management discussion and analysis

Management's Discussion and Analysis of Financial Condition and Results of Operations

Set out below is a review of the activities, results of operations and financial condition of sxr Uranium One Inc. ("Uranium One") and its subsidiaries for its 2006 and 2005 financial years, together with certain trends and factors that are expected to impact its 2007 financial year. This information is presented as of March 28, 2007. The discussion below should be read in conjunction with the audited consolidated financial statements of Uranium One for the years ended December 31, 2006 and 2005 and the notes thereto (referred to herein as the "consolidated financial statements").

Uranium One's consolidated financial statements and the financial data set out below have been prepared in accordance with Canadian generally accepted accounting principles. All amounts in this report are in US dollars, except where otherwise indicated.

The common shares of Uranium One are listed on the Toronto and Johannesburg stock exchanges. Uranium One's convertible unsecured subordinated debentures due December 31, 2011 are also listed on the Toronto Stock Exchange. The shares of Uranium One's subsidiary, Aflease Gold Limited, are listed on the Johannesburg stock exchange.

This Management Discussion and Analysis includes certain forward-looking statements. Please read the cautionary note at the end of this report.

GENERAL

Uranium One is a Canadian corporation engaged through subsidiaries in the acquisition, exploration and development of properties for the production of uranium in South Africa, Australia, Canada and the United States and gold in South Africa. In January 2006, a subsidiary of the Corporation completed the reverse takeover of Sub Nigel Gold Mining Company Limited ("Sub Nigel"). Sub Nigel, which retained its listing on the Johannesburg stock exchange, was subsequently renamed Aflease Gold Limited ("Aflease Gold"). Aflease Gold owns the Modder East Gold Project, as well as the South African gold assets of the former Sub Nigel.

Uranium One's principal assets are the Dominion Uranium Project in South Africa, the Honeymoon Uranium Project in Australia and, through its approximately 67.8% owned subsidiary, Aflease Gold Limited, the Modder East Gold Project in South Africa

2006 Highlights

Financial

- Total revenue of $3.3 million in 2006, compared to $2.7 million in 2005 primarily due to a higher realized gold price
- In line with expectations, an operating loss of $50.7 million and net loss of $43.1 million (38.33 cents per share) compared to an operating loss of $27.3 million and net loss of $41.7 million (58.67 cents per share) primarily due to general and administrative expenditures as well as exploration expenditures
- Increase of $131.8 million in non-current assets to $290.3 million at December 31, 2006 from $158.5 million at December 31, 2005 primarily as a result of additions to property, plant and equipment at Dominion, Honeymoon and at Modder East.
- Cash balances rose to $327.5 million as at December 31, 2006 from $10.9 million as at December 31, 2005 primarily due to the issuance of common shares and a convertible debenture during the year

Dominion Uranium Project

- Completion of feasibility study on Phase 1 and preliminary assessment on Phase 2; commencement of conceptual studies on Phases 3 and 4 of the Project
- Continued progress towards hot commissioning of the Dominion uranium plant, leading to the commissioning of the atmospheric leach section in February 2007
- Significant increase in uranium resources:
    - Indicated U_3O_8 resources of 36.4 million tonnes grading 0.81 kg/t, containing 64.9 million pounds U_3O_8, representing a 303% increase during the year
    - Inferred U_3O_8 resources of 219.4 million tonnes grading 0.38 kg/t, containing 183.6 million pounds U_3O_8, representing a 25% increase during the year
- Receipt of new order mining right at Dominion
- Receipt of prospecting permits adjacent to Dominion resulting in a substantial increase in exploration potential on the shallow strike extensions
- Agreed terms for the sale of 4.7 million pounds of U_3O_8 between 2008 and 2012 to western utilities with market-related pricing and escalating floor price protection

Honeymoon Uranium Project

- Completion of a feasibility study and commencement of Project construction

Aflease Gold Limited

- Completed the reverse takeover of Sub Nigel Gold Mining Company Limited
- Share exchange agreement for the acquisition, at the election of Aflease Gold, of between 7.5 million and 13 million shares of Randgold and Exploration Ltd.
- Completion of a feasibility study for the Modder East Gold Project and commencement of Project construction

Capital Raising

- Completed a private placement in February for net proceeds of $137.6 million
- Completed a common share prospectus offering in October for net proceeds of $143.4 million
- Completed a convertible debenture prospectus offering in December for net proceeds of $128.9 million
- Through a subsidiary, raised ZAR 350.0 million (approximately $45.1 million) under a futures-related term facility entered into with Nedcor Securities of South Africa

Other

- Continued to strengthen and expand the Board and senior management team to accommodate corporate growth and development

Proposed Acquisitions

UrAsia Energy Ltd.

On February 12, 2007, Uranium One and UrAsia Energy Ltd. ("UrAsia") entered into a definitive arrangement agreement under which Uranium One 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 Uranium One 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 Uranium One, 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 Uranium One shareholder approval, the combined company 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 $60.0 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.

Based on publicly disclosed information at the time of the announcement and as set out in the Corporation's press release of February 12, 2007, the combined company is expected to have combined attributable annual production in 2008 in excess of 7 million pounds U_3O_8, estimated cash operating costs of approximately $10 to $12 per pound in steady state and attributable proven and probable reserves of 48.7 million pounds U_3O_8 (comprising 2.8 million tonnes grading 0.057% U containing 4.1 million lbs of U_3O_8, 9.0 million tonnes grading 0.057% U containing 13.3 million lbs of U_3O_8, and 18.5 million tonnes grading 0.77 kg/tonne containing 31.3 million lbs of U_3O_8).

In addition, the combined company is expected to have attributable indicated resources of 100.9 million pounds U_3O_8 (comprising 12.0 million tonnes grading 0.057% U containing 17.8 million lbs of U_3O_8, 0.8 million tonnes grading 0.201% U containing 4.1 million lbs of U_3O_8, 36.4 million tonnes grading 0.81 kg/tonne containing 64.9 million lbs of U_3O_8, 3.4 million tonnes grading 0.16 kg/tonne containing 1.2 million lbs of U_3O_8, 1.2 million tonnes grading 2.40 kg/tonne containing 6.5 million lbs of U_3O_8, 1.2 million tonnes grading 0.74 kg/tonne containing 2 million lbs of U_3O_8 and 1.7 million tonnes grading 1.20 kg/tonne containing 4.4 million lbs of U_3O_8). Furthermore, combined attributable inferred resources are expected to be 268.5 million pounds of U3O8 (comprising 6.8 million tonnes grading 0.062% U containing 10.9 million lbs of U_3O_8, 40.4 million tonnes grading 0.043% U containing 43.5 million lbs of U_3O_8, 9.2 million tonnes grading 0.095% U containing 22.6 million lbs of U_3O_8, 219.4 million tonnes grading 0.38 kg/tonne containing 183.6 million lbs of U_3O_8 and 12.0 million tonnes grading 0.30 kg/tonne containing 7.9 million lbs of U_3O_8).

The combined company would also have a *pro forma* cash balance of approximately $389.0 million as at December 31, 2006.

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 approximately 38,763 acres of 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.

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") after closing 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.

The Shootaring Canyon Mill is an acid leach facility with a 750 tons per day throughput capacity that could be upgraded to an estimated throughput of 1,000 tons per day. There is also the potential to add a vanadium processing circuit to the existing Mill infrastructure. The Mill has been mothballed since 1982; approximately $33.0 million would be required to refurbish the Mill, including the addition of the vanadium circuit. The purchased assets include a 50% interest in the Sheep Mountain property in Wyoming, which contains an inferred uranium mineral resource of 4.56 million tonnes, grading 0.17% U_3O_8 equivalent (15.6 million pounds of contained metal).

Dominion Uranium Project

The Dominion Uranium Project is situated in the North West Province of South Africa, approximately 150 kilometres west-southwest of Johannesburg. The Dominion Uranium Project is operated by the Corporation's Uranium One Africa Limited subsidiary ("Uranium One Africa"). The processing of uranium ore utilizing the atmospheric leach circuit of the Dominion uranium plant commenced on February 28, 2007.

Feasibility Study

On July 28, 2006, Uranium One announced the details of the Dominion Project, Phase 1 feasibility study as well as a preliminary assessment of Phase 2 of the project, which considered a 30 year mine life. As part of the feasibility study, a probable reserve was declared of 18.5 million tonnes at a U_3O_8 mill head grade of 0.77 kg/t, containing 31.3 million pounds of U_3O_8, and a gold mill head grade of 0.99 g/t, containing 589,000 ounces.

The feasibility study evaluated Phase 1 as an underground mine utilizing a metallurgical plant with a designed production capacity of 200,000 tonnes per month. The uranium processing plant will be integrated with the existing carbon-in-leach gold plant utilized by the former Bonanza project. During Phase 1, the Dominion Uranium Project is expected to process 18.5 million tonnes through the mill at an average mill head grade of 0.77 kg/t of U_3O_8 and recover a total of 27.2 million pounds of U_3O_8 and 0.5 million ounces of gold. Phase 1 is designed to treat 2.4 million tonnes per annum, yielding an annual average of 3.8 million pounds of U_3O_8 during steady state production (expected to occur between 2011 and 2014), with a maximum production of 4.3 million pounds of U_3O_8 in 2012. The average cash operating cost over the life of Phase 1 is expected to be $14.50 per pound U_3O_8, net of gold by-product credits.

The estimated construction capital to establish the full design capacity of 200,000 tonnes per month for Phase 1 to be incurred by the end of 2007 was $179.8 million. Of this amount, $106.0 million had been spent by December 31, 2006. Ongoing capital over the life of Phase 1, which will be incurred from January 1, 2008 onwards, amounts to $63.8 million.

Total royalties payable are estimated at $44.9 million for Phase 1 (starting from May 1, 2009) based on draft legislation proposed by the government of South Africa in 2003. The South African government has recently proposed to alter the royalty rates proposed in 2003 from 2% and 3% for uranium and gold, respectively, to 1.5% for refined gold and uranium oxide. Total taxes payable are estimated at $341 million for Phase 1, based on a sliding scale of taxes under current South African legislation. The total undiscounted cash flow for Phase 1 is estimated to be $375.1 million.

The feasibility study used as a base case a U_3O_8 price of $46.50 per pound, a gold price of $629 per ounce and a ZAR/US dollar exchange rate of ZAR 6.585 per US dollar. The ZAR/US dollar exchange rate on March 23, 2007 was ZAR7.22/$ and the spot prices for uranium oxide and gold were $91 per pound and $655 per ounce, respectively, which are higher than the assumptions used in the feasibility study.

Since the majority of Uranium One's costs are denominated in ZAR and the Corporation's Uranium One Africa subsidiary is required by the South African Reserve Bank to convert the proceeds of gold sales to ZAR, the gold price used in the Phase 1 feasibility study was first determined in ZAR and then converted into US dollars at the currency exchange rate of ZAR6.585 per US dollar, which was the exchange rate in effect at the time the Phase 1 feasibility study was prepared.

The after-tax, internal rate of return ("IRR") for Phase 1 was estimated to be 32% and the after-tax net present value was estimated to be $184 million at an 8% discount rate. Project payback from the commencement of Phase 1 construction is estimated to be five years.

Phase 2 of the Project has been designed to maintain throughput at 200,000 tonnes per month. Phase 2 contemplates mining the remaining indicated resources, as well as a portion of the inferred resources, resulting in a total mine life of 30 years.

An independent technical report summarizing the feasibility study entitled "Dominion Uranium Project, North West Province, Republic of South Africa" dated August 1, 2006 and amended October 26, 2006 prepared by Dr. Michael Harley and Roger Dixon of SRK Consulting (South Africa) Pty Limited is available for review on SEDAR at www.sedar.com. The authors are independent qualified persons within the meaning of NI 43-101.

Possible Production Expansion

Conceptual studies on Phases 3 and 4 of the Project are currently being undertaken and are scheduled to be completed by the end of Q2 2007. Phase 3 and Phase 4 consider an increase in throughput capacity from 200,000 tonnes per month to an effective 400,000 tonnes per month.

Initial work on the conceptual mine design indicates that it may be possible to produce at the rate of 300,000 tonnes per month by 2010 and at 400,000 tonnes per month by 2012. This ramp-up in tonnage is expected to be achieved by the development of the Dominion 3 and Dominion 4 decline areas in the north of the Dominion Section, with a combined throughput capacity of 100,000 tonnes per month, and by sinking a vertical shaft (No. 1 Vertical Shaft) in the Rietkuil Section. A second vertical shaft in the Dominion Section and a possible third vertical shaft in the Rietkuil Section could provide replacement tonnage.

A definitive cost estimate for expanding the plant capacity to 300,000 tonnes per month is being conducted by Bateman Africa. This expansion would include the addition of a semi-autogenous grinding mill, a separate 100,000 tonne per month counter-current decantation circuit, an additional autoclave, boiler and the expansion of the present solvent extraction circuit. The existing design and plant lay-out would allow for this expansion, with full integration into the existing plant.

A further increase in effective plant capacity to 400,000 tonnes per month would require the introduction of radiometric ore sorting to be conducted after primary crushing. A 120 tonne per hour radiometric sorting pilot plant has been ordered at a cost of $4.3 million and is expected to be commissioned by the end of 2007.

Development

The development of the Rietkuil 1 decline was started from surface in January 2006 after completion of the bulk earthworks of the portal excavation. The Rietkuil Inclined Shaft was partially re-commissioned and de-watered to facilitate decline development on 2, 3 and 4 levels. As at February 28, 2007, capital development of 2,087 metres had been achieved; reef and waste development for the same period were 889 metres and 614 metres, respectively. The decline from surface reached the 2 and 3 levels during Q3 and Q4 of 2006, respectively, and now represents a continuous development tunnel of 1,241 metres in length and 188 metres vertically below surface. Underground ledging and stoping operations started in January 2007. The partial re-commissioning and de-watering of the Rietkuil Inclined Shaft has now been completed to below 6 level.

The bulk earthworks of the Dominion 1 portal excavation started in January 2006 and the development of the decline commenced in mid-February. At February 28, 2007, capital development of 1,227 metres had been achieved; reef and waste development for the same period were 490 metres and 107 metres, respectively. Development on 1 level commenced during Q4 2006. De-watering of the historical Dominion underground workings started in April 2006 and is now below the historical 4 level. A new pump station was established on 4 level during February 2007. The power supply from the national network was commissioned in February 2007.

The excavation of the portal at the Dominion 2 decline commenced in February 2006 and development of the decline started in May 2006. As at February 28, 2007, capital development of 325 metres had been achieved; reef and waste development for the same period were 605 metres and 72 metres, respectively. From the end of Q3 2006 the development of the Dominion 2 decline has been affected by poor ground conditions, associated with a fault. Additional ground support, in the form of closely spaced sets, is required to develop through this ground. Implementation of the additional ground support is 80% complete and it is expected that normal development will resume early in Q2 2007. The construction work of the critical surface infrastructure to support the underground operations has progressed well; the power supply for the D2 decline from the national network was commissioned in March 2007.

Permitting

The "new order" mining right for the Dominion Uranium Project, and its environmental management program, were approved on October 28, 2006. The Project also received an additional water discharge permit from the South African Department of Water Affairs and Forestry to release an additional 70 litres per second. This permit is in addition to the water use license granted on July 6, 2006.

During August 2005, Uranium One Africa applied to the National Nuclear Regulator (NNR) for a Certificate of Registration ("CoR") covering all aspects of the Project's mining and prospecting activities. A limited CoR was issued in due course on February 1, 2007. In accordance with the applicable South African procedures, Uranium One Africa has submitted several authorization change requests ("ACR's") covering subsequent stages of the Project. Upon approval, the ACR's will form part of the current CoR and will include, among other things, a full Public Hazardous Assessment and a Radiation Protection Programme, and the initial CoR will be amended to a full CoR. In March 2007, Uranium One Africa submitted another application for a CoR covering prospecting activities under the additional prospecting rights granted in the Ottosdal area.

Uranium One Africa has established its own assay laboratory in Q1 2007 to provide an on-site capability for the assaying of underground and plant samples.

Several external assay laboratories normally utilized by Uranium One Africa are awaiting the granting of their CoR`s. Uranium One Africa will utilize these external assay laboratories to assay drilling results to delineate additional resources. These laboratories expect to receive their CoR's shortly.

Metallurgical Plant Construction

Construction of the uranium plant was approximately 96% complete at the end of February 2007. The crushing, milling, densification, water, air, steam and reagent services have been commissioned. The atmospheric leach circuit was commissioned on February 28, 2007 and the pressure leach circuit, including the first of two autoclaves, is expected to be commissioned during Q2 2007. Processing of underground uranium ore commenced on February 28, 2007 and throughput is being supplemented by uranium and gold bearing slime from the Dominion dump resource.

Sales contracts

During the fourth quarter of 2006 and early in 2007, Uranium One negotiated terms for the sale of approximately 4.7 million pounds of U_3O_8 from Dominion in the 2008-2012 period under five separate sales contracts. This represents 28% of the planned production of the Dominion Uranium Project over that period. Pricing is market-related at the time of delivery, with escalating floor price protection and without any caps.

Resources and Exploration

Surface exploration drilling was the primary exploration activity in the Dominion and Rietkuil Sections during 2006. During the first quarter, exploration drilling focused on delineating indicated resources to support the Phase 1 feasibility study near surface (less than 500 metres below surface) in the areas where the current declines (Dominion 1, Dominion 2 and Rietkuil 1) are being developed. Results from these boreholes were used to compile a resource update which was announced by Uranium One on June 14, 2006.

Throughout the remainder of 2006, surface exploration drilling continued and exploration was increased from 12 drill rigs in January to 24 drill rigs by December. This was accompanied by an increase in the monthly metres drilled, from approximately 4,000 metres per month to 10,000 metres per month. The primary focus of the drilling is on converting resources from the inferred category to the indicated category through further extension and delineation of already identified higher-grade pay shoots to depths greater than 500 metres. By October 15, 2006, a total of 164 boreholes had been drilled and the analytical results received and validated. These results were used to compile a resource update which was released by Uranium One on January 17, 2007. The revised resource information is contained in an updated technical report which is available on SEDAR at www.sedar.com.

As a result of exploration activity during the year, as at December 31, 2006, indicated U_3O_8 resources at Dominion totalled 36.4 million tonnes grading 0.81 kg/t, containing 64.9 million pounds U_3O_8, representing a 303% increase in contained pounds of uranium in the indicated category during the year, and inferred U_3O_8 resources totalled 219.4 million tonnes grading 0.38 kg/t, containing 183.6 million pounds U_3O_8, representing a 25% increase in contained pounds of uranium in the inferred category during the year. As at December 31, 2006, gold resources at Dominion totalled 1.1 million ounces in the indicated category, grading 0.91 g/tonne (a 206% increase in indicated resources since 2005) and 4.8 million ounces in the inferred category, grading 0.67 g/tonne (a 115% increase in inferred resources since 2005). In addition to the Dominion Reefs, an evaluation of the Dominion Dumps was undertaken between May and November 2006. An Indicated resource of 3.4 million tonnes, grading at 0.16 kg/tonne uranium and 0.51 g/tonne gold, containing 1.2 million pounds of U_3O_8 and 55,000 ounces of gold was declared.

During the 2006 financial year, 78,420 surface exploration drilling metres were completed on the Rietkuil and Dominion sections, for a total of 97,595 metres for the project to date. An estimated 75,000 metres of drilling is scheduled at the Rietkuil and Dominion sections in 2007. The objective of this program is to further delineate the down-dip extensions of identified high grade zones, as well as to confirm and delineate the newly identified high grade ore-shoots. Exploration will also be undertaken in extension areas not currently classified as resources.

Ottosdal Exploration Area

The Ottosdal exploration area has been identified as the western extension of the Dominion Reefs, adjacent to the current project area. Prospecting rights have been formally granted to Uranium One over some 57,565 hectares of the adjacent property. Applications for an additional 37,124 hectares have been lodged with the Department of Minerals and Energy; of these, the Department has accepted for evaluation applications covering 16,815 hectares. Desktop studies on historical information have been conducted and preliminary drilling targets have been identified and it is anticipated that on site exploration activities will commence during the second quarter of 2007. No resource estimates currently exist for this area.

Gold Exploration Areas

Approximately 10,098 metres of drilling was performed in 2006 in the Bonanza area and the Outer and the Inner Basins to identify potential new gold targets. During 2007, a further 25,000 metres of drilling is planned for these areas, pending receipt of positive results from initial target drilling.

Black Economic Empowerment

On June 7, 2005, Uranium One Africa and Micawber 397 (Proprietary) Limited ("Micawber 397") entered into a definitive purchase and sale agreement, a management and skills transfer agreement and a joint venture agreement. Pursuant to these agreements, Uranium One Africa agreed to sell to Micawber 397 an undivided 26% interest in the Dominion Uranium Project and the Bonanza Gold Project. The parties agreed to contribute their interests in the assets to a joint venture, to be managed by Uranium One Africa, and to fund the development and operation of those assets in accordance with their respective joint venture interests. In addition, Uranium One agreed to lend to Micawber 397 the funds that Micawber 397 is required to contribute under the joint venture agreement. The aggregate amount of that loan, plus accrued interest, is repayable from Micawber 397's share of joint venture profits. The purchase price payable by Micawber 397 for its 26% interest is an amount in cash equal to 26% of the net present value of the Dominion and Bonanza assets at the date (not later than three years after receipt by Micawber 397 of its first joint venture distribution) when Micawber 397 elects to pay at least 20% of the purchase price. After payment of the first 20% tranche, Micawber 397 is obliged to pay at least 20% of the purchase price during each subsequent three year period until the purchase price is paid in full. The Micawber 397 transaction will be accounted for in Uranium One's financial statements when the risks and rewards of the transaction are deemed to have passed to Micawber 397.

Bonanza Gold Project

The Bonanza Gold Project is a small, primary gold project with secondary uranium by-product potential and was operated as a component of the Dominion Uranium Project.

During 2006, a surface exploration drill program comprising 17 boreholes totalling 3,486 metres of diamond drill core, was completed at Bonanza. The exploration results were used to refine and update the existing geological model. During the year, in line with Uranium One's decision to expedite development of the Dominion Uranium Project, equipment and trained production crews were relocated from Bonanza and the gold plant was also taken out of production intermittently for the purpose of integrating it with the Dominion uranium plant. Mining operations at Bonanza South were terminated in February 2007.

Honeymoon Uranium Project

The Honeymoon Uranium Project is located in the north-eastern section of the State of South Australia, approximately 75 kilometres northwest of Broken Hill on mining lease 6109. The mining lease has a term of 21 years from February 27, 2002.

During the year, an updated mineral resource estimate and a feasibility study were published on the Project. Based on the results of the feasibility study, Uranium One's board of directors approved the development of the Honeymoon Uranium Project on August 28, 2006.

Feasibility Study

An updated resource estimate for the Honeymoon Uranium Project was completed in June 2006. The updated estimate shows an indicated resource of 1.2 million tonnes at an average grade of 0.24% U_3O_8, containing 2,900 tonnes (6.5 million pounds) of U_3O_8.

The resource estimate was included in a cost and engineering feasibility study completed by Aker Kvaerner Australia and Mayfield Engineering in July 2006. An independent technical report summarizing the feasibility study, entitled "Honeymoon Uranium Project – Summary of Feasibility Study 400 tpa U_3O_8 Equivalent" dated July 31, 2006 prepared by Victor J. Absolon, Colin E. Bazeley, Glenn Jobling and Phillip D. Bush of Mayfield Engineering Pty Ltd., Peter J. Bartsch of Aker Kvaerner Australia and Kenneth F. Bampton of Ore Reserve Evaluation Services, is available for review on SEDAR at www.sedar.com. The authors are independent qualified persons within the meaning of NI 43-101.

The feasibility study evaluated the Honeymoon Uranium Project as an in situ leach mine with an annual production rate of 400 tpa U_3O_8 equivalent. The project has a life of approximately seven years, including the initial construction period; the actual mine life is between five and six years. The total estimated cost of the Honeymoon Uranium Project is $35.9 million, comprising $23.6 million in direct capital costs, $4.2 million in indirect capital costs and $8.1 million in owner's capital costs. Of this amount, $1.2 million was spent up to December 31, 2006.

The feasibility study used as a base case a U_3O_8 price of $46.50/lb and an exchange rate of 0.75 US dollars per Australian dollar. Using these assumptions, the after-tax IRR for the Honeymoon Project was estimated to be 40%; the base case produces a project NPV of $38 million at an 8% discount rate, and a payback period of 2.9 years from the commencement of construction. The US dollar/Australian dollar exchange rate on March 23, 2007 was 0.81 and the spot price for uranium oxide $91 per pound.

Development

Work is proceeding on infrastructure for the Honeymoon Uranium Project. Staff quarters to provide on-site accommodation for 50 employees have been installed along with transportable buildings to provide additional office space. Sewage and water treatment plant have been ordered and are due for delivery at the end of March 2007.

The access road upgrade design was completed early in 2007, tenders were called and a contract has been let. The road works will require the approval of the local authorities for the clearance of two hectares of native vegetation. This approval process has proven to be slow and some delay is anticipated in the commencement of the road work. This should not influence the overall project schedule.

Proposals for the construction of a power line from Broken Hill were evaluated at the beginning of 2007, and the successful tenderer was notified in March 2007. Difficulties in obtaining easements for the power line have been encountered. Consequently, a miscellaneous purposes licence is to be sought for the power line route to bring the matter under the provisions of the Mining Act. This will, among other things, require an environmental assessment of the power line route and the submission of a mining and rehabilitation program for the power line construction.

The evaluation of ion exchange by the Australian Nuclear Science and Technology Organisation (ANSTO) was completed during the fourth quarter of 2006. After analyzing the results, it was determined that this alternative did not warrant further investigation.

A cost study completed by Bateman Advanced Technologies indicated that the Bateman pulsed columns have both cost and operating advantages over conventional mixer-settlers for solvent extraction at Honeymoon. A field test program was initiated to obtain data on the performance of the columns on Honeymoon solutions. This data will allow Bateman to provide process guarantees for the performance of the columns. Detailed design of the columns is well underway.

The Australian federal government renewed the Corporation's Uranium Export Licence for the Honeymoon Uranium Project at the end of 2006, granting the project a ten year licence commencing January 1, 2007. This means that Uranium One will not be required to renew this licence during the anticipated life of the mine. Applications for approval of a number of Project-related plans and programs have been submitted to the relevant governmental authorities and approvals are expected to be granted in due course.

An engineering, procurement and construction management ("EPCM") contract was awarded to Bateman Engineering in January 2007 after a competitive tender process. Bateman mobilised its project team during January and hand over and contract strategy meetings were held to establish the foundation of the EPCM contract. Plant design is now in its final phases and it is anticipated that site mobilisation will commence around mid-year.

Resources and Exploration

Honeymoon

As indicated above, an updated NI 43-101 resource estimate was completed for Honeymoon in June 2006, showing an indicated resource of 1.2 million tonnes at an average grade of 0.24% U_3O_8 containing 2,900 tonnes (6.5 million pounds) of U_3O_8.

The final delineation drilling programme which infilled the entire resource to 40 metre spacing comprised 229 rotary mud holes and seven core holes. All holes were logged with PFN and sophisticated wireline tools to accurately measure grade and to characterize geology. A detailed sedimentological analysis was undertaken on both core and wireline logs, which resulted in the generation of a three-dimensional model which recognized five separate sand-clay packages within the basal aquifer. This will allow optimization of a commercial wellfield as each of these mineralized packages has its own hydro-geological characteristics.

Native Title

The Corporation entered into a new native title agreement with the Adnyamathanha People under Part 9B of the *Mining Act 1971* (South Australia) in respect of various exploration and mining retention licences. As a result of this agreement, a cultural heritage assessment was undertaken at the Billeroo property by representatives of the Adnyamathanha People and Uranium One together with a specialist heritage/anthropological consultant prior to a recent drilling program. This agreement is expected to streamline such assessments in the future.

Billeroo

During the year, 97 rotary mud holes (12,872 metres) were drilled in the Billeroo area and in the area immediately north of the Goulds Dam prospect. The aim of this drilling program was to assess the potential of the historic Billeroo mineralisation to host economic mineralization which could possibly be co-mined with Goulds Dam. The results from this drilling were disappointing and the prospectivity of this area has accordingly been significantly downgraded.

Ethiudna

A total of 479 gravity stations were collected over El 2896 ("Ethiudna"), which is being explored under a joint venture with Equinox Resources Limited. This survey revealed a series of discrete gravity lows interpreted to be structurally controlled embayments into the Billeroo Palaeochannel floor. The uranium anomaly and thick sand package encountered in ETH017 is coincident with one of these features. This morphology and position close to the potential sub-cropping source rocks is comparable to the Beverley and Four Mile deposits. Seven new exploration targets have been identified by this survey. A contract with GPX Airborne was signed in Q4 of 2006 to fly a REPTEM™ AEM survey over the area in Q1 of 2007 to map palaeodrainage and refine drill targets. A drilling program to test these new targets will be proposed for 2007.

In February 2007, Ethiudna's exploration licence expired having reached its full five year term. A replacement exploration licence to cover the entire area has been applied for by Equinox, who hold the tenure. A letter of offer for a replacement has been received and accepted by Equinox from PIRSA, thus now making the replacement a matter of due process.

Honeymoon Granite

Two core holes were successfully drilled into the northern margin of the uraniferous Honeymoon Granite, targeting a conductive feature which might represent primary uranium mineralisation. A total of 640.8 metres were drilled, of which 284.2 metres were cored. No primary uranium mineralisation was encountered in this location; however, the conductive anomaly was explained by abundant pyrrhotite. Assays of the cored granite from the first hole returned up to 78ppm uranium; this hole was 2 kilometres north of the original hole which recorded 76ppm uranium in 2002. Future exploration will focus on the margin where the oxidized granite has intruded directly into heavily reduced metasediments.

Karkarook

Fieldwork at Karkarook (EL 3214) which is held under joint venture with Oliver Geological Services Pty Ltd. included collection of 133 detailed gravity stations on a 500 metre grid over the southern portion of the licence area. In addition, three lines of deep-sounding induced polarisation SEARCH-IP™ were conducted over the Driver River uranium anomalies for a total of 8 line kilometres. These geophysical techniques have been used to interpret the structural architecture and the solid geology of the basement in addition to mapping zones of more resistive potential alteration.

One deep diamond core drill hole was drilled on Karkarook for a total of 672 metres in January 2007. This hole was drilled as an orientation hole to truth the geophysical model, characterise the geology of the Itiledoo Basin and test its potential to host unconformity-style uranium. Assays and petrological analysis are pending.

Pitchstone Joint Venture

In January 2007, Uranium One received formal notice from its joint venture partner, Pitchstone Exploration, to the effect that Uranium One had completed the requirements to earn 50% of Pitchstone's interest in five properties located in the Athabasca basin in northern Saskatchewan. Pitchstone owns a 100% interest in four of these properties (Darby, Waterfound, Moon Lake and Lynx Lake) and a 75% interest in the fifth, Candle.

During 2007, a total of 13,000 metres of drilling is planned at the joint venture's Darby-Candle, Waterfound and Moon Lake properties. Fixed-loop EM surveying to test for conductive basement formations is also planned for Darby-Candle and Lynx Lake. Pitchstone and Uranium One have approved a 2007 budget of Cdn $5 million for this work.

In January 2007, a drilling crew began mobilizing to the Darby-Candle property. Up to 6,000 metres of core drilling is being conducted on the property to continue testing extensive conductors and follow up on anomalous uranium intersected in 2006. The Darby-Candle property comprises 19,316 hectares and adjoins the Cameco-AREVA Cigar Lake property to the west.

Aflease Gold Limited

Aflease Gold is engaged in the exploration and development of gold resource properties in South Africa and Namibia. The Company's principal property is the Modder East Gold Project in the East Rand gold fields of South Africa's Witwatersrand Basin. Uranium One and Aflease Gold have agreed that Aflease Gold will be solely responsible for funding the development of its assets, including the Modder East Gold Project.

Modder East Gold Project

The Modder East Gold Project is located approximately 30 kilometres east of Johannesburg, South Africa. Project constructions commenced in May 2006 and has advanced significantly, with the entire mine infrastructure required for development operations in place.

Feasibility Study

On August 16, 2006, Uranium One and Aflease Gold announced the details of a feasibility study for the Modder East Gold Project. The feasibility study evaluated the Project as an underground mine with a carbon-in-leach gold plant with a designed production capacity of 840,000 tonnes per year. The mining method will be a combination of trackless (off reef) and conventional (on reef) techniques, with the mining infrastructure placed in the footwall of the two reefs. Access to the ore body will be by a trackless decline from surface.

The mine is expected to process 6.7 million tonnes of ore through the plant over a ten year mine life, at an average mill head grade of 5.0 g/t of gold, producing approximately 948,000 ounces of gold. First mining of ore from on-reef development is expected to occur in October 2008. Production at steady state (2010 to 2015) is expected to average 110,000 oz/gold per annum.

Total project capital expenditure is expected to be $107.8 million, of which $6.3 million was spent up to December 31, 2006. Ongoing capital and closure costs are expected to be $6.5 million and $2.1 million, respectively.

Total royalties payable are estimated at $24.3 million based on draft legislation proposed by the government of South Africa in 2003. The South African government has recently proposed to alter the royalty rates proposed for gold in 2003 from 3% to 1.5% for refined gold.

The feasibility study used as a base case a gold price of $629/oz and an exchange rate of ZAR 6.585 per US dollar. The ZAR/US dollar exchange rate on March 23, 2007 was ZAR7.22/$ and the spot price of gold $655/oz, both of which are higher than the assumptions used in the feasibility study. Because of South African Reserve Bank requirements to convert the proceeds of gold sales to ZAR, the gold price used in the feasibility study was first determined in ZAR and then converted into US dollars at the currency exchange rate of ZAR6.585 per US dollar, which was the currency exchange rate in effect at the time the feasibility study was prepared.

At a real discount rate of 8%, the Modder East Gold Project was estimated to yield an after-tax net present value of $74 million and an after-tax internal rate of return of 31%. It is estimated that the Modder East Gold Project should achieve payback within 4.5 years from the start of decline development and construction. Project payback is expected to be less than two years from the start of on-reef development.

An independent technical report summarizing the feasibility study entitled "An Independent Technical Report on the Modder East Gold Project, Located Near Springs, Gauteng Province, Republic of South Africa" dated August 31, 2006 and amended October 26, 2006 prepared by H.G. Waldeck and M Wanless of SRK Consulting (South Africa) Pty Limited and Dr. J.F. Couture of Steffen Robertson and Kirsten (Canada) Inc. is available for review on SEDAR at www.sedar.com. The authors are independent qualified persons within the meaning of NI 43-101.

The feasibility study was based on a mineral resource and reserve estimate published by Aflease Gold in February 2006. An updated resource and reserve estimate for the Project was released in November 2006. The revised reserve statement shows a reserve tonnage of 7.69 million tonnes, grading 5.54g/t for 1.37 million contained ounces of gold in the probable category. This represents a 28% increase in probable gold reserves relative to the February reserve estimate (utilizing the same cut-off grades, gold price ($430/oz) and exchange rate (ZAR6.49 per US dollar)).

In addition, the revised statement shows a resource tonnage of 22.57 million tonnes grading 3.31g/t for 2.40 million contained ounces of gold in the indicated category (a 19% increase from the 2.01 million ounces reported previously) and 13.32 million tonnes grading 2.31g/t for 0.99 million contained ounces of gold in the inferred category (a 3% decrease from the 1.02 million ounces reported previously). The indicated resource tonnage at Modder East has remained essentially unchanged while the average grade has increased by 19% (from 2.79g/t to 3.31g/t).

The feasibility study is currently being revised to accommodate the November 2006 increase in resources and reserves. The objective of the revised feasibility study is to increase the production rate and/or extend the project life, thereby reducing unit working costs and increasing the net present value of the project.

Development

Project surface infrastructure, including the main water header tank, trackless vehicle workshop and stores building, is now almost complete. The final construction required includes the installation of pumps and water reticulation that link the clear water dam to the header tank before feeding the underground workings. The portal of the decline was completed in Q3 2006. Trackless decline development has advanced a total of 759 metres to date.

An amended environmental management program was completed and submitted to the South African regulatory authorities in Q4 2006. The amendments reflect the increased scope of the Modder East project from the originally approved environmental management program, as well as the conversion of the Project's "old order" mining right to a "new order" mining right.

The Modder East Gold Project is expected to be completed on schedule, with the first gold pour in the third quarter of 2009.

Sub Nigel

The Sub Nigel Gold Project is located approximately 35 kilometres east-southeast of Johannesburg. The Project conforms to the profile of the asset base being assembled by Aflease Gold, that is, assets which are shallow, high margin and present low technical risk.

In December 2006, Aflease Gold announced a revised resource estimate for the Nigel Reef at Sub Nigel of 154,000 tonnes grading 4.14g/t for 205,000 contained ounces of gold in the Indicated category and 139,000 tonnes grading 2.99g/t for 13,000 contained ounces of gold in the Inferred category. In light of the revised estimate, Aflease Gold has commenced a pre-feasibility study on Sub Nigel, which is expected to be completed during the first quarter of 2007.

Exploration

At Modder East, ongoing exploration during 2007 will test for extensions to the BPLZ and UK9A orebodies, with a view to delineating additional increases in the resource base. The Sub Nigel exploration program will continue to be focussed on three targets, the Nigel Reef, the Main Reef at the Spaarwater mine and the erosion channel along the boundary between the two properties.

The Ventersburg asset is being modelled in three dimensions to assist with the structural interpretation of the 'A' Reef and facilitate drillhole placement. Drilling will commence at Ventersburg in April 2007. Assay and mining layout data of the New Kleinfontein/Turnbridge and Holfontein assets are being captured digitally and the properties are being re-evaluated.

In Namibia, the Etendeka stream sediment data has been interpreted. Anomalous gold values obtained during the survey pointed to a number of potentially mineralized areas. The values are being integrated with geophysical data and target areas are being prioritized for further work.

Black Economic Empowerment

On October 11, 2006, the shareholders of Aflease Gold Limited approved a transaction with respect to the Modder East Gold Project similar in nature to the transaction between Uranium One Africa and Micawber 397 described above. Completion of this transaction remains subject to certain conditions precedent, including the conversion of Aflease Gold's "old order" rights over the Modder East Gold Project into a "new order" mining right.

FOURTH QUARTER OF 2006

The following items affected Uranium One's financial condition, cash flows and results of operations during the fourth quarter of 2006:

- a common share prospectus offering completed in October 2006 for net proceeds of $143.4 million
- a convertible debenture prospectus offering completed in December 2006 for net proceeds of $128.9 million
- termination of mining operations at Bonanza and consequent asset impairment

These matters are discussed in more detail elsewhere in this document.

SELECTED FINANCIAL INFORMATION

The table below sets out selected financial data relating to Uranium One's years ended December 31, 2006, 2005 and 2004. This financial data is derived from the audited consolidated financial statements, which are prepared in accordance with Canadian GAAP. All figures are in thousands of US dollars, except per share amounts; earnings per share data is presented in cents. Uranium One and its operating subsidiaries use the South African rand, Australian dollar and Canadian dollar as measurement currencies.

	Years ended December 31		
	2006	**2005**	**2004**
Total gold sales	3,336	2,730	1,892
Net profit / (loss)	(43,106)	(41,740)	(14,763)
Net profit / (loss) per share — basic & diluted	(38.33)	(58.67)	(33.81)
Total assets	642,324	178,925	59,746
Long term financial liabilities	144,744	26,810	6,258
Short term financial liabilities	84,278	17,490	15,050

RESULTS OF OPERATIONS

Revenue and operation results of gold production

Uranium One produced 169.3 kg (5,443 oz) and sold 157.7 kg (5,069 oz) of gold, of which 9 kg (289.4 oz) were produced from the processing of stock-piled ore from the Bonanza Project at an average price of $658/oz during the year ended December 31, 2006 and produced and sold 209 kg (6,719 oz) during the year ended December 31, 2005, at an average price of $406/oz.

Of the gold sold, 15.6 kg (502 oz) were produced from slimes and the remainder from ore from the Bonanza project.

Revenue from gold production was $3.3 million for the year ended December 31, 2006 and $2.7 million for the year ended December 31, 2005. The increased average gold price in 2006 offset the decreased volumes of production during the year and revenues were therefore 22% higher, in spite of ounces sold that were 25% lower than in 2005.

The gold plant was taken out of production intermittently during 2006 for the purposes of integrating it with the Dominion uranium plant.

For the year ended December 31, 2006, the cost of gold production was $1,415/oz ($1,075/oz for the year ended December 31, 2005). The high cost of production for the 2006 year was due to high unit cost as the gold plant was inoperative for extended periods during 2006. In addition to downtime resulting from integrating the gold plant with the uranium plant, the gold plant was inoperative in January and February as a result of a breakdown of the primary jaw crusher. For the year ended December 31, 2006, the loss from gold production was $4.4 million, compared with a loss of $4.5 million for the 2005 year.

General and administrative expenditure

General and administrative expenditure for the year ended December 31, 2006 increased from 2005 due to Uranium One's expansion and the creation of more capacity in line with the growth experienced in 2006 and expected in 2007 and beyond. The expense was $14.4 million ($5.5 million for the year ended December 31, 2005), which is in line with expectations. The major components of general and administrative expenditure consisted of salaries and bonuses, consulting fees and legal fees.

Projects and exploration expenditure

Exploration expenditure (which is included in the operating loss) was $9.2 million for the year ended December 31, 2006 ($11.0 million for the year ended December 31, 2005). The expenditure for the 2006 year included $2.2 million on the Honeymoon Uranium Project and other Australian projects, $5.5 million on various uranium exploration projects in South Africa and $1.5 million on the Aflease Gold exploration projects, in keeping with the Corporation's commitment to growing its exploration portfolio, focusing on highly prospective uranium targets in Australia, Canada, South Africa and the United States.

Impairment of property, plant and equipment

During the year, in line with Uranium One's decision to expedite development of the Dominion Uranium Project, equipment and trained production crews were progressively relocated from Bonanza to development areas at Dominion. Mining operations were terminated at Bonanza in February 2007. On completion of sweeping, vamping and reclamation activities, the mine will be allowed to flood. A number of the assets are in the process of being transferred to the Dominion Uranium Project. An impairment loss of $11.1 million has been recorded against the assets that cannot be re-deployed at Dominion. Impairments of $0.2 million were recorded against other items of property, plant and equipment.

Operating loss

Operating losses for the year ended December 31, 2006 of $50.7 million included the loss from gold production of $4.4 million, general and administrative expenditure of $14.4 million and exploration expenditure of $9.2 million as discussed above. Share option and restricted share right expenses of $12.2 million are also included in the operating loss. Impairment of property, plant and equipment, as described above, was $11.3 million for the year. Sundry income of $0.8 million was received for the year.

Operating losses for the year ended December 31, 2005 of $27.3 million included the loss from gold production of $4.5 million, general and administrative expenditure of $5.5 million and exploration expenditure of $11.0 million as discussed above. Share option and restricted share right expenses of $7.2 million were also included in the operating loss. Sundry income and other net income received during the 2005 financial year totalled $1.0 million.

Finance cost

Net finance income (calculated as interest received less interest paid) amounted to $2.2 million for the year ended December 31, 2006. Net finance cost amounted to $1.4 million for the year ended December 31, 2005. Interest received increased in the current year to $5.2 million, due to the investment of the proceeds of various funding initiatives (as described under "Discussion of Cash Flows" below). The proceeds from the funding activities are primarily being used to fund the development of the Dominion Uranium Project and the Honeymoon Uranium Project and the cash balances will therefore reduce in amount as capital is spent. Finance costs related predominantly to servicing of debt, the cost of equipment used in Uranium One's operations and the short term loans from Nedcor Securities.

Indebtedness under a February 2005 Nedcor Securities facility decreased from $1.0 million on December 31, 2005 to $0.2 million at the end of the year. The amount outstanding under an August 2006 futures-related Nedcor Securities term facility (referred to below under "Discussion of Cash Flows"), was $51.5 million as at December 31, 2006

Dilution gain on disposal of investments

During the formation of the Aflease Gold group, Uranium One Africa effectively disposed of 20.1% of the New Kleinfontein group. A dilution gain of $7.1 million was recognized at the time of the transaction.
Throughout the remainder of 2006, Uranium One Africa's interest in Aflease Gold was diluted from 79.9% to 71.4% through the issuance of Aflease Gold shares to shareholders other than Uranium One Africa for the funding of the Modder East Gold Project as well as for general corporate purposes. A further dilution gain of $10.4 million was recognized, bringing the total dilution gain for 2006 to $17.5 million

Foreign exchange losses on cash and cash equivalents

Foreign exchange losses of $11.9 million were realized during 2006 on South African rand deposits held in Canada in anticipation of capital expenditure on the Dominion Uranium Project.

Taxes

No tax was payable in 2006 as Uranium One has an estimated unclaimed capital expenditure balance of $165.7 million (2005: $44.1 million) and a calculated tax losses balance of $86.5 million (2005: $77.2 million). The tax 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 Uranium One's current mining operations and do not expire unless Uranium One ceases operation for a period longer than one year.

Non-mining taxable income, which consists primarily of net interest received, is shielded against mining tax losses that were not ring-fenced for tax purposes.

The disposal of Uranium One's investment in New Kleinfontein Mining Company in connection with the January 2006 reverse takeover of Sub Nigel gave rise to a capital gain of $35.1 million in a subsidiary company which is deferred until Uranium One disposes of its shares in Aflease Gold. At a Group level, only $7.0 million of the capital gain is recognized, being the portion effectively disposed of to third parties. A charge for capital gains tax of $0.9 million (at a rate of 14.5%) was credited to future tax liability, being the excess of the future tax liability created by the gain over the unredeemed capital expenditure and calculated loss balances.

A fair value increment in mining assets of $17.7 million arose on the fair valuation of the assets of Sub Nigel that formed part of the reverse takeover of Sub Nigel. In accordance with accounting practice, a future tax liability of $4.5 million was recognized on this revaluation.

A further fair value increment in mining assets of $17.3 million arose on the fair valuation of assets that formed part of the reverse takeover of Sub Nigel by New Kleinfontein Mining Company. In accordance with accounting practice, a future tax liability of $4.3 million was recognized on this revaluation.

In February 2006, the South African tax authorities issued income tax assessments for Uranium One Africa Limited for the tax years from 1998 to 2001. The tax authorities made substantial adjustments to the income tax returns submitted by Uranium One Africa Limited for these taxation years. These adjustments were primarily in respect of the disallowance of deductions for capital expenditure and the disallowance of mining contractor fees paid to a subsidiary company.

The outcome of objections lodged to these assessments by Uranium One Africa Limited was mostly positive and the disputed items for the tax years from 1999 to 2001 were resolved to the satisfaction of management.

After due consideration, Uranium One Africa decided to lodge an appeal against the sustained disallowance of deductions for capital expenditure in the 1998 tax year. At December 31, 2006, the amount of potential unpaid taxes in respect of this disallowance was $1.1 million (ZAR 7.7 million), including interest.

DISCUSSION OF CASH FLOWS

Cash outflow from operating activities was $33.9 million for the year ended December 31, 2006, and $14.0 million for the year ended December 31, 2005. For the year ended December 31, 2006, the cash inflow from gold sales of $3.3 million, sundry income of $0.8 million and net cash interest received of $4.3 million, were offset by the cash cost of sales of $5.7 million, general and administrative expenditure of $14.0 million ($14.4 million, less depreciation of $0.4 million), exploration expenditure of $9.2 million, a realized foreign exchange loss of $11.9 million and a movement in working capital of $1.4 million. The movement in working capital consists of a positive movement in accounts payable and accrued liabilities of $17.4 million, less movement on accounts receivable of $14.5 million, an increase in inventory of $3.0 million and an increase in asset retirement obligations of $1.3 million.

For the year ended December 31, 2005, the cash inflow from gold sales of $2.7 million, sundry income of $1.0 million, interest received of $1.0 million and a movement in working capital of $7.0 million, was offset by the cash cost of sales of $6.5 million, general and administrative expenditure of $5.5 million, exploration expenditure of $11.0 million and interest paid of $2.5 million. The movement in working capital consists of a positive movement in accounts payable and accrued liabilities of $9.0 million, less movements on accounts receivable of $1.2 million, a movement of $0.5 million on inventory and movements on asset retirement obligations of $0.3 million.

On February 17, 2006, Uranium One completed a private placement of 22,300,000 common shares at a price of $6.64 (Cdn $7.65) per share, for gross proceeds of $147.7 million. The net proceeds, after deducting agents' commission and related costs, were $137.6 million.

On August 29, 2006, Uranium One completed a financing transaction for ZAR350 million (approximately $45.1 million) on the security of its investment in Aflease Gold by means of a futures-related term facility entered into with Nedcor Securities of South Africa. The facility has a 12-month term and may be terminated at any time, and currently bears interest at the ZAR rate of 9% per annum, adjusted in terms of a formula which is influenced by the movement in the Aflease Gold share price. During the term of the facility, Uranium One Africa remains entitled to vote its shares in Aflease Gold and to receive the benefit of any dividends or distributions paid on such shares. The facility has been drawn down in full.

On October 31, 2006, Uranium One completed a public offering of 20,815,000 common shares at a price of $7.29 (Cdn $8.30) per common share for gross proceeds of $151.7 million. The offering was sold to a syndicate of underwriters led by BMO Capital Markets on a bought deal basis for net proceeds, after deducting underwriters' commission and related costs, of $143.4 million.

On December 20, 2006, Uranium One completed a public offering of Cdn $155,250,000 aggregate principal amount of convertible unsecured subordinated debentures. The Debentures mature on December 31, 2011, bear interest at a Canadian 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. Each debenture is convertible into common shares at the option of the holder at any time prior to the close of business on the earlier of the business day immediately preceding the maturity date or, if called for redemption, on the business day immediately preceding the date fixed for redemption, at a conversion price of Cdn $20.00 per common share, which is equivalent to 50 common shares for each Cdn $1,000 principal amount of debentures, subject to adjustment in certain circumstances.

The gross proceeds of the debenture issue were $133.2 million; after deduction of underwriters' commission of $4.0 million and other costs of $0.4 million, net proceeds were $128.9 million.

During the year, Uranium One received cash proceeds of $7.2 million ($14.8 million less the transfer from contributed surplus of $7.6 million) from the exercise of stock options.

The cash proceeds of finance activities were used to fund the development of the Dominion Uranium Project, the Honeymoon Uranium Project, the joint venture with Pitchstone and for general corporate purposes.

During the year ended December 31, 2006, Aflease Gold issued 50.9 million shares in several private placements for aggregate net proceeds of $16.0 million. Uranium One's equity interest in Aflease Gold decreased from 79.9% to 71.4% during this period, as the shares were placed for the funding of the development of the Modder East Gold Project and for general corporate purposes.

Subsequent to December 31, 2006, Aflease Gold issued 25 million shares to public shareholders, raising approximately $10.0 million (ZAR72.0 million). This share placement further diluted Uranium One's equity interest in Aflease Gold to 67.8%.

In June 2006, Aflease Gold entered into a share exchange agreement with a South African fund manager under which it will acquire at its election, subject to certain conditions, between 7.5 million and 13 million shares of Randgold and Exploration Ltd. ("Randgold") in consideration for the issuance of Aflease Gold treasury shares. If completed, this transaction (taking into account the 25 million shares issued subsequent to December 31, 2006 as discussed above) would result in the ownership interest of Uranium One being decreased to between 53.8% and 58.9%.

A decrease in the February 2005 Nedcor Securities loan during the year ended December 31, 2006 by the amount of $0.8 million and the repayments on finance leases of $1.2 million reduced the cash inflow from financing activities to $475.9 million.

Uranium One wrote down the value of shares of Randgold owned by it to zero during 2005. The Randgold shares are traded on the OTC market in the United States where the closing price was $2.70 per share on March 23, 2007. The finance raised against the investment (the February 2005 Nedcor Securities loan) as at December 31, 2006 was $0.2 million (December 31, 2005: $1.0 million).
Other cash flow items during the year ended December 31, 2006 included the cash acquired through the reverse takeover of Sub Nigel Limited, amounting to $1.9 million and a contribution to environmental trust and other investments of $1.9 million.

The effect of exchange rates on cash balances held in foreign currencies was $0.8 million for the year ended December 31, 2006. At December 31, 2006, 8% of Uranium One's cash balances were in South African rand and 3% in Australian dollars. The balance was held in Canadian dollars. Uranium One does not currently utilize any hedging programs to limit any adverse effects of foreign exchange rate fluctuations.

DISCUSSION OF FINANCIAL POSITION AND LIQUIDITY

Cash and non-cash assets

Cash balances available at December 31, 2006 increased to $327.5 million (December 31, 2005 - $10.9 million), primarily due to increased financing and capital raising activities.

Accounts receivable increased to $22.2 million at December 31, 2006 (December 31, 2005 - $8.8 million). The increase was largely due to the increase in value-added tax owed to Uranium One, attributed to the increased spending on the construction of the Dominion Uranium Project and the exclusivity fee paid to US Energy under an exclusivity agreement entered into between the Corporation and US Energy on July 10, 2006.

Non-current assets increased to $290.3 million at December 31, 2006 (December 31, 2005 - $158.5 million). The increase is related to capital expenditure on the development of the Dominion Uranium Project, the Honeymoon Uranium Project and the Modder East Gold Project of $126.2 million, the fair value of the assets acquired during the reverse acquisition of Sub Nigel Limited in January 2006 of $18.5 million (consisting of the carrying value of property, plant and equipment of $0.8 million and the fair value of undeveloped properties of $17.7 million) and an increase in the Asset retirement fund of $2.1 million. The impairment of the Bonanza Gold Project resulted in an $11.1 million credit to mining assets.

Investing activities

The liquidity and marketability of 5.866 million Randgold shares and 2.8 million Randgold futures which are held by Uranium One have been adversely affected by the de-listing of Randgold in 2005 by both the JSE Limited (the Johannesburg stock exchange) and the NASDAQ for failure to file audited financial statements for its 2004 financial year.

Uranium One wrote down its investment in Randgold to zero as at December 31, 2005. The uncertainty as to Randgold's future prevailed during 2006 and there was therefore no change to Management's position during the year.

Financing activities

Interest-bearing long and short term borrowings (consisting of the convertible debentures, the long and short term portions of finance leases and the short term loans from Nedcor Securities) totalled $162.0 million at December 31, 2006 (December 31, 2005 - $4.0 million). The increase was mainly due to the debt component of the convertible debentures of $108.7 million, the outstanding amount on the short term finance raised through the August 2006 Nedcor Securities facility of $51.5 million, offset by a decrease in the February 2005 Nedcor Securities short term loan of $0.8 million and repayments on finance leases of $1.4 million. The balance of the long and short term liabilities, namely accounts payable and accrued liabilities, the asset retirement obligation and the future taxation liability, are not interest bearing.

Total liabilities

Total liabilities increased to $229.0 million at December 31, 2006 (December 31, 2005 - $44.3 million), due to, in addition to the items discussed under "Financing activities" above, an increase in future tax liability of $9.7 million (in respect of the capital gain on the disposal of New Kleinfontein Mining Company and the future tax liability on the revaluation of undeveloped properties in the Aflease Gold transaction) and the increase in accounts payable of $16.3 million during the 2006 financial year.

Shareholders' equity

Shareholders' equity increased to $405.6 million at December 31, 2006 (December 31, 2005 - $134.6 million) as the share issuances and the increase in contributed surplus (due to share option expenses) during the period offset the loss of $43.1 million and the decrease in the foreign currency translation reserve of $9.3 million. The decrease in the foreign currency translation reserve can primarily be attributed to the weakening of the South African rand against the US dollar during the period from ZAR6.32/$ to ZAR7.04/$.

Liquidity and capital resources

Uranium One maintains a strong balance sheet and has sufficient liquidity and capital resources to fund its current commitments.

As at December 31, 2006, the capital commitments in respect of the Dominion Uranium Project were $36.2 million to further the development of the mine and processing plant. The capital commitments in respect of the Honeymoon Uranium Mine were $0.4 million. No other significant commitments existed on December 31, 2006.

The cash resources of Uranium One, which amounted as at December 31, 2006 to $318.2 million ($327.5 million as disclosed in the financial statements, less $9.3 million held by Aflease Gold), and interest earned on these cash balances will be utilized to cover existing commitments in respect of the Dominion Uranium Project and the Honeymoon Uranium Project.

Further capital expenditure of $56.7 million, for which no current commitments exist, will be required to complete the construction of the Dominion Uranium Project during the remainder of 2007. An additional $36.0 million, for which no current commitments exist, will be required to advance development of the Honeymoon Uranium Project to the point of hot commissioning in 2008.

The exploration budgeting process considers three primary exploration areas. Budgets for these areas of $16.0 million have been approved by Uranium One for the Dominion and Rietkuil Uranium Sections, the Ottosdal exploration area and the gold exploration area. These budgets, which are dependent on successful exploration results, significantly exceed the budget requirements of the Department of Minerals and Energy (DME) to maintain the prospecting permits.

Cash requirements to fund the development of projects, provide working capital to operations, including corporate expenditure, settle the purchase price of acquisitions, and fund exploration projects are taken into account when considering Uranium One's funding strategy.

Consideration is given to the mix and relative cost of capital resources when evaluating further sources of funding. Prospective sources of additional funding include equity financing, debt financing and exercise of stock options and warrants. Uranium One's ability to raise capital is highly dependent upon the commercial viability of its projects and the underlying prices of uranium and gold. Uranium One will begin earning income from the sale of uranium as the Dominion Uranium Project is brought into production.

Uranium One's liquidity position could be influenced if margin calls in excess of ZAR175 million are made in respect of Uranium One Africa's futures position under the August 2006 Nedcor facility. A margin call may be made if Aflease Gold's share price declined to approximately ZAR1.65 per share. In the period since the facility was drawn down, Aflease Gold's share price has strengthened, closing at ZAR3.40 per share on March 23, 2007.

Declines in the prices for uranium and gold may negatively impact Uranium One's ability to raise additional funding. Uranium One negotiated floor prices in the sales contracts for 28% of the Dominion Uranium Project's planned production from 2008 to 2012, without any caps in the pricing of the contracts. Other than these floor prices, Uranium One currently does not employ any mechanisms to manage its exposure to price fluctuations. Other risk factors, for instance Uranium One's ability to develop its projects into commercially viable mines, international uranium industry competition, public acceptance of nuclear power and governmental regulation can also adversely affect Uranium One's ability to raise additional funding. There is no assurance that additional sources of funding, if required, will be forthcoming.

Aflease Gold is not funded by Uranium One and it currently discharges its responsibility to fund itself by issuing shares through its listing on the Johannesburg stock exchange. Aflease Gold committed $0.4 million towards the development of the Modder East Gold Project as at December 31, 2006. Cash of $9.3 million and ongoing share placements to shareholders other than Uranium One will fund the further development of the Modder East Gold Project. Further capital expenditure of $71.9 million, for which no current commitments exist, will be required to complete the construction of the Modder East Gold Project.

Aflease Gold has retained N M Rothschild & Sons to arrange a project finance facility for the Modder East project. It expects to be able to raise approximately ZAR300 million in project finance on the project, dependent on further project evaluation and pricing available to the company by commercial banks.

Contractual obligations

As at December 31, 2006, Uranium One had the following contractual obligations towards suppliers and financiers (all figures are in thousands of US dollars):

		Payments due by period			
Contractual obligations (US$'000)	**Total**	**Less than 1 year**	**1 to 3 years**	**4 to 5 years**	**After 5 years**
Lease obligations					
- Short term	1,388	1,388	-	-	-
- Long term	322	-	317	5	-
Total	1,710	1,388	317	5	-
Short term loan	51,659	51,659	-	-	-
Capital commitments	38,326	38,326	-		
Asset retirement obligation	4,924				4,924
Total contractual obligations	**96,619**	**91,373**	**317**	**5**	**4,924**

SELECTED QUARTERLY INFORMATION

The table below sets out selected financial data for the periods indicated. During the year ended December 31, 2005, in accordance with the rules of the Johannesburg stock exchange applicable to developmental companies, Uranium One Africa (formerly Aflease Gold and Uranium Resources Limited) prepared half-yearly, and not quarterly, interim financial statements. Information for that period is accordingly presented for the six month periods ended June 30, 2005 and 2004 and for the six month periods ended December 31, 2005 and 2004 as it is impracticable to present quarterly interim financial information. The financial data presented is derived from Uranium One's unaudited financial statements, which are prepared in accordance with Canadian GAAP. All figures are in thousands of US dollars, except per share amounts; earnings per share data is presented in cents.

	Three months ended				Six months ended		Six months ended	
	Dec 31, 2006	**Sep 30, 2006**	**June 30, 2006**	**March 31, 2006**	**Dec 31, 2005**	**June 30, 2005**	**Dec 31, 2004**	**June 30, 2004**
Total gold sales	714	680	921	1,021	2,730	-	250	1,642
Net profit / (loss)	(23,595)	2,361	(19,963)	(1,910)	(34,701)	(7,039)	(10,757)	(4,006)
Net profit / (loss) per share - basic (1)	(18.78)	2.11	(17.84)	(1.91)	(48.78)	(11.32)	(24.64)	(10.45)
Net profit / (loss) per share - diluted (1)	(18.78)	1.94	(17.84)	(1.91)	(48.78)	(11.32)	(24.64)	(10.45)

(1) The net profit / (loss) per share (basic and diluted) is determined separately for each quarter. Consequently, the sum of the quarterly amounts may differ from the year to date amount disclosed in the audited consolidated financial statements as a result of using different weighted average numbers of shares outstanding.

Discrepancies between budgeted gold production levels and actual production achieved at Bonanza were primarily due to delayed development resulting from encountering difficult ground conditions, water intersections and complex geology. While efforts to develop through these ground conditions met with some success, the gold plant at Bonanza was integrated into the new uranium plant during the 2006 financial year. As discussed in more detail above, management decided to terminate mining operations at the Bonanza Gold Project once the available payable mining areas were depleted.

OUTLOOK

During 2007, the Corporation will remain focused on progressing its principal uranium projects to the commencement of production, in the case of Dominion, in the first quarter of 2007, and in the case of Honeymoon, in 2008. The Corporation will not require additional funding to complete these projects.

The Corporation intends to take full advantage of what it anticipates will be a continuing favourable commodity price environment by selling most of its uranium into the spot market and remaining unhedged.

The Corporation will also remain focussed on completing the arrangement agreement with UrAsia and closing the asset purchase agreement with U.S. Energy Corp. The completion of these transactions will create an emerging senior uranium company, with production and asset exposure to five uranium resource jurisdictions, namely South Africa, Australia, Kazakhstan, Canada and the United States.

The Corporation will continue to examine other possible corporate development opportunities which could result in the acquisition of companies or assets for cash, securities or a combination thereof. If cash is used, depending on the size of the acquisition, Uranium One may be required to issue securities or to borrow money to fund such cash requirements.

In addition, the Corporation will continue to seek to increase its mineral resources, both through additional exploration and drilling programs on its current properties and through acquisitions, and to move its projects from exploration and development to production, in order to generate cash flow to sustain further exploration and acquisitions.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

Note 2 to the consolidated financial statements for the years ended December 31, 2006 and 2005 includes a summary of the significant accounting policies adopted by the Corporation. The following policies are considered to be the critical accounting policies since they involve the use of significant estimates.

Undeveloped Properties and Mine Development Cost

Property, plant and equipment is stated at historical cost less amortization. Mine development costs consist primarily of direct expenditure, including direct borrowing costs, to develop an ore body for economic exploitation and to expand the production capacity of existing operations.

Development costs incurred are capitalized until commercial production begins. Amortization of mining assets commences after the metallurgical recovery plant has reached commercial production levels and is computed over the life of the mine, based on proven and probable ore reserves.

Other fixed assets are amortized on a straight line basis over their estimated useful life.

Recoverability of the long-term assets of Uranium One, which include 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. In preparing this evaluation, Uranium One compares the recoverable amount of the asset to the carrying amount. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. To determine the recoverable amount, management makes its best estimate of the future cash inflows that will be obtained each year over the life of the mine 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 project. Management's best estimate includes only those projections which it believes are reliable. These estimates are subject to risks and uncertainties, including changes in future metal prices. It is therefore reasonably possible that changes could occur which may affect the recoverability of the assets.

Uranium One's Australian properties are valued based on a combination of net present valuation models and valuation per pound of resource.

Asset Retirement Provision

Uranium One 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.

Uranium One 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 a 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.

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.

In some instances, rehabilitation trusts have been set up as sinking funds for the purposes of environmental rehabilitation and closure costs. The trust deeds prohibit use of the funds for any other purpose.

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 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.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

In April 2005 the Accounting Standards Board issued CICA Handbook Sections 3855, Financial Instruments – Recognition and Measurement, Section 1530, Comprehensive Income, and Section 3865, Hedges. The new Sections will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. The new Sections will significantly change the way the Corporation is required to do its accounting and reporting.

CICA Handbook Section 1530 – Comprehensive Income introduces new standards for reporting and display of comprehensive income. Comprehensive income is the change in equity (new assets) of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Financial statements of prior periods are required to be restated for certain comprehensive income items. In addition, an enterprise is encouraged, but not required to present reclassification adjustments, in comparative financial statements provided for earlier periods.

CICA Handbook Section 3855 – Financial Instruments – Recognition and Measurement expands Section 3860, Financial Instruments – Disclosure and Presentation, by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. All financial instruments will be required to be classified in various categories. Held to maturity investments, loans and receivables are measured at amortized cost with amortization of premium, or discounts and losses or impairment included in current period interest income or expense. Held for trading financial assets and liabilities are measured at fair market value with all gains and losses included in net income in the period in which they arise. All available for sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet and losses due to impairment included in net income. All other financial liabilities are to be carried at amortized cost.

CICA Handbook Section 3251: "Equity" establishes standards for the presentation of equity and changes in equity during the reporting period. The adoption of this new standard by the Corporation is not expected to have a material impact;

CICA Handbook Section 1506: Accounting Changes ("CICA 1506") effective for fiscal years beginning on or after January 1, 2007 establishes standards and new disclosure requirements for the reporting of changes in accounting policies and estimates and the reporting of error corrections. CICA 1506 clarifies that a change in accounting policy can be made only if it is a requirement under Canadian GAAP or if it provides reliable and more relevant financial statement information. Voluntary changes in accounting policies require retrospective application of prior period financial statements, unless the retrospective effects of the changes are impracticable to determine, in which case the retrospective application may be limited to the assets and liabilities of the earliest period practicable, with a corresponding adjustment made to opening retained earnings.

RISKS AND UNCERTAINTIES

Uranium One's operations and results are subject to various risks and uncertainties. These include, but are not limited to, the following: exploration and mining involves operational risks and hazards; mineral resources and mineral reserves are estimates only; there is no certainty that further exploration will result in new economically viable mining operations or yield new reserves to replace and expand current reserves; Uranium One cannot give any assurance that the Dominion Uranium Project, Honeymoon Uranium Project and Modder East Gold Project will become operating mines; mineral rights and tenures may not be granted or renewed on satisfactory terms and may be revoked, altered or challenged by third parties; limited supply of desirable mineral lands for acquisition; risks and problems associated with integrating acquisitions; competition in marketing uranium and gold; in the case of uranium, competition from other sources of energy and public acceptance of nuclear energy; volatility and sensitivity to uranium and gold prices; the capital requirements to complete Uranium One's current projects and expand its operations are substantial; currency fluctuations; Uranium One's operations and activities are subject to environmental risks; government regulation may adversely affect Uranium One; risks associated with foreign operations including, in relation to South Africa, economic, social and political issues such as employment creation, black economic empowerment and land redistribution, crime, corruption, poverty and HIV/AIDS; Uranium One is dependent on key personnel; and potential conflicts of interest.

Uranium One's risk factors are discussed in detail in its Annual Information Form for the year ended December 31, 2006, which is available on SEDAR at www.sedar.com, and should be reviewed in conjunction with this document.

RELATED PARTY TRANSACTIONS

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

OUTSTANDING SHARE DATA

As at March 28, 2007, Uranium One had issued and outstanding 136,646,366 common shares and the following common share purchase warrants, each exercisable for one common share of Uranium One:

- 300,000 Series D warrants exercisable at Cdn $6.95 per warrant
- 3,876,319 warrants exercisable at Cdn $3.55 per warrant

Uranium One had an aggregate of 5,459,715 options outstanding under its stock option plan, at exercise prices ranging from $1.15 to $12.28 per share. In addition, there were 408,195 outstanding restricted share rights that can be exercised for common shares without the payment of any consideration.

Uranium One also had 155,250 convertible debentures outstanding, each convertible to 50 common shares of Uranium One, representing 7,762,500 common shares.

Stock Option and Restricted Share Plans

A significant contributing factor to the Corporation's future success is its ability to attract and retain qualified and competent personnel. To accomplish this, the Corporation adopted a stock option plan and a restricted share plan to advance the interests of the Corporation by encouraging directors, officers and employees to have equity participation in the Corporation.

Under the stock option plan, options granted are non-assignable and may be granted for a term not exceeding ten years. The aggregate maximum number of common shares available for issuance under the stock option plan may not exceed 7.2% of the common shares outstanding from time to time on a non-diluted basis and the aggregate maximum number of common shares available for issuance to non-employee directors under the plan may not exceed 1.0% of the total number of common shares outstanding on a non-diluted basis.

Under the restricted share plan, restricted share rights exercisable for common shares of Uranium One at the end of a restricted period are granted by the Board of Directors in its discretion to eligible directors, officers and employees of the Corporation. The aggregate maximum number of common shares available for issuance under the restricted share plan is capped at one million; the number of shares available for issuance to non-employee directors may not exceed 0.5% of the total number of common shares outstanding on a non-diluted basis.

During 2006, a total of 2,926,443 stock options were granted to directors, officers and employees of the Corporation and a total of 2,518,309 options were exercised for aggregate proceeds to the Corporation of $7.2 million. A total of 441,915 restricted share rights were granted to directors, officers and employees during the year, and a total of 28,414 restricted share rights were exercised during the year.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including Uranium One's President and Chief Executive Officer and Chief Financial Officer, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management of Uranium One, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Uranium One's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in Uranium One's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management of Uranium One, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the most recent year end there were no changes in the Corporation's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

ADDITIONAL INFORMATION

Additional information relating to Uranium One, including Uranium One's most recent annual information form, is available on SEDAR at www.sedar.com.

Readers are advised to refer to independent technical reports on Uranium One's material properties available at www.sedar.com for detailed information with respect to the Corporation's properties. Those technical reports provide the date of each resource or reserve estimate, details of the key assumptions, methods and parameters used in the estimates, details of quality and grade or quality of each resource or reserve and a general discussion of the extent to which the estimate may be materially affected by any known environmental, permitting, legal, taxation, socio-political, marketing, or other relevant issues. The technical reports also provide information with respect to data verification in the estimation.

This document uses the terms "measured", "indicated" and "inferred" resources as defined in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects. United States investors are advised that while these terms are recognized and required by Canadian regulations, the SEC does not recognize them. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into reserves. In addition, "inferred resources" have a great amount of uncertainty as to their existence and economic and legal feasibility and it cannot be assumed that all or any part of an inferred mineral resource will be ever be upgraded to a higher category. Investors are cautioned not to assume that all or any part of an inferred resource exists or is economically or legally mineable. Mineral resources are not mineral reserves and do not have demonstrated economic viability. Scientific and technical information contained herein has been reviewed on behalf of Uranium One by Dr. R.A. Stewart, Pr.Sci.Nat. (SACNASP), MGSSA, Regional Exploration Geologist, who is a qualified person for the purposes of NI 43-101.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the price of uranium and gold, the estimation of mineral resources and reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Uranium One to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, possible variations in grade and ore densities or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes or other risks of the mining industry, delays in obtaining government approvals or financing or in completion of development or construction activities, risks relating to the integration of acquisitions, to international operations, to prices of uranium and gold as well as those factors referred to in the section entitled "Risk factors" in Uranium One's Annual Information Form for the year ended December 31, 2006 which is available on SEDAR at www.sedar.com, and which should be reviewed in conjunction with this document. Although Uranium One has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Uranium One expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.