

Uranium One Inc. ("Uranium One" or "the Corporation") is a Canadian uranium corporation engaged through subsidiaries and joint ventures in the mining and production of uranium, and in the acquisition, exploration and development of properties for the production of uranium, in Kazakhstan, South Africa, the United States, Australia and Canada. Uranium One also owns a 67% interest in Aflase Gold Limited ("Aflase Gold"), which is engaged in the development of the Modder East Gold Project in South Africa.

Uranium One owns a 70% interest in both the producing Akdala Uranium Mine and the South Inkai Uranium Project and it is developing the Kharasan Project in Kazakhstan, in which it owns a 30% interest. The Corporation also owns the Dominion Uranium Project in South Africa. In the United States, the Corporation owns projects in the Powder River and Great Divide Basins in Wyoming, the Hobson ISR Uranium Processing Facility and La Palangana ISR Project in Texas and the Shootaring Mill in Utah. The Corporation also owns the Honeymoon Uranium Project in Australia. The Corporation owns a large portfolio of uranium exploration properties in South Africa, the western United States, South Australia, and the Athabasca Basin of Saskatchewan in Canada.

2 SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of presentation and principles of consolidation**

The consolidated financial statements of Uranium One and its subsidiaries (collectively, the "Corporation") have been prepared by Uranium One in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

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

Uranium One acquired all of the issued and outstanding shares of UrAsia Energy Limited ("UrAsia Energy") on April 20, 2007 (note 3.1). UrAsia Energy shareholders received 0.45 Uranium One common shares for each UrAsia Energy common share. For accounting purposes, the transaction is treated as a reverse takeover whereby UrAsia Energy is considered the acquiring company as the shareholders of UrAsia Energy acquired a majority shareholding in Uranium One. The comparative consolidated balance sheet as at December 31, 2006 and July 31, 2006 and the consolidated statements of operations, changes in equity and cash flows for the period ended December 31, 2006 and year ended July 31, 2006 are those of UrAsia Energy. The results of operations of Uranium One have been included from April 20, 2007.

The following are the Corporation's principal mineral properties and operations as at December 31, 2007:

Operating Mine:

Entity	Mineral property / Operation	Location	Ownership	Status
Betpak Dala LLP	Akdala Uranium Mine ⁽¹⁾	Kazakhstan	70%	Proportionately consolidated

Advanced development projects:

Entity	Mineral property / Operation	Location	Ownership	Status
Betpak Dala LLP	South Inkai Uranium Project ⁽¹⁾	Kazakhstan	70%	Proportionately consolidated
Kyzylkum LLP	Kharasan Uranium Project ⁽¹⁾	Kazakhstan	30%	Proportionately consolidated
Uranium One Africa Limited	Dominion Uranium Project ^{(2) (5)}	South Africa	100%	Consolidated

The Corporation is also developing the following mineral properties:

Entity	Mineral property / Operation	Location	Ownership	Status
Energy Metals Corp US	US development projects	United States		
South Texas Mining Venture	Hobson Facility and La Palangana Project ⁽⁶⁾	United States	99%	Consolidated
Uranium One USA Inc	Shootaring Canyon Uranium Mill ⁽⁴⁾	United States	100%	Consolidated
Uranium One Australia (Proprietary) Limited	Honeymoon Uranium Project ⁽²⁾	Australia	100%	Consolidated
Pitchstone Joint Venture	Pitchstone Joint Venture ⁽²⁾	Canada	50%	Proportionately consolidated
Aflase Gold Limited	Modder East Gold Project ⁽³⁾	South Africa	67%	Consolidated

(1) - Legacy UrAsia Energy assets

(2) - Legacy Uranium One assets

(3) - Legacy Uranium One assets. The Modder East Gold Project is owned by Aflase Gold, a subsidiary of Uranium One (note 25)

(4) - Purchased from U.S. Energy Corp (note 4.1)

(5) - Refer to note 24 for the contingent sale of an interest in the Dominion Uranium Project

(6) - Legacy Energy Metals Corporation assets (note 4.2)

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Change in accounting policies

On January 1, 2007, the Corporation adopted the following accounting standards:

Section 1530 - Comprehensive Income

Section 3251 - Equity

Section 3855 - Financial Instruments - Recognition and measurement

Section 3861 - Financial Instruments - Disclosure and presentation

Section 3865 - Hedges

These standards address the classification, recognition and measurement of financial instruments in the financial statements, the inclusion of other comprehensive income ("OCI"), and establish the standards for hedge accounting. In addition, these standards provide guidance for reporting items in other comprehensive income, which is included on the Consolidated Balance Sheets as accumulated other comprehensive income or loss, a separate component of Shareholders' Equity.

The Corporation did not record any adjustments as a result of adopting these new standards, other than reclassifying currency translation adjustments on its net investment in self-sustaining foreign operations to other comprehensive income.

2.3 Measurement and reporting currency

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

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

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

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

2.4 Inventories

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

The related direct production costs associated with in-process gold are deferred and charged to costs as the contained gold is recovered. In-process metals are identified and measured from the ore stockpiles up to and including the on-site refining plant.

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

2.5 Mineral interests, plant and equipment

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

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

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

The costs associated with mineral interests are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired. The value allocated to reserves is depreciated on a unit-of-production method over the estimated recoverable proven and probable reserves at the mine. The reserve value is noted as depletable mineral properties for operations in commercial production in note 9. The resource value represents the property interests that are believed to potentially contain economic mineralized material such as inferred material; measured, indicated, and inferred resources with insufficient drill spacing to qualify as proven and probable reserves; and inferred resources in close proximity to proven and probable reserves.

Resource value and exploration potential value is noted as non-depletable mineral properties for operations in commercial production in note 9. At least annually or when otherwise appropriate, value from the non-depletable category will be transferred to the depletable category as a result of an analysis of the conversion of resources or exploration potential into reserves. Costs related to property acquisitions are capitalized until the viability of the mineral property is determined. Resource value and exploration potential for development projects not in commercial production is noted as non-depletable mineral properties. When it is determined that a property is not economically viable the capitalized costs are impaired. Exploration expenditures on properties not advanced enough to identify their development potential are charged to operations as incurred.

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

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

2.6 Impairment of long-lived assets

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

2.7 Asset retirement obligations

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

2.8 Revenue recognition

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

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

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Future income and mining taxes

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

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

2.10 Stock based compensation

The Corporation's stock-based compensation plans are described in note 18.

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

Upon exercise of the stock option, consideration received and the related amount of stock based compensation, is transferred from contributed surplus and recorded as share capital.

2.11 Earnings / loss per share

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

2.12 Financial instruments

The Corporation's financial instruments comprise primarily cash and cash equivalents, restricted cash, accounts receivable, and accounts payable. The fair value of these financial instruments approximate their carrying values, due primarily to their immediate or short-term maturity. Fair values of other financial instruments have been estimated by reference to quoted market prices for actual or similar instruments where available and disclosed accordingly.

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

Financial assets and financial liabilities are recognized on the balance sheet when the Corporation has become party to the contractual provisions of the instruments. Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below:

Investments

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

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation accounts for its other investments using the cost basis of accounting whereby investments are initially recorded at cost and earnings from such investments are recognized only to the extent received or receivable. The carrying value of other investments is reduced to the estimated market value, if there is an other than temporary decline in the value of the investment; such reduction is included in the consolidated statement of operations.

Cash and cash equivalents

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

Accounts receivable

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

Impairment and uncollectability of financial assets

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

Financial liabilities

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

Accounts payable

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

Loans payable

Loans payable are recognized initially at the proceeds received, net of transaction costs incurred. Loans payable are subsequently stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the loan.

Offset

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

Compound instruments

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

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Embedded derivatives

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

2.13 Equity instruments

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

2.14 Use of estimates

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

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

2.15 Non-controlling interest

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

2.16 Variable interest entities

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

2.17 Recent accounting pronouncements – effective January 1, 2008

In March 2007, the CICA issued Section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation which will replace section 3861 - Financial Instruments - Disclosure and Presentation. These new sections revise and enhance current disclosure requirements for financial instruments, and place an increased emphasis on disclosure about risk, including both qualitative and quantitative information about the risk exposures arising from financial instruments.

Section 1535 Capital Disclosures identifies disclosure requirements about the Corporation's objectives, policies, and processes for managing capital, as well as quantitative information about capital.

Section 3031 Inventories, will replace Section 3030, and provides standards for the measurement and disclosure of inventories. The new standard provides more extensive guidance on the determination of cost, including allocation of overhead, requirements for impairment testing and expands the existing disclosure requirements. The adoption of this standard is not expected to have a material impact on the Corporation's consolidated financial position and results of operations.

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

3 BUSINESS COMBINATION**3.1 UrAsia Energy acquisition**

On February 11, 2007, Uranium One entered into a definitive arrangement agreement whereby Uranium One agreed to acquire all of the outstanding common shares of UrAsia Energy. Under the agreement, each UrAsia Energy share was exchanged for 0.45 Uranium One common shares. Each UrAsia Energy warrant and stock option, which previously gave the holder the right to acquire common shares of UrAsia Energy was exchanged for a warrant or stock option which gives the holder the right to acquire common shares of Uranium One on the same basis as the shareholders of UrAsia Energy, with all other terms of such warrants and options (such as term and expiry) remaining unchanged.

The shareholders of UrAsia Energy approved the arrangement at a Special Meeting held on April 5, 2007, with the transaction closing on April 20, 2007. Upon completion of the transaction, Uranium One was held approximately 60% by former UrAsia Energy shareholders and approximately 40% by former Uranium One shareholders. Accordingly, this business combination is accounted for as a reverse takeover under Canadian GAAP with UrAsia Energy being identified as the acquirer and Uranium One as the acquiree.

The cost of acquisition includes the fair value of the deemed issuance of the following instruments: 307.0 million UrAsia Energy common shares at \$5.57 per share, plus 6.1 million share purchase warrants with an average exercise price of \$1.57 per share and a fair value of \$26.4 million, plus 12.0 million stock options, of which 8.0 million are exercisable at the date of acquisition, with an average exercise price of \$2.66 per share and a fair value of the vested portion of \$34.8 million, plus 0.8 million restricted shares with a fair value of \$0.9 million, plus the fair value of the equity component of the Uranium One convertible debenture of \$46.5 million plus UrAsia Energy's transaction costs of \$19.4 million, providing a total purchase price of \$1,837.6 million.

The value of the deemed issuance of UrAsia Energy shares was calculated using the weighted average share price of UrAsia Energy shares two days before, the day of, and two days after the date of the announcement of the arrangement. The following weighted average assumptions were used for the Black scholes option pricing model for the fair value of the stock options, warrants, restricted shares and equity component of the convertible debenture:

Risk-free interest rate	4.17%
Expected volatility of the share price	61%
Expected life	3.79 years
Dividend rate	Nil

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

	\$'000
Purchase price:	
Common shares (note 18)	1,709,647
Options, warrants and restricted shares	62,042
Equity component of convertible debentures	46,480
Acquisition costs	19,418
	1,837,587
Net assets acquired:	
Cash and cash equivalents	291,088
Other current assets	33,442
Mineral interests, plant and equipment	2,459,355
Other assets	13,502
Accounts payable and accrued liabilities	(57,223)
Short term loans	(54,130)
Asset retirement obligations	(4,602)
Convertible debentures	(118,450)
Future income tax liabilities	(713,732)
Non-controlling interest	(11,663)
	1,837,587

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

3 BUSINESS COMBINATION (continued)**3.2 Betpak Dala acquisition**

On November 7, 2005, the Corporation acquired a 70% joint venture interest in Betpak Dala LLP ("Betpak") which has 100% interests in the Akdala Mine and the South Inkai Project, both of which are located in the Republic of Kazakhstan. In consideration for its interest, the Corporation paid a total of \$350 million. The remaining 30% interest in Betpak is held by JSC NAC Kazatomprom ("Kazatomprom").

Under the terms of the agreement, a bonus payable in cash or shares, capped at \$36.4 million, was due based on the uranium reserves discovered on the Akdala and South Inkai properties and surrounding areas during the 12 month period ended November 7, 2006, in excess of the existing uranium reserves and resources. As at November 7, 2006, no additional uranium reserves and resources were discovered on the Akdala and South Inkai properties. No payment was due at December 31, 2007 (July 31, 2006 - \$Nil, December 31, 2006 - \$Nil).

A further 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 U_3O_8 in excess of 66,000 tonnes times the average spot price of U_3O_8 times 6.25%. This payment is to be calculated at the end of 2011 and each year thereafter, and paid 60 days after the end of the year in which a payment is due. No payment was due at December 31, 2007 (July 31, 2006 - \$Nil, December 31, 2006 - \$Nil).

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

The allocation of the purchase price is summarized in the table below:

	\$'000
Purchase price:	
Cash	350,000
Acquisition costs	7,690
	357,690
Net assets acquired:	
Cash	1,981
Mineral interests, plant and equipment	614,494
Other net assets	683
Future income taxes	(259,468)
	357,690

For the purpose of these consolidated financial statements, the purchase consideration has been allocated to the fair value of assets acquired and liabilities assumed.

3.3 Kyzylkum Acquisition

On November 7, 2005, the Corporation acquired a 30% joint venture interest in Kyzylkum LLP ("Kyzylkum") which has a 100% interest in the Kharasan Project, located in the south central area of the Republic of Kazakhstan. In consideration for its interest, the Corporation paid a total of \$75 million, including \$37.5 million in cash with the balance consisting of the issuance of 24,181,250 common shares.

A bonus payment is due upon commencement of commercial production. The seller initially had an option, exercisable until October 31, 2006, to elect to receive this bonus payment as a cash payment of \$24 million or receive 15,476,000 shares of UrAsia Energy. The seller elected under the terms of the arrangement, to receive 15,476,000 shares of UrAsia Energy upon commencement of commercial production. The 15,476,000 bonus payment shares of UrAsia Energy has been converted to 6,964,200 Uranium One shares as part of the UrAsia Energy acquisition (Note 3.1). The fair value of the contingently issuable shares has not been included as part of the purchase price for Kyzylkum as commencement of commercial production could not be reasonably determined.

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

3 BUSINESS COMBINATION (continued)

An additional bonus payment of 30% of 12.5% (being an effective 3.75%) of the weighted average spot price of U_3O_8 will be paid on incremental reserves in excess of 55,000 tonnes of U_3O_8 discovered during each fiscal year with payment beginning within 60 days of the end of the 2008 calendar year. No payment was due at December 31, 2007 (July 31, 2006 - \$Nil, December 31, 2006 - \$Nil).

The Corporation is responsible for arranging project financing of \$80 million for the construction and commissioning of a mine in respect of the Kharasan Project. As security for this obligation and the obligation to make the bonus payments referred to above, the Corporation has granted a security interest over the shares of a subsidiary holding the Corporation's interest in Kharasan.

The allocation of the purchase price is summarized in the table below:

	\$'000
Purchase price:	
Cash	37,500
24,181,250 common shares	37,500
Acquisition costs	1,509
	76,509
Net assets acquired:	
Cash	84
Mineral interests, plant and equipment	141,487
Other net assets	13
Future income taxes	(65,075)
	76,509

3.4 Signature acquisition

In September 2005, Signature Resources Ltd ("Signature") signed a binding letter of agreement with UrAsia Energy Holdings Ltd ("UrAsia BVI"), a subsidiary of UrAsia Energy, pursuant to which Signature agreed to acquire all of the issued and outstanding shares of UrAsia BVI in consideration for the issuance of common shares of Signature. Pursuant to the terms of the agreement, Signature consolidated its common shares on a one for two basis and issued one post-consolidation share of Signature for each issued and outstanding ordinary share of UrAsia BVI.

As the shareholders of UrAsia BVI acquired control of Signature following the UrAsia Acquisition, this transaction was a reverse takeover and has been accounted for as an acquisition of Signature by UrAsia BVI. The purchase price has been determined by reference to the fair value of the net assets acquired from Signature.

The allocation of the purchase price is summarized in the table below:

	\$'000
Purchase price:	
5,935,621 common shares	271
Stock options and warrants of Signature	153
	424
Net assets acquired:	
Cash	465
Non-cash working capital deficiency	(41)
	424

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

4 ASSET PURCHASE**4.1 U.S. Energy**

On April 30, 2007, Uranium One completed the purchase, from U.S. Energy Corporation ("U.S. Energy"), 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 for consideration equal to 6,607,605 Uranium One common shares valued at \$99.4 million, a cash payment of \$6.5 million, and transaction costs of \$2.6 million including \$750,000 paid in cash by Uranium One on the execution of an exclusivity agreement with the vendor. The purchase agreement provides for further payments by Uranium One of \$27.5 million dependent on the achievement of certain production targets. U.S. Energy will receive a royalty equal to 5% of the gross proceeds from the sale of commodities produced at the Shootaring Canyon Mill, to a maximum amount of \$12.5 million.

The transaction was accounted for as an asset purchase and the cost of each item of property, plant and equipment acquired as part the group of assets acquired was determined by allocating the price paid for the group of assets to each item based on its relative fair value at the time of acquisition. The summarized result of the allocation is indicated in the table below:

Purchase price:	\$'000
6.6 million common shares of Uranium One	99,401
Cash payment	6,515
Acquisition costs, including exclusivity fee	2,603
	108,519
Allocation of purchase price to assets:	
Shootaring Canyon Mill	39,107
Exploration properties and geological information	65,183
Stockpiles	7,772
Asset retirement obligation	(3,543)
	108,519

Pursuant to the asset purchase agreement, the reclamation bonds and guarantees given by U.S. Energy in connection with the acquired assets were substituted by Uranium One surety bonds with the appropriate Governmental Entity to provide coverage for the reclamation obligations of the acquired assets. The bond payments of \$9.3 million are included in other assets as part of the asset retirement fund. The asset retirement obligation was assessed and accounted for on acquisition date (Refer note 15).

4.2 Energy Metals Corporation

On June 3, 2007, Uranium One and Energy Metals Corporation ("EMC") entered into a definitive agreement whereby Uranium One agreed to acquire all of the issued and outstanding common shares and options to purchase common shares of EMC. The agreement was approved by the shareholders of EMC on July 31, 2007 and the acquisition was completed on August 10, 2007. Under the agreement, Uranium One exchanged 1.15 common shares of Uranium One for each common share of EMC. A total of 100,444,543 Uranium One common shares were issued in exchange for 87,343,081 EMC common shares.

The cost of the acquisition includes the fair value of the issuance of 100,444,543 Uranium One common shares at \$10.09 per share, plus 8,382,546 stock options of Uranium One, of which 5,380,458 were exercisable at the date of acquisition, with an average exercise price of \$8.14 per share and a fair value of the vested portion of \$35.3 million plus Uranium One's transaction costs of \$9.3 million for a total purchase price of \$1,057.8 million.

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

4 ASSET PURCHASE (continued)

The value of the Uranium One common shares issued was calculated using the share price of Uranium One's shares on the date of acquisition. The following weighted average assumptions were used for the Black-Scholes option pricing model for fair value of the stock options:

Risk-free interest rate	4.57%
Expected volatility of the share price	60%
Expected life	3.07 years
Dividend rate	Nil

The transaction was accounted for as an asset purchase and the cost of each item of property, plant and equipment acquired as part of the group of assets acquired was determined by allocating the price paid for the group of assets to each item based on its relative fair value at the time of acquisition. The summarized results of the allocation is indicated in the table below:

Purchase price:	\$'000
100.4 million shares of Uranium One	1,013,215
Options of Uranium One	35,307
Acquisition costs	9,311
	1,057,833
Net assets acquired:	
Cash and cash equivalents	86,017
Marketable securities	6,909
Other current assets	12,497
Mineral interests, plant and equipment	1,441,077
Other non-current assets	23,662
Accounts payable and accrued liabilities	(5,627)
Asset retirement obligations	(2,281)
Future income tax liability	(504,421)
	1,057,833

5 CASH AND CASH EQUIVALENTS

	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006
	\$'000	\$'000	\$'000
Cash	240,160	21,624	61,028
Money market instruments, including cashable guaranteed investment certificates, bearer deposit notes and commercial paper	12,059	40,214	67,300
	252,219	61,838	128,328

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

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

6 ACCOUNTS AND OTHER RECEIVABLES

	Dec 31, 2007 \$'000	Dec 31, 2006 \$'000	Jul 31, 2006 \$'000
Trade receivables	55,595	47,798	10,173
Value added tax and general sales tax	9,528	51	-
Prepayments and advances	5,558	894	1,177
Deposits and guarantees	3,220	-	-
Other receivables	1,954	443	-
	75,855	49,186	11,350
Less: non current deposits and guarantees included in other assets (note 11)	3,220	-	-
	72,635	49,186	11,350

7 JOINT VENTURES

7.1 Proportionate interests in joint ventures

A number of the exploration properties in the western United States acquired from U.S. Energy in April 2007, were under an option agreement with Uranium Power Corp ("UPC") at the time of purchase. The Corporation acquired the right to the outstanding payments under this agreement together with the exploration properties. During the fourth quarter of 2007, UPC made the final payments pursuant to the option agreement and therefore satisfied the earn in requirements and the Corporation and UPC formed a 50:50 joint venture to explore and develop these properties.

The Corporation owns the following interests in joint ventures:

Betpak Dala	70%
Kyzylkum	30%
Joint Venture with UPC	50%
Pitchstone	50%

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

As at December 31, 2007	Joint Venture				Total \$'000
	Betpak Dala \$'000	Kyzylkum \$'000	with UPC \$'000	Pitchstone \$'000	
Cash	1,643	3,659	224	77	5,603
Other current assets	73,039	291	5	68	73,403
Mineral interests, plant and equipment	680,046	182,740	50,422	20,191	933,399
Other assets	4,070	4,771	1,093	-	9,934
Current liabilities	(19,395)	(900)	72	-	(20,223)
Long term debt ⁽¹⁾	-	(18,205)	-	-	(18,205)
Other	(1,567)	(135)	-	-	(1,702)
Future income taxes	(280,075)	(72,486)	-	(5,831)	(358,392)
Asset retirement obligation	(3,377)	-	-	-	(3,377)
Net assets	454,384	99,735	51,816	14,505	620,440

⁽¹⁾ In addition to the \$73.3 million loan (note 7.2) from the Corporation, Kyzylkum negotiated unsecured bank loan facilities totalling \$100 million. One facility in the amount of \$70 million was obtained from the Japan Bank for International Cooperation and the other facility in the amount of \$30 million was obtained from Citibank. A total of \$60 million has been drawn down from the facility during the year. The loan facilities will be repayable after full repayment of the loan from the Corporation. The Corporation's proportionate share of these facilities will amount to \$30 million when fully drawn down. The loan facilities have floating interest rates of LIBOR plus 0.25% and 0.35%, respectively.

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

7 JOINT VENTURES (continued)

As at December 31, 2006	Betpak Dala \$'000	Kyzylkum \$'000	Total \$'000
Cash	5,321	3,055	8,376
Other current assets	56,424	2,357	58,781
Mineral interests, plant and equipment	617,740	150,739	768,479
Other assets	10,732	1,679	12,411
Current liabilities	(3,717)	(154)	(3,871)
Other	(1,466)	-	(1,466)
Future income taxes	(268,938)	(68,662)	(337,600)
Asset retirement obligation	(2,856)	-	(2,856)
Net assets	413,240	89,014	502,254

As at July 31, 2006	Betpak Dala \$'000	Kyzylkum \$'000	Total \$'000
Cash	5,388	6,907	12,295
Other current assets	19,373	16	19,389
Mineral interests, plant and equipment	618,019	143,874	761,893
Other assets	780	-	780
Current liabilities	(6,710)	(160)	(6,870)
Other	(1,046)	-	(1,046)
Future income taxes	(291,803)	(73,643)	(365,446)
Asset retirement obligation	(1,953)	-	(1,953)
Net assets	342,048	76,994	419,042

The Corporation's proportionate share of revenue, expenses, net income and cash flows for the year ended December 31, 2007, five months ended December 31, 2006 and year ended July 31, 2006 are as follows:

Year ended December 31, 2007	Betpak Dala \$'000	Kyzylkum \$'000	Joint Venture		Total \$'000
			with UPC \$'000	Pitchstone \$'000	
Revenue	134,024	-	-	-	134,024
Expenses	(29,664)	(962)	(177)	(1,938)	(32,741)
Foreign exchange loss	(5,774)	(432)	-	-	(6,206)
Income / (loss) before income taxes	98,586	(1,394)	(177)	(1,938)	95,077
Provision for income taxes	(38,656)	-	-	-	(38,656)
Net income / (loss)	59,930	(1,394)	(177)	(1,938)	56,421
Cash flows from / (to) operating activities	77,544	(12)	(885)	(2,507)	74,140
Cash flows to investing activities	(47,711)	(23,736)	(128)	-	(71,575)
Cash flows (to) / from financing activities	(33,736)	24,120	1,238	2,583	(5,795)
Net increase / (decrease) in cash	(3,903)	372	225	76	(3,230)

Notes to the Consolidated Financial Statements

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7 JOINT VENTURES (continued)

Five months ended December 31, 2006	Betpak Dala \$'000	Kyzylkum \$'000	Total \$'000
Revenue	50,449	-	50,449
Expenses	(17,276)	-	(17,276)
Foreign exchange gain	19,337	4,426	23,763
Earnings before income taxes	52,510	4,426	56,936
(Provision for) / recovery of income taxes	(12,117)	106	(12,011)
Net income	40,393	4,532	44,925
Cash flows from operating activities	(18,215)	(180)	(18,395)
Cash flows to investing activities	33,950	5,400	39,350
Cash flows from financing activities	(15,792)	(8,472)	(24,264)
Net decrease in cash	(57)	(3,252)	(3,309)
Year ended July 31, 2006	Betpak Dala \$'000	Kyzylkum \$'000	Total \$'000
Revenue	23,507	-	23,507
(Expenses) / other income	(13,181)	12	(13,169)
Foreign exchange loss	(32,933)	(8,326)	(41,259)
Loss before income taxes	(22,607)	(8,314)	(30,921)
Provision for income taxes	(3,290)	(106)	(3,396)
Net loss	(25,897)	(8,420)	(34,317)
Cash flows from operating activities	6,637	307	6,944
Cash flows from investing activities	9,870	9,020	18,890
Cash flows to financing activities	(13,095)	(2,503)	(15,598)
Net decrease in cash	3,412	6,824	10,236

7.2 Loans to Joint Ventures

	Dec 31, 2007 \$'000	Dec 31, 2006 \$'000	Jul 31, 2006 \$'000
Current portion			
Betpak Dala	5,175	12,736	4,394
Kyzylkum	27,692	752	46
	32,867	13,488	4,440
Long term portion			
Betpak Dala	-	6,250	-
Kyzylkum	24,359	33,600	21,000
	24,359	39,850	21,000
Total	57,226	53,338	25,440

Subsequent to year end, Kyzylkum has repaid \$6.7 million of the outstanding loan, and Betpak Dala has repaid the entire outstanding amount.

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

7 JOINT VENTURES (continued)

Betpak Dala loan	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006
	\$'000	\$'000	\$'000
Loan advanced in December 2005. The loan bears interest at LIBOR plus 1.5% per annum, with principal and interest amounts payable before May 31, 2007.	-	14,100	14,100
<i>Loans advanced from July to November 2006:</i>			
Pursuant to its commitment to provide project financing for construction and commissioning of the South Inkai Project, the loans bear interest at LIBOR plus 1.5% per annum	-	48,500	
<i>Loans advanced in November and December 2007:</i>			
The loans bear interest at LIBOR plus 6.5% per annum, and is payable before February 9, 2008	17,000	-	-
	17,000	62,600	14,100
Interest accrued	249	688	548
	17,249	63,288	14,648
Less elimination of proportionate share – 70%	(12,074)	(44,302)	(10,254)
	5,175	18,986	4,394
Less current portion	(5,175)	(12,736)	(4,394)
Long term portion	-	6,250	-

The loans to Betpak Dala are unsecured

Kyzylkum loan	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006
	\$'000	\$'000	\$'000
The Corporation made loans to Kyzylkum pursuant to its obligation to provide project financing for construction and commissioning of the Kharasan Project in the amount of \$80 million on or before December 31, 2007. The loans bears interest at LIBOR plus 1.5% per annum, with interest payable on a semi-annual basis, commencing within 2 years of funding.	80,000	48,000	30,000
Repaid to date	(6,667)		
	73,333	48,000	30,000
Interest Accrued	1,025	1,074	65
	74,358	49,074	30,065
Less elimination of proportionate share – 30%	(22,307)	(14,722)	(9,019)
	52,051	34,352	21,046
Less current portion	(27,692)	(752)	(46)
Long term portion	24,359	33,600	21,000

The loans to Kyzylkum are unsecured.

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

8 INVENTORIES

	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006
	\$'000	\$'000	\$'000
Finished uranium concentrates	10,093	5,791	8,672
Solutions and concentrates in process	5,128	5,035	2,088
Materials and supplies	5,773	1,218	1,180
Stockpiles	7,772	-	-
	28,766	12,044	11,940
Less: non current inventory included in other assets (note 11)	7,772	-	-
	20,994	12,044	11,940

9 MINERAL INTERESTS, PLANT AND EQUIPMENT

	December 31, 2007		
	Cost	Accumulated	Net carrying
	\$'000	amortization	amount
	\$'000	\$'000	\$'000
Mineral interests	4,561,160	(32,771)	4,528,389
Plant and equipment	591,893	(7,375)	584,518
	5,153,053	(40,146)	5,112,907

	December 31, 2006		
	Cost	Accumulated	Net carrying
	\$'000	amortization	amount
	\$'000	\$'000	\$'000
Mineral interests	761,627	(17,539)	744,088
Plant and equipment	25,348	(549)	24,799
	786,975	(18,088)	768,887

	July 31, 2006		
	Cost	Accumulated	Net carrying
	\$'000	amortization	amount
	\$'000	\$'000	\$'000
Mineral interests	754,605	(9,656)	744,949
Plant and equipment	18,182	(584)	17,598
	772,787	(10,240)	762,547

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

9 MINERAL INTERESTS, PLANT AND EQUIPMENT (continued)

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

	Country	Mineral interests			Plant and equipment \$'000	Total Dec 31, 2007 \$'000
		Depletable	Non-depletable	Total		
		\$'000	\$'000	\$'000		
Akdala Uranium Mine	Kazakhstan	111,302	74,358	185,660	15,906	201,566
South Inkai Uranium Project	Kazakhstan	-	422,631	422,631	31,388	454,019
Kharasan Uranium Project	Kazakhstan	-	146,538	146,538	29,376	175,914
Dominion Uranium Project	South Africa	-	1,756,018	1,756,018	350,146	2,106,164
United States development projects	United States	-	278,654	278,654	7,184	285,838
United States exploration projects	United States	-	1,073,130	1,073,130	1,285	1,074,415
Hobson Facility and La Palangana Project	United States	-	56,869	56,869	33,503	90,372
Shootaring Canyon Mill	United States	-	50,009	50,009	47,614	97,623
Honeymoon Uranium Project	Australia	-	276,087	276,087	23,951	300,038
Modder East Gold Project	South Africa	-	261,332	261,332	24,400	285,732
Pitchstone exploration	Canada	-	21,216	21,216	-	21,216
Corporate and other		-	245	245	19,765	20,010
Total		111,302	4,417,087	4,528,389	584,518	5,112,907

	Country	Mineral interests			Plant and equipment \$'000	Total Dec 31, 2006 \$'000
		Depletable	Non-depletable	Total		
		\$'000	\$'000	\$'000		
Akdala Uranium Mine	Kazakhstan	118,755	74,358	193,113	16,294	209,407
South Inkai Uranium Project	Kazakhstan	-	404,125	404,125	3,312	407,437
Kharasan Uranium Project	Kazakhstan	-	146,717	146,717	4,020	150,737
Corporate and other		-	133	133	1,173	1,306
Total		118,755	625,333	744,088	24,799	768,887

	Country	Mineral interests			Plant and equipment \$'000	Total Jul 31, 2006 \$'000
		Depletable	Non-depletable	Total		
		\$'000	\$'000	\$'000		
Akdala Uranium Mine	Kazakhstan	126,638	74,358	200,996	16,831	217,827
South Inkai Uranium Project	Kazakhstan	-	400,193	400,193	-	400,193
Kharasan Uranium Project	Kazakhstan	-	143,627	143,627	247	143,874
Corporate and other		-	133	133	520	653
Total		126,638	618,311	744,949	17,598	762,547

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

10 AVAILABLE FOR SALE SECURITIES

	Dec 31, 2007 Market value \$'000	Dec 31, 2006 Market value \$'000	Jul 31, 2006 Market value \$'000
Available for sale securities	21,257	-	-
			Dec 31, 2007 Fair value \$'000
Movement in available for sale securities			-
Received as part of a joint venture earn in payment			1,268
Purchased as part of the EMC acquisition (refer note 4.2)			20,391
Purchased during the period			278
Impairment of available for sale securities included in the statement of operations			(932)
Foreign exchange movement			64
Fair value adjustment included in other comprehensive income			188
Balance as at December 31, 2007			21,257

The Corporation has recognized a future income tax liability of \$0.1 million that relates to the cumulative mark-to-market gains on the available for sale securities. The tax estimate is based on the assumption that if the securities were sold at their December 31, 2007 fair market value, the capital gains would be calculated at the appropriate tax rate of the jurisdiction in which the security is held.

By holding these long-term investments the Corporation is inherently exposed to various risk factors including currency risk, market price risk and liquidity risk.

11 OTHER ASSETS

	Dec 31, 2007 \$'000	Dec 31, 2006 \$'000	Jul 31, 2006 \$'000
Advances for plant and equipment	12,643	23,085	8,710
Long term deposits (note 6)	3,220	-	-
Long term inventory (note 8)	7,772	-	-
Asset retirement fund (note 16)	20,316	-	-
Advances for future services	10,629	-	-
Reclamation Bond payment on behalf of UPC joint venture	1,094	-	-
Other	1,930	2,740	210
	57,604	25,825	8,920

12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Dec 31, 2007 \$'000	Dec 31, 2006 \$'000	Jul 31, 2006 \$'000
Trade payables	30,161	6,471	5,007
Accruals	24,714	260	1,088
Commodity and other taxes payable	11,280	-	-
Other	9,727	6,216	-
	75,882	12,947	6,095

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

13 CONVERTIBLE DEBENTURES

On April 20, 2007, the Corporation acquired Uranium One who had an outstanding debt offering of Cdn \$155.3 (\$133.2 million) convertible unsecured subordinated debentures maturing December 31, 2011 (the "debentures"). The debentures were issued at Cdn \$1,000 per debenture and the underwriters' fees amounted to Cdn \$30 per debenture, which resulted in the net proceeds to the Corporation of Cdn \$970 per debenture. The debentures bear interest at an annual rate of 4.25%, payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2007. The June 30, 2007 interest payment represents accrued interest from the closing of the offering to June 30, 2007. The conversion price was set at Cdn \$20 per share, which is equivalent to 50 common shares for each Cdn \$1,000 principal amount of debentures. The debt and equity component were valued on April 20, 2007, and were included as part of the purchase price for the Uranium One / UrAsia Energy business combination (note 3.1). The table below indicates the breakdown of the liability:

	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006
	\$'000	\$'000	\$'000
Liability component on date of business combination (note 3.1)	118,450	-	-
Interest incurred	11,641	-	-
Coupon payment	(6,564)	-	-
Foreign exchange movement	13,021	-	-
Liability as at the end of the period	136,548	-	-

14 AFLEASE GOLD CONVERTIBLE BONDS

On December 13, 2007, Alease Gold issued 600 convertible bonds ("the bonds"), denominated in South African rand ("ZAR"), maturing 5 years from the issue date at a redemption value of 109.6% of the nominal value. The bonds were issued at a nominal value of ZAR1 million (\$0.15 million) per bond and bear interest at an annual rate of 8.5%. The effective yield to maturity is 10%. The holders of the bonds have the option to convert the bonds into ordinary shares of Alease Gold at any time up to, and including, the maturity date, at a fixed conversion rate of 266,058 shares per bond. In the event that the Modder East Gold Project has not commenced continuous production by March 31, 2010, the conversion rate will be recalculated using a formula based on Alease Gold's share price at that date.

Alease Gold or the holders of the bonds can enforce early settlement of the bonds under certain circumstances. Alease Gold is not permitted to raise any additional financing secured by the Modder East Gold Project while any of the bonds remain outstanding.

The convertible bonds are presented in the balance sheet as designated at fair value through operations as follows:

	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006
	\$'000	\$'000	\$'000
Face value of convertible bonds issued	87,445	-	-
Fair value adjustment through operations	3,106	-	-
Liability as at the end of the period	90,551	-	-

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

14 AFLEASE GOLD CONVERTIBLE BONDS (continued)**Financial risk factors and critical judgement applied by management**

The bonds are designated at fair value and therefore the carrying amount will approximate the fair value of the financial liability. The fair value of the convertible bonds has been estimated using the following assumptions:

The fair value of the convertible bonds has been estimated using the following assumptions:

	Inception	Year end
Methodology used	Binomial pricing	Binomial pricing
Maturity date: matures over a period of 5 years	Dec 13, 2012	Dec 13, 2012
Risk free interest rate: South African zero coupon bond curves	9.86%	9.86%
Expected dividend yield	0.00%	0.00%
Expected volatility of the Alease Gold's share price: exponentially weighted moving average methodology ($\lambda = 99\%$)	48.80%	49.30%
Credit spread: Johannesburg Interbank Rate (JIBAR) plus	5.00%	5.00%
Alease Gold's spot share price	R2.58	R2.95
Conversion price	R4.12	R4.12

	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006
	\$'000	\$'000	\$'000
Payable in	133,042	-	-
- 2007	-		
- 2008	7,435		
- 2009	7,435		
- 2010	7,435		
- 2011	7,435		
- 2012	103,302		
- Thereafter	-		

Notes to the Consolidated Financial Statements

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15 ASSET RETIREMENT OBLIGATIONS

	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006
	\$'000	\$'000	\$'000
Opening balance	2,856	1,953	1,875
Acquisition of Uranium One (note 3.1)	4,602	-	-
Acquisition of U.S. Energy assets (note 4.1)	3,543	-	-
Acquisition of EMC assets (note 4.2)	2,281	-	-
Reclamation revision of estimates	423	299	-
Accretion expense	1,000	604	78
Foreign exchange movement	306	-	-
Closing balance	15,011	2,856	1,953

	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006
Undiscounted and uninflated amount of estimated cash flows (\$'000)	28,074	4,284	5,355
Payable in years	4-27	4-18	5-19
Inflation rate	2.30% - 8.60%	7.00%	7.00%
Discount rate	7.39% - 14.75%	12.00%	5.00%

Security of \$20.3 million for reclamation obligations has been provided in the form required by the relevant country's authorities (note 11).

Notes to the Consolidated Financial Statements

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16 INCOME TAXES

	Dec 31, 2007 \$'000	Dec 31, 2006 \$'000	Jul 31, 2006 \$'000
Current income tax expense	41,346	15,984	5,304
Future income tax recovery	(17,621)	(3,973)	(1,905)
	23,725	12,011	3,399

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

	Dec 31, 2007 %	Dec 31, 2006 %	Jul 31, 2006 %
Earnings / (loss) before income taxes	2,311	31,695	(45,540)
Canadian federal and provincial income tax rates	34.12%	34.12%	34.12%
Expected income tax expense / (recovery)	788	10,814	(15,534)
Permanent differences, including share based compensation and foreign exchange	6,644	(3,018)	13,054
Effect of tax rate changes	2,954	4,481	2,947
Change in valuation allowance	9,121	(495)	1,823
Differences in tax rates in foreign jurisdictions	4,546	1,229	1,860
Other	(328)	(1,000)	(751)
	23,725	12,011	3,399

Tax loss carry forwards*Canada and provincial tax jurisdictions*

At December 31, 2007, the Corporation had Canadian federal and provincial net operating loss carry-forwards totaling \$21.5 million that expire from 2016 through 2027. A valuation allowance of \$6.0 million has been applied against the future tax asset representing these losses.

United States federal and state tax jurisdictions

At December 31, 2007, the Corporation had United States federal and state net operating loss carry-forwards totaling \$44.4 million that expire from 2008 through 2027. A valuation allowance of \$2.8 million has been applied against the future tax asset representing these losses.

South Africa tax jurisdictions

At December 31, 2007, the Corporation had South Africa net operating loss carry-forwards totaling \$105.4 million with no expiry. A valuation allowance of \$nil million has been applied against future tax asset representing these losses.

Kazakhstan tax jurisdictions

At December 31, 2007, the Corporation had Kazakhstan net operating loss carry-forwards totaling \$2.3 million that expire from 2008 through 2010. A valuation allowance of \$1.0 million has been applied against the future tax asset representing these losses.

Notes to the Consolidated Financial Statements

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16 INCOME TAXES (continued)**Future income tax**

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

	Dec 31, 2007 \$'000	Dec 31, 2006 \$'000	Jul 31, 2006 \$'000
Future income tax assets			
Mineral interests, plant & equipment	30,803	1,157	295
Other	31,249	2,910	2,228
Non-capital losses	58,134	503	1,691
Future income tax assets before valuation allowance	120,186	4,570	4,214
Valuation allowance	(20,166)	(3,509)	(4,004)
Future income tax assets, net of valuation allowance	100,020	1,061	210
Future income tax liabilities			
Mineral interests, plant & equipment	1,657,663	337,642	365,491
Other	18,619		-
	1,676,282	337,642	365,491
Less current portion	-	-	-
Future income tax liabilities	1,676,282	337,642	365,491
Total	1,576,262	336,581	365,281

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

17 SHARE CAPITAL

Issued and outstanding common shares	Notes	Number of shares	Value of shares \$'000
<i>UrAsia Energy - movement from August 1, 2005 to April 20, 2007</i>			
Balance of common shares at August 1, 2005		70,400,000	4,094
Shares issued for private placements		375,436,250	569,824
Acquisition of Signature		5,935,621	271
Acquisition of Kyzylkum		24,181,250	37,500
Exercise of warrants		3,219,750	673
Exercise of stock options		550,000	579
Common shares on July 31, 2006		479,722,871	612,941
Exercise of warrants		268,000	48
Exercise of stock options		249,833	618
Common shares on December 31, 2006		480,240,704	613,607
Exercise of warrants		481,000	82
Exercise of stock options		1,866,807	7,601
Common shares on April 20, 2007		482,588,511	621,290
<i>Conversion of UrAsia Energy shares to Uranium One shares at a ratio of 0.45</i>	3.1	217,164,830	621,290
Shares of Uranium One owned by Uranium One shareholders at acquisition		138,129,435	1,709,647
Exercise of warrants		150,000	2,033
Exercise of stock options and restricted shares		4,354,617	47,311
U.S. Energy asset purchase consideration	4.1	6,607,605	99,401
EMC asset purchase consideration	4.2	100,444,543	1,013,215
Shares issued for services rendered		322,393	3,987
Balance of issued and outstanding common shares at December 31, 2007		467,173,423	3,496,884

Uranium One Inc.

Notes to the Consolidated Financial Statements

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18 CONTRIBUTED SURPLUS

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

	Notes	Warrants S'000	Restricted shares S'000	Options S'000	Total S'000
As at August 1, 2005		-	-	-	-
Issued on acquisition of Signature	3.4	-	-	153	153
Share options issued and vested		-	-	9,370	9,370
Share options exercised		-	-	(216)	(216)
As at July 31, 2006		-	-	9,307	9,307
Share options issued and vested		-	-	22,162	22,162
Share options exercised		-	-	(183)	(183)
As at December 31, 2006		-	-	31,286	31,286
Issued on Uranium One / UrAsia Energy business combination	3.1	26,407	853	34,782	62,042
Issued on EMC asset acquisition	4.2	-	-	35,307	35,307
Share options issued and vested		-	-	33,734	33,734
Share options exercised		-	-	(29,213)	(29,213)
Restricted shares vested		-	3,926	-	3,926
Restricted shares exercised		-	(1,660)	-	(1,660)
Warrants exercised		(1,035)	-	-	(1,035)
As at December 31, 2007		25,372	3,119	105,896	134,387

Assumptions

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

	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006
Risk free interest rate	4.38%	3.80%	4.00%
Expected dividend yield	0%	0%	0%
Expected volatility of the Uranium One's share price	61%	46%	38%
Expected life	5 years	10 years	10 years

Notes to the Consolidated Financial Statements

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18 CONTRIBUTED SURPLUS (continued)**Options**

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

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

	Number of options	Weighted average exercise price Cdn \$
Balance as at August 1, 2005	-	-
Stock options granted on Signature acquisition	500,000	0.53
Granted	11,855,000	2.16
Exercised	(550,000)	0.76
Forfeiture of share options up to July 31, 2006	(20,000)	1.80
Outstanding options as at July 31, 2006	11,785,000	2.16
Granted	10,190,000	3.74
Exercised	(249,833)	1.95
Forfeiture or expiry of share options	(66,667)	3.00
Outstanding options at December 31, 2006	21,658,500	2.90
Granted up to April 20, 2007	1,935,000	5.99
Exercised up to April 20, 2007	(1,866,807)	2.11
Forfeiture of share options up to April 20, 2007	(30,000)	1.80
Outstanding options as at April 20, 2007	21,696,693	5.86
Converted UrAsia Energy share options on date of business combination	9,763,498	7.33
Existing Uranium One share options on April 20, 2007	5,390,754	6.67
EMC replacement options	8,382,546	8.14
Granted subsequent to April 20, 2007	1,867,817	15.27
Exercised subsequent to April 20, 2007	(4,228,640)	5.14
Forfeiture of share options subsequent to April 20, 2007	(351,187)	13.14
Outstanding options as at December 31, 2007	20,824,788	8.55

The stock option compensation expense for the year ended December 31, 2007 was \$33.7 million, \$22.2 million for the 5 months December 31, 2006 and \$9.4 million for the year ended July 31, 2006. As at December 31, 2007, the aggregate unexpended fair value of unvested stock options granted amounted to \$18.6 million. The fair value of options granted during the year amounts to \$18.0 million.

Notes to the Consolidated Financial Statements

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18 CONTRIBUTED SURPLUS (continued)

The following table summarizes certain information about Uranium One's stock options outstanding at December 31, 2007:

Warrants	Options outstanding			Options exercisable		
	Number outstanding as at Dec, 31 2007	Weighted average remaining life (years)	Weighted average exercise price Cdn \$	Number exercisable as at Dec 31, 2007	Weighted average remaining life (years)	Weighted average exercise price Cdn \$
1.09 to 2.74	1,585,746	2.40	2.39	1,585,747	2.40	2.39
3.03 to 4.81	3,339,250	3.37	4.02	3,336,179	3.37	4.02
5 to 7.79	3,646,640	5.48	6.68	3,028,550	5.48	6.57
8.26 to 9.9	5,676,745	4.53	8.42	5,523,746	4.53	8.41
10.4 to 11.91	740,750	5.38	11.61	365,000	5.38	11.55
12.02 to 13.7	3,528,100	4.13	12.25	1,791,320	4.13	12.15
14.12 to 16.87	2,307,557	5.88	15.94	588,280	5.88	15.69
	20,824,788	4.52	8.55	16,218,822	4.52	7.32

Restricted shares

Under the Uranium One Restricted Share Plan, restricted share rights are granted to eligible employees, contractors and directors. Each restricted share right is exercisable for one common share of Uranium One at the end of the restricted period for no additional consideration. The vesting period is generally two-thirds on the first anniversary of the grant date and the remainder on the second anniversary of the grant date. The aggregate maximum number of shares available for issuance under the restricted share plan was initially capped at one million and subsequently increased to 3 million at Uranium One's annual and special meeting held on June 7, 2007. The number of shares for issuance to non-employee directors may not exceed 0.5% of the total number of common shares outstanding on a non-diluted basis.

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

	Notes	Number of restricted shares		
		Dec 31, 2007	Dec 31, 2006	Jul 31, 2006
Restricted shares issued on business combination	3.1	404,231	-	-
Granted		20,000	-	-
Exercised during the period		(125,977)	-	-
Expired		(2,722)	-	-
Total restricted shares outstanding at the end of the period		295,532	-	-

Of the outstanding number of Restricted share rights, the grant date was July 1, 2007 for 20,000 Restricted share rights, December 8, 2006 for 50,440 Restricted share rights, and June 7, 2006 for 225,092 Restricted share rights. Restricted share rights will not expire while the participant is in the employ of the Corporation.

The Restricted share rights expense for the year ended December 31, 2007 was \$4.0 million, \$Nil for the 5 months ended December 31, 2006 and \$Nil for the year ended July 31, 2006. As at December 31, 2007 the aggregate unexpensed fair value of unvested restricted share rights granted amounted to \$805,506.

Notes to the Consolidated Financial Statements

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18 CONTRIBUTED SURPLUS (continued)

	Number of warrants			Allocated Value		
	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006	Dec 31, 2007 \$'000	Dec 31, 2006 \$'000	Jul 31, 2006 \$'000
Issued on business combination (note 3.1)	2,731,619	-	-	26,407	-	-
Exercised during the period	(150,000)	-	-	(1,035)	-	-
At the end of the period	2,581,619	-	-	25,372	-	-

	Number of warrants			Allocated Value		
	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006
Warrants comprise:						
2008 Warrants	2,431,619	-	-	3.55	-	-
Series D Warrants	150,000	-	-	6.95	-	-
Total	2,581,619	-	-	3.75	-	-

Series D warrants represent 150,000 warrants that expire on January 4, 2008. The 2008 warrants expire on September 24, 2008.

Contingently issuable shares

Under the terms of the acquisition agreement for the Kyzylkum JV interest, Uranium One is obligated to issue 6,964,200 common shares of Uranium One upon commencement of commercial production from Kyzylkum (Note 3.3).

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 1,925,100 common shares of Uranium One for issuance pursuant to the assumed obligations under the Contingent Share Rights Agreements. Uranium One Inc.

19 FOREIGN EXCHANGE (LOSSES) / GAINS

A summary of the foreign exchange (loss) / gain by item is as follows:

	Dec 31, 2007 US\$'000	Dec 31, 2006 US\$'000	Jul 31, 2006 US\$'000
Unrealized foreign exchange (loss) / gain on future income tax liability	(18,727)	24,736	(42,602)
Unrealized foreign exchange loss on other items	(7,469)	(2,114)	(20)
Realized foreign exchange gain on other items	13,174	885	1,502
	(13,022)	23,507	(41,120)

Notes to the Consolidated Financial Statements

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20 CASH FLOW INFORMATION

	Dec 31, 2007 \$'000	Dec 31, 2006 \$'000	Jul 31, 2006 \$'000
Changes in non-cash working capital excluding business combinations:			
- Increase in accounts and other receivables	(3,706)	(39,816)	(4,743)
- Prepaid expenses and other	(8,396)	309	1,012
- Increase in inventories	(3,442)	(475)	(3,042)
- Increase / (decrease) in accounts payable and accrued liabilities	(17,750)	7,019	(4,159)
- Increase / (decrease) in income taxes payable	3,368	(2,112)	3,080
	(29,926)	(35,075)	(7,852)
Significant non-cash investing activities			
EMC asset purchase	1,048,522	-	-
- common shares	1,013,215	-	-
- options	35,307	-	-
Uranium One business combination	1,818,169	-	-
- common shares	1,709,647	-	-
- options, warrants and restricted share rights	62,042	-	-
- equity component of convertible debentures	46,480	-	-
U.S. Energy asset purchase	99,401	-	-
Shares issued for services rendered	3,987	-	-
Supplemental cash flow information			
Cash interest paid	6,564	-	45
Cash taxation paid	36,107	13,530	6,136

Short term loans

The February 2005 Nedcor Securities loan represented draw-downs on a facility provided by Nedcor Securities, secured by the investment held by Uranium One's wholly owned subsidiary, Uranium One Africa Limited, in Randgold and Exploration Company Limited shares.

The August 2006 Nedcor Securities loan represented draw-downs on a facility provided by Nedcor Securities, secured by Uranium One Africa's investment in Alease Gold shares.

Both loans were repaid during the year for a total cash consideration of \$55.2 million including accrued interest of \$2.1 million, with the security over the investments being released upon repayment.

Notes to the Consolidated Financial Statements

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21 BASIC AND DILUTED WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING

	Dec 31, 2007	Dec 31, 2006	Jul 31, 2006
Basic weighted-average number of shares outstanding ('000)	360,656	215,999	182,808
Effect of dilutive securities:			
- stock options	-	1,706	-
- warrants	-	270	-
Diluted weighted-average number of shares outstanding	360,656	217,975	182,808

For the year ended December 31, 2007, convertible debentures, stock options, warrants and restricted shares were not included in the dilutive weighted average number of shares outstanding as they were anti-dilutive. For the year ended July 31, 2006, stock options and warrants were not included as they were anti-dilutive.

22 CONTRACTUAL OBLIGATIONS

	Dec 31, 2007
Capital commitments	118,436
Other	40,107
Total contractual obligations	158,543
Payable in	
- 2008	121,358
- 2009	1,129
- 2010	5,075
- 2011	10,550
- 2012	4,276
	142,388
- thereafter	16,155
	158,543

The capital commitments relates to capital expenditure on the Corporation's development projects.

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

23 SEGMENTED INFORMATION

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

	Country	Revenue	Operating expenses	Depreciation and depletion	Exploration expenditure	Net earnings / (loss)	Capital expenditure
Akdala Uranium Mine	Kazakhstan	134,024	(17,282)	(14,922)	-	56,305	9,108
South Inkai Uranium Project	Kazakhstan	-	-	-	-	110	39,243
Kharasan Uranium Project	Kazakhstan	-	-	-	-	(1,410)	21,135
Dominion Uranium Project	South Africa	-	-	-	(1,913)	(1,225)	137,954
US Development projects	United States	-	-	-	-	-	5,907
US Exploration projects	United States	-	-	-	(5,077)	(5,079)	248
Hobson facility and La Palangana Project	United States	-	-	-	(1,608)	(2,764)	14,674
Shootaring Canyon Mill	United States	-	-	-	(32)	(63)	2,966
Honeymoon Uranium Project and exploration	Australia	-	-	-	(1,987)	(1,745)	21,349
Modder East Gold Project	South Africa	-	-	-	(1,675)	(9,261)	13,377
Pitchstone exploration	Canada	-	-	-	(1,938)	(1,938)	-
Corporate and other		-	-	-	(4,948)	(50,539)	13,409
Total		134,024	(17,282)	(14,922)	(19,178)	(17,609)	279,370

For the five months ended December 31, 2006: (in \$'000)

	Country	Revenue	Operating expenses	Depreciation and depletion	Exploration expenditure	Net earnings / (loss)	Capital expenditure
Akdala Uranium Mine and South Inkai Uranium Project	Kazakhstan	50,449	(9,289)	(8,416)	-	44,628	6,689
Kharasan Uranium Project	Kazakhstan	-	-	-	-	106	6,793
Corporate and other		-	-	(33)	(2,914)	(25,050)	27
Total		50,449	(9,289)	(8,449)	(2,914)	19,684	13,509

For the year ended July 31, 2006: (in \$'000)

	Country	Revenue	Operating expenses	Depreciation and depletion	Exploration expenditure	Net earnings / (loss)	Capital expenditure
Akdala Uranium Mine and South Inkai Uranium Project	Kazakhstan	23,507	(9,548)	(5,030)	-	(35,316)	9,588
Kharasan Uranium Project	Kazakhstan	-	-	-	-	12	2,409
Corporate and other		-	-	(77)	(2,648)	(13,635)	322
Total		23,507	(9,548)	(5,107)	(2,648)	(48,939)	12,319

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

23 SEGMENTED INFORMATION (continued)

As at December 31, 2007: (in \$'000)

		Mineral interest, plant and equipment	Total assets	Total liabilities
Akdala Uranium Mine	Kazakhstan	201,566	266,240	94,710
South Inkai Uranium Project	Kazakhstan	454,019	457,510	207,461
Kharasan Uranium Project	Kazakhstan	175,914	184,283	92,422
Dominion Uranium Project	South Africa	2,106,164	2,111,565	598,102
US Development projects	United States	285,838	285,838	1,637
US Exploration projects	United States	1,074,415	1,079,794	115,368
Hobson facility and La Palangana Project	United States	90,372	91,879	24,730
Shootaring Canyon Mill	United States	97,623	112,894	2,573
Honeymoon Uranium Project and exploration	Australia	300,038	300,043	86,613
Modder East Gold Project	South Africa	285,732	381,776	178,275
Pitchstone exploration	Canada	21,216	21,360	5,831
Corporate and other		20,010	319,716	510,963
Total		5,112,907	5,612,898	1,918,685

As at December 31, 2006: (in \$'000)

		Mineral interest, plant and equipment	Total assets	Total liabilities
Akdala Uranium Mine	Kazakhstan	209,407	285,654	89,317
South Inkai Uranium Project	Kazakhstan	407,437	407,437	194,236
Kharasan Uranium Project	Kazakhstan	150,737	156,267	68,816
Corporate and other		1,306	122,260	3,560
Total		768,887	971,618	355,929

As at July 31, 2006: (in \$'000)

		Mineral interest, plant and equipment	Total assets	Total liabilities
Akdala Uranium Mine	Kazakhstan	217,827	243,367	93,545
South Inkai Uranium Project	Kazakhstan	400,193	400,193	208,326
Kharasan Uranium Project	Kazakhstan	143,874	150,798	73,803
Corporate and other		653	156,667	1,989
Total		762,547	951,025	377,663

Notes to the Consolidated Financial Statements

as at December 31, 2007 and 2006 and July 31, 2006

24 CONTINGENT SALE OF AN INTEREST IN THE DOMINION URANIUM PROJECT

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

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

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

The Micawber transaction was approved by Uranium One Africa's shareholders in September 2005, following which the South African Department of Minerals and Energy granted a "new order" mining right to the Corporation for the Dominion Uranium Project in October 2006. The Micawber 397 transaction will be accounted for in Uranium One's consolidated financial statements when the risks and rewards of the transaction are deemed to have passed to Micawber 397. Management has determined that this event will occur on the day that Micawber 397 elects to pay at least 20% of the purchase price, prompting the determination of the purchase price. As at December 31, 2007, Micawber 397 has not paid any part of the purchase price.

25 SUBSEQUENT EVENT

Partial sale of shareholding in Alease Gold

During Q1 2008, in line with the Corporation's strategy to dispose of its non-core assets, the board of directors approved a plan to pursue the sale of the Corporation's shareholding in Alease Gold and the Corporation entered into negotiations regarding the sale of Alease Gold.

Consequently the Corporation entered into an agreement on March 27, 2008, pursuant to which it agreed to sell 152,195,122 shares in Alease Gold, held by the Corporation's wholly owned subsidiary, Uranium One Africa Limited ("Uranium One Africa"), for consideration of approximately \$40 million (ZAR320 million). The transaction is expected to close during April 2008, subject to approval by the South African Reserve Bank.

An option has been granted to the purchaser to acquire Uranium One Africa's remaining shareholding of 186,816,558 shares in Alease Gold at a consideration of no less than approximately \$49 million (ZAR393 million) on or before May 8, 2008. Once the option is exercised, the purchase and sale of the shares in Alease Gold will be required to comply with the provisions of the Securities Regulation Code of the Securities Regulation Panel of South Africa relating to a compulsory offer to the other shareholders of Alease Gold and, within 150 days, to obtain approval from the South African Reserve Bank and the satisfaction of merger approval requirements of South African Competition Act, 89 of 1998.

It is expected that the Corporation will reflect a loss of approximately \$90 million in Q1 2008 pursuant to this transaction.

corporate information

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Stock Exchange Listings

The Toronto Stock Exchange
Trading Symbol: UUU
The Johannesburg Securities Exchange
Trading Symbol: UUU

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