

interim financial statements

**Interim Consolidated Financial Statements
for the three and nine months ended September 30, 2008
(Unaudited)**

Uranium One Inc.

Interim Consolidated Balance Sheets – Unaudited

As at September 30, 2008 and December 31, 2007
(in United States dollars)

	Notes	Sep 30, 2008 \$'000	Dec 31, 2007 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		98,931	159,592
Accounts and other receivables	4	62,371	70,318
Current portion of loans to joint ventures	5.2	19,390	32,867
Inventories	6	23,422	20,952
Other assets		986	18,056
Discontinued operations	3	-	94,986
		205,100	396,771
Non-current assets			
Mineral interests, plant and equipment	7	1,679,590	4,827,353
Loans to joint ventures	5.2	18,666	24,359
Available for sale securities	8	1,420	21,257
Other assets	9	58,659	56,543
Assets held for sale	10	2,703	-
Discontinued operations	3	29,773	286,614
		1,790,811	5,216,126
Total assets		1,995,911	5,612,897
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	52,305	70,802
Income taxes payable		10,167	4,237
Discontinued operations	3	-	5,245
		62,472	80,284
Non-current liabilities			
Convertible debentures		135,560	136,548
Asset retirement obligations		9,762	13,926
Future income tax liabilities		544,308	1,496,060
Long term debt	5.1	29,873	18,205
Other long term payables	12	12,740	1,824
Liabilities relating to assets held for sale	10	135	-
Discontinued operations	3	-	183,145
		732,378	1,849,708
SHAREHOLDERS' EQUITY			
Share capital	13	3,521,430	3,496,884
Contributed surplus	14	131,133	134,387
Equity component of convertible debentures		46,480	46,480
Accumulated other comprehensive (loss) / income		(254,128)	51,967
Deficit		(2,243,854)	(46,813)
		1,201,061	3,682,905
Total shareholders' equity and liabilities		1,995,911	5,612,897

Basis of presentation and principles of consolidation (note 2.1)

Subsequent events (note 22)

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

Uranium One Inc.

Interim Consolidated Statements of Operations – Unaudited

For the three and nine months ended September 30, 2008 and September 30, 2007
(in United States dollars)

	Notes	Three months ended		Nine months ended	
		Sep 30, 2008 \$'000	Sep 30, 2007 \$'000	Sep 30, 2008 \$'000	Sep 30, 2007 \$'000
Revenues		56,723	8,019	128,630	73,014
Operating expenses		(11,793)	(660)	(24,572)	(9,761)
Depreciation and depletion		(8,305)	(1,058)	(18,196)	(7,933)
Earnings from mine operations		36,625	6,301	85,862	55,320
General and administrative ⁽¹⁾		(10,592)	(28,370)	(39,821)	(51,101)
Exploration expense		(5,388)	(4,813)	(12,103)	(10,636)
Operating earnings / (loss)		20,645	(26,882)	33,938	(6,417)
Interest and other	15	(2,483)	(96)	(4,305)	2,259
Impairment of mineral interests, plant and equipment	7.1	(2,816,878)	-	(2,816,878)	-
Impairment of assets held for sale	10	(14,100)	-	(119,189)	-
Gain on sale of available for sale securities	8	-	-	7,467	-
Foreign exchange (loss) / gain	16	(2,809)	10,727	(2,995)	(2,684)
Other		(835)	564	809	1,947
Loss from continuing operations before income taxes		(2,816,460)	(15,687)	(2,901,153)	(4,895)
Current income tax expense		(16,023)	(1,961)	(39,934)	(22,336)
Future income tax recovery		818,799	668	848,895	5,114
Loss from continuing operations		(2,013,684)	(16,980)	(2,092,192)	(22,117)
Loss from discontinued operations	3	(567)	(277)	(104,849)	(863)
Net loss		(2,014,251)	(17,257)	(2,197,041)	(22,980)
⁽¹⁾ Stock option and restricted share expense (non-cash) included in general and administrative	14	2,963	15,389	13,560	28,413
Loss per share from continuing operations					
Basic and diluted		(4.30)	(0.04)	(4.47)	(0.07)
Loss per share from discontinued operations					
Basic and diluted		(0.00)	(0.00)	(0.22)	(0.00)
Net loss per share					
Basic and diluted		(4.30)	(0.04)	(4.69)	(0.07)
Weighted average number of shares (in thousands)					
Basic and diluted	18	468,518	422,308	468,047	324,894

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

Uranium One Inc.

Interim Consolidated Statements of Changes in Equity - Unaudited

For the three and nine months ended September 30, 2008 and September 30, 2007
(in United States dollars)

	Share capital \$'000	Contributed surplus \$'000	Equity component of convertible debenture \$'000	Accumulated other comprehend - sive income / (loss) \$'000	Deficit \$'000	Total \$'000
Balance as at January 1, 2007	613,607	31,286	-	-	(29,204)	615,689
Net loss for the year	-	-	-	-	(17,609)	(17,609)
Stock 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 consideration	1,013,215	35,307	-	-	-	1,048,522
Unrealized gains recognized on translation of self-sustaining foreign operations	-	-	-	47,536	-	47,536
Unrealized gains recognized on translation of self-sustaining foreign discontinued operations	-	-	-	4,243	-	4,243
Shares issued for services rendered	3,987	-	-	-	-	3,987
Fair value adjustments on available for sale securities, net of tax (note 8)	-	-	-	188	-	188
Balance as at December 31, 2007	3,496,884	134,387	46,480	51,967	(46,813)	3,682,905
Net loss for the period	-	-	-	-	(2,197,041)	(2,197,041)
Stock options and restricted shares vested	-	13,560	-	-	-	13,560
Exercise of warrants	15,791	(11,460)	-	-	-	4,331
Exercise of stock options and restricted shares	8,755	(5,354)	-	-	-	3,401
Unrealized loss recognized on translation of self-sustaining foreign operations	-	-	-	(285,645)	-	(285,645)
Unrealized loss recognized on translation of self-sustaining foreign discontinued operations	-	-	-	(27,969)	-	(27,969)
Realized loss on sale of Aflase Gold	-	-	-	9,920	-	9,920
Fair value adjustments on available for sale securities (note 8)	-	-	-	(2,225)	-	(2,225)
Realized loss on sale of available for sale securities, net of tax	-	-	-	(176)	-	(176)
Balance as at September 30, 2008	3,521,430	131,133	46,480	(254,128)	(2,243,854)	1,201,061

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

Uranium One Inc.

Interim Consolidated Statements of Comprehensive (Loss) / Income - Unaudited

For the three and nine months ended September 30, 2008 and September 30, 2007
(in United States dollars)

	Notes	Three months ended		Nine months ended	
		Sep 30, 2008 \$'000	Sep 30, 2007 \$'000	Sep 30, 2008 \$'000	Sep 30, 2007 \$'000
Net loss		(2,014,251)	(17,257)	(2,197,041)	(22,980)
Unrealized (loss) / gain recognized on translation of self-sustaining foreign operations		(121,005)	40,022	(285,645)	31,972
Unrealized (loss) / gain recognized on translation of self-sustaining foreign discontinued operations		(1,899)	4,194	(27,969)	3,666
Realized loss on sale of Alease Gold		-	-	9,920	-
Fair value adjustments on available for sale securities	8	(1,272)	(371)	(2,225)	(371)
Realized loss on sale of available for sale securities, net of tax		-	-	(176)	-
Comprehensive (loss) / income		(2,138,427)	26,588	(2,503,136)	12,287

Interim Consolidated Statements of Accumulated Other Comprehensive (Loss) / Income - Unaudited

As at September 30, 2008 and December 31, 2007
(in United States dollars)

	Sep 30, 2008 \$'000	Dec 31, 2007 \$'000
Accumulated other comprehensive income at January 1		-
Other comprehensive (loss) / income for the period	51,967	
	(306,095)	51,967
	(254,128)	51,967
Components of other comprehensive loss at the end of the period:		
Unrealized foreign exchange adjustment - continuing operations ⁽¹⁾	(238,109)	47,562
Unrealized foreign exchange adjustment - discontinued operations	(13,806)	4,243
Available for sale marketable securities and investments	(2,213)	162
	(254,128)	51,967

⁽¹⁾ Includes foreign exchange losses of \$238.5 million relating to the translation of the investment in Uranium One Africa Limited (note 7.1)

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

Uranium One Inc.

Interim Consolidated Statements of Cash Flows – Unaudited

For the three and nine months ended September 30, 2008 and September 30, 2007

(in United States dollars)

	Notes	Three months ended		Nine months ended	
		Sep 30, 2008 \$'000	Sep 30, 2007 \$'000	Sep 30, 2008 \$'000	Sep 30, 2007 \$'000
Net loss from continuing operations		(2,013,684)	(16,980)	(2,092,192)	(22,117)
Items not affecting cash:					
- Depreciation and depletion		8,305	1,058	18,196	7,933
- Impairment of mineral interest plant and equipment	7.1	2,816,878	-	2,816,878	-
- Impairment of assets held for sale	10	14,100	-	119,189	-
- Stock option and restricted share expense	14	2,963	15,389	13,560	28,413
- Interest accrued on loans and debentures		4,438	3,707	12,055	5,226
- Unrealized foreign exchange (gain) / loss	16	1,737	(1,274)	(1,907)	10,688
- Future income tax recovery		(818,799)	(668)	(848,895)	(5,114)
- Gain on sale of available for sale securities		-	-	(7,467)	-
- Other		1,540	(377)	1,735	1,441
Movement in non-cash working capital	17	8,993	1,896	4,415	7,219
Cash flows from operating activities		26,471	2,751	35,567	33,689
Acquisition of Uranium One Inc., net of acquisition costs		-	-	-	271,935
Acquisition of Energy Metals Corporation, net of acquisition costs		-	82,410	-	82,410
Acquisition of mineral interests, plant and equipment		(63,833)	(80,800)	(186,270)	(163,960)
Advance cash payments for other assets		-	(1,331)	-	(5,644)
Joint Venture earn in payments received		-	800	-	800
Proceeds on sale of available for sale securities	8	-	-	24,927	-
Cash advances to joint ventures		-	-	(3,900)	(22,400)
Cash proceeds from joint ventures		4,667	-	23,001	18,780
Restricted cash		-	-	-	(500)
Other		(810)	-	(1,763)	-
Cash flows (used in) / from investing activities		(59,976)	1,079	(144,005)	181,421
Cash flows from investing activities of discontinued operations	3	-	-	43,456	-
Common shares issued, net of issue costs		3,486	4,466	8,274	22,197
Financing fees	9	-	-	(5,666)	-
Loans received by Kyzylkum		-	12,000	12,000	12,000
Short term loan repaid		-	(53,131)	-	(53,131)
Subscriptions for special warrants received by subsidiary		-	6,072	-	6,072
Coupon interest payment on convertible debentures		-	-	(3,267)	-
Other		-	-	-	(175)
Cash flows from / (used in) financing activities		3,486	(30,593)	11,341	(13,037)
Effects of exchange rate changes on cash and cash equivalents		(4,198)	16,532	(7,020)	26,748
Net (decrease) / increase in cash and cash equivalents from continuing operations		(34,217)	(10,231)	(60,661)	228,821
Cash and cash equivalents at the beginning of the period		133,148	288,013	159,592	48,961
Cash and cash equivalents at the end of the period		98,931	277,782	98,931	277,782
Cash flows of discontinued operations					
Cash flows used in operating activities		-	(1,835)	(685)	(3,284)
Cash flows (used in) / from investing activities		-	(1,970)	44,141	(3,534)
Cash flows from / (used in) financing activities		-	206	-	272

Supplemental cash flow information (note 17)

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

Notes to the Interim Consolidated Financial Statements - Unaudited

as at September 30, 2008 and December 31, 2007

(in United States dollars)

1 NATURE OF OPERATIONS

Uranium One Inc. ("Uranium One") and its subsidiaries ("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. The Corporation is in the process of disposing of its remaining 36% 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 through the Bepak Dala Joint Venture a 70% interest in both the producing Akdala Uranium Mine and the South Inkai Uranium Project, which is being commissioned. The Kharasan Project in Kazakhstan, in which the Corporation owns a 30% interest, is being developed by the Kyzylkum Joint Venture. In the United States, the Corporation owns projects in the Powder River and Great Divide Basins in Wyoming. The Corporation has suspended operations at its Dominion Project in South Africa and placed it on care and maintenance while evaluating strategic alternatives for the project. The Corporation entered into joint venture agreements subsequent to September 30, 2008 in relation to the Honeymoon Uranium Project in Australia and exploration, which is scheduled to close before the end of 2008. The Corporation owns, either directly or through joint ventures, a large portfolio of uranium exploration properties in South Africa, the western United States and South Australia.

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

These interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and they follow the same accounting policies and methods of application as the audited consolidated financial statements of the Corporation for the year ended December 31, 2007, except as discussed in note 2.2. These interim unaudited consolidated financial statements do not include all the information and note disclosure required by the generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the most recent annual audited consolidated financial statements.

The consolidated balance sheet, statement of operations and certain comparative figures have been restated for discontinued operations (note 3).

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

The following are the Corporation's principal mineral properties as at September 30, 2008:

Operating mine:				
Entity	Mineral property/Operation	Location	Ownership	Status
Bepak Dala LLP	Akdala Uranium Mine	Kazakhstan	70%	Proportionately consolidated
Advanced development projects:				
Entity	Mineral property/Operation	Location	Ownership	Status
Bepak Dala LLP	South Inkai Uranium Project	Kazakhstan	70%	Proportionately consolidated
Kyzylkum LLP	Kharasan Uranium Project	Kazakhstan	30%	Proportionately consolidated

The Corporation is also developing the following mineral properties:

Entity	Mineral property/Operation	Location	Ownership	Status
Energy Metals Corp (US)	United States development projects	United States	100%	Consolidated
Uranium One Australia (Proprietary) Limited	Honeymoon Uranium Project	Australia	100%	Consolidated

The Corporation suspended development of the following mineral properties:

Entity	Mineral property/Operation	Location	Ownership	Status
Uranium One Africa Ltd	Dominion Uranium Project	South Africa	100%	Consolidated
South Texas Mining Venture	Hobson Facility and La Palangana Project	United States	99%	Consolidated

Notes to the Interim Consolidated Financial Statements - Unaudited

as at September 30, 2008 and December 31, 2007

(in United States dollars)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Adoption of new standards

Effective January 1, 2008, the Corporation adopted new accounting standards for Capital Disclosures (CICA Handbook Section 1535), Inventories (CICA Handbook Section 3031), and Financial Instruments – Disclosure and Presentation (CICA Handbook Sections 3862 and 3863).

Under Section 1535, the Corporation discloses its objectives, policies and procedures for managing capital, any summary quantitative data about what the Corporation manages as capital, whether the Corporation has complied with any externally imposed capital requirements and, if the Corporation has not complied with them, any consequences of non-compliance with these capital requirements.

The new Sections 3862 and 3863 replace Section 3861 Financial Instruments – Disclosure and Presentation. Disclosure requirements are revised and enhanced, while presentation requirements remain essentially unchanged. The new disclosure requirements expand discussion around the significance of financial instruments for the Corporation's financial position and performance, the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date and how the entity manages those risks.

Section 3031 establishes standards for the measurement and disclosure of inventories and provides a Canadian equivalent to International Accounting Standard IAS 2 - Inventories. The main recommendations of the new Section 3031 are:

- Measurement of inventories at the lower of cost and net realizable value, with guidance on the determination of cost, including allocation of overheads and other costs to inventory.
- Specific identification of cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects.
- Consistent use (by type of inventory with similar nature and use) of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of other inventories.
- Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories.

The adoption of Section 3031 on January 1, 2008, did not have a material impact on the Corporation's financial position or operating results.

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Corporation's reporting no later than in the first quarter of 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Corporation's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency, certain contractual arrangements, debt covenants and capital requirements. The Corporation is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion.

Notes to the Interim Consolidated Financial Statements - Unaudited

as at September 30, 2008 and December 31, 2007

(in United States dollars)

3 DISCONTINUED OPERATIONS – AFLEASE GOLD

On March 27, 2008, the Corporation entered into an agreement to sell its shareholding in Alease Gold. On April 8, 2008 the Corporation sold 152.2 million Alease Gold shares for \$41.3 million (ZAR320 million), decreasing the Corporation's ownership to 38% of the common shares of Alease Gold. An option granted to the purchaser to acquire Uranium One Africa's remaining shareholding in Alease Gold lapsed on May 8, 2008. In the first quarter of 2008, the Corporation's investment in Alease Gold was written down to its fair value, based on a combination of the contracted sales price and the market price on the Johannesburg Stock Exchange ("JSE"). The impairment, net of future income tax recovery, amounted to \$103.5 million.

During June 2008, the Corporation sold an additional 9.1 million Alease Gold shares for \$2.8 million (ZAR21.9 million), decreasing the Corporation's shareholding to 36%. The Corporation realized a gain of \$0.7 million on the sale of these shares. The tax on these transactions was offset against the assessed tax losses of Uranium One Africa Limited, a wholly owned subsidiary of the Corporation.

The assets and liabilities of Alease Gold have been classified as discontinued operations for all periods presented in these financial statements. As a result of the Corporation's partial disposal of its interest in Alease Gold, the consolidation of Alease Gold is no longer appropriate. The Corporation has equity accounted for its investment in Alease Gold for the three months ended September 30, 2008 and its share of Alease Gold's earnings is recorded in the discontinued operations line in the consolidated statement of operations for the three months ended September 30, 2008. The Corporation's net equity investment in Alease Gold is recorded as discontinued operations (non-current assets) in the consolidated balance sheet as at September 30, 2008. The Board of Directors has approved the sale of the remaining portion of Uranium One Africa's shareholding in Alease Gold.

The investment in Alease Gold was reported as the Modder East Gold Project for segment reporting purposes in previous periods.

The financial statement effects on the net investment in Alease Gold and the statement of operations are illustrated below:

	Balance sheet	Statement of operations
	\$'000	\$'000
December 31, 2007	191,114	-
Loss from discontinued operations	(1,004)	(1,004)
Impairment	(103,552)	(103,552)
Effect of foreign exchange and other	(29,411)	-
March 31, 2008	57,147	(104,556)
Net carrying value sold during the period	(27,837)	-
Loss on sale of investment, net of tax	-	685
Share of net loss for the period ⁽¹⁾	(411)	(411)
Effect of foreign exchange	3,339	-
June 30, 2008	32,238	(104,282)
Share of net loss for the period ⁽¹⁾	(567)	(567)
Effect of foreign exchange	(1,898)	-
September 30, 2008	29,773	(104,849)

⁽¹⁾ The Corporation estimated its share of net loss for Alease Gold for the three months ended September 30, 2008.

Notes to the Interim Consolidated Financial Statements - Unaudited

as at September 30, 2008 and December 31, 2007

(in United States dollars)

3 DISCONTINUED OPERATIONS – AFLEASE GOLD (continued)

Selected financial information of the discontinued operations included in the comparative periods of the Consolidated Statement of Operations are as follows:

	Three months ended Sep 30, 2007 \$'000	Nine months ended Sep 30, 2007 \$'000
Net loss from discontinued operations		
Revenues	-	-
Loss from discontinued operations	(1,388)	(2,588)
Interest and other expenses	1,065	954
Non-controlling interest	46	771
	(277)	(863)

The major classes of assets and liabilities of the discontinued operations are as follows:

	Sep 30, 2008 \$'000	Dec 31, 2007 \$'000
Assets		
Cash and cash equivalents	-	92,623
Accounts receivable and other receivables	-	2,321
Inventories	-	42
Current assets of discontinued operations	-	94,986
Mineral interests, plant and equipment	-	285,553
Investment	29,773	-
Other assets	-	1,061
Non-current assets of discontinued operations	29,773	286,614
Total assets of discontinued operations	29,773	381,600
Liabilities		
Accounts payable, accrued liabilities and other	-	5,080
Income taxes payable	-	165
Current liabilities of discontinued operations	-	5,245
Future income tax liabilities	-	80,201
Convertible debentures	-	90,551
Other long term liabilities	-	1,085
Non-controlling interest	-	11,308
Non-current liabilities of discontinued operations	-	183,145
Total liabilities of discontinued operations	-	188,390

Notes to the Interim Consolidated Financial Statements - Unaudited

as at September 30, 2008 and December 31, 2007

(in United States dollars)

4 ACCOUNTS AND OTHER RECEIVABLES

	Sep 30, 2008 \$'000	Dec 31, 2007 \$'000
Trade receivables	45,161	55,520
Value added tax and general sales tax	9,798	7,446
Prepayments and advances	5,639	5,558
Deposits and guarantees	2,824	3,220
Other receivables	1,773	1,794
	65,195	73,538
Less: non-current deposits and guarantees included in other assets (note 9)	2,824	3,220
	62,371	70,318

5 JOINT VENTURES**5.1 Proportionate interests in joint ventures**

The Corporation owns the following interests in joint ventures:

Betpak Dala	70%
Kyzylkum	30%

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

As at September 30, 2008

	Betpak Dala \$'000	Kyzylkum \$'000	Total \$'000
Cash	23,771	1,457	25,228
Other current assets	41,309	730	42,039
Mineral interests, plant and equipment	686,979	195,575	882,554
Other assets	2,044	2,874	4,918
Current liabilities	(18,575)	(6,119)	(24,694)
Long term debt ⁽¹⁾	(88)	(29,785)	(29,873)
Other	(1,543)	(306)	(1,849)
Future income taxes	(273,372)	(72,783)	(346,155)
Asset retirement obligation	(1,392)	(78)	(1,470)
Net Assets	459,133	91,565	550,698

⁽¹⁾ In addition to the \$54 million loan (note 5.2) from the Corporation, Kyzylkum negotiated unsecured bank loan facilities in Q2 2007 totaling \$100 million. One facility, in the amount of \$70 million, was obtained from the Japan Bank for International Cooperation ("JBIC") and the other facility, in the amount of \$30 million, was obtained from Citibank. Total draw downs against these facilities amounted to \$100 million as at September 30, 2008.

Notes to the Interim Consolidated Financial Statements - Unaudited

as at September 30, 2008 and December 31, 2007

(in United States dollars)

5 JOINT VENTURES (continued)**5.1 Proportionate interests in joint ventures (continued)**

As at December 31, 2007

	Betpak Dala \$'000	Kyzylkum \$'000	Total \$'000
Cash	1,643	3,659	5,302
Other current assets	73,039	291	73,330
Mineral interests, plant and equipment	680,046	182,740	862,786
Other assets	4,070	4,771	8,841
Current liabilities	(19,395)	(900)	(20,295)
Long term debt	-	(18,205)	(18,205)
Other long term liabilities	(1,567)	(135)	(1,702)
Future income taxes	(280,075)	(72,486)	(352,561)
Asset retirement obligation	(3,377)	-	(3,377)
Net Assets	454,384	99,735	554,119

The Corporation's proportionate share of revenue, expenses, net earnings / (loss) and cash flows for the three and nine month periods ended September 30, 2008 and 2007 are as follows:

Three months ended September 30, 2008

	Betpak Dala \$'000	Kyzylkum \$'000	Total \$'000
Revenue	56,723	-	56,723
Expenses and other income	(18,856)	325	(18,531)
Foreign exchange (loss) / gain	(1,934)	3,960	2,026
Earnings before income taxes	35,933	4,285	40,218
Current income tax expense	(16,023)	-	(16,023)
Future income tax recovery	3,143	-	3,143
Earnings	23,053	4,285	27,338
Cash flows from / (used in) operating activities	27,129	(554)	26,575
Cash flows used in investing activities	(13,380)	(3,377)	(16,757)
Cash flows from / (used in) financing activities	99	(2,325)	(2,226)
Net increase / (decrease) in cash	13,848	(6,256)	7,592

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5 JOINT VENTURES (continued)**5.1 Proportionate interests in joint ventures (continued)**

Nine months ended September 30, 2008

	Betpak Dala \$'000	Kyzylkum \$'000	Total \$'000
Revenue	128,630	-	128,630
Expenses and other income	(40,682)	336	(40,346)
Foreign exchange (loss) / gain	(2,055)	3,949	1,894
Earnings before income taxes	85,893	4,285	90,178
Current income tax expense	(37,595)	(44)	(37,639)
Future income tax recovery	6,792	-	6,792
Earnings	55,090	4,241	59,331
Cash flows from / (used in) operating activities	74,022	(619)	73,403
Cash flows used in investing activities	(40,169)	(7,683)	(47,852)
Cash flows (used in) / from financing activities	(11,726)	5,827	(5,899)
Net increase / (decrease) in cash	22,127	(2,475)	19,652

Three months ended September 30, 2007

	Betpak Dala \$'000	Kyzylkum \$'000	Total \$'000
Revenue	8,019	-	8,019
Expenses and other income	(2,053)	2	(2,051)
Foreign exchange gain	119	886	1,005
Earnings before income taxes	6,085	888	6,973
Current income tax expense	(1,960)	-	(1,960)
Future income tax recovery	335	-	335
Earnings	4,460	888	5,348
Cash flows from / (used in) operating activities	18,110	(274)	17,836
Cash flows used in investing activities	(13,499)	(8,425)	(21,924)
Cash flows from financing activities	112	11,597	11,709
Net increase in cash	4,723	2,898	7,621

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5 JOINT VENTURES (continued)**5.1 Proportionate interests in joint ventures (continued)**

Nine months ended September 30, 2007

	Betpak Dala \$'000	Kyzylkum \$'000	Total \$'000
Revenue	73,014	-	73,014
Expenses and other income	(18,505)	(685)	(19,190)
Foreign exchange loss	(5,918)	(456)	(6,374)
Earnings / (loss) before income taxes	48,591	(1,141)	47,450
Current income tax expense	(25,057)	-	(25,057)
Future income tax recovery	5,114	-	5,114
Earnings / (loss)	28,648	(1,141)	27,507
Cash flows from / (used in) operating activities	88,806	(627)	88,179
Cash flows used in investing activities	(39,024)	(16,990)	(56,014)
Cash flows (used in) / from financing activities	(45,621)	20,774	(24,847)
Net increase in cash	4,161	3,157	7,318

5.2 Loans to Joint Ventures

	Sep 30, 2008 \$'000	Dec 31, 2007 \$'000
Current portion		
Betpak Dala	-	5,175
Kyzylkum	19,390	27,692
	19,390	32,867
Long term portion		
Betpak Dala	-	-
Kyzylkum	18,666	24,359
	18,666	24,359
Total	38,056	57,226

During the three months ended March 31, 2008, Betpak Dala repaid the principal amount of \$5 million to the Corporation, together with \$0.2 million of accrued interest.

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5 JOINT VENTURES (continued)**5.2 Loans to Joint Ventures (continued)****Kyzylkum Loan**

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. The loans bear interest at LIBOR plus 1.5% per annum, with interest payable on a semi-annual basis, commencing within two years of funding.

	Sep 30, 2008 \$'000	Dec 31, 2007 \$'000
Balance at January 1	73,333	80,000
Repaid during the period	(20,000)	(6,667)
Interest accrued	53,333	73,333
	1,033	1,025
Less: elimination of proportionate share – 30%	54,366	74,358
	(16,310)	(22,307)
Less: current portion	38,056	52,051
Long term portion	18,666	24,359

The loans to Kyzylkum are unsecured.

6 INVENTORIES

	Sep 30, 2008 \$'000	Dec 31, 2007 \$'000
Finished uranium concentrates	2,964	10,093
Solutions and concentrates in process	2,367	5,731
Product inventory	5,331	15,824
Materials and supplies	11,491	5,128
Stockpiles	6,600	7,772
	23,422	28,724
Less: non-current inventory included in other assets (note 9)	-	7,772
	23,422	20,952

The Corporation has decided to toll treat the stockpiles through 3rd party facilities and the stockpiles have been reclassified as current inventory.

7 MINERAL INTERESTS, PLANT AND EQUIPMENT

September 30, 2008		Accumulated amortization	Net carrying amount
	Cost \$'000	\$'000	\$'000
Mineral interests	1,419,002	(44,498)	1,374,504
Plant and equipment	312,436	(7,350)	305,086
	1,731,438	(51,848)	1,679,590
December 31, 2007		Accumulated amortization	Net carrying amount
	Cost \$'000	\$'000	\$'000
Mineral interests	4,299,828	(32,771)	4,267,057
Plant and equipment	566,612	(6,316)	560,296
	4,866,440	(39,087)	4,827,353

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7 MINERAL INTERESTS, PLANT AND EQUIPMENT (continued)

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

September 30, 2008		Mineral interests			Plant and equipment \$'000	Total \$'000
		Depletable \$'000	Non- depletable \$'000	Total \$'000		
	Country					
Akdala Uranium Mine	Kazakhstan	103,921	74,358	178,279	17,539	195,818
South Inkai Uranium Project	Kazakhstan	-	396,888	396,888	93,992	490,880
Kharasan Uranium Project	Kazakhstan	-	144,796	144,796	50,783	195,579
Dominion Uranium Project ⁽¹⁾	South Africa	-	-	-	50,473	50,473
United States development projects	United States	-	294,767	294,767	11,945	306,712
United States exploration projects ⁽¹⁾	United States	-	255,378	255,378	596	255,974
Hobson Facility and La Palangana project ⁽¹⁾	United States	-	-	-	20,240	20,240
United States conventional mining projects ⁽¹⁾⁽²⁾	United States	-	50,361	50,361	933	51,294
Honeymoon Uranium Project ⁽¹⁾	Australia	-	54,035	54,035	32,518	86,553
Corporate and other ⁽¹⁾		-	-	-	26,067	26,067
Total		103,921	1,270,583	1,374,504	305,086	1,679,590

⁽¹⁾ Refer to note 7.1⁽²⁾ Previously Shootaring Canyon Mill

December 31, 2007		Mineral interests			Plant and equipment \$'000	Total \$'000
		Depletable \$'000	Non- depletable \$'000	Total \$'000		
	Country					
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
United States conventional mining projects ⁽¹⁾	United States	-	50,009	50,009	47,614	97,623
Honeymoon Uranium Project	Australia	-	276,087	276,087	23,951	300,038
Corporate and other		-	21,461	21,461	19,943	41,404
Total		111,302	4,155,755	4,267,057	560,296	4,827,353

⁽¹⁾ Previously Shootaring Canyon Mill

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7.1 IMPAIRMENT OF MINERAL INTERESTS, PLANT AND EQUIPMENT

	Impairment \$'000	Future income tax recovery \$'000	Net impairment \$'000
Dominion Uranium Project	1,787,925	474,735	1,313,190
Honeymoon Uranium Project	194,938	59,196	135,742
Hobson Facility and La Palangana Project	83,409	19,024	64,385
United States conventional mining projects	47,808	-	47,808
United States exploration projects	700,572	261,251	439,321
Corporate and other	2,226	44	2,182
	2,816,878	814,250	2,002,628

Dominion Uranium Project

On October 20, 2008, the Corporation's board of directors has decided to place the Dominion Uranium Project ("Dominion") on care and maintenance. A significant deterioration in Dominion's economics associated with the continuing decline in uranium prices over the last year and significant inflation-related increases in project costs, together with a slower than expected ramp-up in development and production were the major factors that contributed to the Corporation's decision to place the Dominion project on care and maintenance.

The Corporation impaired the carrying value of Dominion to its salvage value of \$50.5 million (ZAR⁽¹⁾ 419.8 million). The Corporation expects to incur \$32 million to place the project in care and maintenance.

The Corporation carries foreign exchange translation losses of \$238.5 million in accumulated other comprehensive losses relating to the translation of its investment in Uranium One Africa Limited ("Uranium One Africa"), a wholly owned subsidiary, to US dollars. Uranium One Africa owns Dominion. The foreign exchange losses was not taken into consideration in calculating the impairment value and will only be realized in the statement of operations if the Corporation sells its investment in Uranium One Africa.

Honeymoon Uranium Project

On October 15, 2008, The Corporation agreed with Mitsui & Co., Ltd. of Japan ("Mitsui & Co.") to create joint ventures in relation to the Australian assets of the Corporation. Under the agreement, Mitsui & Co. will acquire a 49% interest in the Honeymoon project and the Corporation's Australian exploration portfolio.

The total minimum cash commitment from Mitsui will be approximately \$82.2 million (A\$⁽²⁾104.0 million) for its share of Uranium One Australia's business. The majority of these funds will be used to advance the development of the Honeymoon Project through to commencement of production in 2010. The transaction remains subject to certain regulatory approvals, including Australian Government regulatory approvals, which are expected by the end of the year.

As the transaction value was below the carrying value of these assets, it was tested for impairment. Honeymoon and the Australian exploration properties were consequently written down to the implied transaction value, less transaction costs. The Corporation impaired the carrying value of the Honeymoon Uranium Project and exploration properties to its fair value of \$86.6 million (A\$105.1 million).

Hobson Facility and La Palangana Project

From the mine planning process in the United States it was concluded that the La Palangana project has an estimated fair value of \$6.2 million, which was substantially lower than its carrying value. The downward revision in value was due to materially lower than anticipated recoverable resources at La Palangana. In light of the reduced recoverable resources, the Corporation decided to place the Hobson facility on care and maintenance and postpone the development of La Palangana until additional feed for Hobson has been identified.

United States conventional mining projects

The Corporation concluded that the Shootaring Canyon Mill cannot be operated economically with the current available resource base and fully impaired the carrying value of the mill, due to a negligible salvage value.

United States exploration projects and corporate and other assets

Impairments were recognized on United States exploration projects, and corporate and other assets, due to various factors including economic feasibility, metallurgical recovery factors, licensing and environmental issues.

(1) ZAR: South African rand

(2) A\$: Australian dollar

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8 AVAILABLE FOR SALE SECURITIES

	Sep 30, 2008 \$'000	Dec 31, 2007 \$'000
Available for sale securities	1,420	21,257
		\$'000
Balance as at January 1, 2007		-
Received as part of a joint venture earn-in payment		1,268
Purchased as part of the EMC acquisition		20,391
Purchased during the period		278
Impairment of available for sale securities included in the statement of operations		(932)
Increase due to foreign exchange translation		64
Fair value adjustment included in other comprehensive income		188
Balance as at December 31, 2007		21,257
Received as part of a joint venture earn-in payment		470
Disposed during the period		(17,425)
Impairment of available for sale securities included in the statement of operations		(657)
Fair value adjustment included in other comprehensive income		(2,225)
Balance as at September 30, 2008		1,420

During the three months ended September 30, 2008, the Corporation did not dispose of available for sale securities.

During the three months ended June 30, 2008, the Corporation disposed of its investment in Randgold and Exploration Company Limited ("Randgold"). The securities had a carrying value of \$Nil. No value was allocated to the investment as part of the purchase price allocation on April 20, 2007, due to the suspension of Randgold on the Johannesburg stock exchange. Proceeds on the sale of these securities amounted to \$13.0 million which resulted in a pre-tax gain on sale of securities of \$13.0 million. Capital gains tax of \$1.5 million on the sale was offset against the assessed losses of Uranium One Africa.

For the nine months ended September 30, 2008, the Corporation disposed of further available for sale securities with a fair market value of \$17.4 million. The securities had a cost basis of \$17.2 million and fair value losses included in other comprehensive income of \$0.2 million. Proceeds on the sale of these securities were \$11.9 million which resulted in a loss on sale of securities of \$5.5 million. Capital gains tax of \$0.9 million was offset against the Corporation's assessed losses.

By holding these long-term investments the Corporation is inherently exposed to various risk factors including currency risk, market price risk and liquidity risk (note 20).

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9 OTHER ASSETS

	Sep 30, 2008	Dec 31, 2007
	\$'000	\$'000
Asset retirement fund	20,275	20,316
Advances for future services	10,000	10,629
Borrowed uranium concentrates	10,600	-
Long term inventory (note 6)	-	7,772
Advances for plant and equipment	4,059	12,643
Prepaid financing fees	5,087	-
Long term deposits and guarantees (note 4)	2,824	3,220
Reclamation bond payment on behalf of UPC joint venture	1,094	1,094
Other	4,720	869
	58,659	56,543

Credit facility

Prepaid financing fees relate to upfront costs and other costs incurred associated with establishing a \$100 million bank debt senior secured revolving credit facility (the "facility") during the 3 months ended June 30, 2008. Under the terms of the facility, the Corporation has the ability to borrow up to \$100 million from the lead lenders, Bank of Montreal and The Bank of Nova Scotia (the "Banks"). The facility has a two year term, and may be extended for a further year with lender consent.

Draw downs under the facility can be made at interest rates based on either the US dollar LIBOR rate or the Bank of Montreal base rate for US dollar denominated loans (note 20). Undrawn amounts are subject to a commitment fee currently ranging from 0.45% to 0.5% per annum.

Letters of credit can be issued under the facility at a fee of between 1.25% and 2.00% per annum.

The Corporation has made a drawdown of \$65 million under the credit facility on October 20, 2008. The loan currently bears interest at 3.8% per year. A letter of credit in the amount of \$12.9 million was issued under the credit facility on September 25, 2008 as security for a uranium concentrates loan of 200,000 pounds of U₃O₈ (note 12).

The Corporation has a balance of \$22.1 million available to draw down from the credit facility after the drawdown and letter of credit issued against it.

The margins over the base interest rates, the commitment fee and the letter of credit fee, are dependent on the ratio of the Corporation's net debt (consisting of total debt less certain cash balances) to its earnings before interest, taxes, share based compensation, depreciation and depletion and other non-cash items.

Draw downs under the facility may be used for general corporate purposes, including working capital requirements and funding capital expenditures and acquisitions.

On drawdown of the facility, the fees relating to loan origination costs will be offset against the long term debt and will be amortized over the term of the facility using the effective interest rate method.

Borrowed uranium concentrates

The Corporation entered into a uranium concentrates borrowing agreement to ensure that it can meet its long term contractual obligations in terms of future uranium sales contracts. A corresponding liability has been recognized (note 12).

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10 ASSETS HELD FOR SALE

In March 2008 the Corporation decided to sell non-core properties and as a result certain exploration properties previously included in the United States exploration operating segment have been classified as held for sale. The Corporation has received letters of intent from potential buyers to acquire certain of these properties. During the three month period ended June 30, 2008, these assets held for sale were written down to their estimated fair value, less selling costs, resulting in an impairment charge of \$105.1 million and a future income tax recovery of \$23.9 million.

During the three month period ended September 30, 2008, the assets held for sale have been written down further due to a change in circumstances and market conditions. The resulting impairment amounted to \$14.1 million and a future income tax recovery of \$1.5 million.

	Mineral Interest \$'000	Future Income Tax \$'000	Net \$'000
Carrying value as at December 31, 2007	122,167	(25,476)	96,691
Impairment	(105,089)	23,880	(81,209)
Carrying value as at June 30, 2008	17,078	(1,596)	15,482
Impairment	(14,100)	1,461	(12,639)
Foreign exchange	(275)	-	(275)
Carrying value as at September 30, 2008	2,703	(135)	2,568

11 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Sep 30, 2008 \$'000	Dec 31, 2007 \$'000
Trade payables	24,022	25,334
Accruals	21,288	24,461
Commodity and other taxes payable	1,778	11,280
Other	5,217	9,727
	52,305	70,802

12 OTHER LONG TERM PAYABLES

	Sep 30, 2008 \$'000	Dec 31, 2007 \$'000
Uranium concentrates loan	10,221	-
Due to the Republic of Kazakhstan	1,849	1,824
Other	670	-
	12,740	1,824

Uranium concentrates loan

On September 22, 2008, the Corporation entered into a loan agreement to borrow 200,000 pounds of U₃O₈ to be repaid on September 30, 2010. Under the loan agreement, loan fees of 3.5% per annum are payable based on the value of the borrowed U₃O₈. In addition to the loan agreement, the Corporation incurred \$0.4 million in loan arrangement fees, which has been offset against the loan, and will be amortized over the period of the loan. The Corporation recognized the borrowed uranium as an Other asset (note 9). The loan and the other asset are carried at fair value.

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13 SHARE CAPITAL

Issued and outstanding common shares	Number of shares	Value of shares \$'000
Common shares on January 1, 2007	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
Conversion of UrAsia Energy shares to Uranium One shares at a ratio of 0.45	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	6,607,605	99,401
EMC asset purchase consideration	100,444,543	1,013,215
Shares issued for services rendered	322,393	3,987
Common shares on December 31, 2007	467,173,423	3,496,884
Exercise of warrants	1,190,000	15,791
Exercise of stock options	1,043,016	7,358
Exercise of restricted shares	96,615	1,397
Balance of issued and outstanding common shares at September 30, 2008	469,503,054	3,521,430

14 CONTRIBUTED SURPLUS

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

	Warrants \$'000	Restricted shares \$'000	Options \$'000	Total \$'000
As at January 1, 2007	-	-	31,286	31,286
Issued on Uranium One / UrAsia Energy business combination	26,407	853	34,782	62,042
Issued on EMC asset acquisition	-	-	35,307	35,307
Stock options issued and vested	-	-	33,734	33,734
Stock 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
Stock options issued and vested	-	-	12,481	12,481
Stock options exercised	-	-	(3,957)	(3,957)
Restricted shares issued and vested	-	1,079	-	1,079
Restricted shares exercised	-	(1,397)	-	(1,397)
Warrants exercised	(11,460)	-	-	(11,460)
As at September 30, 2008	13,912	2,801	114,420	131,133

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14 CONTRIBUTED SURPLUS (continued)**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:

	September 30, 2008	December 31, 2007
Risk free interest rate	3.11%	4.38%
Expected dividend yield	0%	0%
Expected volatility of the Uranium One's share price	69%	61%
Expected life	5 years	5 years

Options

Under Uranium One's Stock 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, the 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 \$
Outstanding options as at January 1, 2007	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
Forfeitures of stock options up to April 20, 2007	(30,000)	1.80
Outstanding options as at April 20, 2007	21,696,693	3.29
Converted UrAsia Energy stock 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
Forfeitures of stock options subsequent to April 20, 2007	(351,187)	13.14
Outstanding options as at December 31, 2007	20,824,788	8.55
Granted options	2,371,342	3.78
Exercised options	(1,043,016)	3.74
Forfeitures of stock options	(3,824,198)	9.65
Outstanding options as at September 30, 2008	18,328,916	7.97

The stock option compensation expense for the three and nine months ended September 30, 2008 was \$2.7 million and \$12.5 million respectively and for the three and nine months ended September 30, 2007 it was \$14.7 million and \$25.1 million respectively. As at September 30, 2008, the aggregate unexpensed fair value of unvested stock options granted amounted to \$8.9 million. The fair value of options granted during the nine months amounts to \$5.4 million.

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14 CONTRIBUTED SURPLUS (continued)

The following table summarizes certain information about Uranium One's stock options outstanding at September 30, 2008:

Range of exercise prices Cdn \$	Options outstanding			Options exercisable		
	Number outstanding as at September 30, 2008	Weighted average remaining life (years)	Weighted average exercise price Cdn \$	Number exercisable as at September 30, 2008	Weighted average remaining life (years)	Weighted average exercise price Cdn \$
1.09 to 2.74	1,360,492	1.28	2.35	1,360,492	1.28	2.35
2.75 to 4.76	4,511,021	4.19	3.86	2,443,019	3.93	4.00
4.77 to 7.79	3,417,904	2.68	6.58	3,272,773	2.60	6.65
7.80 to 9.90	3,605,654	6.10	8.48	3,505,903	6.13	8.48
9.91 to 12.93	3,456,801	3.08	12.06	2,666,828	2.78	12.02
12.94 to 15.63	809,127	4.05	14.08	309,231	4.47	14.27
15.64 to 16.59	1,167,917	3.60	16.53	391,204	3.56	16.55
	18,328,916	3.81	7.97	13,949,450	3.69	7.70

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 three 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:

	Number of restricted shares
Balance at January 1, 2007	404,231
Granted	20,000
Exercised during the period	(125,977)
Expired	(2,722)
Balance at December 31, 2007	295,532
Granted	609,000
Exercised during the period	(96,615)
Expired	(44,020)
Balance at September 30, 2008	763,897

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14 CONTRIBUTED SURPLUS (continued)

The following is a summary of the outstanding restricted share rights:

	Number of restricted shares	
	Sep 30, 2008	Dec 31, 2007
Grant date		
June 7, 2006	129,528	225,092
December 8, 2006	48,369	50,440
July 1, 2007	20,000	20,000
April 7, 2008	535,500	-
April 28, 2008	30,500	-
Balance at the end of the period	763,897	295,532

Restricted share rights will not expire while the right holder is an employee of the Corporation.

The restricted share rights expense for the three and nine months ended September 30, 2008 was \$0.3 million and \$1.1 million respectively and for the three and nine months ended September 30, 2007 was \$0.7 million and \$3.3 million. As at September 30, 2008 the aggregate unexpensed fair value of unvested restricted share rights granted amounted to \$1.9 million. The fair value of restricted shares granted during the nine months amounts to \$2.4 million.

Warrants

	Number of warrants	Allocated value \$'000
Balance at January 1, 2007	2,731,619	26,407
Exercised during the period	(150,000)	(1,035)
Balance at December 31, 2007	2,581,619	25,372
Exercised during the period	(1,190,000)	(11,460)
Lapsed during the period	(1,391,619)	-
Balance at September 30, 2008	-	13,912

Warrants

Warrants	Number of warrants		Average exercise price	
	Sep 30, 2008	Dec 31, 2007	Sep 30, 2008 \$'000	Dec 31, 2007 \$'000
2008 Warrants	-	2,431,619	-	3.55
Series D Warrants	-	150,000	-	6.95
Total	-	2,581,619	-	3.75

The 2008 warrants expired 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.

The Corporation 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 1,971,100 common shares for issuance pursuant to the assumed obligations under contingent share rights agreements.

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15 INTEREST AND OTHER

	3 months ended		9 months ended	
	Sep 30, 2008	Sep 30, 2007	Sep 30, 2008	Sep 30, 2007
	\$'000	\$'000	\$'000	\$'000
Interest income	2,650	5,806	8,539	11,153
Interest paid	(262)	(2,195)	(262)	(1,804)
Convertible debenture interest	(3,965)	(3,707)	(11,676)	(7,090)
Credit facility charges	(906)	-	(906)	-
	(2,483)	(96)	(4,305)	2,259

16 FOREIGN EXCHANGE (LOSSES) / GAINS

A summary of the foreign exchange (losses) / gains by item is as follows:

	3 months ended		9 months ended	
	Sep 30, 2008	Sep 30, 2007	Sep 30, 2008	Sep 30, 2007
	\$'000	\$'000	\$'000	\$'000
Unrealized foreign exchange loss on future income tax liability	(2,725)	(2,009)	(1,416)	(16,786)
Unrealized foreign exchange gain on other items	988	3,283	3,323	6,098
Realized foreign exchange (loss) / gain on other items	(1,072)	9,453	(4,902)	8,004
	(2,809)	10,727	(2,995)	(2,684)

17 CASH FLOW INFORMATION

	3 months ended		9 months ended	
	Sep 30, 2008	Sep 30, 2007	Sep 30, 2008	Sep 30, 2007
	\$'000	\$'000	\$'000	\$'000
Changes in non-cash working capital excluding business combinations:				
Decrease in accounts and other receivables	3,290	27,227	5,091	49,722
(Increase) / decrease in prepaid expenses and other	(603)	-	16,810	-
Increase in inventories	(924)	(9,476)	(5,300)	(17,817)
Increase / (decrease) in accounts payable and accrued liabilities	1,654	(10,631)	(20,542)	(25,763)
Increase / (decrease) in income taxes payable	5,576	(5,224)	8,356	1,077
	8,993	1,896	4,415	7,219
Supplemental cash flow information				
Cash interest paid	-	-	3,267	3,201
Cash tax paid	10,447	7,184	28,660	20,831

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18 BASIC AND DILUTED WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING

	3 months ended		9 months ended	
	Sep 30, 2008	Sep 30, 2007	Sep 30, 2008	Sep 30, 2007
	\$'000	\$'000	\$'000	\$'000
Basic weighted-average number of shares outstanding ('000)	468,518	422,308	468,047	324,894
Effect of dilutive securities:				
-stock options	-	-	-	-
-warrants	-	-	-	-
Diluted weighted-average number of shares outstanding	468,518	422,308	468,047	324,894

For the three and nine month periods ended September 30, 2008 and September 30, 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.

19 CAPITAL DISCLOSURES

The Corporation's objectives when managing capital are to:

- (i) Maintain a flexible capital structure which optimizes the cost of capital at acceptable risk;
- (ii) Continue the development and exploration of its mineral properties; and
- (iii) Support any expansion plans.

In the management of capital, the Corporation includes shareholders' equity, long term debt, cash and the current portion of loans to joint ventures.

The Corporation manages its capital structure and makes adjustments to it when the economic and risk conditions of the underlying assets require change. In order to maintain or adjust the capital structure, the Corporation may issue new shares, issue new debt, and/or issue new debt to replace existing debt with different characteristics. The Corporation has in place a rigorous planning and budgeting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its operating and growth objectives.

The Corporation monitors the following ratios in this respect: total debt to total capitalization and net debt to total capitalization.

The Corporation must maintain an interest coverage ratio of greater than 2.5 to meet the credit facility's debt covenants. The interest coverage ratio is calculated as the ratio of the Corporation's earnings before interest, taxes, share based compensation, depreciation and depletion and other non-cash items ("EBITDA") to interest paid.

For periods ended

	Sep 30, 2008	Dec 31, 2007
	\$'000	\$'000
Total debt (excluding future income tax liabilities)	250,542	453,751
Net debt (total debt less cash, receivables, and current portion of loans to joint ventures)	69,850	190,974
Total capitalization (total shareholders' equity)	1,201,061	3,682,905
Total debt as a percentage of shareholders' equity	21%	12%
Net debt as a percentage of shareholders' equity	6%	5%
<i>Credit facility:</i>		
EBITDA (rolling 4 quarters)	110,104	91,905
Interest coverage ratio	7.1	7.4

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20 FINANCIAL INSTRUMENTS

The Corporation's financial instruments primarily consist of cash, short-term money market investments, marketable securities, accounts receivable, accounts payable, loans to joint ventures and convertible debentures. For cash, short-term money market investments, and current accounts receivable and payable, carrying value is considered to be a reasonable approximation of fair value due to the short term nature of these items. The fair value of the convertible debentures represents the quoted market value.

Convertible debentures	Sep 30, 2008	Dec 31, 2007
	\$'000	\$'000
Liability component	135,560	136,548
Equity component	46,480	46,480
	182,040	183,028
Fair value	118,630	145,888

The Corporation's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The global nature of the Corporation's business exposes the reported financial results and cash flows of operating segments to risks arising from fluctuations in exchange rates.

The Corporation continuously monitors its exposure to risk. The risk management carried out by the Corporation is approved by the Board of Directors. The following describes the type of risks that the Corporation is exposed to and its objectives and policies for managing those risk exposures.

(i) Foreign exchange risk

The foreign exchange risk relates to the risk that the value of financial commitments, recognized assets or liabilities will fluctuate due to changes in foreign currency rates.

The most significant impact of foreign exchange on the Corporation's net earnings and other comprehensive income is the translation of foreign operations into US dollars. The effect of translating the financial statements of the entities that are determined to be integrated foreign operations are included in the consolidated statements of operations, and the effect of translating the financial statements of entities that are determined to be self-sustaining are included in other comprehensive income.

The Corporation is also exposed to foreign exchange risk arising from:

- borrowings denominated in foreign currencies; and
- firm commitments or highly probable forecasted transactions for receipts and payments settled in foreign currencies or with prices dependent on foreign currencies.

The Corporation does not hedge its exposure to foreign currency exchange risk.

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20 FINANCIAL INSTRUMENTS (continued)**(i) Foreign exchange risk (continued)**

The Corporation is primarily exposed to foreign currency risk through the following assets and liabilities denominated in currencies other than US dollars:

September 30, 2008	Financial assets and liabilities				Non-financial assets and liabilities	
	Cash and cash equivalents	Accounts receivable	Accounts payable and accrued liabilities	Convertible debentures	Mineral interest plant and equipment ⁽¹⁾	Future income tax liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Canadian dollar	4,101	3,638	3,907	135,560	-	-
South African rand	15,604	7,666	25,276	-	50,473	-
Kazakhstan tenge	26,328	50,930	15,693	-	-	346,155
Australian dollar	2,146	316	1,556	-	86,553	3,488
	48,179	62,550	46,432	135,560	137,026	349,643

December 31, 2007	Financial assets and liabilities				Non-financial assets and liabilities	
	Cash and cash equivalents	Accounts receivable	Accounts payable and accrued liabilities	Convertible debentures	Mineral interest plant and equipment ⁽¹⁾	Future income tax liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Canadian dollar	78,938	3,683	10,357	136,548	21,216	5,831
South African rand	1,330	9,606	33,168	-	2,106,164	567,577
Kazakhstan tenge	2,787	3,128	16,411	-	-	351,207
Australian dollar	24,966	558	5,540	-	300,038	69,039
	108,021	16,975	65,476	136,548	2,427,418	993,654

⁽¹⁾ Only includes mineral interests, plant and equipment of self sustaining operations.

The following table shows the effect on earnings and other comprehensive income after tax as at September 30, 2008 of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the abovementioned financial and non-financial assets and liabilities of the Corporation.

	Other comprehensive income	Net earnings
A 10% appreciation in all foreign currencies against the US dollar, with all other variables held constant.	6,883	(27,924)

A 10% depreciation in exchange rates would have the exact opposite effect on other comprehensive income and net earnings.

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20 FINANCIAL INSTRUMENTS (continued)**(ii) Credit risk**

Credit risk is primarily associated with trade receivables; however, it also arises on cash equivalents.

The Corporation closely monitors its financial assets and does not have any significant concentration of credit risk. The Corporation sells its products exclusively to organizations with strong credit ratings. Cash and cash equivalents are held through large international financial institutions. Cash and cash equivalents are comprised of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These investments mature at various dates.

The Corporation's maximum exposure to credit risk at the balance sheet date is as follows:

	Sep 30, 2008	Dec 31, 2007
	\$'000	\$'000
Short-term money market instruments	30,718	12,059
Accounts receivable	65,195	73,538
Available for sale securities	1,420	21,257
	97,333	106,854

(iii) Liquidity risk

The Corporation has a cash forecast and budgeting process in place to assist with the determination of funds required to support the Corporation's operating requirements on an ongoing basis and its expansion plans. The Corporation manages liquidity risk through the management of its capital structure and financial leverage as outlined in note 19.

The Corporation has established a credit facility as part of its liquidity risk management process (note 9). The Corporation has made its first draw down against the facility in the amount of \$65 million on October 20, 2008. A letter of credit amounting to \$12.9 million was issued against the facility as part of the uranium concentrates loan (note 12). The following table summarizes the contractual maturities of the Corporation's significant financial liabilities and capital commitments:

	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
Lease obligations	887	4,343	1,566	1,692	8,488
Kyzylkum Long term debt	-	19,200	10,568	-	29,768
Capital commitments	55,933	29,021	-	-	84,954
Asset retirement obligations	37	-	-	14,897	14,934
Accounts payable and accrued liabilities	52,305	-	-	-	52,305
Uranium concentrates loan (note 12)	-	10,600	-	-	10,600
Convertible debentures	-	146,457	-	-	146,457
	109,162	209,621	12,134	16,589	347,506

The convertible debenture is convertible in cash or shares, and may not result in a cash outflow. The uranium concentrates loan requires settlement with uranium concentrates, and may not result in a cash outflow.

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20 FINANCIAL INSTRUMENTS (continued)

The Corporation has interests in joint ventures, and is responsible for partial funding of these joint ventures pursuant to the terms of the joint venture agreements. The Corporation does not bear direct liquidity risk for liquidity of these joint ventures.

The Corporation is exposed to liquidity risk from fluctuating commodity prices with respect to repayment of the uranium concentrates loan. On September 22, 2008, the Corporation entered into a loan agreement to borrow 200,000 pounds of uranium concentrates to ensure timely delivery of certain sales commitments (note 12). Under the terms of the loan agreement, the Corporation received 200,000 pounds of uranium concentrates into its account on September 30, 2008 and is required to repay 200,000 pounds of uranium concentrates on September 30, 2010.

The Corporation will only be exposed to liquidity risk from fluctuating commodity prices when it does not have 200,000 pounds of uranium concentrates available to repay the loan at any time up to September 30, 2010. As the market value of the liability to repay 200,000 pounds of uranium concentrates fluctuates based on commodity prices, so will the market value of the 200,000 pounds of uranium concentrates held available for repayment under this loan agreement. As a result, the 200,000 pounds uranium concentrates asset and liability will have the exact opposite effect from commodity price fluctuations.

A 10% change in commodity prices, should the Corporation be exposed, would impact the Corporation's liquidity risk, due to the uranium concentrates loan (note 12), as follows:

	Sep 30, 2008 \$'000	Sep 30, 2007 \$'000
A 10% appreciation in commodity prices, with all other variables held constant	1,290	-

A 10% depreciation in the commodity price would have the exact opposite effect on net earnings.

(iv) Interest rate risk

The Corporation is exposed to interest rate risk on its outstanding borrowings and short-term investments. The only outstanding interest-bearing borrowings as at September 30, 2008 are the loan facility obtained by Kyzylkum (note 5.1) which bears interest at floating rates, and the convertible debentures, with a fixed interest rate.

Draw downs under the Corporation's credit facility (note 9) can be made at interest rates based on either the US dollar LIBOR rate or the Bank of Montreal base rate for US dollar denominated loans. The margin on LIBOR loans is between 1.25% and 2.00% per annum and between 0.25% and 1.00% per annum on US base rate loans.

A 100 basis point change in the interest rate would impact the Corporation's net earnings as follows:

	Sep 30, 2008 \$'000	Dec 31, 2007 \$'000
A 100 basis point appreciation in interest rates, with all other variables held constant	216	40

A 100 basis point depreciation in the interest rate would have the exact opposite effect on net earnings.

(v) Commodity price risk

The Corporation is exposed to price risk with respect to commodity prices. The Corporation does not hedge its exposure to price risk, other than having market related pricing structures in the long term sales contracts which the Corporation has entered into. Increases in uranium prices would have a positive impact on profitability given that the majority of the Corporation's sales contracts are priced based on market values for uranium.

A 10% change in commodity prices would impact the Corporation's net earnings as follows:

	Sep 30, 2008 \$'000	Sep 30, 2007 \$'000
A 10% appreciation in commodity prices, with all other variables held constant	12,863	7,301

A 10% depreciation in the commodity price would have the exact opposite effect on net earnings.

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21 SEGMENTED INFORMATION

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

For the three months ended September 30, 2008: (in \$'000)

	Country	Revenues \$'000	Operating expenses \$'000	Depreciation and depletion \$'000	Exploration expense \$'000	Net earnings/ (loss) from continuing operations \$'000	Capital expenditure \$'000
Akdala Uranium Mine	Kazakhstan	56,723	(11,793)	(8,305)	-	23,707	1,279
South Inkai Uranium Project	Kazakhstan	-	-	-	-	(768)	9,273
Kharasan Uranium Project	Kazakhstan	-	-	-	-	4,285	4,204
Dominion Uranium Project ⁽¹⁾	South Africa	-	-	-	(433)	(1,313,549)	39,128
United States development projects	United States	-	-	-	-	-	1,938
United States exploration projects ⁽¹⁾	United States	-	-	-	(3,183)	(445,582)	446
Hobson Facility and La Palangana Project ⁽¹⁾	United States	-	-	-	-	(64,359)	5,319
United States conventional mining projects ⁽¹⁾⁽²⁾	United States	-	-	-	-	(49,071)	662
Honeymoon Uranium Project ⁽¹⁾	Australia	-	-	-	(701)	(136,447)	1,471
Corporate and other ⁽¹⁾		-	-	-	(1,071)	(31,900)	113
Total		56,723	(11,793)	(8,305)	(5,388)	(2,013,684)	63,833

⁽¹⁾ Refer note 7.1

⁽²⁾ Previously Shooting Canyon Mill

For the nine months ended September 30, 2008: (in \$'000)

	Country	Revenues \$'000	Operating expenses \$'000	Depreciation and depletion \$'000	Exploration expense \$'000	Net earnings/ (loss) from continuing operations \$'000	Capital expenditure \$'000
Akdala Uranium Mine	Kazakhstan	128,630	(24,572)	(18,196)	-	50,124	6,839
South Inkai Uranium Project	Kazakhstan	-	-	-	-	391	28,175
Kharasan Uranium Project	Kazakhstan	-	-	-	-	5,213	16,204
Dominion Uranium Project	South Africa	-	-	-	(973)	(1,315,363)	95,033
United States development projects	United States	-	-	-	-	(57)	7,581
United States exploration projects	United States	-	-	-	(4,997)	(447,467)	669
Hobson Facility and La Palangana Project	United States	-	-	-	-	(64,365)	13,375
United States conventional mining projects ⁽¹⁾	United States	-	-	-	(11)	(49,379)	3,511
Honeymoon Uranium Project	Australia	-	-	-	(2,229)	(139,375)	12,651
Corporate and other		-	-	-	(3,893)	(131,914)	2,232
Total		128,630	(24,572)	(18,196)	(12,103)	(2,092,192)	186,270

⁽¹⁾ Previously Shooting Canyon Mill

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21 SEGMENTED INFORMATION (continued)

For the three months ended September 30, 2007: (in \$'000)

	Country	Revenues \$'000	Operating expenses \$'000	Depreciation and depletion \$'000	Exploration expense \$'000	Net earnings/ (loss) from continuing operations \$'000	Capital expenditure \$'000
Akdala Uranium Mine	Kazakhstan	8,019	(660)	(1,058)	-	1,998	769
South Inkai Uranium Project	Kazakhstan	-	-	-	-	(3)	11,491
Kharasan Uranium Project	Kazakhstan	-	-	-	-	888	7,463
Dominion Uranium Project	South Africa	-	-	-	(167)	(150)	49,041
United States development projects	United States	-	-	-	-	-	-
United States exploration projects	United States	-	-	-	(2,261)	(4,875)	381
Hobson Facility and La Palangana Project	United States	-	-	-	-	(2,636)	3,073
United States conventional mining projects ⁽¹⁾	United States	-	-	-	(23)	(536)	5
Honeymoon Uranium Project	Australia	-	-	-	(491)	(906)	6,102
Corporate and other		-	-	-	(1,871)	(10,760)	2,475
Total		8,019	(660)	(1,058)	(4,813)	(16,980)	80,800

⁽¹⁾ Previously Shootaring Canyon Mill

For the nine months ended September 30, 2007: (in \$'000)

	Country	Revenues \$'000	Operating expenses \$'000	Depreciation and depletion \$'000	Exploration expense \$'000	Net earnings/ (loss) from continuing operations \$'000	Capital expenditure \$'000
Akdala Uranium Mine	Kazakhstan	73,014	(9,761)	(7,933)	-	26,060	4,211
South Inkai Uranium Project	Kazakhstan	-	-	-	-	123	30,504
Kharasan Uranium Project	Kazakhstan	-	-	-	-	(1,141)	14,649
Dominion Uranium Project	South Africa	-	-	-	(520)	247	88,601
United States development projects	United States	-	-	-	-	-	-
United States exploration projects	United States	-	-	-	(3,229)	(26,743)	381
Hobson Facility and La Palangana Project	United States	-	-	-	-	(2,636)	3,073
United States conventional mining projects ⁽¹⁾	United States	-	-	-	(31)	(850)	5
Honeymoon Uranium Project	Australia	-	-	-	(909)	(1,804)	11,554
Corporate and other		-	-	-	(5,947)	(15,373)	10,982
Total		73,014	(9,761)	(7,933)	(10,636)	(22,117)	163,960

⁽¹⁾ Previously Shootaring Canyon Mill

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21 SEGMENTED INFORMATION (continued)

As at September 30, 2008: (in \$'000)

	Country	Mineral interest plant and equipment \$'000	Total assets \$'000	Future income tax liabilities \$'000	Total liabilities \$'000
Akdala Uranium Mine	Kazakhstan	195,818	234,160	67,480	81,051
South Inkai Uranium Project	Kazakhstan	490,880	495,406	205,892	211,992
Kharasan Uranium Project	Kazakhstan	195,579	200,326	72,783	109,071
Dominion Uranium Project	South Africa	50,473	64,610	-	29,092
United States development projects	United States	306,712	306,712	90,479	91,506
United States exploration projects	United States	255,974	258,764	85,574	86,283
Hobson Facility and La Palangana Project	United States	20,240	22,043	-	3,147
United States conventional mining projects ⁽¹⁾	United States	51,294	65,320	18,613	21,437
Honeymoon Uranium Project	Australia	86,553	87,324	3,487	5,058
Corporate and other		26,067	228,770	-	156,078
Total		1,679,590	1,963,435	544,308	794,715

⁽¹⁾ Previously Shootaring Canyon Mill

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

	Country	Mineral interest plant and equipment \$'000	Total assets \$'000	Future income tax liabilities \$'000	Total liabilities \$'000
Akdala Uranium Mine	Kazakhstan	201,566	266,240	73,623	94,710
South Inkai Uranium Project	Kazakhstan	454,019	457,510	205,053	207,461
Kharasan Uranium Project	Kazakhstan	175,914	184,283	72,486	92,422
Dominion Uranium Project	South Africa	2,106,164	2,111,565	567,577	598,102
United States development projects	United States	285,838	285,838	90,517	92,187
United States exploration projects	United States	1,074,415	1,079,794	370,229	374,210
Hobson Facility and La Palangana Project	United States	90,372	91,879	19,729	22,639
United States conventional mining projects ⁽¹⁾	United States	97,623	112,894	18,613	21,186
Honeymoon Uranium Project	Australia	300,038	300,043	69,040	86,613
Corporate and other		41,404	341,251	9,193	152,072
Total		4,827,353	5,231,297	1,496,060	1,741,602

⁽¹⁾ Previously Shootaring Canyon Mill

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22 SUBSEQUENT EVENTS

Material transactions occurring subsequent to September 30, 2008, are described in notes 7.1 and 20 (iii).