

# management's responsibility for financial reporting

March 28, 2007

## **Management's Responsibility for Financial Reporting**

The consolidated financial statements have been prepared by management who, when necessary, has made informed judgments and estimates of the outcome of events and transactions, with due consideration given to materiality. 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.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, consisting solely of non-management 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.

"Neal Froneman"  
Chief Executive Officer

"Jean Nortier"  
Chief Financial Officer

# auditors' report

## **Auditors' Report to the Shareholders**

We have audited the consolidated balance sheet of srx Uranium One Inc. as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"PricewaterhouseCoopers LLP"  
Chartered Accountants  
Toronto, Ontario, Canada  
March 28, 2007

# consolidated financial statements

**Consolidated Financial Statements  
for the year ended  
December 31, 2006**

sxr Uranium One Inc.

## Consolidated Balance Sheets

As at December 31

(in US dollars)

	Notes	2006 US\$'000	2005 US\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		327,516	10,891
Accounts receivable	3	22,184	8,823
Inventories	4	2,342	681
		<b>352,042</b>	<b>20,395</b>
<b>Non-current assets</b>			
Property, plant and equipment	5	286,855	157,255
Asset retirement fund	6	3,427	1,275
		<b>290,282</b>	<b>158,530</b>
<b>Total assets</b>		<b>642,324</b>	<b>178,925</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	31,347	15,045
Current portion of lease obligations	9	1,272	1,452
Short term loan	10	51,659	993
		<b>84,278</b>	<b>17,490</b>
<b>Non-current liabilities</b>			
Asset retirement obligation	11	4,924	4,094
Lease obligations	9	304	1,560
Convertible debentures	12	108,653	-
Future taxation liability	16	30,863	21,156
		<b>144,744</b>	<b>26,810</b>
<b>Non-controlling interest</b>		7,688	-
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	513,966	216,123
Contributed surplus	14	15,966	11,367
Convertible debentures	12	20,937	-
Accumulated deficit		(157,505)	(114,399)
Currency translation adjustments		12,250	21,534
		<b>405,614</b>	<b>134,625</b>
<b>Total equity and liabilities</b>		<b>642,324</b>	<b>178,925</b>

See accompanying notes to the Consolidated Financial Statements, including:

- Basis of preparation (note 2.1)
- Contractual obligations (note 18)
- Subsequent events (note 22)

Approved on behalf of the Board of Directors

Andrew Adams  
Non-executive Chairman  
March 28, 2007

Ken Williamson  
Non-executive Director

sxr Uranium One Inc.

## Consolidated Statements of Operations and Deficit

For the year ended December 31

(in US dollars)

	Notes	2006 US\$'000	2005 US\$'000
<b>Gold sales</b>		<b>3,336</b>	<b>2,730</b>
Cost of sales	15	(7,701)	(7,221)
Gross loss		(4,365)	(4,491)
Sundry income		827	770
General and administrative expenditure		(14,439)	(5,539)
Share options expensed	14	(10,845)	(7,240)
Restricted shares expensed	14	(1,367)	-
Exploration expenditure		(9,234)	(11,019)
Impairment of property, plant and equipment	5	(11,311)	-
Other net income		-	265
<b>Operating loss</b>		<b>(50,734)</b>	<b>(27,254)</b>
Interest received		5,244	1,065
Interest paid		(3,039)	(2,480)
Profit on disposal of investments		-	27
Fair value adjustment of listed investments		-	(2,169)
Impairment of investments	7	-	(10,929)
Dilution gain on disposal of investments		17,515	-
Foreign exchange losses on cash and cash equivalents		(11,905)	-
<b>Loss before income taxes</b>		<b>(42,919)</b>	<b>(41,740)</b>
Provision for income taxes	16	(1,065)	-
<b>Net loss before minority interest</b>		<b>(43,984)</b>	<b>(41,740)</b>
Minority interest		878	-
<b>Net loss</b>		<b>(43,106)</b>	<b>(41,740)</b>
Accumulated deficit at the beginning of the year		(114,399)	(72,659)
<b>Accumulated deficit at the end of the year</b>		<b>(157,505)</b>	<b>(114,399)</b>
Basic and diluted loss per common share (cents)	17	(38.33)	(58.67)
Weighted average number of basic and diluted common shares outstanding	17	112,447,306	71,139,266

See accompanying notes to the Consolidated Financial Statements

sxr Uranium One Inc.

## Consolidated Statements of Cash Flows

For the year ended December 31

(in US dollars)

	Notes	2006 US\$'000	2005 US\$'000
Net loss		(43,106)	(41,740)
Add back: Net finance (income) / costs		(2,205)	1,415
Add back: Non-cash items:			
- Non-controlling interest in earnings of subsidiary		(878)	-
- Dilution gain on disposal of investments		(17,515)	-
- Depreciation and amortization		1,059	767
- Write down of inventory to net realisable value	15	1,313	-
- Future income taxes		1,065	-
- Impairment of property, plant and equipment	5	11,311	-
- Expensing of share options	14	10,845	7,240
- Expensing of restricted shares	14	1,367	-
- Profit on disposal of property, plant and equipment		-	(265)
- Profit on disposal of investments		-	(27)
- Fair value adjustment of listed investments		-	2,169
- Impairment of investments		-	10,929
<b>Net loss after finance cost and non-cash items</b>		<b>(36,744)</b>	<b>(19,512)</b>
Movement in working capital:			
- Increase in inventories		(3,014)	(484)
- Increase in accounts receivable		(14,538)	(1,183)
- Increase in accounts payable and accrued liabilities		17,406	8,978
- Increase in asset retirement obligation		(1,258)	(340)
<b>Cash utilized by operations</b>		<b>(38,148)</b>	<b>(12,541)</b>
Net cash interest received / (paid)		4,266	(1,415)
<b>Cash flows from operating activities</b>		<b>(33,882)</b>	<b>(13,956)</b>
Proceeds from disposal of property, plant and equipment		-	265
Cash taken over from Sub-Nigel	20	1,933	-
Cash taken over from Southern Cross	21	-	8,389
Additions to property, plant and equipment		(126,172)	(14,762)
Proceeds on disposal of investments		-	10,615
Increase in environmental trust and other investments		(1,912)	(8)
<b>Cash flows from investing activities</b>		<b>(126,151)</b>	<b>4,499</b>
Net proceeds from the issue of ordinary shares		287,975	29,288
Net proceeds from the issue of ordinary shares by subsidiary		16,033	-
Net proceeds from the issue of debentures		128,867	-
Decrease in investment in debt redemption fund		-	970
Loan received / (repaid) during the year		44,192	(7,869)
Decrease in capital element of finance lease and other long term debt		(1,208)	(1,924)
Decrease in bank overdraft		-	(14)
<b>Cash flows from financing activities</b>		<b>475,859</b>	<b>20,451</b>
<b>Effects of exchange rate changes on cash held in foreign currencies</b>		<b>799</b>	<b>(332)</b>
<b>Net increase in cash</b>		<b>316,625</b>	<b>10,662</b>
Cash at the beginning of the year		10,891	229
<b>Cash at the end of the year</b>		<b>327,516</b>	<b>10,891</b>

See accompanying notes to the Consolidated Financial Statements.

## Notes to the Consolidated Financial Statements

December 31, 2006

### 1 NATURE OF OPERATIONS

The consolidated financial statements have been prepared by the Corporation in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of the consolidated financial statements is based on accounting policies and practices consistent with those used in the prior year.

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

The Corporation's principal assets are the Dominion Uranium Project in South Africa and the permitted Honeymoon Uranium Project in South Australia. Through a joint venture with Pitchstone Exploration Ltd., ("Pitchstone") the Corporation is also engaged in uranium exploration activities in the Athabasca Basin of Saskatchewan. The Corporation's Uranium One Africa Limited (previously Alease Gold and Uranium Resources Limited) subsidiary holds 71.36% of Alease Gold Limited, which owns the Modder East Gold Project and related gold assets in South Africa.

#### 1.1 Acquisition of Alease Gold Limited

On January 10, 2006 Sub Nigel Gold Mining Company Limited ("Sub Nigel") acquired all of the issued and outstanding ordinary shares of New Kleinfontein Mining Company Limited ("New Kleinfontein"), a wholly-owned subsidiary of Alease Gold and Uranium Resources Limited, now Uranium One Africa Limited ("Uranium One Africa"). Sub Nigel changed its name to Alease Gold Limited as part of the transaction. All amounts due by New Kleinfontein to Uranium One Africa were included in the transaction. The net assets sold had a carrying value of \$3.0 million at December 31, 2005 and the purchase consideration was \$10.7 million, settled by issuing 68,073,545 new Sub Nigel ordinary shares to Uranium One Africa at 96 South African cents (\$0.16) per share. Uranium One Africa retained an effective 80% of New Kleinfontein through its subsequent holding in Alease Gold. Through this transaction and subsequent dilution of Uranium One Africa's share holding in Alease Gold, Uranium One Africa now owns approximately 71.36% of Alease Gold.

For accounting purposes, the transaction is considered a reverse takeover whereby New Kleinfontein is considered the acquiring company as the shareholders of Uranium One Africa acquired more than 50% of the issued and outstanding shares of Sub Nigel. The purchase method was used for consolidation purposes. Uranium One Africa therefore effectively sold 20% of New Kleinfontein and recognized a \$7.1 million gain on the disposal. The results of operations of Sub Nigel were included with effect from January 11, 2006. The consolidated balance sheet as at December 31, 2006 represents the financial position of the entire Corporation.

#### 1.2 Acquisition of Southern Cross Resources Inc.

The acquisition by Southern Cross Resources Inc. ("Southern Cross") of all of the issued and outstanding shares of Alease Gold and Uranium Resources Limited (now Uranium One Africa) pursuant to the Acquisition Agreement dated September 14, 2005 and the Scheme of Arrangement, was finalized on December 8, 2005, being the date that the last condition precedent was met.

The essence of the transaction was that Uranium One Africa shareholders were offered 0.9 new Southern Cross shares for each Uranium One Africa issued and outstanding share, resulting in Uranium One Africa eventually being wholly owned by Southern Cross. Subsequent to this issue, the following events occurred:

- The share consolidation: Southern Cross shareholders were offered 1 share for every 5 shares held;
- The name change, with Southern Cross being changed to sxr Uranium One Inc.; and
- The grant of the replacement options in consideration of the Uranium One Africa options.

For accounting purposes, the transaction is considered a reverse takeover, whereby Uranium One Africa is considered the acquiring company as the shareholders of Uranium One Africa acquired more than 50% of the issued and outstanding shares of Southern Cross.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

### 2.2 Consolidation

The consolidated financial statements include the amounts of the Corporation and all of its subsidiaries. All significant intercompany balances and transactions are eliminated on consolidation.

#### 2.2.1 Subsidiaries

A subsidiary is an entity which is controlled by the Corporation. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Corporation and its subsidiaries after eliminating intercompany balances and transactions. For partly owned subsidiaries, the net assets and net earnings attributable to minority shareholders are presented as minority interests on the consolidated balance sheet and consolidated statement of operations and deficit.

#### 2.2.2 Joint arrangements that are not entities (“Joint Arrangements”)

Some of the Corporation's exploration and development activities are conducted jointly with others and, accordingly, the consolidated financial statements reflect only the Corporation's proportionate interests in such activities. The Corporation advances funds to its resource property joint venture partner, Pitchstone, for exploration and development work. Advances are reclassified as capital costs of resource properties when the funds have been expended and reported to the Corporation by the joint venture operator.

### 2.3 Use of estimates

The preparation of these consolidated financial statements in accordance with Canadian generally accepted accounting practice requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period.

Significant areas requiring the use of management estimates relate to the determination of impairment of capital assets, goodwill, estimation of future site restoration costs and future income taxes, and classification of current portion of long term debt. Financial results as determined by actual events could differ from those estimated.

### 2.4 Foreign currency translation

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”).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the statements of operations and deficit, except when deferred in equity as qualifying cash flow hedges.

The Corporation considers the United States (“US”) dollar (“\$”) to be the reporting currency and the South African rand (“ZAR”), Australian dollar (“AUD”) and Canadian dollar (“Cdn \$”) to be the functional currencies of the companies trading in each of the respective countries. The translated amounts are of a foreign entity and as such, the translation to US dollar was made using the current rate method, as follows: assets and liabilities, including goodwill, are translated to the US dollar at foreign exchange rates ruling at the balance sheet date. Revenues and expenses are translated at average exchange rates during the year. All resulting exchange differences are classified as equity and disclosed as currency translation adjustments in the balance sheet.

### 2.5 Financial Instruments

Financial assets and financial liabilities are recognized on the balance sheet when the Corporation has become party to the contractual provisions of the instruments.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### Measurement

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 investments are recognized on the trade date, which is the date that the Corporation commits to purchase or sell the asset. After initial recognition, investments, which include the Corporation's listed investments and which are designated as long term investments, are measured at the lesser of historic cost or net realizable value. Listed investments, which are designated as short term investments, are measured at fair value. Losses on long term investments and profits and losses on short term investments are recognized in the income statement.

Other long term investments that are intended to be held to maturity are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. For investments carried at amortized cost, gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, deposits held at call and certificate of deposits with a remaining maturity of three months or less. Bank and cash balances are reported separately from bank overdraft balances, which are included in accounts payable.

### 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.

### 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.

### 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 income statement for the period.

### 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.

### Equity instruments

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

The carrying amounts for cash and cash equivalents, short term investments, accounts receivable and accounts payable and accrued liabilities approximate fair value due to the short maturities of these instruments.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.6 Property, plant and equipment

#### Mine development and infrastructure

Mining assets are initially recorded at cost and will include mine development and mine plant facilities. Costs include pre-production expenditure. Development costs incurred to evaluate and develop new ore bodies or to define mineralization in existing ore bodies or to establish or expand productive capacity are capitalized. Mine development costs in the ordinary course to maintain production are expensed as incurred. Initial development and pre-production costs relating to a new ore body are capitalized until the reef horizon is intersected and commercial levels of production are achieved, at which time the costs are amortized.

#### Mineral and surface rights

Mineral and surface rights are recorded at cost of acquisition. When there is little likelihood of a mineral right being exploited, or the value of mineral rights have diminished below cost, a write-down is effected against income in the period that such determination is made.

#### Mining exploration

Exploration costs are expensed as incurred. When a decision is made that commercial production on a mining property should commence, all further pre-production expenditures are capitalized. These costs include evaluation costs.

### 2.7 Capitalization of interest

Net interest costs incurred during the development, construction and start up phase of major projects are capitalized.

### 2.8 Asset retirement obligations

The Corporation recognizes the fair value of a future asset retirement obligation as a liability in the year in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The Corporation concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset. The fair value of the asset retirement obligation is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted at credit adjusted risk-free interest rate. Provision is made in full for the estimated future costs of pollution control and rehabilitation, in accordance with statutory requirements. The fair value of asset retirement obligations is recognized and provided for in the financial statements and capitalized to mining assets when incurred.

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.

Changes in the obligation due to the passage of time are recognized in income as an operating expense using the interest method. Changes in the obligation due to changes in estimated cash flows are recognized as an adjustment of the carrying amount of the long-lived asset that is depreciated over the remaining life of the asset. The impact of this change in accounting policy was not material.

Annual increases in the provision are accreted into income and consist of financing costs relating to the change in present value of the provision and inflationary increases in the provision estimate. The present value of additional environmental disturbances created is capitalized to mining assets against an increase in rehabilitation provision.

### 2.10 Impairment of long-lived assets

Where impairment is identified, the carrying value of the related property, plant and equipment is written down to fair value. Recoverability of the long term assets of the Corporation, which includes development costs and undeveloped property costs, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, based on future undiscounted cash flows. In preparing this evaluation, the Corporation compares the carrying amount of the asset to its fair value. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. To determine fair value, management makes its best estimates of the future cash inflows that will be obtained each year over the life of the asset and discounts the cash flows by a rate that is based on the time value of money, adjusted for the risk associated with the applicable asset.

Management's best estimate includes only those projections which it believes are reliable. These estimates are subject to risks and uncertainties including future metal prices. It is therefore reasonably possible that changes could occur which may affect the recoverability of the assets.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.11 Future income and mining taxes

The Corporation utilizes the asset and liability method of accounting for income and mining taxes. Under the asset and liability method, future income and mining tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases reduced by a valuation allowance to reflect the recoverability of any future income tax asset. Future income and mining 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. The effect on future income and mining tax assets and liabilities of a change in tax rates is recognized in income in the year that enactment or substantive enactment occurs.

### 2.12 Stock-based compensation

The Corporation's stock-based compensation plan is described in note 14.

The Corporation recognizes as an expense the fair value of employee share-stock compensation, including stock options. Any consideration paid upon the exercise of stock options, in addition to the fair value attributable to stock options granted, is credited to share capital. The fair value attributable to stock options that expire unexercised is credited to contributed surplus.

### 2.13 Revenue recognition

Revenue from sales is recognized when significant risks and rewards of title and ownership of the goods are transferred upon delivery to the final refiner.

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.

### 2.14 Leased assets

Leases of property, plant and equipment where the corporation has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the instalment is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

### 2.15 Inventories

Inventories, which include in process metals and consumable stores, are stated at the lower of cost or net realizable value. The related direct production costs associated with in process metals are deferred and charged to costs as the contained gold is recovered. Consumable stores are valued on the weighted average basis. In process metals is identified and measured from the ore stockpiles up to and including the on-site refining plant.

### 2.16 Earnings or loss per share

Basic earnings or loss per share is computed by dividing earnings or loss available to common shareholders by the weighted average number of common shares outstanding during the year. The treasury stock method is used to calculate diluted earnings or loss per share. Diluted earnings or loss per share is similar to basic earnings or loss per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding assuming that options and warrants with an average market price for the year greater than their exercise price are exercised and the proceeds used to repurchase common shares. As a result of the loss for each of the reporting years, the potential effect of exercising stock options and warrants has not been included in the calculation of diluted loss per share as to do so would be anti-dilutive.

### 3 ACCOUNTS RECEIVABLE

	2006 US\$'000	2005 US\$'000
Trade receivables	1,850	54
Value Added Tax and General Sales Tax	13,327	4,614
Prepayments and advances	5,288	3,803
Deposits and guarantees	977	93
Other receivables	742	259
	<b>22,184</b>	<b>8,823</b>

### 4 INVENTORIES

	2006 US\$'000	2005 US\$'000
In-process metal	883	231
Spares and consumables	1,459	450
	<b>2,342</b>	<b>681</b>

### 5 PROPERTY, PLANT AND EQUIPMENT

	Cost US\$'000	2006 Accumulated amortization US\$'000	Net carrying amount US\$'000	Cost US\$'000	2005 Accumulated amortization US\$'000	Net carrying amount US\$'000
Mine development costs and mine plant facilities	149,266	(3,561)	145,705	38,014	(3,676)	34,338
Mineral and Undeveloped properties	140,421	-	140,421	122,639	-	122,639
Motor vehicles	662	(382)	280	433	(316)	117
Office equipment	953	(504)	449	544	(383)	161
	291,302	(4,447)	286,855	161,630	(4,375)	157,255
Owned assets			285,065			156,890
Leased assets			1,790			365
<b>Total net carrying amount as at end of year</b>			<b>286,855</b>			<b>157,255</b>

Mine development costs and mine plant facilities comprise of the following projects:

	Cost US\$'000	2006 Accumulated amortization US\$'000	Net carrying amount US\$'000	Cost US\$'000	2005 Accumulated amortization US\$'000	Net carrying amount US\$'000
Dominium Uranium Project	137,585	(1,709)	135,876	10,428	(47)	10,381
Honeymoon Uranium Project	3,253	(1,173)	2,080	2,923	(2,642)	282
Modder East Gold Project	8,428	(679)	7,749	966	(358)	608
Bonanza Gold Project	-	-	-	23,697	(629)	23,068
	<b>149,266</b>	<b>(3,561)</b>	<b>145,705</b>	<b>38,014</b>	<b>(3,676)</b>	<b>34,338</b>

## 5 PROPERTY, PLANT AND EQUIPMENT (continued)

	Mineral Properties		Undeveloped properties	
	2006	2005	2006	2005
	US\$'000	US\$'000	US\$'000	US\$'000
Modder East	-	-	15,020	15,807
Sub-Nigel	-	-	15,423	-
Spaarwater	300	-	-	-
Honeymoon, Australia	5,246	6,016	31,818	28,670
Goulds Dam, Australia	-	-	24,921	24,921
Billeroo / Karkarook, Australia	-	-	43,170	43,170
Athabasca, Canada	2,366	1,281	2,157	1,427
Loan guarantees and Native title claims	-	-	-	1,347
	<b>7,912</b>	<b>7,297</b>	<b>132,509</b>	<b>115,342</b>

### Impairment of property, plant and equipment

During 2006, management stopped operations at Bonanza when the gold plant was to be integrated with the new uranium plant. The less profitable Bonanza ore will be replaced by ore from the uranium deposits for the next few years. As a result, the Bonanza carrying value amounting to \$11.1 million has been impaired. The gold plant was not impaired and was transferred to the Dominion Uranium Project. Other assets amounting to \$0.2 million were also impaired.

### Native title claims

The Corporation's interests in the Honeymoon and Goulds Dam properties are subject to two Native Title claims. Agreements have been secured with both groups, whereby the Corporation pays annual administration fees to each claimant group. The amount recognized for the Native Title Claims was reclassified and added to undeveloped properties during the 2006 financial year.

### Dominion Uranium Project

The Dominion Uranium Project is situated in the North West Province of South Africa. The Dominion Uranium Project is a brownfields development project consisting of the Dominion and Rietkuil sections which include two former uranium and gold mining operations. Construction of the Dominion uranium mine was approved in 2005.

### Honeymoon Uranium Project

The Honeymoon Uranium Project is located in north-east South Australia. During the year, an updated mineral resource estimate and a feasibility study were published on the Honeymoon Uranium Project. Uranium One's Board of Directors approved the development of the Honeymoon Uranium Project on August 28, 2006.

### Modder East Gold Project

In May 2006, Alease Gold, a subsidiary of the Corporation resolved to develop the Modder East Gold Project into a mine and commenced the initial phase of construction. In August 2006, an updated mineral resource and reserve estimate and a feasibility study prepared by Turgis Consulting (Pty) Ltd. and audited by SRK Consulting South Africa (Pty) Ltd. was published on the project and, in light of the results of that study, the Alease Gold Board approved full implementation of the Modder East Gold Project.

## 6 ASSET RETIREMENT FUND

	2006	2005
	US\$'000	US\$'000
Investments in Environmental Trust Fund	3,181	1,171
- Opening balance	1,171	1,488
- Investment income	166	13
- Contributions	1,912	-
- Costs incurred	-	(168)
- Foreign exchange loss	(68)	(162)
Rehabilitation Cash Management account	246	104
	<b>3,427</b>	<b>1,275</b>

The Environmental Trust Fund is a trust under the Corporation's control and is to be used to fund the rehabilitation liabilities. Funds in the trust consist of primarily cash held in interest bearing accounts, together with investments in South African equities.

The Rehabilitation Cash Management account is a money market fund investment. Interest is capitalized.

## 7 LISTED INVESTMENTS

The Corporation has an investment in Randgold and Exploration Company Limited. The company was delisted from the NASDAQ and suspended by the JSE. Due to uncertainty that prevails over the value of the shares, management has resolved to write this investment down to a zero value. The impairment charge recorded in the 2005 financial year amounted to \$8.2 million.

The underlying shares pertaining to the contractual commitment to acquire shares in Randgold under the futures contract referred to in note 10, were also impaired. A provision of \$2.7 million was recorded in the 2005 financial year to recognize the Corporation's future obligation in terms of the contractual commitment. Refer note 8.

## 8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2006	2005
	US\$'000	US\$'000
Trade payables	24,190	6,651
Accruals	691	4,396
Taxation payable	70	-
Provisions	6,396	3,998
- Provision for leave pay	513	79
- Provision for bonuses	1,887	1,238
- Provision for settlement of employee taxes	1,393	-
- Provision for decline in value of shares (refer note 7)	2,412	2,681
- Other provisions	191	-
	<b>31,347</b>	<b>15,045</b>

## 9 LEASE OBLIGATIONS

	2006 US\$'000	2005 US\$'000
Present value of finance lease obligations payable within 1 year	1,272	1 452
Minimum lease payments	1,388	1,650
Finance charges	(116)	(198)
Present value of finance lease obligations payable within 2 to 5 years	304	1,560
Minimum lease payments	322	1,772
Finance charges	(18)	(212)
Payable in	1,710	3,422
- 2006	-	1,650
- 2007	1,388	1,479
- 2008	255	246
- 2009	33	14
- 2010	29	14
- Thereafter	5	19
<b>Total debt</b>	<b>1,576</b>	<b>3,012</b>
Short term portion of finance leases	1,272	1 452
Total long term debt	304	1,560

Finance leases were obtained for the purchase of equipment required for mining operations. Monthly instalments payable range from \$1.0 thousand (2005: \$0.6 thousand) to \$38.6 thousand (2005: \$35 thousand) and are repayable over various terms. Interest rates are linked to prime and range from prime less 2.5% to prime less 0.5%.

Included in the lease obligations are loans that are secured by a general notarial bond over the moveable assets financed.

## 10 SHORT TERM LOAN

	2006 US\$'000	2005 US\$'000
February 2005 Nedcor Securities loan	199	993
August 2006 Nedcor Securities loan	51,460	-
Total liability	<b>51,659</b>	<b>993</b>

The February 2005 Nedcor Securities loan represents draw-downs on a facility provided by Nedcor Securities, secured by Uranium One Africa's investment in Randgold and Exploration Company Limited ("Randgold") shares. This loan attracts interest in South Africa at a variable rate currently at ZAR 8.95%, adjusted in terms of a formula which is influenced by movements in the Randgold share price. The effective interest rate for the period was ZAR 23.48%. The loan has no fixed repayment terms. The loan is repayable in South African rand. Refer note 7.

The August 2006 Nedcor Securities loan represents draw-downs on a facility provided by Nedcor Securities, secured by Uranium One Africa's investment in Alease Gold shares. This loan attracts interest in South Africa at a flat rate of ZAR 9% per annum, adjusted in terms of a formula which is influenced by movements in the Alease Gold share price. The effective interest rate for the period was ZAR 9.88%. The loan will be repaid on September 20, 2007. The loan is repayable in South African rand.

Uranium One's investment in Randgold and Alease Gold is encumbered while these finance arrangements remain in place. These loans are classified as liabilities held to maturity and are carried at amortized cost.

## 11 ASSET RETIREMENT OBLIGATION

	Australian Uranium Operations US\$'000	African Uranium Operations US\$'000	Aflease Gold Operations US\$'000	TOTAL 2006 US\$'000	TOTAL 2005 US\$'000
Opening balance	-	3,915	178	4,093	4,186
- Incurred during the year	321	1,138	202	1,661	-
- Settled	-	-	-	-	-
- Accretion expense	-	307	1	308	360
- Revision	-	(710)	-	(710)	-
- Foreign exchange gain / (loss)	7	(419)	(16)	(428)	(452)
<b>Total obligation</b>	<b>328</b>	<b>4,231</b>	<b>365</b>	<b>4,924</b>	<b>4,094</b>

The following are the key assumptions used during 2006:

	Dominion Uranium Project US\$'000	Honeymoon Uranium Project US\$'000	Aflease Gold Operations US\$'000	Bonanza Gold Project US\$'000	TOTAL 2006 US\$'000
<b>Undiscounted and uninflated amount of estimated cash flows</b>	<b>2,329</b>	<b>427</b>	<b>504</b>	<b>4,297</b>	<b>7,557</b>
Currency payable	ZAR	AUD	ZAR	ZAR	
Payable in years	11	6	13	11	
Inflation rate	5.50%	3.00%	5.50%	5.00%	
Discount rate	14.50%	7.39%	14.50%	9.65%	

The following are the key assumptions used during 2005:

	Dominion Uranium Project US\$'000	Honeymoon Uranium Project US\$'000	Aflease Gold Operations US\$'000	Bonanza Gold Project US\$'000	TOTAL 2005 US\$'000
<b>Undiscounted and uninflated amount of estimated cash flows</b>	<b>-</b>	<b>-</b>	<b>233</b>	<b>5,596</b>	<b>5,829</b>
Currency payable	ZAR	AUD	ZAR	ZAR	
Payable in years	-	-	5	11	
Inflation rate	-	-	5.00%	5.00%	
Discount rate	-	-	9.65%	9.65%	

The rehabilitation trusts have been set up as sinking funds for the purposes of the environmental rehabilitation and closure costs. The trust deed prohibits use of the funds for any other purpose.

The fair value of the restricted assets at year end is \$3.4 million (2005: \$1.3 million). Refer note 6.

During the fourth quarter of 2006 an extensive independent and internal review was performed on the rehabilitation obligations at the South African operations and an internal review was performed at the Australian operations. The independent review performed on the South Africa operations was performed by Prime Resources during November 2006. The provision for the Bonanza operations remains unchanged except for the portion that was transferred to the Dominion Reefs Uranium Mine operations. The portion transferred mainly relates to the rehabilitation of the gold plant. The review resulted in the initial provision for the rehabilitation of the Dominion Reefs Uranium Mine and Honeymoon Uranium Mine pertaining to the development of these operations during the 2006 year.

## 12 CONVERTIBLE DEBENTURES

4.25% Convertible Unsecured Subordinated Debentures	2006	2005
	US\$'000	US\$'000
Nominal value of convertible loan notes issued	133,239	-
Underwriters Fees	(3,997)	-
<b>Net proceeds</b>	<b>129,242</b>	-
<b>Equity component</b>	<b>20,937</b>	-
The liability as at December 31, 2006 is made up as follows:		
Liability component at date of issue	112,606	-
Convertible Debentures - costs	(4,372)	-
Interest charged	429	-
Foreign exchange movement	(10)	-
<b>Liability as at 31 December 2006</b>	<b>108,653</b>	-

On December 20, 2006, the Corporation completed an offering of \$133.2 million (including exercised over allotment option of \$17.4 million granted to underwriters) 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 will represent 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 Corporation intends to use the net proceeds of the offering to fund the development and operation of the Corporation's Uranium Projects and for general corporate purposes.

The debentures may not be redeemed by the Corporation prior to January 1, 2010. On and after that date and prior to the maturity date, the debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided that the weighted average trading price of the common shares for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is given, is at least 130% of the conversion price.

For accounting purposes, the debentures contain both a liability component and an equity component, being the holder's conversion right, which have been separately presented in the consolidated balance sheet. The Corporation has allocated the \$133.2 million face value of the debentures to the individual liability and equity components by establishing the fair value of the liability component and then allocating the balance remaining after subtracting the fair value of the liability from the issue price, to the equity component. The fair value of the liability component was determined by discounting the stream of future payments of interest and principal amounts at the estimated prevailing market rate of 10.56% for a debt instrument of comparable maturity and credit quality but excluding any conversion privilege by the holder.

As a result, the Corporation allocated \$112.6 million of the gross proceeds received to debt and \$20.9 million to equity. Interest is recognized by accreting the liability component of \$112.6 million less expenses of \$4.3 million to its face value of \$133.2 million over the term of the debentures, calculated based on an estimated effective annual interest rate of 11.77%. For the year ended December 31, 2006, interest relating to the accretion of the debt totalled \$0.4 million, which was expensed and included as interest and financing expense.

## 13 SHARE CAPITAL

	Number of shares		Value of shares	
	2006	2005	2006 US\$'000	2005 US\$'000
<b>Ordinary shares</b>				
Opening balance of common shares in issue	89,103,814	336,451,321	216,123	80,736
Common shares issued in public or private offering	43,195,830	50,325,405	301,510	35,508
Shares issued in settlement of Eastbourne Capital loan	-	21,535,107	-	9,312
Exercise of stock options and Restricted shares	2,542,034	998,288	14,786	634
Share issue costs	-	-	(18,453)	(6,220)
Closing balance of issued and outstanding shares on December 8, 2005	<b>134,841,678</b>	<b>409,310,121</b>	<b>513,966</b>	<b>119,970</b>
Conversion of Alease shares to sxr Uranium One Inc. shares at a ratio of 0.9		368,379,109		119,970
Share consolidation: 1 share for every 5 shares held		73,675,822		119,970
Acquisition of Southern Cross Resources Inc.		15,427,992		95,976
Warrants exercised after December 8, 2005		-		177
<b>Closing balance of issued and outstanding shares</b>	<b>134,841,678</b>	<b>89,103,814</b>	<b>513,966</b>	<b>216,123</b>

## 14 CONTRIBUTED SURPLUS

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

	Warrants	Restricted	Options	TOTAL	TOTAL
	US\$'000	US\$'000	US\$'000	2006 US\$'000	2005 US\$'000
At the beginning of the year	1,813	-	9,554	11,367	2,790
Share options expensed	-	-	10,845	10,845	7,240
Share options exercised	-	-	(7,593)	(7,593)	(259)
Restricted shares expensed	-	1,367	-	1,367	-
Restricted shares exercised	-	(20)	-	(20)	-
Warrants issued to BMO Nesbitt	-	-	-	-	1,773
Warrants exercised	-	-	-	-	(177)
<b>At the end of the year</b>	<b>1,813</b>	<b>1,347</b>	<b>12,806</b>	<b>15,966</b>	<b>11,367</b>

### Assumptions

The fair value of Restricted shares used to calculate the compensation expense was determined as the share price on the grant date adjusted by the probability of the recipients remaining in the workforce until the vesting date.

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

	Dec 31, 2006	Dec 31, 2005
Risk free interest rate: Canadian rates	3.81 - 4.11%	3.70 - 4.12%
Expected dividend yield	0%	0%
Expected volatility of the Corporation's share price	60%	61%

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

## 14 CONTRIBUTED SURPLUS (continued)

### Options

Under the Corporation'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, or a committee of the board, which determines individual eligibility under the plan, number of shares reserved underlying the options granted to each individual (not exceeding 5% of the 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 is generally 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 unless the board of directors determines otherwise. The board of directors, on December 8, 2006, 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 the Corporation that are issuable pursuant to the plan is limited to 7.2% of issued and outstanding shares.

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

	Number of options		Weighted average exercise price	
	2006	2005	2006 US\$	2005 US\$
At the beginning of the year	5,268,610	13,139,178	0.47	0.47
Granted during the year	2,926,443	12,759,147	8.35	0.46
Exercised during the year	(2,518,309)	(997,130)	2.61	0.40
Forfeiture of share options	(188,843)	(784,847)	4.34	0.36
At the end of the year	<b>5,487,901</b>	<b>24,116,348</b>	<b>7.97</b>	<b>0.47</b>
Replacement options issued to Alease at a conversion rate of 0.18		4,340,943		
Southern Cross options converted at a rate of 0.20		927,667		
<b>Outstanding options as at the end of the year</b>	<b>5,487,901</b>	<b>5,268,610</b>	<b>7.97</b>	<b>2.74</b>

The stock option compensation expense for 2006 was \$10.6 million (2005: \$7.2 million) for the srx Uranium One options and \$0.2 million for the Alease Gold options. As at December 31, 2006, the aggregate unexpensed fair value of unvested stock options granted amounted to \$7.4 million (2005: \$6.4 million).

The following table summarizes certain information about the Corporation's stock options outstanding at December 31, 2006:

Range of Exercise Prices US\$	Options outstanding			Options exercisable		
	Number outstanding as at Dec 31, 2006	Weighted average remaining life (years)	Weighted average exercise price US\$	Number exercisable as at Dec 31, 2006	Weighted average remaining life (years)	Weighted average exercise price US\$
1.15 to 1.59	916,334	3.94	1.48	471,443	3.94	1.49
2.19 to 2.85	174,169	3.94	2.34	121,584	3.94	2.34
3.13 to 3.84	1,241,292	3.92	3.55	1,060,164	3.91	3.56
4.04 to 4.92	352,421	3.78	4.12	217,348	3.83	4.12
5.52 to 6.78	1,647,034	4.14	6.75	499,312	4.13	6.70
7.17 to 12.28	1,156,651	4.88	11.68	164,184	4.82	10.97
	<b>5,487,901</b>	<b>4.22</b>	<b>7.97</b>	<b>2,534,035</b>	<b>4.03</b>	<b>5.65</b>

Options exercised during the 2006 financial year resulted in 2,518,309 shares being issued at an average exercise price of \$2.61 per share.

## 14 CONTRIBUTED SURPLUS (continued)

### 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 is capped at one million; 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 the Corporation's Restricted shares issued under the Restricted Share Plan:

	Number of Restricted shares	
	2006	2005
Granted during the year	441,915	-
Exercised during the year	(28,414)	-
<b>Total Restricted shares outstanding at the end of the period</b>	<b>413,501</b>	<b>-</b>

The grant date of 113 993 Restricted shares was December 8, 2006. The share price on grant date was \$12.07 per share.

The grant date of 327 922 Restricted shares was June 7, 2006. The share price on grant date was \$8.08 per share.

Restricted shares will not expire while the participant is in the employ of the Corporation.

The Restricted share expense for the year ended December 31, 2006 was \$1.4 million (2005: \$0). As at December 31, 2006 the aggregate unexpensed fair value of unvested Restricted shares granted amounted to \$2.4 million (December 31, 2005: \$0).

Warrants	Number of warrants		Allocated value		Average exercise price	
	2006	2005	2006	2005	2006	2005
			US\$'000	US\$'000	US\$	US\$
At the beginning of the year	5,976,319	3,876,319	1,813	217	3.69	2.73
Issued to BMO Nesbitt	-	1,800,000	-	1,596	-	5.39
Warrants acquired (Series D Warrants)	-	300,000	-	-	-	5.96
<b>At the end of the year</b>	<b>5,976,319</b>	<b>5,976,319</b>	<b>1,813</b>	<b>1,813</b>	<b>3.69</b>	<b>3.69</b>

### Warrants comprise:

	Number of warrants	
	2006	2005
2008 Warrants	3,876,319	3,876,319
BMO Nesbitt Warrants	1,800,000	1,800,000
Series D Warrants	300,000	300,000
<b>Total</b>	<b>5,976,319</b>	<b>5,976,319</b>

The fair value of the 2008 warrants (previously referred to as the "Eastbourne warrants") was valued, for Canadian GAAP purposes, at \$0.2 million on December 31, 2004. The 3,876,319 warrants have a term of 3 years from the date of issue and expire on September 24, 2008.

The fair value of the BMO warrants was determined at \$1.8 million on December 30, 2005, using the binomial option pricing model with the following assumptions: United States zero coupon rates of between 4.39% and 4.83%, expected dividend yield of nil, expected 90 day volatility of 51.5% and expected warrants term of 1.18 years. The expiry date of these warrants is March 5, 2007.

Series D Warrants represent those acquired from Southern Cross through the reverse takeover. 150,000 warrants expire on September 17, 2007 and 150,000 warrants expire on January 4, 2008.

## 15 COST OF SALES

	2006	2005
	US\$'000	US\$'000
Cash operating costs	5,729	6,454
Depreciation and amortization	659	767
Write down of inventory	1,313	-
	<b>7,701</b>	<b>7,221</b>

## 16 INCOME TAXES

	2006	2005
	US\$'000	US\$'000
Normal taxation – current	42	-
Future income taxes	1,023	-
	<b>1,065</b>	<b>-</b>

Future taxes of \$1.0 million were provided on the profit of \$7.1 million on disposal by the Corporation of its investment in New Kleinfontein, which constitutes a capital gain.

A reconciliation between the average effective taxation rate and the applicable tax rate is presented below:

Income tax rate reconciliation	2006	2005
	%	%
Statutory rate of taxation	36%	34%
Income not subject to taxation	14%	0%
Expenses not deductible for taxation purposes	(29%)	(23%)
Future taxes not provided	(21%)	(2%)
- Adjustment due to different taxation rate - Australia	(1%)	(4%)
- Adjustment due to different taxation rate - South Africa	(1%)	(5%)
<b>Effective tax rate</b>	<b>(2%)</b>	<b>0%</b>

Taxation is determined by taking into account the taxable income and capital expenditure from operations during the year. Various operating jurisdictions are regulated by their respective taxation regimes. No taxation was payable in 2006 as the Corporation has an estimated unclaimed capital expenditure balance of \$165.7 million (2005: \$44.1 million) and calculated tax losses balance of \$86.5 million (2005: \$77.2 million). This is made up as follows:

	Unclaimed capital expenditure		Taxation losses	
	2006	2005	2006	2005
	US\$'000	US\$'000	US\$'000	US\$'000
South Africa	165,677	44,075	37,518	50,509
Canada	-	-	22,166	21,125
Australia	-	-	26,814	5,592
	<b>165,677</b>	<b>44,075</b>	<b>86,498</b>	<b>77,226</b>

## 16 INCOME TAXES (continued)

The taxation rates utilized as at December 31, 2006 were 36.12% in Canada, 30% in Australia and 29%-45% in South Africa.

These future deductions are utilizable only against income generated from the Corporation's current operations and do not expire unless the mine ceases to trade.

Non-mining taxable income, which consists primarily of net interest received, was shielded against mining tax losses that were not ring-fenced for tax purposes. In South Africa, the Corporation is exempt from payment of secondary taxation on companies, having made the election not to pay secondary taxation on companies. Alease Gold has elected to pay secondary taxation on companies. The election influences the taxation rate of each of the companies.

The Corporation's future income taxation assets and liabilities as at December 31, 2006 and 2005 are summarized below. These amounts incorporate the unclaimed capital expenditure as well as the taxation loss balances referred to above, multiplied by the applicable taxation rates.

	2006 US\$'000	2005 US\$'000
Mining and non-mining assets	(52,955)	(36,762)
Revaluation of undeveloped property	(30,863)	(21,156)
Provisions	7,434	1,300
	(76,384)	(56,618)
Unclaimed capital expenditure	67,806	12,782
Taxation losses	28,383	22,893
Net future income taxation asset / (liability)	19,805	(20,943)
Deferred taxation asset not recognized	(50,668)	(213)
<b>Net future income taxation liability recognized</b>	<b>(30,863)</b>	<b>(21,156)</b>

The Corporation has not recorded a net deferred taxation asset in the amount of \$50.7 million as at December 31, 2006 (2005 - \$0.2 million) because management believes that the future income tax assets are not more likely than not to be realized in the carry-forward period.

In 2005, the revaluation assets arose on the fair valuation of assets that formed part of the reverse takeover of Southern Cross by Uranium One Africa. In compliance with accounting practice, a future taxation liability of \$21.2 million was recognized to the extent that the ring-fenced future taxation asset of \$2.5 million was insufficient to off-set the full liability of \$23.7 million.

In 2006, the movement in the revaluation assets rose on the fair valuation of assets that formed part of the reverse takeover of Alease Gold by New Kleinfontein. In compliance with accounting practice, a future taxation liability of \$8.7 million was recognized. Included in the movement for the year is the \$1.0 million provision for the profit on disposal of the investment in New Kleinfontein, as described above.

## 17 BASIC LOSS PER SHARE AND DILUTED LOSS PER SHARE

	2006	2005
Basic and diluted loss per share (cents)	(38.33)	(58.67)
is calculated based on a net loss of the period of (\$'000)	(43,106)	(41,740)
and a weighted average number of shares outstanding of	112,447,306	71,139,266

For the years ended December 31, 2006 and 2005, the impact of outstanding share options and warrants was excluded from the diluted share calculation because it was anti-dilutive for earnings per share purposes.

## 18 CONTRACTUAL OBLIGATIONS

	2006 US\$'000	2005 US\$'000
Short term loan	51,659	992
Capital commitments	38,326	37,931
<b>Total contractual obligations</b>	<b>89,985</b>	<b>38,923</b>
Payable in		
- one year	89,985	38,923
- after one year	-	-
	<b>89,985</b>	<b>38,923</b>

The capital commitments relate to capital expenditure on the Dominion Uranium Project, Honeymoon Uranium Project, Pitchstone and the Modder East Gold Project.

## 19 FINANCIAL INSTRUMENTS

### Financial risk factors

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 Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Corporation. The Corporation does not hedge its exposure to foreign currency exchange risk.

Risk management carried out by the Corporation is approved by the Board of Directors.

#### (i) Foreign exchange risk

The Corporation is exposed to foreign exchange risk arising predominantly from foreign currency denominated sales. The Corporation, however, does not hedge its exposure to foreign currency exchange risk.

#### (ii) Interest rate risk

The Corporation's income and operating cash flows are substantially independent of changes in market interest rates. The Corporation has no set policy on maintenance of a set proportion of borrowings in fixed rate instruments versus variable instruments. At the year end no debt was at fixed rates.

#### (iii) Credit risk

The Corporation has no significant concentrations of credit risk. The Corporation has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Corporation has policies that limit the amount of credit exposure to any one financial institution.

#### (iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

### Fair value estimation

The fair value of publicly traded derivatives and trading securities is based on quoted market prices at the balance sheet date.

In assessing the fair value of other financial instruments, the Corporation uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

## 19 FINANCIAL INSTRUMENTS (continued)

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Corporation for similar financial instruments.

The actual disclosed values of the financial instruments all approximate the fair values of these instruments.

## 20 REVERSE TAKEOVER OF SUB NIGEL

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

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

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

	2006 US\$'000
Property, plant and equipment	778
Undeveloped properties - Sub Nigel	17,717
Loan account	1,518
Receivables and prepayments	66
Inventory	9
Cash	1,933
Cost closure obligation	(35)
Trade and other payables	(1,069)
Future taxation liability	(5,138)
Value of business combination	15,779
Non-controlling interest	(2,999)
Cash taken over	1,933
Consideration	(12,780)
<b>Net cash flow</b>	<b>1,933</b>

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

Changes in the percentage shareholding from 79.92% on January 10, 2006 to 71.36% on December 31, 2006 resulted in a dilution gain of \$17.5 million for the year ended December 31, 2006.

## 21 REVERSE TAKEOVER OF SOUTHERN CROSS RESOURCES INC.

The aggregate fair values of assets acquired and liabilities assumed on the purchase of Southern Cross Resources Inc. were as follows:

	2005 US\$'000
Property, plant and equipment	32,373
Undeveloped properties	76,490
Other assets	96
Receivables and prepayments	2,541
Cash	8,389
Interest bearing borrowings	(79)
Trade and other payables	(2,678)
Future taxation liability	(21,156)
Purchase price	95,976
Cash taken over	8,389
Shares consideration	(95,976)
<b>Net cash flow</b>	<b>8,389</b>

The terms of the purchase price were agreed between the parties in terms of an agreement of acquisition dated September 14, 2005. The effective date of the reverse takeover was December 8, 2005.

## 22 SUBSEQUENT EVENTS

### UrAsia Energy Limited

On February 12, 2007, the Corporation and UrAsia Energy Ltd. ("UrAsia") entered into a definitive arrangement agreement under which the Corporation will acquire all of the outstanding common shares of UrAsia. The business combination will be effected by way of a court-approved plan of arrangement under section 288 of the Business Corporations Act (British Columbia). Under the terms of the arrangement, all holders of UrAsia Shares will receive 0.45 Uranium One shares for each UrAsia common share held. It is expected that the current shareholders of the Corporation will own approximately 40% and the current shareholders of UrAsia will own approximately 60% of the combined company after giving effect to the arrangement. Each UrAsia warrant and stock option, which previously gave the holder the right to acquire common shares of UrAsia, will be exchanged for warrants or stock options which gives the holder the right to acquire common shares of the Corporation, at a ratio of 0.45 Uranium One warrant or stock option for every UrAsia warrant or stock option, with all other terms of such warrants or stock options remaining unchanged. Subject to approval by the Corporation's shareholders, the combined entity will change its corporate name and continue under the name Uranium One Inc.

The combination is subject to, among other things, approval by a two-thirds majority of the votes cast by holders of UrAsia common shares and applicable Canadian regulatory and court approvals. The transaction is expected to close during the second quarter of 2007. If the combination does not occur under certain circumstances, UrAsia has agreed to pay Uranium One a break fee of \$90.0 million. A break fee of \$60 million is payable by the Corporation in certain circumstances if they terminate the arrangement. A break fee of \$60.0 million is payable by Uranium One if UrAsia terminates the agreement as a result of certain material breaches of the agreement by Uranium One which are not curable.

### Shootaring Canyon Uranium Mill and Associated Properties

On February 23, 2007, Uranium One entered into a definitive agreement with U.S. Energy Corp. for the purchase 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 plus the sum of \$750,000 in cash paid by Uranium One on the execution of a July 2006 exclusivity agreement with the vendor. The purchase agreement provides for further payments by Uranium One of \$20.0 million upon the Shootaring Canyon Mill reaching commercial production and \$7.5 million on the first delivery to the Mill after commercial production of mineralized material from any of the purchased properties. In addition, U.S. Energy Corp. will receive a royalty equal to 5% of the gross proceeds from the sale of commodities produced at the Mill, to a maximum amount of \$12.5 million.

## 22 SUBSEQUENT EVENTS (continued)

The purchase agreement also provides for the assignment of U.S. Energy Corp's right to receive \$4.1 million in cash and 1.5 million common shares of Uranium Power Corp. ("UPC") under a purchase and related joint venture agreement between U.S. Energy and UPC relating to certain of the purchased properties for a cash payment equal to a 5.25% annual discount rate applied to \$4.1 million plus the value of such shares (determined with reference to the weighted average closing price thereof on the TSX Venture Exchange prior to closing). In addition, Uranium One will on closing reimburse U.S. Energy Corp. for certain exploration expenditures relating to the purchased properties and incurred since July 2006.

Closing of the purchase agreement is subject, among other things, to receipt of applicable U.S. state and federal regulatory approvals

### **Sweetwater**

On January 8, 2007, the Corporation announced that Rio Tinto Energy America, Inc. ("Rio Tinto") has decided to withdraw the Sweetwater uranium mill and related properties from sale in order to re-evaluate whether these should be retained and developed. Rio Tinto has agreed to acquire from the Corporation copies of the third party technical reports prepared for the Corporation as part of its due diligence investigations. The cost incurred by the Corporation in preparation of the technical reports as part of the due diligence investigations, is presented under accounts receivable.

### **Pitchstone**

In January 2007, the Corporation received formal notice from its joint venture partner, Pitchstone Exploration, to the effect that the Corporation had completed the requirements to earn 50% of Pitchstone's interest in five properties located in the Athabasca basin in northern Saskatchewan. Pitchstone further confirmed that a total of \$3.4 million in exploration expenditures had been spent on the five properties and that Pitchstone has received the required payments.

### **Aflease Gold**

Subsequent to December 31, 2006, Aflease Gold issued 25 million shares to public shareholders. This share placement further diluted the Corporation's equity interest in Aflease Gold to 67.79%.

### **Warrants**

On February 14, 2007, 1.8 million warrants issued to BMO Nesbitt Burns were exercised at an exercise price of \$5.39 for proceeds of \$9.7 million.

## 23 RELATED PARTIES

During the year ended December 31, 2006, Uranium One paid \$1.1 million to Davis & Company LLP on account of fees for legal services rendered. The Corporation's executive vice president and general counsel, John Sibley, was a partner of Davis & Company LLP prior to joining Uranium One in September 2006 and also served as a director of Uranium One and its Aflease Gold and Uranium Resources Limited predecessor from April 2003 to June 7, 2006.

## 24 SEGMENTED INFORMATION

Segmented information is presented in respect of the Corporation's business and geographical segments. The primary format, business segments, is based on the Corporation's management and internal reporting structure.

Inter-segment reporting is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets and revenue, interest-bearing loans, borrowing and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

For the year ended December 31, 2006:

Business	Africa	Australia	Canada	Aflease Gold	Eliminations	TOTAL
	Uranium	Uranium	Uranium	Gold		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Gold Sales</b>	<b>3,336</b>	-	-	-	-	<b>3,336</b>
Cost of Sales	(7,701)	-	-	-	-	(7,701)
<b>Gross loss</b>	<b>(4,365)</b>	-	-	-	-	<b>(4,365)</b>
Sundry income	567	218	-	42	-	827
General and administrative expenditure	(3,927)	(2,288)	(6,336)	(1,888)	-	(14,439)
Share options expensed	(4,138)	(344)	(6,122)	(241)	-	(10,845)
Restricted shares expensed	(134)	(19)	(1,214)	-	-	(1,367)
Exploration expenditure	(5,555)	(2,180)	-	(1,499)	-	(9,234)
Impairment of property, plant and equipment	(11,049)	-	(89)	(173)	-	(11,311)
<b>Operating loss</b>	<b>(28,601)</b>	<b>(4,613)</b>	<b>(13,761)</b>	<b>(3,759)</b>	-	<b>(50,734)</b>
Interest received	1,404	129	3,466	245	-	5,244
Interest paid	(2,601)	(3)	(429)	(6)	-	(3,039)
Dilution gain on disposal of investments	34,943	-	-	-	(17,428)	17,515
Foreign exchange loss on cash and cash equivalents	-	-	(11,905)	-	-	(11,905)
Non-controlling interest in earnings of subsidiary	-	-	-	-	878	878
<b>Loss before income taxes</b>	<b>5,145</b>	<b>(4,487)</b>	<b>(22,629)</b>	<b>(3,520)</b>	<b>(16,550)</b>	<b>(42,041)</b>
Provision for income taxes	(1,022)	-	(26)	(17)	-	(1,065)
<b>Net loss</b>	<b>4,123</b>	<b>(4,487)</b>	<b>(22,655)</b>	<b>(3,537)</b>	<b>(16,550)</b>	<b>(43,106)</b>
<b>Total assets</b>	<b>224,467</b>	<b>13,288</b>	<b>844,413</b>	<b>33,852</b>	<b>(473,696)</b>	<b>642,324</b>
<b>Total liabilities</b>	<b>186,129</b>	<b>43,336</b>	<b>109,920</b>	<b>8,418</b>	<b>(118,781)</b>	<b>229,022</b>
<b>Other segment items</b>						
Capital expenditure	115,285	1,814	1,964	7,109	-	126,172

## 24 SEGMENTED INFORMATION (continued)

For the year ended December 31, 2005:

Business	Africa	Australia	Canada	New	Eliminations	TOTAL
	Uranium	Uranium	Corporate and Uranium	Kleinfontein Gold		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Gold Sales</b>	<b>2,730</b>	-	-	-	-	<b>2,730</b>
Cost of Sales	(6,915)	(180)	(2)	(124)	-	(7,221)
<b>Gross loss</b>	<b>(4,185)</b>	<b>(180)</b>	<b>(2)</b>	<b>(124)</b>	-	<b>(4,491)</b>
Sundry income	768	2	-	-	-	770
General and administrative expenditure	(5,558)	151	(106)	(26)	-	(5,539)
Share options expensed	(7,052)	-	(188)	-	-	(7,240)
Exploration expenditure	(10,342)	-	(677)	-	-	(11,019)
Other net income/(costs)	265	-	-	-	-	265
<b>Operating loss</b>	<b>(26,104)</b>	<b>(27)</b>	<b>(973)</b>	<b>(150)</b>	-	<b>(27,254)</b>
Interest received	1,042	-	11	12	-	1,065
Interest paid	(2,458)	-	-	(22)	-	(2,480)
Profit on disposal of investments	89	-	-	(62)	-	27
Fair value adjustment of listed investments	(2,169)	-	-	-	-	(2,169)
Impairment of investments	(10,929)	-	-	-	-	(10,929)
<b>Loss before income taxes</b>	<b>(40,529)</b>	<b>(27)</b>	<b>(962)</b>	<b>(222)</b>	-	<b>(41,740)</b>
Provision for income taxes	-	-	-	-	-	-
<b>Net loss</b>	<b>(40,529)</b>	<b>(27)</b>	<b>(962)</b>	<b>(222)</b>	-	<b>(41,740)</b>
<b>Total assets</b>	<b>59,616</b>	<b>22,086</b>	<b>444,592</b>	<b>1,509</b>	<b>(348,878)</b>	<b>178,925</b>
<b>Total liabilities</b>	<b>17,931</b>	<b>29,915</b>	<b>1,926</b>	<b>2,247</b>	<b>(7,720)</b>	<b>44,300</b>
<b>Other segment items</b>						
Capital expenditure	14,688	74	-	-	-	14,762

# corporate information

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## **Stock Exchange Listings**

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