uraniumone™
investing in our energy

annual financial statements

Annual Consolidated Financial Statements
for the year ended December 31, 2008

management's responsibility for financial reporting

Management's Responsibility for Financial Reporting

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

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

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

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

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

"Jean Nortier"
Jean Nortier
President & Chief Executive Officer

"Robin Merrifield"
Robin Merrifield
Executive Vice President & Chief Financial Officer

March 11, 2009

auditors' report

Auditors' Report to the Shareholders

To the Shareholders of Uranium One Inc.

We have audited the consolidated balance sheets of Uranium One Inc. as at December 31, 2008 and 2007 and the consolidated statements of operations, changes in equity, comprehensive (loss) income, accumulated other comprehensive (loss) income and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
March 11, 2009
Vancouver, B.C, Canada

Uranium One Inc.

Consolidated Balance Sheets

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

	Notes	Dec 31, 2008 $'000	Dec 31, 2007 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	176,225	159,592
Accounts and other receivables	8	39,926	70,318
Current portion of loans to joint ventures	9.2	19,158	32,867
Inventories	10	17,390	20,952
Other assets	12	12,043	19,150
Discontinued operations	3	-	94,986
		264,742	**397,865**
Non-current assets			
Mineral interests, plant and equipment	11	1,285,415	4,827,353
Loans to joint ventures	9.2	14,000	24,359
Other assets	12	53,952	76,707
Discontinued operations	3	9,024	286,614
		1,362,391	**5,215,033**
Total assets		**1,627,133**	**5,612,898**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	14	47,423	70,802
Income taxes payable		12,639	4,237
Discontinued operations	3	-	5,245
		60,062	**80,284**
Non-current liabilities			
Long term debt	13	61,275	-
Convertible debentures	15	118,042	136,548
Asset retirement obligations	16	12,999	13,927
Future income tax liabilities	17	375,293	1,496,060
Other long term payables	18	48,924	20,029
Discontinued operations	3	-	183,145
		616,533	**1,849,709**
SHAREHOLDERS' EQUITY			
Share capital	19	3,522,824	3,496,884
Contributed surplus	20	131,602	134,387
Equity component of convertible debentures	5	46,480	46,480
Accumulated other comprehensive (loss) / income		(247,708)	51,967
Deficit		(2,502,660)	(46,813)
		950,538	**3,682,905**
Total shareholders' equity and liabilities		**1,627,133**	**5,612,898**

Basis of presentation and principles of consolidation (note 2.1), commitments (note 26(iii)), contingencies (note 29) & subsequent events (note 30)

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

Approved on behalf of the board of directors

"Ian Telfer"	*"Andrew Adams"*
Ian Telfer	Andrew Adams
Director	Director

Uranium One Inc.

Consolidated Statements of Operations

For the years ended December 31, 2008 and 2007
(in United States dollars)

	Notes	Year ended Dec 31, 2008 $'000	Dec 31, 2007 $'000
Revenues		**149,776**	**134,024**
Operating expenses		(30,490)	(17,282)
Depreciation and depletion		(22,566)	(14,899)
Earnings from mine operations		**96,720**	**101,843**
General and administrative [1]		(48,689)	(68,645)
Exploration expense		(14,881)	(16,796)
Impairment of mineral interests, plant and equipment and closure costs	11.1	(3,322,222)	-
Care and maintenance		(1,868)	-
Operating (loss) / earnings		**(3,290,940)**	**16,402**
Interest and other	21	(7,376)	(514)
Gain / (loss) on available for sale securities		4,345	(932)
Foreign exchange loss	22	(11,709)	(13,022)
Other		2,650	5,418
(Loss) / earnings from continuing operations before income taxes		**(3,303,030)**	**7,352**
Current income tax expense	17	(44,191)	(41,211)
Future income tax recovery	17	1,013,634	17,621
Loss from continuing operations		**(2,333,587)**	**(16,238)**
Loss from discontinued operations	3	(122,260)	(1,371)
Net loss		**(2,455,847)**	**(17,609)**
[1] Stock option and restricted share expense (non-cash) included in general and administrative	20	15,423	37,660
Loss per share from continuing operations			
Basic and diluted		$(4.98)	$(0.05)
Loss per share from discontinued operations			
Basic and diluted		$(0.26)	$(0.00)
Net loss per share			
Basic and diluted		$(5.24)	$(0.05)
Weighted average number of shares (in thousands)			
Basic and diluted	24	468,424	360,656

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

Uranium One Inc.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2008 and 2007
(in United States dollars)

	Share capital $'000	Contributed surplus $'000	Equity component of convertible debentures $'000	Accumulated other comprehensive income / (loss) $'000	Deficit $'000	Total $'000
Balance as at January 1, 2007	**613,607**	**31,286**	**-**	**-**	**(29,204)**	**615,689**
Net loss for the year	-	-	-	-	(17,609)	(17,609)
Stock options and restricted shares vested	-	37,660	-	-	-	37,660
Exercise of warrants	2,115	(1,035)	-	-	-	1,080
Exercise of stock options and restricted shares	54,912	(30,873)	-	-	-	24,039
Uranium One Inc / UrAsia Energy Ltd business combination	1,709,647	62,042	46,480	-	-	1,818,169
U.S. Energy Corp asset purchase consideration	99,401	-	-	-	-	99,401
Energy Metals Corporation asset purchase consideration	1,013,215	35,307	-	-	-	1,048,522
Unrealized gains recognized on translation of self-sustaining foreign operations	-	-	-	47,536	-	47,536
Unrealized gains recognized on translation of self-sustaining foreign discontinued operations	-	-	-	4,243	-	4,243
Shares issued for services rendered	3,987	-	-	-	-	3,987
Fair value adjustments on available for sale securities, net of tax	-	-	-	188	-	188
Balance as at December 31, 2007	**3,496,884**	**134,387**	**46,480**	**51,967**	**(46,813)**	**3,682,905**
Net loss for the year					(2,455,847)	(2,455,847)
Stock options and restricted shares vested	-	15,423	-	-	-	15,423
Exercise of warrants	15,791	(11,460)	-	-	-	4,331
Exercise of stock options and restricted shares	10,149	(6,748)	-	-	-	3,401
Unrealized loss recognized on translation of self-sustaining foreign operations	-	-	-	(282,170)	-	(282,170)
Unrealized loss recognized on translation of self-sustaining foreign discontinued operations	-	-	-	(27,480)	-	(27,480)
Realized loss on sale of Aflease Gold (note 3)	-	-	-	10,163	-	10,163
Fair value adjustments on available for sale securities and realized loss on sale	-	-	-	(188)	-	(188)
Balance as at December 31, 2008	**3,522,824**	**131,602**	**46,480**	**(247,708)**	**(2,502,660)**	**950,538**

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

Uranium One Inc.

Consolidated Statements of Comprehensive (Loss) / Income

For the years ended December 31, 2008 and 2007
(in United States dollars)

	Notes	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Net loss		(2,455,847)	(17,609)
Unrealized (loss) / gain recognized on translation of self-sustaining foreign operations		(282,170)	47,536
Unrealized (loss) / gain recognized on translation of self-sustaining foreign discontinued operations		(27,480)	4,243
Realized loss on sale of Aflease Gold	3	10,163	-
Fair value adjustments on available for sale securities		(188)	188
Comprehensive (loss) / income		**(2,755,522)**	**34,358**

Consolidated Statements of Accumulated Other Comprehensive (Loss) / Income

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

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Accumulated other comprehensive income at January 1	51,967	-
Other comprehensive (loss) / income for the year	(299,675)	51,967
	(247,708)	**51,967**
Components of accumulated other comprehensive (loss) / income at the end of the year:		
Unrealized foreign exchange adjustment - continuing operations(1)	(234,634)	47,536
Unrealized foreign exchange adjustment - discontinued operations	(13,074)	4,243
Available for sale marketable securities and investments	-	188
	(247,708)	**51,967**

(1) Includes foreign exchange losses of $244.8 million relating to the translation of the investment in Uranium One Africa Limited (11.1)

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

Uranium One Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2008 and 2007
(in United States dollars)

		Year ended	
		Dec 31, 2008	Dec 31, 2007
	Notes	**$'000**	**$'000**
Net loss from continuing operations		(2,333,587)	(16,238)
Items not affecting cash:			
- Depreciation and depletion		22,566	14,899
- Impairment of mineral interest plant and equipment	11.1	3,306,001	-
- Gain / (loss) on available for sale securities		(4,345)	932
- Stock option and restricted share expense	20	15,423	37,660
- Interest accrued on loans and debentures		10,195	4,585
- Unrealized foreign exchange loss	22	1,339	28,958
- Future income tax recovery	17	(1,013,634)	(17,621)
- Other		(562)	400
Movement in non-cash working capital	23	32,730	(32,383)
Cash flows from operating activities		**36,126**	**21,192**
Acquisition of Uranium One Inc., net of acquisition costs		-	271,670
Acquisition of Energy Metals Corporation, net of acquisition costs		-	76,706
Acquisition of mineral interests, plant and equipment	11	(216,757)	(265,993)
Advance cash payments for other assets		(1,036)	(2,606)
Proceeds on sale of Honeymoon, net of costs	4	34,098	-
Cash advance for sulphuric acid plant investment	12	(5,959)	-
Advance cash receipts for sale of portion of Aflease Gold	3	3,100	-
Proceeds on sale of Aflease Gold	3	44,542	-
Proceeds on sale of available for sale securities		24,927	-
Cash proceeds from / (advances to) joint ventures	9.2	23,767	(4,053)
Other		-	2,100
Cash flows (used in) / from investing activities		**(93,318)**	**77,824**
Common shares issued, net of issue costs	19	7,732	25,119
Loans received by Kyzylkum	9.1	18,000	17,769
Draw-down on credit facility	13	60,467	-
Short term loan repaid		-	(53,131)
Cash flows from / (used in) financing activities		**86,199**	**(10,243)**
Effects of exchange rate changes on cash and cash equivalents		**(12,374)**	**21,858**
Net (decrease) / increase in cash and cash equivalents from continuing operations		**16,633**	**110,631**
Cash and cash equivalents at the beginning of the year		159,592	48,961
Cash and cash equivalents at the end of the year		**176,225**	**159,592**

Cash flows of discontinued operations			
Cash flows from operating activities		-	878
Cash flows used in investing activities		-	(13,377)
Cash flows used in financing activities		-	(89,506)

Supplemental cash flow information (note 23)

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

(in United States dollars)

1 NATURE OF OPERATIONS

Uranium One Inc. ("Uranium One"), its subsidiaries and joint ventures (collectively, the "Corporation") is a Canadian corporation engaged through subsidiaries and joint ventures in the mining and production of uranium, and in the acquisition, exploration and development of properties for the production of uranium in Kazakhstan, the United States, Australia and South Africa.

Uranium One owns through the Betpak Dala Joint Venture a 70% interest in both the producing Akdala Mine and the South Inkai Project. The Kharasan Project in Kazakhstan, in which the Corporation owns a 30% interest, is being developed by the Kyzylkum Joint Venture. In the United States, the Corporation owns projects in the Powder River and Great Divide Basins in Wyoming. The Corporation has suspended development of its Dominion Project in South Africa and placed it on care and maintenance while evaluating strategic alternatives for the project. The Corporation owns a 51% interest in the Honeymoon Project in Australia. The Corporation owns, either directly or through joint ventures, a large portfolio of uranium exploration properties in South Africa, the western United States and South Australia.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation and principles of consolidation

The consolidated financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

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

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

The following are the Corporation's principal mineral properties as at December 31, 2008:

Operating mine:

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

Advanced development projects:

Entity	Mineral property/Operation	Location	Ownership	Status
Betpak Dala LLP	South Inkai Project[1]	Kazakhstan	70%	Proportionately consolidated
Kyzylkum LLP	Kharasan Project	Kazakhstan	30%	Proportionately consolidated

The Corporation is also developing the following mineral properties:

Entity	Mineral property/Operation	Location	Ownership	Status
Energy Metals Corp (US)	United States development projects	United States	100%	Consolidated
Uranium One Australia (Proprietary) Limited	Honeymoon Project	Australia	51%	Proportionately consolidated

The Corporation has suspended development of the following mineral properties:

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

(1) The South Inkai Project commenced commercial operations on January 1, 2009

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of new standards

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

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

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

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

- Measurement of inventories at the lower of cost and net realizable value, with guidance on the determination of cost, including allocation of overheads and other costs to inventory.

- Specific identification of cost of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects.

- Consistent use (by type of inventory with similar nature and use) of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of other inventories.

- Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories.

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

2.3 Measurement and reporting currency

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

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

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

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

2.4 Inventories

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Mineral interests, plant and equipment

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

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

The costs associated with mineral interests are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired. The value allocated to reserves is depreciated on a unit-of-production method over the estimated recoverable proven and probable reserves at the mine. The reserve value is noted as depletable mineral properties for operations in commercial production in note 11. The resource value represents the property interests that are believed to potentially contain economic mineralized material such as inferred material; measured, indicated, and inferred resources with insufficient drill spacing to qualify as proven and probable reserves; and inferred resources in close proximity to proven and probable reserves.

Resource value and exploration potential value is noted as non-depletable mineral properties for operations in commercial production in note 11. At least annually or when otherwise appropriate, value from the non-depletable category will be transferred to the depletable category as a result of an analysis of the conversion of resources or exploration potential into reserves. Costs related to property acquisitions are capitalized until the viability of the mineral property is determined. Resource value and exploration potential for development projects not in commercial production is noted as non-depletable mineral properties. When it is determined that a property is not economically viable the capitalized costs are written down. Exploration expenditures on properties not advanced enough to identify their development potential are charged to operations as incurred.

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

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

2.6 Impairment of long-lived assets

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

2.7 Asset retirement obligations

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

2.8 Revenue recognition

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

In a uranium supply arrangement, the Corporation is contractually obligated to provide uranium concentrates to its customers. Uranium that was produced by the Corporation is delivered to conversion facilities ("Converters") where the Converter will credit the Corporation's account for the volume of accepted uranium. Based on delivery terms in a sales contract with its customer, the Corporation instructs the Converter to transfer title of a contractually specified quantity of uranium to the customer's account at the Converter. At this point, the Corporation invoices the customer and recognizes revenue for the uranium supply. The Corporation does not recognize revenue in circumstances where it delivers borrowed or purchased material into contracts.

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

2.9 Future income and mining taxes

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

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

2.10 Stock based compensation

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

Upon exercise of the Awards, the related amount of stock based compensation previously expensed is transferred from contributed surplus and together with consideration received, is recorded as share capital.

The Corporation's stock based compensation plans consist of the following:

Options

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

Restricted shares

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Earnings / loss per share

Earnings / loss per share calculations are based on the weighted average number of common shares and common share equivalents issued and outstanding during the year. The calculation of diluted earnings per share assumes that outstanding options and warrants that are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of Uranium One at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share. The impact of outstanding share options and warrants are excluded from the diluted share calculation for loss per share amounts, because it is anti-dilutive. The if-converted method is used to compute the dilutive effect of convertible debt. The dilutive effect of contingently issuable shares is computed by comparing the conditions required for issuance of shares against those existing at the end of the period.

2.12 Financial instruments

The Corporation's financial instruments primarily consist of cash, short-term money market investments, marketable securities, accounts receivable, accounts payable and accrued liabilities, loans to joint ventures, draw downs against the credit facility, other loans, and convertible debentures. The fair value of these financial instruments, except for the convertible debentures, approximates their carrying values, due primarily to their immediate or short-term maturity. Fair values of other financial instruments have been estimated by reference to quoted market prices for actual or similar instruments where available and disclosed accordingly.

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

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

Investments

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

The Corporation accounts for its other investments using the cost basis of accounting whereby investments are initially recorded at cost and earnings from such investments are recognized only to the extent received or receivable.

Cash and cash equivalents

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

Financial assets

Financial assets that are classified, as held for trading are recognized on the trade date at market value, which is the date that the Corporation commits to purchase or sell the asset. After initial recognition, the assets are carried at fair market value, with the fair value adjustments accounted for in the statement of operations.

Accounts receivable

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectability of financial assets

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

For investments included under financial instruments, if there is an other than temporary decline in the value of the investment, such reduction is included in the consolidated statement of operations.

Financial liabilities

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

Financial liabilities that are classified as held for trading are recognized on the trade date at fair value, which is the date that the Corporation commits to the contract. After initial recognition, the liabilities are carried at fair market value, with the fair value adjustments accounted for in the statement of operations.

Accounts payable

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

Loans payable

Loans payable are recognized initially at the proceeds received, net of transaction costs incurred. Loans payable are subsequently measured at amortized cost using the effective interest rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of operations over the period of the loan.

Offset

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

Compound instruments

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

Embedded derivatives

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

2.13 Equity instruments

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

2.14 Use of estimates

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2.15 Non-controlling interest

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

2.16 Variable interest entities

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

2.17 Recent accounting pronouncements – effective January 1, 2009 and October 1, 2011

International Financial Reporting Standards (IFRS)

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

Goodwill and intangible assets

Effective January 1, 2009, the Corporation will be adopting the new CICA Handbook Section 3064 – Goodwill and Intangible Assets, which aligns Canadian GAAP for goodwill and intangible assets with IFRS. The new standard provides more comprehensive guidance on intangible assets, in particular for internally developed intangible assets. The Corporation has not yet determined the impact of the adoption of this change on its consolidated financial statements.

Business combinations

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

Consolidated financial statements and non-controlling interests

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

3 DISCONTINUED OPERATIONS – AFLEASE GOLD

During January 2008, the Board of Directors approved the disposal of the Corporation's interest in Aflease Gold. The assets and liabilities of Aflease Gold, previously disclosed as the Modder East Gold Project, have been classified as discontinued operations for all periods presented in these financial statements.

On April 8, 2008 the Corporation sold 152.2 million Aflease Gold shares for $41.3 million, decreasing the Corporation's ownership to 38% of the common shares of Aflease Gold. An option granted to the purchaser to acquire Uranium One Africa's remaining shareholding in Aflease Gold lapsed on May 8, 2008. Subsequently, the Corporation sold an additional 12.5 million Aflease Gold shares for $3.2 million, decreasing the Corporation's shareholding to 34%. The result of the above transactions, and recording the impairment of the remaining interest in Aflease Gold, is a loss of $121.3 million.

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

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

	Balance sheet $'000	Statement of operations $'000
January 1, 2008	**193,210**	**-**
Loss from discontinued operations	(1,004)	(1,004)
Impairment	(121,256)	(121,256)
Net carrying value sold during the year	(34,446)	-
Effect of foreign exchange	(27,480)	-
December 31, 2008	**9,024**	**(122,260)**

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

Net loss from discontinued operations	**Year ended Dec 31, 2007 $'000**
Revenues	-
Loss from discontinued operations	(6,137)
Interest and other income	961
Non-controlling interest	3,805
	(1,371)

3 DISCONTINUED OPERATIONS – AFLEASE GOLD (continued)

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

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Assets		
Cash and cash equivalents	-	92,623
Accounts receivable and other receivables	-	2,321
Inventories	-	42
Current assets of discontinued operations	**-**	**94,986**
Mineral interests, plant and equipment	-	285,553
Investment	9,024	-
Other assets	-	1,061
Non-current assets of discontinued operations	**9,024**	**286,614**
Total assets of discontinued operations	**9,024**	**381,600**
Liabilities		
Accounts payable, accrued liabilities and other	-	5,080
Income taxes payable	-	165
Current liabilities of discontinued operations	**-**	**5,245**
Future income tax liabilities	-	80,201
Convertible debentures	-	90,551
Other long term payables	-	1,085
Non-controlling interest	-	11,308
Non-current liabilities of discontinued operations	**-**	**183,145**
Total liabilities of discontinued operations	**-**	**188,390**

4 SALE OF INTEREST IN THE HONEYMOON PROJECT

On October 15, 2008, the Corporation entered into an agreement with Mitsui & Co., Ltd. ("Mitsui & Co.") to create joint ventures in relation to the Australian assets of the Corporation. The transaction was completed on December 24, 2008 when the last required regulatory approval was obtained. Under the agreement, Mitsui & Co. acquired a 49% interest in the Honeymoon project and the Corporation's Australian exploration portfolio.

The minimum cash commitment from Mitsui is approximately $72.6 million (A$ 104.0 million)[1] for its share of Uranium One Australia's business. The majority of these funds will be used to advance the development of the Honeymoon Project through to commencement of production in 2010.

Pursuant to the terms of the Honeymoon joint venture agreement, the Corporation committed up to $34.8 million (A$ 49.8 million) of the proceeds from the investment by Mitsui to fund its share of Honeymoon's development expenditures.

The Corporation accounts for its remaining share in the Honeymoon Project on the proportional consolidation method.

Carrying value of assets before sale	**$'000**
Carrying value of assets and liabilities sold on transaction date	281,491
Impairment to fair value based on transaction value	(195,358)
Foreign exchange	(16,545)
Carrying value after impairment, at 100%	**69,588**
Assets and liabilities sold:	
Mineral interest, plant and equipment	34,707
Accounts receivables and prepayments	26
Accounts payables and other short term payables	(356)
Non-current liabilities	(279)
Carrying value of assets and liabilities sold	**34,098**
Carrying value after sale	**35,490**

(1) A$: Australian dollar

5 BUSINESS COMBINATION BETWEEN URANIUM ONE AND URASIA ENERGY

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

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

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

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

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

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

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

6 ASSET PURCHASES

6.1 U.S. Energy

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

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

Purchase price:	**$'000**
6.6 million common shares of Uranium One	99,401
Cash payment	6,515
Acquisition costs, including exclusivity fee	2,603
	108,519
Allocation of purchase price to assets:	
Mineral interests, plant and equipment	104,290
Stockpiles	7,772
Asset retirement obligations	(3,543)
	108,519

Pursuant to the asset purchase agreement, the reclamation bonds and guarantees given by U.S. Energy in connection with the acquired assets were substituted by Uranium One surety bonds with the appropriate Governmental Entity to provide coverage for the reclamation obligations of the acquired assets. The bond payments of $9.3 million are included in other assets as part of the asset retirement fund. The asset retirement obligation was assessed and accounted for on acquisition date (Refer note 16).

6.2 Energy Metals Corporation

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

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

The value of the Uranium One common shares issued was calculated using the share price of Uranium One's shares on the date of acquisition.

The following weighted average assumptions were used for the Black-Scholes option pricing model for fair value of the stock options:

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

The transaction was accounted for as an asset purchase and the cost of each item of mineral interests, plant and equipment acquired as part of the group of assets acquired was determined by allocating the price paid for the group of assets to each item based on its relative fair value at the time of acquisition.

6 ASSET PURCHASES (continued)

6.2 Energy Metals Corporation (continued)

The summarized results of the allocation are indicated in the table below:

Purchase price:

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

7 CASH AND CASH EQUIVALENTS

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Cash	134,444	147,532
Money market instruments, including cashable guaranteed investment certificates, bearer deposit notes and commercial paper	41,781	12,060
	176,225	**159,592**

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

8 ACCOUNTS AND OTHER RECEIVABLES

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Trade receivables	26,194	55,520
Value added tax and general sales tax	5,886	7,446
Prepayments and advances	4,151	5,558
Other receivables	3,695	1,794
	39,926	**70,318**

9 JOINT VENTURES

9.1 Proportionate interests in joint ventures

The Corporation owns the following interests in joint ventures:

Betpak Dala	70%
Kyzylkum	30%
Honeymoon	51%
Australia Exploration	51%

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

As at December 31, 2008	Betpak Dala $'000	Kyzylkum $'000	Honeymoon $'000	Australia exploration $'000	Total $'000
Cash	725	92	-	-	817
Other current assets	8,641	656	16	-	9,313
Mineral interests, plant and equipment	700,006	193,019	26,017	12,603	931,645
Other assets	703	4,005	-	-	4,708
Current liabilities	(18,098)	(3,084)	(653)	-	(21,835)
Long term debt (1)	(54)	(35,453)	(11)	-	(35,518)
Other	(1,582)	(556)	-	-	(2,138)
Future income taxes	(270,411)	(72,019)	(3,271)	-	(345,701)
Asset retirement obligation	(4,609)	(117)	(223)	-	(4,949)
Net Assets	**415,321**	**86,543**	**21,875**	**12,603**	**536,342**

(1)In addition to the $33.2 million loan (note 9.2) from the Corporation, Kyzylkum negotiated unsecured bank loan facilities totaling $100 million in 2007 and another $60 million in 2008. One facility, in the amount of $70 million, was obtained from the Japan Bank for International Cooperation ("JBIC") and the other facility, in the amount of $90 million, was obtained from Citibank. Total draw downs against these facilities amounted to $120 million as at December 31, 2008, of which the Corporation's share is $36 million.

As at December 31, 2007	Betpak Dala $'000	Kyzylkum $'000	Total $'000
Cash	1,643	3,659	5,302
Other current assets	73,039	291	73,330
Mineral interests, plant and equipment	680,046	182,740	862,786
Other assets	4,070	4,771	8,841
Current liabilities	(19,395)	(900)	(20,295)
Long term debt	-	(18,205)	(18,205)
Other long term liabilities	(1,567)	(135)	(1,702)
Future income taxes	(280,075)	(72,486)	(352,561)
Asset retirement obligation	(3,377)	-	(3,377)
Net Assets	**454,384**	**99,735**	**554,119**

9 JOINT VENTURES (continued)

9.1 Proportionate interests in joint ventures (continued)

The Corporation's proportionate share of revenue, expenses, net earnings / (loss) and cash flows for the years ended December 31, 2008 and 2007 are as follows:

Year ended December 31, 2008

	Betpak Dala $'000	Kyzylkum $'000	Honeymoon $'000	Australian exploration $'000	Total $'000
Revenue	149,776	-	-	-	149,776
Expenses and other income	(50,680)	132	-	(56)	(50,604)
Foreign exchange (loss) / gain	(18)	660	-	-	642
Earnings / (loss) before income taxes	**99,078**	**792**	**-**	**(56)**	**99,814**
Current income tax expense	(42,065)	(42)	-	-	(42,107)
Future income tax recovery	7,122	186	-	-	7,308
Earnings / (loss)	**64,135**	**936**	**-**	**(56)**	**65,015**
Cash flows from / (used in) operating activities	64,344	(78)	-	-	64,266
Cash flows used in investing activities	(53,347)	(21,489)	-	-	(74,836)
Cash flows (used in) / from financing activities	(11,915)	18,000	-	-	6,085
Net decrease in cash	**(918)**	**(3,567)**	**-**	**-**	**(4,485)**

Year ended December 31, 2007

	Betpak Dala $'000	Kyzylkum $'000	Total $'000
Revenue	134,024	-	134,024
Expenses and other income	(29,664)	(962)	(30,626)
Foreign exchange loss	(5,774)	(432)	(6,206)
Earnings / (loss) before income taxes	**98,586**	**(1,394)**	**97,192**
Current income tax expense	(43,932)	-	(43,932)
Future income tax recovery	5,276	-	5,276
Earnings / (loss)	**59,930**	**(1,394)**	**58,536**
Cash flows from / (used in) operating activities	77,544	(12)	77,532
Cash flows used in investing activities	(47,711)	(23,736)	(71,447)
Cash flows (used in) / from financing activities	(33,736)	24,120	(9,616)
Net (decrease) / increase in cash	**(3,903)**	**372**	**(3,531)**

9 JOINT VENTURES (continued)

9.2 Loans to joint ventures

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Current portion		
Betpak Dala	-	5,175
Kyzylkum	19,158	27,692
	19,158	**32,867**
Long term portion		
Betpak Dala	-	-
Kyzylkum	14,000	24,359
	14,000	**24,359**
Total	**33,158**	**57,226**

During 2007 the Corporation advanced $5.2 million to Betpak Dala on behalf of its joint venture partner which was repaid during the year ending December 31, 2008.

Kyzylkum loan

The Corporation made loans to Kyzylkum pursuant to its obligation to provide project financing for construction and commissioning of the Kharasan Project in the amount of $80 million. The loans bear interest at LIBOR plus 1.5% per annum, with interest payable on a semi-annual basis, commencing within two years of initial funding.

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Balance at January 1	73,333	80,000
Repaid during the year	(26,667)	(6,667)
	46,666	**73,333**
Interest accrued	702	1,025
Balance at December 31	**47,368**	**74,358**
Less: elimination of proportionate share – 30%	(14,210)	(22,307)
	33,158	**52,051**
Less: current portion	(19,158)	(27,692)
Long term portion	**14,000**	**24,359**

The loans to Kyzylkum are unsecured.

10 INVENTORIES

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Finished uranium concentrates	5,401	10,093
Solutions and concentrates in process	2,584	5,128
Product inventory	**7,985**	**15,221**
Materials and supplies	9,405	5,731
Stockpiles	-	7,772
	17,390	**28,724**
Less: non-current inventory included in other assets (note 12)	-	7,772
	17,390	**20,952**

11 MINERAL INTERESTS, PLANT AND EQUIPMENT

December 31, 2008	Cost $'000	Accumulated amortization $'000	Net carrying amount $'000
Mineral interests	1,035,043	(46,850)	988,193
Plant and equipment	312,360	(15,138)	297,222
	1,347,403	**(61,988)**	**1,285,415**

December 31, 2007	Cost $'000	Accumulated amortization $'000	Net carrying amount $'000
Mineral interests	4,291,594	(32,771)	4,258,823
Plant and equipment	574,846	(6,316)	568,530
	4,866,440	**(39,087)**	**4,827,353**

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

December 31, 2008		Mineral interests				
	Country	Depletable $'000	Non-depletable $'000	Total $'000	Plant and equipment $'000	Total $'000
Akdala Mine	Kazakhstan	92,739	74,358	167,097	28,622	195,719
South Inkai Project	Kazakhstan	-	396,963	396,963	107,017	503,980
Kharasan Project	Kazakhstan	-	144,722	144,722	48,296	193,018
Dominion Project (1)	South Africa	-	-	-	44,586	44,586
United States development projects	United States	-	90,255	90,255	15,589	105,844
United States exploration projects(1)	United States	-	122,586	122,586	-	122,586
Hobson Facility and La Palangana project (1)	United States	-	-	-	22,026	22,026
United States conventional mining projects(1) (2)	United States	-	39,215	39,215	1,497	40,712
Honeymoon Project(1)	Australia	-	25,652	25,652	12,967	38,619
Corporate and other (1)		-	1,703	1,703	16,622	18,325
Total		**92,739**	**895,454**	**988,193**	**297,222**	**1,285,415**

(1) Refer to note 11.1
(2) Previously Shootaring Canyon Mill

11 MINERAL INTERESTS, PLANT AND EQUIPMENT (continued)

December 31, 2007		Mineral interests				
	Country	Depletable $'000	Non-depletable $'000	Total $'000	Plant and equipment $'000	Total $'000
Akdala Mine	Kazakhstan	103,068	74,358	177,426	24,140	201,566
South Inkai Project	Kazakhstan	-	422,631	422,631	31,388	454,019
Kharasan Project	Kazakhstan	-	146,538	146,538	29,376	175,914
Dominion Project	South Africa	-	1,756,018	1,756,018	350,146	2,106,164
United States development projects	United States	-	278,654	278,654	7,184	285,838
United States exploration projects	United States	-	1,073,130	1,073,130	1,285	1,074,415
Hobson Facility and La Palangana Project	United States	-	56,869	56,869	33,503	90,372
United States conventional mining projects[1]	United States	-	50,009	50,009	47,614	97,623
Honeymoon Project	Australia	-	276,087	276,087	23,951	300,038
Corporate and other		-	21,461	21,461	19,943	41,404
Total		**103,068**	**4,155,755**	**4,258,823**	**568,530**	**4,827,353**

[1] *Previously Shootaring Canyon Mill*

11.1 Impairment of mineral interests, plant and equipment

	Impairment and closure costs $'000	Future income tax recovery $'000	Net impairment $'000
Dominion Project	1,805,452	474,735	1,330,717
United States development projects	204,289	68,679	135,610
United States exploration projects	936,556	331,619	604,937
Hobson Facility and La Palangana Project	83,409	19,024	64,385
United States conventional mining projects	65,310	4,070	61,240
Honeymoon Project	195,358	59,196	136,162
Corporate and other assets	31,848	5,701	26,147
	3,322,222	**963,024**	**2,359,198**

Dominion Project

On October 20, 2008, the Corporation's board of directors decided to place the Dominion Project ("Dominion") on care and maintenance. A significant deterioration in Dominion's economics in conjunction with a continuing decline in uranium prices over the last year were the major factors that contributed to the Corporation's decision to place the Dominion project on care and maintenance.

The Corporation has valued Dominion at its salvage value of $44.6 million. Included in the Dominion Project impairment is $17.5 million to place the project on a care and maintenance basis.

The Corporation carries foreign exchange translation losses of $244.8 million in accumulated other comprehensive losses relating to the translation to US dollars of its investment in Uranium One Africa Limited ("Uranium One Africa"), the wholly owned subsidiary which owns Dominion. The foreign exchange losses were not taken into consideration in calculating the impairment value and would only be realized in the statement of operations if the Corporation sells its investment in Uranium One Africa. The value of the losses is calculated based on the South African rand and US dollar exchange rates and will change as exchange rates change.

11 MINERAL INTERESTS, PLANT AND EQUIPMENT (continued)

11.1 Impairment of mineral interests, plant and equipment (continued)

United States development projects

The Corporation revised the mine plans and economic models for its ISR mining projects in Wyoming, resulting in an impairment of the carrying value of the Corporation's United States development projects.

United States exploration projects

Impairments were recognized on certain United States exploration projects, due to various factors including economic feasibility, cancellation of option agreements, metallurgical recovery factors, licensing and environmental issues.

Hobson Facility and La Palangana Project

From the mine planning process in the United States the Corporation concluded that the La Palangana project was impaired as its estimated fair value of $6.2 million was lower than its carrying value. The decrease in value was due to substantially lower than anticipated recoverable resources at La Palangana. The Corporation placed the Hobson facility on care and maintenance and postponed the development of the La Palangana.

United States conventional mining projects

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

Honeymoon Project

The Corporation sold a 49% interest in the Honeymoon Project and the Corporation's Australian exploration portfolio to Mitsui & Co. during December 2008 (note 4).

As the fair value of the assets sold were below the carrying value of the Honeymoon Project and the Australian exploration properties, they were written down to fair value based on the transaction value.

Corporate and other assets

Impairments were recognized on corporate and other assets including a $9.6 million impairment on drill rigs and related parts due to the termination of the existing revenue generating lease agreement and the associated decline of their fair market value.

12 OTHER ASSETS

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Current		
Purchased uranium concentrates	9,743	18,056
Future income tax assets	1,206	-
Reclamation bond payment on behalf of UPC joint venture	1,094	1,094
	12,043	**19,150**
Non-current		
Asset retirement fund	19,939	20,316
Advances for future services	10,054	10,629
Borrowed uranium concentrates	8,621	-
Advances for investment in sulphuric acid plant	5,959	-
Advances for plant and equipment	3,938	12,643
Long term deposits and guarantees	2,489	3,220
Available for sale securities	593	21,257
Long term inventory (note 10)	-	7,772
Other	2,359	870
	53,952	**76,707**

Borrowed uranium concentrates

The Corporation entered into an uranium concentrates borrowing agreement to mitigate the risk of delivery delays enabling the Corporation to meet its contractual obligations in terms of current uranium sales contracts. The asset represents the borrowed uranium concentrates, which are held at a conversion facility in the Corporation's account. The asset is recorded at its fair value. A corresponding liability has been recognized (note 18).

A portion of the borrowed uranium concentrates has been delivered into a sales contract on behalf of Betpak Dala during December 2008. The Corporation did not recognize revenue for this transaction, in line with the revenue recognition policy. The revenue will be recognized by Betpak Dala once they return the uranium concentrates to the Corporation, which occurred shortly after year-end.

12 OTHER ASSETS (continued)

Purchased uranium concentrates

The Corporation entered into uranium concentrates purchasing agreements to ensure that it could meet its short-term contractual obligations in terms of uranium sales contracts for Dominion. The asset represents the balance of the purchased uranium concentrates, which are held at a conversion facility in the Corporation's account. The asset is recorded at its fair value.

Available for Sale Securities

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

The Corporation disposed of further available for sale securities with a carrying value of $17.4 million (2007 - $Nil). The securities had a cost basis of $17.2 million and fair value gains included in accumulated other comprehensive income of $0.2 million. Proceeds on the sale of these securities were $11.9 million which resulted in a loss on sale of securities of $5.5 million. Capital gains tax recovery of $0.9 million was offset against the Corporation's assessed losses.

During the year, there was an impairment on available for sale securities of $3.1 (2007- $0.9 million).

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

13 LONG TERM DEBT

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Drawn down during the year	65,000	-
Financing fees	(3,876)	-
Interest paid	(386)	-
Interest accrued	537	-
Closing balance	**61,275**	**-**

On June 27, 2008, the Corporation established a $100 million bank debt senior secured revolving credit facility (the "facility"). Under the terms of the facility, the Corporation has the ability to borrow up to $100 million from the lead lenders, Bank of Montreal and The Bank of Nova Scotia (the "Banks"). The facility has a two year term, and may be extended for a further year with lender consent.

Draw downs under the facility can be made at interest rates based on either the US dollar LIBOR rate or the Bank of Montreal base rate for US dollar denominated loans (note 26). Undrawn amounts are subject to a commitment fee currently at 0.40% per annum.

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

The Corporation has made a drawdown of $65 million under the credit facility on October 20, 2008. The loan bears interest at 3.5% as at December 31, 2008. A letter of credit in the amount of $12.9 million was issued under the credit facility on September 25, 2008 as security for a uranium concentrates loan of 200,000 pounds of U_3O_8 (note 18).

The debt is payable with no notice, anytime before June 27, 2010.

The Corporation has a balance of $21.7 million available to draw down from the credit facility after the drawdown and letter of credit issued against it.

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

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

Financing fees relate to upfront costs and other costs incurred associated with establishing the credit facility, and are expensed over the term of the facility.

14 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Trade payables	18,222	25,334
Accruals	19,874	24,461
Commodity and other taxes payable	4,148	11,280
Deposit received for sale of Aflease Gold shares (note 3)	3,100	-
Other	2,079	9,727
	47,423	**70,802**

15 CONVERTIBLE DEBENTURES

As part of the Uranium One / UrAsia Energy business combination on April 20, 2007, the Corporation acquired convertible unsecured subordinated debentures maturing December 31, 2011 (the “debentures”) with a face value of Cdn $155.3 million ($133.2 million). The debentures were originally issued at Cdn $1,000 per debenture and the underwriters’ fees amounted to Cdn $30 per debenture, which resulted in the net proceeds of Cdn $970 per debenture. The debentures bear interest at an annual rate of 4.25%, payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2007. The June 30, 2007 interest payment represented accrued interest from the closing of the offering to June 30, 2007. The conversion price was set at Cdn $20 per share, which is equivalent to 50 common shares for each Cdn $1,000 principal amount of debentures.

The debt and equity components were revalued on acquisition, and were included as part of the purchase price for the Uranium One/UrAsia Energy business combination (note 5).

The table below indicates the breakdown of the liability:

	Dec 31, 2008 $’000	Dec 31, 2007 $’000
Opening balance	136,548	118,450
Interest incurred	15,075	11,641
Coupon payment	(5,989)	(6,564)
Foreign exchange movement	(27,592)	13,021
Liability as at the end of the year	**118,042**	**136,548**

16 ASSET RETIREMENT OBLIGATIONS

	Dec 31, 2008 $’000	Dec 31, 2007 $’000
Opening balance	13,927	2,856
Acquired in Uranium One/UrAsia business combination (note 5)	-	4,602
Acquisition of U.S. Energy assets (note 6.1)	-	3,543
Acquisition of EMC assets (note 6.2)	-	2,281
Revision of estimates	(68)	423
Accretion expense	1,407	1,000
Sale of 49% interest in Honeymoon (note 4)	(307)	-
Other	(727)	-
Reallocated to discontinued operations	-	(1,085)
Foreign exchange movement	(1,233)	307
Closing balance	**12,999**	**13,927**

	Dec 31, 2008	Dec 31, 2007
Undiscounted and uninflated amount of estimated cash flows ($’000)	**24,864**	**28,074**
Payable in years	7 - 45	4 - 27
Inflation rate	2.69% - 8.50%	2.30% - 8.60%
Discount rate	8.50% - 15.90%	7.39% - 14.75%

Security of $19.9 million for reclamation obligations has been provided in the form required by the relevant country’s authorities (note 12).

17 INCOME TAXES

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Current income tax expense	44,191	41,211
Future income tax recovery	(1,013,634)	(17,621)
	(969,443)	**23,590**

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

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
(Loss) / earnings before income taxes	(3,303,030)	7,352
Canadian federal and provincial income tax rates	31.00%	34.12%
Expected income tax (recovery) / expense	(1,023,939)	2,509
Permanent differences, including share based compensation and foreign exchange	6,075	5,362
Effect of tax rate changes	1,150	2,954
Change in valuation allowance	143,661	9,121
Differences in tax rates in foreign jurisdictions	(101,439)	3,994
Other	5,049	(350)
	(969,443)	**23,590**

Future income tax

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

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Future income tax assets		
Mineral interests, plant & equipment	151,815	30,803
Other	12,105	31,249
Non-capital losses	69,080	58,134
Future income tax assets before valuation allowance	233,000	120,186
Valuation allowance	(163,827)	(20,166)
Future income tax assets, net of valuation allowance	**69,173**	**100,020**
Future income tax liabilities		
Mineral interests, plant & equipment(1)	435,096	1,577,461
Other	8,164	18,619
Future income tax liabilities	**443,260**	**1,596,080**
Net current portion of future income tax assets	1,206	-
Net long term portion of future income tax liabilities	(375,293)	(1,496,060)
Net future income tax liability	**(374,087)**	**(1,496,060)**

(1) *Subsequent to year end, the Kazakhstan tenge was devalued by 25% against the US dollar, which will have an impact on the US dollar equivalent of the future income tax liabilities for the Kazakhstan operations in the first quarter of 2009 (note26 (i))*

17 INCOME TAXES (continued)

Tax loss carry-forwards

Canada and provincial tax jurisdictions
At December 31, 2008, the Corporation had Canadian federal and provincial net operating loss carry-forwards totaling $65.7 million that expire from 2009 through 2028. A valuation allowance of $17.3 million has been applied against the future tax asset representing these losses.

United States federal and state tax jurisdictions
At December 31, 2008, the Corporation had United States federal and state net operating loss carry-forwards totaling $64.4 million that expire from 2020 through 2028. A valuation allowance of $Nil has been applied against the future tax asset representing these losses.

South Africa tax jurisdictions
At December 31, 2008, the Corporation had South Africa net operating loss carry-forwards totaling $69.6 million with no expiry. A valuation allowance of $24.4 million has been applied against future tax asset representing these losses.

Kazakhstan tax jurisdictions
At December 31, 2008, the Corporation had Kazakhstan net operating loss carry-forwards totaling $12.1 million that expire from 2009 through 2011. A valuation allowance of $1.8 million has been applied against the future tax asset representing these losses.

Australia tax jurisdictions
At December 31, 2008, the Corporation had Australian net operating loss carry-forwards totaling $6.8 million with no expiry. A valuation allowance of $Nil has been applied against the future tax asset representing these losses.

18 OTHER LONG TERM PAYABLES

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Uranium concentrates loan	10,692	-
Kyzylkum external loan facility (note 9)	35,453	18,205
Due to the Republic of Kazakhstan	2,138	1,824
Other	641	-
	48,924	**20,029**

Uranium concentrates loan

On September 22, 2008, the Corporation entered into a loan agreement to borrow 200,000 pounds of U_3O_8 to be repaid on September 30, 2010. Under the loan agreement, loan fees of 3.5% per annum are payable based on the value of the borrowed U_3O_8. In addition to the loan agreement, the Corporation incurred $0.4 million in loan arrangement fees, which has been expensed. The Corporation recognized the borrowed uranium as an Other asset (note 12). The loan which was classified as a financial liability held for trading, and the other asset are carried at fair value.

19 SHARE CAPITAL

Issued and outstanding common shares	**Number of shares**	**Value of shares $'000**
Common shares on January 1, 2007	**480,240,704**	**613,607**
Exercise of warrants	481,000	82
Exercise of stock options	1,866,807	7,601
Common shares on April 20, 2007	**482,588,511**	**621,290**
Conversion of UrAsia Energy shares to Uranium One shares at a ratio of 0.45	**217,164,830**	**621,290**
Shares of Uranium One owned by Uranium One shareholders at acquisition	138,129,435	1,709,647
Exercise of warrants	150,000	2,033
Exercise of stock options and restricted shares	4,354,617	47,311
U.S. Energy asset purchase consideration	6,607,605	99,401
EMC asset purchase consideration	100,444,543	1,013,215
Shares issued for services rendered	322,393	3,987
Common shares on December 31, 2007	**467,173,423**	**3,496,884**
Exercise of warrants	1,190,000	15,791
Exercise of stock options	1,043,016	7,358
Exercise of restricted shares	206,517	2,791
Issued and outstanding common shares at December 31, 2008	**469,612,956**	**3,522,824**

On February 9, 2009, Uranium One entered into a subscription agreement with a corporation formed by The Tokyo Electric Power Company, Incorporated (“TEPCO”), Toshiba Corporation, and The Japan Bank for International Cooperation (“JBIC”) providing for the private placement of an aggregate of 117,000,000 common shares of Uranium One, for gross proceeds of approximately C$270 million.

The private placement issue price of C$2.30 per share represented a 15% premium to the 20-day volume weighted average price of Uranium One common shares on the Toronto Stock Exchange prior to the announcement of the transaction. Upon closing of the private placement, the consortium will have a 19.95% equity stake in Uranium One.

Closing of the subscription agreement is subject to the receipt of certain regulatory approvals, including Toronto Stock Exchange approval, Australian Foreign Investment Review Board approval and Republic of Kazakhstan Ministry of Energy and Mineral Resources approval, and to other usual and customary closing conditions.

20 CONTRIBUTED SURPLUS

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

	Warrants $'000	Restricted shares $'000	Options $'000	Total $'000
As at January 1, 2007	**-**	**-**	**31,286**	**31,286**
Issued on Uranium One / UrAsia Energy business combination	26,407	853	34,782	62,042
Issued on EMC asset acquisition	-	-	35,307	35,307
Stock options issued and vested	-	-	33,734	33,734
Stock options exercised	-	-	(29,213)	(29,213)
Restricted shares vested	-	3,926	-	3,926
Restricted shares exercised	-	(1,660)	-	(1,660)
Warrants exercised	(1,035)	-	-	(1,035)
As at December 31, 2007	**25,372**	**3,119**	**105,896**	**134,387**
Stock options issued and vested	-	-	14,145	14,145
Stock options exercised	-	-	(3,957)	(3,957)
Restricted shares issued and vested	-	1,278	-	1,278
Restricted shares exercised	-	(2,791)	-	(2,791)
Warrants exercised	(11,460)	**-**	**-**	(11,460)
As at December 31, 2008	**13,912**	**1,606**	**116,084**	**131,602**

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

	December 31, 2008	December 31, 2007
Risk free interest rate	2.52% - 3.60%	3.69% - 4.57%
Expected dividend yield	0%	0%
Expected volatility of the Uranium One's share price	66% - 120%	40% - 69%
Expected life	5 years	5 years

(in United States dollars)

20 CONTRIBUTED SURPLUS (continued)

Stock options

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

	Number of options	Weighted average exercise price Cdn $
Outstanding options as at January 1, 2007	**21,658,500**	**2.90**
Granted up to April 20, 2007	1,935,000	5.99
Exercised up to April 20, 2007	(1,866,807)	2.11
Forfeitures of stock options up to April 20, 2007	(30,000)	1.80
Outstanding options as at April 20, 2007	**21,696,693**	**3.29**
Converted UrAsia Energy stock options on date of business combination	**9,763,498**	**7.33**
Existing Uranium One share options on April 20, 2007	5,390,754	6.67
EMC replacement options	8,382,546	8.14
Granted subsequent to April 20, 2007	1,867,817	15.27
Exercised subsequent to April 20, 2007	(4,228,640)	5.14
Forfeitures of stock options subsequent to April 20, 2007	(351,187)	13.14
Outstanding options as at December 31, 2007	**20,824,788**	**8.55**
Granted options	2,559,948	3.56
Exercised options	(1,043,016)	3.74
Forfeitures of stock options	(6,483,203)	9.12
Outstanding options as at December 31, 2008	**15,858,517**	**7.82**

The stock option compensation expense for the year ended December 31, 2008 was $14.1 million and for the year ended December 31, 2007 it was $33.7 million. As at December 31, 2008, the aggregate unexpensed fair value of unvested stock options granted amounted to $6.2 million. The fair value of options granted during the year amounts to $5.5 million.

The following table summarizes stock options outstanding at December 31, 2008:

	Options outstanding			Options exercisable		
Range of exercise prices Cdn $	**Number outstanding as at December 31, 2008**	**Weighted average remaining life** (years)	**Weighted average exercise price** Cdn $	**Number exercisable as at December 31, 2008**	**Weighted average remaining life** (years)	**Weighted average exercise price** Cdn $
0.78 to 2.74	1,332,190	1.52	2.08	1,150,617	1.00	2.28
2.75 to 4.76	4,265,566	3.91	3.86	2,312,428	3.63	4.02
4.77 to 7.79	2,602,872	2.99	6.77	2,464,574	2.92	6.87
7.80 to 9.90	3,249,309	6.28	8.46	3,206,812	6.32	8.46
9.91 to 12.93	2,547,751	3.20	12.10	1,983,875	2.93	12.11
12.94 to 15.63	744,242	3.11	14.04	410,810	2.86	14.23
15.64 to 16.59	1,116,587	3.33	16.52	399,312	3.27	16.50
	15,858,517	**3.85**	**7.82**	**11,928,428**	**3.80**	**7.75**

20 CONTRIBUTED SURPLUS (continued)

Restricted share rights

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

	Number of restricted shares
Balance at January 1, 2007	**404,231**
Granted	20,000
Exercised during the year	(125,977)
Expired	(2,722)
Balance at December 31, 2007	**295,532**
Granted	609,000
Exercised during the year	(206,517)
Expired	(74,520)
Balance at December 31, 2008	**623,495**

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

	Number of restricted shares	
	Dec 31, 2008	**Dec 31, 2007**
Grant date		
June 7, 2006	72,083	225,092
December 8, 2006	9,245	50,440
July 1, 2007	6,667	20,000
April 7, 2008	510,500	-
April 28, 2008	25,000	-
Balance at the end of the year	**623,495**	**295,532**

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

The restricted share rights expense for the year ended December 31, 2008 was $1.3 million and for the year ended December 31, 2007 was $3.9 million. As at December 31, 2008 the aggregate unexpensed fair value of unvested restricted share rights granted amounted to $1.6 million. The fair value of restricted shares granted during the year amounts to $2.4 million.

Warrants

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

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

The series D warrants expired on January 4, 2008 and the 2008 warrants expired on September 24, 2008.

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

21 INTEREST AND OTHER

	Year ended	
	Dec 31, 2008 $'000	**Dec 31, 2007 $'000**
Interest income	10,315	11,982
Interest paid	(505)	(2,835)
Convertible debenture interest (note 15)	(15,075)	(9,661)
Credit facility charges	(1,677)	-
Interest and costs incurred on uranium concentrates loan (note 18)	(224)	-
Costs incurred in relation to letters of credit (note 13)	(210)	-
	(7,376)	**(514)**

22 FOREIGN EXCHANGE LOSS

A summary of the foreign exchange loss by item is as follows:

	Year ended Dec 31, 2008	
	Dec 31, 2008 $'000	**Dec 31, 2007 $'000**
Unrealized foreign exchange gain / (loss) on future income tax liabilities	1,340	(18,727)
Unrealized foreign exchange loss on other items	(2,679)	(10,231)
Realized foreign exchange (loss) / gain on other items	(10,370)	15,936
	(11,709)	**(13,022)**

23 CASH FLOW INFORMATION

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Changes in non-cash working capital excluding business combinations:		
Decrease / (increase) accounts and other receivables	28,818	(2,872)
Decrease / (increase) in prepaid expenses and other	2,651	(8,396)
Increase in inventories	(910)	(3,442)
Decrease in accounts payable and accrued liabilities	(6,279)	(21,042)
Increase in income taxes payable	8,450	3,369
	32,730	**(32,383)**
Significant non-cash investing activities		
EMC asset purchase	-	1,048,522
-common shares	-	1,013,215
-options	-	35,307
Uranium One business combination	-	1,818,169
-common shares	-	1,709,647
-options, warrants and restricted share rights	-	62,042
-equity component of convertible debentures	-	46,480
U.S. Energy asset purchase	-	99,401
Shares issued for services rendered	-	3,987
Supplemental cash flow information		
Cash interest paid	7,288	6,564
Cash tax paid	35,740	36,107

Short term loans

During 2007, the Corporation repaid short term loans from Nedcor Securities for a total cash consideration of $55.2 million including accrued interest of $2.1 million, with the security over the Corporation's investments in Randgold and Aflease Gold being released upon repayment.

24 BASIC AND DILUTED WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING

	Year ended	
	Dec 31, 2008	**Dec 31, 2007**
Basic weighted-average number of shares outstanding ('000)	468,424	360,656
Effect of dilutive securities:		
-stock options	-	-
-warrants	-	-
Diluted weighted-average number of shares outstanding	**468,424**	**360,656**

For the years ended December 31, 2008 and 2007, convertible debentures, stock options, warrants and restricted shares were not included in the dilutive weighted average number of shares outstanding as they were anti-dilutive.

25 CAPITAL DISCLOSURES

The Corporation's objectives when managing capital are to:

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

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

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

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

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

For years ended

	Dec 31, 2008 $'000	**Dec 31, 2007 $'000**
Total liabilities (excluding future income tax liabilities)	301,302	433,933
Net liabilities (total liabilities less cash, receivables, and current portion of loans to joint ventures)	65,993	171,156
Total capitalization (total shareholders' equity)	950,538	3,682,905
Total liabilities as a percentage of shareholders' equity	32%	12%
Net liabilities as a percentage of shareholders' equity	7%	5%
Credit facility:		
EBITDA (rolling 4 quarters)	69,755	91,905
Interest coverage ratio	10.5	7.4

26 FINANCIAL INSTRUMENTS

Convertible debentures	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Liability component	118,042	136,548
Equity component	46,480	46,480
	164,522	**183,028**
Fair value	**86,222**	**145,888**

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

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

(i) Foreign exchange risk

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

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

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

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

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

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

	Financial assets and liabilities				Non-financial assets and liabilities	
December 31, 2008	**Cash and cash equivalents $'000**	**Accounts receivable $'000**	**Accounts payable and accrued liabilities $'000**	**Convertible debentures $'000**	**Mineral interests plant and equipment (1) $'000**	**Future income tax liabilities $'000**
Canadian dollar	438	2,436	3,477	118,042	-	-
South African rand	5,227	4,821	17,506	-	44,586	-
Kazakhstan tenge	1,251	5,978	11,515	-	-	342,430
Australian dollar	44,597	1,212	7,558	-	38,619	3,271
	51,513	**14,447**	**40,056**	**118,042**	**83,205**	**345,701**

26 FINANCIAL INSTRUMENTS (continued)

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

[1] *Only includes mineral interests, plant and equipment of self-sustaining operations.*

The following table shows the effect on earnings and other comprehensive income after tax as at December 31, 2008 of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above mentioned financial and non-financial assets and liabilities of the Corporation.

	Other comprehensive income	Net earnings
A 10% appreciation in all foreign currencies against the US dollar, with all other variables held constant.	**3,529**	**(35,769)**

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

The National bank of Kazakhstan has announced on February 4, 2009 that it has ceased to maintain the Kazakhstan Tenge ("Tenge") within the previous range of 117-123 Tenge to the US dollar and suggested the rate be set within a range of 145-155 Tenge to the US dollar. The devaluation amounts to approximately 25% and will affect the translated values of monetary assets and liabilities in the first quarter of 2009, with the effect processed through the statement of operations in 2009.

(ii) Credit risk

Credit risk is primarily associated with trade receivables, and to a lesser extent, cash equivalents.

The Corporation closely monitors its financial assets and does not have any significant concentration of credit risk. The Corporation sells its products exclusively to organizations with strong credit ratings. Cash and cash equivalents are held through large international financial institutions. Cash and cash equivalents are comprised of financial instruments issued by Canadian banks and companies with high investment-grade ratings. The majority of these investments mature within 90 days of the balance sheet date.

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

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
Cash and cash equivalents	176,225	159,592
Accounts receivable	39,926	73,538
Available for sale securities	593	21,257
	216,744	**254,387**

(in United States dollars)

26 FINANCIAL INSTRUMENTS (continued)

(iii) Liquidity risk

The Corporation has a cash forecast and budgeting process in place to assist with the determination of funds required to support the Corporation's operating requirements on an ongoing basis and its expansion plans. The Corporation manages liquidity risk through the management of its capital structure and financial leverage as outlined in note 25.

The Corporation has established a credit facility (note 13) as part of its liquidity risk management process. The Corporation has made its first draw down against the facility in the amount of $65 million on October 20, 2008. A letter of credit amounting to $12.9 million was issued against the facility as part of the uranium concentrates loan (note 18). The following table summarizes the contractual maturities of the Corporation's significant financial liabilities and capital commitments, including contractual obligations:

	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
Lease obligations	511	4,042	1,370	1,491	7,414
Kyzylkum long term debt	-	19,750	15,703	-	35,453
Capital commitments	9,543	29,000	-	-	38,543
Asset retirement obligations	-	-	-	12,999	12,999
Accounts payable and accrued liabilities	47,423	-	-	-	47,423
Credit facility repayments	-	65,000	-	-	65,000
Uranium concentrates loan (note 18)	-	10,692	-	-	10,692
Convertible debentures	-	126,797	-	-	126,797
Other	149	-	-	1,402	1,551
	57,626	**255,281**	**17,073**	**15,892**	**345,872**

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

The Corporation has interests in joint ventures, and is responsible for partial funding of these joint ventures pursuant to the terms of the joint venture agreements. The Corporation does not bear direct liquidity risk for liquidity of these joint ventures, except for the risk relating to the repayment to loans made to the joint ventures. The Corporation can only utilize cash generated by the joint ventures when the joint ventures pay dividends.

On January 19, 2009, in connection with the construction of a sulphuric acid plant through an established joint venture in which the Corporation is expected to have a 19% ownership, the Corporation provided a guarantee to a third party in respect of 19% of the construction cost of the plant, limited to a maximum amount of $7.6 million (Euro 5.5 million).

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

The Corporation is exposed to liquidity risk from fluctuating commodity prices when the 200,000 pounds of uranium concentrates received as part of a uranium loan transaction are utilized against contracts. As the market value of the liability to deliver the uranium concentrates, fluctuates based on commodity prices, so will the market value of the uranium concentrates held by the Corporation. The effect that market fluctuations in the uranium price have on the asset and liability will offset, except in circumstances where the borrowed uranium has been utilized to make a delivery into a contract. In these circumstances, the Corporation will recognize a net fair market value adjustment. As at year end, the Corporation has utilized a portion of the borrowed material and is thus exposed to the fluctuations of the uranium price on the market.

26 FINANCIAL INSTRUMENTS (continued)

A 10% change in commodity prices, should the Corporation be exposed, would impact the Corporation's liquidity risk due to the uranium concentrates loan (note 18), as follows:

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
A 10% appreciation in commodity prices, with all other variables held constant:		
- current	**198**	**-**
- maximum exposure	**1,060**	**-**

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

(iv) Interest rate risk

The Corporation is exposed to interest rate risk on its outstanding borrowings and short-term investments. The only outstanding interest-bearing borrowings as at December 31, 2008 are the loan facility obtained by Kyzylkum (note 9.1) which bears interest at floating rates, the drawn-down amount on the credit facility which bears interest at floating rates (note 13), and the convertible debentures, with a fixed interest rate.

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

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
A 100 basis point appreciation in interest rates, with all other variables held constant	**811**	**1,172**

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

(v) Commodity price risk

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

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

	Dec 31, 2008 $'000	Dec 31, 2007 $'000
A 10% appreciation in commodity prices, with all other variables held constant	**14,978**	**13,402**

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

27 SEGMENTED INFORMATION

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

For the year ended December 31, 2008: (in $'000)

	Country	Revenues $'000	Operating expenses $'000	Depreciation and depletion $'000	Exploration expense $'000	Net earnings/ (loss) from continuing operations $'000	Capital expenditure $'000
Akdala Mine	Kazakhstan	149,776	(30,490)	(22,566)	-	61,902	10,651
South Inkai Project	Kazakhstan	-	-	-	-	26	43,139
Kharasan Project	Kazakhstan	-	-	-	-	875	19,466
Dominion Project [1]	South Africa	-	-	-	(1,412)	(1,325,938)	94,211
United States development projects	United States	-	-	-	-	(135,666)	11,455
United States exploration projects [1]	United States	-	-	-	(6,979)	(536,905)	1,013
Hobson Facility and La Palangana Project [1]	United States	-	-	-	(690)	(65,077)	17,056
United States conventional mining projects[1][2]	United States	-	-	-	(1,189)	(85,104)	3,854
Honeymoon Project [1]	Australia	-	-	-	(2,339)	(139,236)	13,525
Corporate and other [1]		-	-	-	(2,272)	(108,464)	2,387
Total		**149,776**	**(30,490)**	**(22,566)**	**(14,881)**	**(2,333,587)**	**216,757**

[1] Refer note 11.1
[2] Previously Shootaring Canyon Mill

For the year ended December 31, 2007: (in $'000)

	Country	Revenues $'000	Operating expenses $'000	Depreciation and depletion $'000	Exploration expense $'000	Net earnings/ (loss) from continuing operations $'000	Capital expenditure $'000
Akdala Mine	Kazakhstan	134,024	(17,282)	(14,899)	-	56,305	9,108
South Inkai Project	Kazakhstan	-	-	-	-	110	39,243
Kharasan Project	Kazakhstan	-	-	-	-	(1,410)	21,135
Dominion Project	South Africa	-	-	-	(1,913)	(1,225)	137,954
United States development projects	United States	-	-	-	-	-	5,907
United States exploration projects	United States	-	-	-	(5,077)	(5,079)	248
Hobson Facility and La Palangana Project	United States	-	-	-	(1,608)	(2,764)	14,674
United States conventional mining projects[1]	United States	-	-	-	(32)	(63)	2,966
Honeymoon Project	Australia	-	-	-	(1,987)	(1,745)	21,349
Corporate and other		-	-	-	(6,179)	(60,367)	13,409
Total		**134,024**	**(17,282)**	**(14,899)**	**(16,796)**	**(16,238)**	**265,993**

[1] Previously Shootaring Canyon Mill

27 SEGMENTED INFORMATION (continued)

As at December 31, 2008: (in $'000)

	Country	Mineral interest plant and equipment $'000	Total assets $'000	Future income tax liabilities $'000	Total liabilities $'000
Akdala Mine	Kazakhstan	195,719	200,497	66,156	81,385
South Inkai Project	Kazakhstan	503,980	506,648	204,255	212,082
Kharasan Project	Kazakhstan	193,018	197,561	72,019	111,230
Dominion Project	South Africa	44,586	69,253	-	28,629
United States development projects	United States	105,844	107,538	-	724
United States exploration projects	United States	122,586	123,532	24,182	24,418
Hobson Facility and La Palangana Project	United States	22,026	24,064	-	1,506
United States conventional mining projects(1)	United States	40,712	55,098	5,410	8,282
Honeymoon Project	Australia	38,619	38,858	3,271	4,158
Corporate and other		18,325	295,060	-	204,181
Total		**1,285,415**	**1,618,109**	**375,293**	**676,595**

(1) Previously Shootaring Canyon Mill

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

	Country	Mineral interest plant and equipment $'000	Total assets $'000	Future income tax liabilities $'000	Total liabilities $'000
Akdala Mine	Kazakhstan	201,566	266,240	73,623	94,710
South Inkai Project	Kazakhstan	454,019	457,510	205,053	207,461
Kharasan Project	Kazakhstan	175,914	184,283	72,486	92,422
Dominion Project	South Africa	2,106,164	2,111,565	567,577	598,102
United States development projects	United States	285,838	285,838	90,517	92,187
United States exploration projects	United States	1,074,415	1,079,794	370,229	374,210
Hobson Facility and La Palangana Project	United States	90,372	91,879	19,729	22,639
United States conventional mining projects(1)	United States	97,623	112,894	18,613	21,186
Honeymoon Project	Australia	300,038	300,043	69,040	86,613
Corporate and other		41,404	341,252	9,193	152,073
Total		**4,827,353**	**5,231,298**	**1,496,060**	**1,741,603**

(1) Previously Shootaring Canyon Mill

28 CONTINGENT SALE OF AN INTEREST IN THE DOMINION PROJECT

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

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

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

Uranium One Africa's shareholders approved the Micawber transaction in September 2005, following which the South African Department of Minerals and Energy granted a "new order" mining right to the Corporation for the Dominion Project in October 2006. The Micawber 397 transaction will be accounted for in Uranium One's consolidated financial statements when the risks and rewards of the transaction are deemed to have passed to Micawber 397. Management has determined that this event will occur on the day that Micawber 397 elects to pay at least 20% of the purchase price, prompting the determination of the purchase price. As at December 31, 2008, Micawber 397 has not paid any part of the purchase price.

29 CONTINGENCIES

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

Betpak Dala acquisition

As part of the original acquisition of the interest in Betpak Dala on November 7, 2005, it was agreed that the Corporation is liable for a bonus payment payable in cash based on uranium reserves discovered on the South Inkai property in excess of 66,000 tonnes. The payment is based on the Corporation's share of U_3O_8 in excess of 66,000 tonnes times the average spot price of U_3O_8 times 6.25%. This payment is to be calculated at the end of 2011 and each year thereafter, and paid 60 days after the end of the year in which a payment is due. No payment was due at December 31, 2008 (December 31, 2007 - $Nil).

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

Kyzylkum acquisition

As part of the original acquisition of the interest in Kyzylkum on November 7, 2005, it was agreed that the Corporation is liable for a bonus payment, which is due upon commencement of commercial production. The seller initially had an option, exercisable until October 31, 2006, to elect to receive this bonus payment as a cash payment of $24 million or receive 15,476,000 shares of UrAsia Energy. The seller elected under the terms of the arrangement, to receive 15,476,000 shares of UrAsia Energy upon commencement of commercial production. The 15,476,000-bonus payment shares of UrAsia Energy have been converted to 6,964,200 Uranium One shares as part of the UrAsia Energy acquisition. The fair value of the contingently issuable shares was not been included as part of the purchase price for Kyzylkum as commencement of commercial production could not be reasonably determined.

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

Hobson Plant

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

30 SUBSEQUENT EVENTS

South Inkai commercial production

The Kazakh Ministry of Energy and Mineral Resources formally approved the commencement of industrial production at South Inkai in December 2008. The approval was given by way of an amendment to the South Inkai subsoil use agreement and permits South Inkai to ramp up production over the next three years to 5,200,000 pounds U_3O_8 per year. As a result of the approval, commercial production for accounting purposes will commence at South Inkai on January 1, 2009.

Other subsequent events

Material transactions occurring subsequent to December 31, 2008 are described in notes 3,19, 26 (i) and 26 (iii).