

# management's discussion and analysis

## Management's Discussion and Analysis

Set out below is a review of the activities, results of operations and financial condition of Uranium One Inc. ("Uranium One") and its subsidiaries (collectively, the "Corporation") for the three and nine months ended September 30, 2010, together with certain trends and factors that are expected to impact the rest of its 2010 financial year. Information herein is presented as of November 11, 2010 and should be read in conjunction with the interim consolidated financial statements of the Corporation for the three and nine months ended September 30, 2010 and the notes thereto (referred to herein as the "consolidated financial statements"). The Corporation's consolidated financial statements and the financial data set out below have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are in US dollars and tabular amounts are in thousands, except where otherwise indicated. Canadian dollars are referred to herein as C\$. Australian dollars are referred to herein as A\$.

References herein to "Q3 2009" and "Q3 2010" refer to the three months ended September 30, 2009 and September 30, 2010, respectively. All references herein to pounds are pounds of U<sub>3</sub>O<sub>8</sub>.

The common shares of Uranium One are listed on the Toronto and Johannesburg stock exchanges ("TSX" and "JSE", respectively). Uranium One's convertible unsecured subordinated debentures due December 31, 2011 and March 13, 2015 are also listed on the TSX.

Additional information about the Corporation and its business and operations can be found in its continuous disclosure documents. These documents, including the consolidated financial statements and the Corporation's annual information form, are filed with Canadian securities regulatory authorities and are available under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

*This Management's Discussion and Analysis includes certain forward-looking statements. Please refer to "Forward-Looking Statements and Other Information".*

## HIGHLIGHTS

### *Operational*

- Attributable production during Q3 2010 of 1,746,700 pounds, 109% higher than total attributable production of 834,800 pounds during Q3 2009.
- The average total cash cost decreased by 20% to \$12 per pound sold during Q3 2010, compared to the average total cash cost of \$15 per pound sold during Q3 2009.
- The Akdala uranium mine achieved attributable production during Q3 2010 of 448,000 pounds; total cash costs for Q3 2010 were \$12 per pound sold.
- The South Inkai uranium mine achieved attributable production during Q3 2010 of 770,300 pounds; total cash costs for Q3 2010 were \$19 per pound sold.
- The Karatau uranium mine achieved attributable production during Q3 2010 of 473,300 pounds; total cash costs for Q3 2010 were \$9 per pound sold, which was lower than expected due to deferred operational expenditure.
- At the Kharasan Uranium Project, initial results from the test blocks in new geological horizons are positive and productive solutions are being sent to the plant. Production during the commissioning process from the initial mining area and the new test area was 55,100 pounds attributable to the Corporation during Q3 2010.
- An operating license was issued by the NRC for the Moore Ranch in-situ uranium project in September 2010; this is the first new license granted by the NRC for a U.S. ISR operation since 1998 for the development of a new U.S uranium production facility.

### *Financial*

- Record attributable sales volumes of 1,701,300 pounds for Q3 2010, an increase of 302% compared to 423,100 pounds during Q3 2009. Attributable sales volumes for October 2010 amounted to 740,700 pounds.
- Revenue increased by 243% to \$73.1 million in Q3 2010, compared to \$21.3 million in Q3 2009. The average realized sales price was \$43 per pound during Q3, 2010.
- Earnings from mine operations were \$27.9 million during Q3 2010, a 197% increase from earnings from mine operations of \$9.4 million in Q3 2009, mainly due to an increase in the pounds sold, which was partially offset by a decrease in the average realized sales price per pound.
- Attributable inventory was 3,266,400 pounds at September 30, 2010, compared to 3,279,500 pounds at June 30, 2010.

### *Corporate*

- The ARMZ transaction is anticipated to be completed before the end of 2010, subject to receipt of one remaining regulatory approval (from the US Nuclear Regulatory Commission, which is expected to be received by the end of November 2010).
- On the initial closing of this transaction, Uranium One will issue 178 million new common shares to ARMZ for \$610 million in cash, after which a special dividend of \$1.06 per share will be declared and paid to all shareholders other than ARMZ; on the final closing, Uranium One will issue a further 178 million common shares to ARMZ in exchange for its joint venture interests in Akbastau and Zarechnoye.

## OUTLOOK

- The Corporation's total attributable production guidance for 2010 remains unchanged at 7.0 million pounds. Assuming the completion of the acquisition of the joint venture interests in Akbastau and Zarechnoye in 2010, the total attributable production for 2011 and 2012 is estimated to be 10.5 million and 12.5 million pounds respectively.
- The total attributable production guidance for 2011, including production during commissioning, consists of 1.8 million pounds from Akdala; 3.4 million pounds from South Inkai; 2.4 million pounds from Karatau; 1.2 million pounds from Akbastau; 1.0 million pounds from Zarechnoye; 0.3 million pounds from the Powder River Basin; 0.2 million pounds from Honeymoon; and 0.2 million pounds from Kharasan.
- During 2011, the average cash cost per pound sold is expected to be approximately \$14 per pound at Akdala, \$19 per pound at South Inkai, \$12 per pound at Karatau, \$18 per pound at Akbastau, \$21 per pound at Zarechnoye, \$25 per pound at the Powder River Basin, and \$35 per pound at Honeymoon.
- The Corporation expects attributable sales to be approximately 9.5 million and 12.0 million pounds in 2011 and 2012 respectively.
- Excluding sales under offtake agreements negotiated with ARMZ and the Japanese Consortium, the Corporation currently has contracts for the sale of an aggregate of 24 million attributable pounds, including 5 million pounds which will be sold at an average fixed price of \$66 per pound (subject to escalation) and 12 million pounds which has been contracted with weighted average floor prices of approximately \$48 per pound. The remainder of contracted attributable sales are not subject to floors and such sales are related to the market price of U<sub>3</sub>O<sub>8</sub> at the time of delivery.
- The Corporation expects to incur attributable capital expenditures in 2011 of \$75 million for wellfield development, \$21 million for resource definition drilling and \$142 million for plant and equipment, totalling \$238 million.
- In 2011, general and administrative expenses, excluding non-cash items, are expected to be approximately \$37 million, restructuring and other non-recurring costs are expected to be \$11 million, and exploration expenses are expected to be \$7 million.

## KEY STATISTICS

TOTAL ATTRIBUTABLE PRODUCTION	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
<b>Attributable commercial production (lbs)</b>					
Akdala	448,000	489,200	489,900	531,100	464,200
South Inkai	770,300	769,700	771,700	547,000	343,000
Karatau	473,300	521,100	458,600	73,100 <sup>(1)</sup>	-
<b>Subtotal</b>	<b>1,691,600</b>	<b>1,780,000</b>	<b>1,720,200</b>	<b>1,151,200</b>	<b>807,200</b>
<b>Attributable production during commissioning (lbs)</b>					
Kharasan	55,100	43,600	33,500	28,200	27,600
<b>Total attributable production</b>	<b>1,746,700</b>	<b>1,823,600</b>	<b>1,753,700</b>	<b>1,179,400</b>	<b>834,800</b>

### Notes:

<sup>(1)</sup> Karatau was acquired on December 21, 2009. Karatau's production in Q4 2009 therefore represents the period from acquisition to December 31, 2009.

## FINANCIAL

	Q3 2010	Q3 2009	YTD 2010	YTD 2009
Attributable production (lbs) <sup>(1)</sup>	1,690,700	807,200	5,190,900	2,323,600
Attributable sales (lbs) <sup>(1)</sup>	1,701,300	423,100	3,983,200	1,688,800
Average realized sales price (\$ per lb) <sup>(2)</sup>	43	50	44	49
Average cash cost of production sold (\$ per lb) <sup>(2)</sup>	12	15	14	17
Revenues (\$ millions)	73.1	21.3	174.6	82.9
Earnings from mine operations (\$ millions)	27.9	9.4	61.1	31.9
Net loss from continuing operations (\$ millions)	(10.2)	(15.3)	(41.5)	(217.7)
Loss per share from continuing operations – basic and diluted (\$ per share)	(0.02)	(0.03)	(0.07)	(0.46)
Earnings from discontinued operations (\$ millions)	-	3.4	-	2.0
Earnings per share from discontinued operations – basic and diluted (\$ per share)	-	0.01	-	0.00
Net loss (\$ millions)	(10.2)	(11.9)	(41.5)	(215.7)
Net loss per share – basic and diluted (\$ per share)	(0.02)	(0.03)	(0.07)	(0.46)
Adjusted net loss (\$ millions) <sup>(2)</sup>	(2.4)	(7.8)	(19.9)	(26.2)
Adjusted net loss per share – basic (\$ per share) <sup>(2)</sup>	(0.00)	(0.02)	(0.03)	(0.06)

### Notes:

<sup>(1)</sup> Attributable production and sales are from assets owned and in commercial production during the period (For 2010: Akdala, South Inkai and Karatau; For 2009: Akdala and South Inkai, with Karatau from date of acquisition).

<sup>(2)</sup> The Corporation has included non-GAAP performance measures: average realized sales price per pound, cash cost per pound sold, adjusted net earnings and adjusted net earnings per share. In the uranium mining industry, these are common performance measures but do not have any standardized meaning, and are non-GAAP measures. The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, the Corporation and certain investors use this information to evaluate the Corporation's performance and ability to generate cash flow. The additional information provided herein should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. See "Non-GAAP Measures".

## OVERVIEW

Uranium One 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 Canada.

Through the Betpak Dala joint venture, Uranium One owns a 70% interest in the Akdala and South Inkai uranium mines in Kazakhstan. The Corporation holds a 50% interest in the Karatau joint venture, which owns the Karatau uranium mine in Kazakhstan, and a 30% interest in the Kyzylkum joint venture, which owns the Kharasan Project in Kazakhstan. In the United States, the Corporation owns projects in the Powder River and Great Divide Basins in Wyoming. The Corporation owns a 51% interest in the Honeymoon Uranium Project in Australia. The Corporation owns, either directly or through joint ventures, a large portfolio of uranium exploration properties in the western United States, South Australia and Canada. The Corporation owns a 19% interest in the SKZ-U joint venture, which is constructing a sulphuric acid plant in Kazakhstan.

The following are the Corporation's principal mineral properties and operations (discussed in more detail below):

### Operating mines

Entity	Mine	Location	Status	Ownership
Betpak Dala LLP	Akdala Uranium Mine	Kazakhstan	Producing	70% J.V. interest
Betpak Dala LLP	South Inkai Uranium Mine	Kazakhstan	Producing	70% J.V. interest
Karatau LLP	Karatau Uranium Mine	Kazakhstan	Producing	50% J.V. interest

### Advanced development project

Entity	Project	Location	Status	Ownership
Kyzylkum LLP	Kharasan Uranium Project	Kazakhstan	Commissioning <sup>(1)</sup>	30% J.V. interest

The Corporation is also developing the following mineral properties:

Entity	Project	Location	Status	Ownership
Uranium One Americas, Inc.	Powder River Basin, Wyoming (Willow Creek, Moore Ranch, Ludeman, Allemand-Ross, and Barge)	USA	Development	100% interest
Uranium One Australia (Proprietary) Ltd.	Honeymoon Uranium Project	Australia	Development	51% J.V. interest

### Notes:

<sup>(1)</sup> The Kharasan Uranium Project has commenced production but is in the commissioning stage. Commissioning will be completed when a pre-defined operating level, based on the design of the plant, is maintained and the Kazakhstan Government has issued an operating license.

## REVIEW OF OPERATIONS

### AKDALA URANIUM MINE

Akdala is an operating acid in situ recovery ("ISR") uranium mine located in the Suzak region of South Kazakhstan, owned indirectly as to 70% by the Corporation through the Betpak Dala joint venture, a Kazakhstan registered limited liability partnership ("Betpak Dala"). The other 30% interest is owned by JSC NAC Kazatomprom ("Kazatomprom"), a Kazakhstan state-owned company responsible for the mining and exporting of uranium in Kazakhstan.

Pursuant to the terms of its subsoil use contract, the permitted production rate at the Akdala Mine is 2,600,000 pounds (1,000 tonnes uranium ("U")) per year.

**Production:** Akdala produced 640,000 pounds (244 tonnes U) during Q3 2010, of which 448,000 pounds (171 tonnes U) is attributable to the Corporation.

**Operations:** The following is a summary of the operational statistics (100%) for Akdala over the last four quarters:

	<b>Total wells completed (including production wells)</b>	<b>Average no. of production wells in operation</b>	<b>Average flow rate (m<sup>3</sup>/hour)</b>	<b>Concentration in solution (mg U/l)</b>	<b>Production (lbs)</b>
Q4 2009	21	219	1,883	68.0	758,700
Q1 2010	54	219	1,828	75.7	699,800
Q2 2010	81	215	1,745	69.8	698,800
Q3 2010	65	210	1,691	67.2	640,000

A total of 65 wells were installed during Q3 2010 bringing the year to date total to 200 wells. The program for 2010 provides for the installation of 270 wells to achieve the production target for the year.

A new production block was acidified and placed in production during Q3 2010.

Production at Akdala is contractually limited to 2.6 million pounds per annum, and due to the high production and flow rates achieved early in 2010, production is now managed by reducing the flow rate, to ensure that the maximum licensed production level is not exceeded.

Akdala contracted an engineering company in Kazakhstan to design a satellite plant to facilitate treatment of solutions from production blocks located approximately 11 kilometres to the east of the current central processing facilities in an area known as Letniy. After a review of the current status of the operation and the plans for the 2011 mining blocks, it was evident that the construction of the plant could be deferred to 2011 without affecting production. New production blocks from the Letniy area are expected to commence operation during the second half of 2011.

Capital expenditure incurred by Betpak Dala at Akdala in 2010 is expected to be \$7.0 million on a 100% basis, of which \$3.6 million was spent up to September 30, 2010, mostly for wellfield development. Previously planned capital expenditure in 2010 of \$17 million for the construction of a satellite plant has been deferred to 2011. The remaining capital expenditure in 2010 is planned to be spent on fixed asset purchases and on wellfield development.

## AKDALA URANIUM MINE - continued

**Financial information:** The following table shows the attributable production, sales and production cost trends for Akdala over the prior eight quarters:

(All figures are the Corporation's attributable share)	3 months ended								
	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008	Dec 31, 2008
Production in lbs	448,000	489,200	489,900	531,100	464,200	438,800	455,800	524,400	524,400
Sales in lbs	214,000	611,700	212,500	710,400	259,000	210,100	355,600	393,900	393,900
Inventory in lbs	1,047,700	808,000	936,000	666,600	849,300	655,100	430,400	345,000	345,000
Revenues (\$000's)	11,265	25,958	8,763	32,754	12,936	9,985	18,410	21,146	21,146
Operating expenses (\$000's)	2,651	7,279	2,823	8,621	3,047	2,731	4,714	5,918	5,918
Operating expenses (\$/lb sold)	12	12	13	12	12	13	13	15	15
Depreciation and depletion (\$000's)	2,320	6,180	2,191	7,193	2,863	2,498	4,145	4,370	4,370
Depreciation and depletion (\$/lb sold)	11	10	10	10	11	12	12	11	11

Uranium revenues are recorded upon delivery of product to utilities and intermediaries and do not occur evenly throughout the year. Timing of deliveries is usually at the contracted discretion of customers within a quarter or similar time period. Annual sales of product from a mine, which is normally achieved from opening inventory plus a percentage of forecast production for the year, does not always occur evenly throughout the year and can vary significantly from quarter to quarter as illustrated in the table above.

Changes in revenues, net earnings / loss and cash flow are therefore affected primarily by fluctuations in contracted deliveries of product from quarter to quarter, as well as by changes in the price of uranium.

Operating expenses are directly related to the quantity of U<sub>3</sub>O<sub>8</sub> sold and are lower in periods when the quantity of U<sub>3</sub>O<sub>8</sub> sold is lower. There is a corresponding build-up of inventory in periods when the quantity of U<sub>3</sub>O<sub>8</sub> sold is lower than production.

The cash cost of production for Q3 2010 at \$12 per pound sold is in line with the Corporation's guidance of \$14 per pound sold for 2010.

## SOUTH INKAI URANIUM MINE

South Inkai is an operating ISR uranium mine located in the Suzak region of South Kazakhstan, owned indirectly as to 70% by the Corporation through the Betpak Dala joint venture. The other 30% interest is held by Kazatomprom.

The design capacity of the South Inkai mine is 5,200,000 pounds (2,000 tonnes U) per year. It is expected that the annualized rate of production will reach this level in 2011.

**Production:** Production from South Inkai was 1,100,400 pounds (423 tonnes U) in Q3 2010, of which 770,300 pounds (296 tonnes U) is attributable to the Corporation.

**Operations:** The following is a summary of the operational statistics (100%) for South Inkai over the last four quarters:

	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m <sup>3</sup> /hour)	Concentration in solution (mg U/l)	Production (lbs)
Q4 2009	52	186	1,776.9	74.3	781,500
Q1 2010	71	228	2,059.0	103.6	1,102,400
Q2 2010	106	229	2,215.2	86.5	1,099,600
Q3 2010	80	255	2,339.0	83.1	1,100,400

A total of 80 wells were installed during Q3 2010 bringing the year to date total to 257 wells. The program for 2010 provides for the installation of 315 wells to achieve the production target for the year.

Two blocks that were acidified and placed into production performed better than expected during Q1 2010, achieving concentrations in solution above expected levels and increasing the average concentration in solution. Two new production blocks were acidified during Q3 2010, of which one was placed into production, with the second expected to be placed into production during Q4 2010.

Two yellowcake dryers were installed and commissioned in Q2 2010. The State acceptance commission inspected the facility in July 2010 and a license was issued for the drying facility in Q3 2010, allowing for the finished product to be treated at the facility and shipped directly to conversion facilities for sale.

Capital expenditure incurred by Betpak Dala at South Inkai in 2010 is expected to be \$32 million on a 100% basis, of which \$21 million was spent up to September 30, 2010. Capital expenditure incurred in 2010 is primarily related to wellfield development.

**Financial information:** The following table shows the attributable production, sales and production cost trends for South Inkai since the commencement of commercial production on January 1, 2009:

(All figures are the Corporation's attributable share)	3 months ended						
	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009
Production in lbs	770,300	769,700	771,700	547,000	343,000	376,700	245,100
Sales in lbs	436,400	645,800	420,100	535,700	164,100	175,000	525,000
Inventory in lbs	1,684,900	1,360,200	1,230,100	903,900	897,700	729,500	532,500
Revenues (\$000's)	20,625	28,623	21,175	25,669	8,397	8,572	24,559
Operating expenses (\$000's)	8,086	13,103	9,715	11,203	3,284	3,994	10,297
Operating expenses (\$/lb sold)	19	20	23	21	20	23	20
Depreciation and depletion (\$000's)	5,528	7,646	6,259	8,779	2,713	2,753	7,886
Depreciation and depletion (\$/lb sold)	13	12	15	16	17	16	15

The cash cost of production at South Inkai for Q3 2010 was \$19 per pound sold. During the ramp-up to design capacity of 2,000 tonnes U per year, unit costs of production at South Inkai are expected to be higher than the costs during a steady state of operation. This is primarily due to the fact that sulphuric acid used to acidify production blocks is expensed in the period of acidification. The Corporation expects that the cash cost of production sold will decrease over time from current levels as the production ramp-up continues.

## KARATAU URANIUM MINE

Karatau is an operating ISR uranium mine located in the Chu Sary Su basin in the Suzak region, Shymkent Oblast, owned indirectly as to 50% by the Corporation through the Karatau joint venture. The other 50% interest is held by Kazatomprom.

The design capacity of the Karatau mine is 5,200,000 pounds (2,000 tonnes U) per year. It is expected that the annualized rate of production will reach this level in 2010.

**Production:** Production from Karatau was 946,700 pounds (364 tonnes U) in Q3 2010, of which 473,300 pounds (182 tonnes U) is attributable to the Corporation.

**Operations:** The following is a summary of the operational statistics (100%) for Karatau since acquisition:

	<b>Total wells completed (including production wells)</b>	<b>Average no. of production wells in operation</b>	<b>Average flow rate (m<sup>3</sup>/hour)</b>	<b>Concentration in solution (mg U/l)</b>	<b>Production (lbs)</b>
Q4 2009 <sup>(1)</sup>	6	88	1,186	211.0	146,200
Q1 2010	-	90	865	204.9	917,300
Q2 2010	72	108	1,061	170.4	1,042,100
Q3 2010	85	111	963	173.3	946,700

Note:

<sup>(1)</sup> Since the acquisition date of December 21, 2009.

The well installation program that commenced during Q2 2010 provides for the installation of 230 wells to achieve the production target for the year. A total of 85 wells were completed in Q3 2010 bringing the year to date total to 157 wells.

In addition to the delays experienced in Q2 2010, which was due to the replacement of inferior piping at existing production blocks, delays were experienced in the construction of a new pump station. Although three production blocks were acidified during Q3 2010, production solution could not be delivered to the processing plant from these new blocks due to the construction delays. Construction of the pump station has now been completed and production from the newly acidified block commenced in Q4 2010.

Karatau received approval of its refining facility from the Ministry of Industry and New Technologies ("MINT") during Q2 2010, and can therefore ship product treated at its refining facility to customers.

Capital expenditure incurred by Karatau in 2010 is expected to be \$67 million on a 100% basis which includes expansion capital of \$17 million for the expected capacity increase required to process Akbastau material under a toll treatment agreement which will be funded by Akbastau. \$24.5 million was spent up to September 30, 2010. Capital expenditure incurred during 2010 is for wellfield development, infrastructure development and expansion of processing capacity to fulfill toll milling arrangements.

## KARATAU URANIUM MINE - continued

**Financial information:** The following table shows the attributable production, sales and production costs for Karatau since the acquisition of Karatau on December 21, 2009:

	3 months ended			Period ended
	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009 <sup>(1)</sup>
<b>(All figures are the Corporation's attributable share)</b>				
Production in lbs	473,300	521,100	458,600	73,100
Sales in lbs	1,050,900	260,000	131,800	252,800
Inventory in lbs	533,800	1,111,300	866,900	540,000
Revenues (\$000's)	41,164	11,392	5,591	10,710
Operating expenses (\$000's)	9,002	1,771	1,632	3,130
Operating expenses (\$/lb sold)	9	7	12	12
Depreciation and depletion (\$000's)	17,607	5,617	4,015	7,553
Depreciation and depletion (\$/lb sold)	17	22	30	30

Note:

<sup>(1)</sup> Attributable values since the acquisition date of December 21, 2009

Depreciation and depletion includes fair value adjustments recognized against finished product on hand on the acquisition date. The fair value adjustment is recognised as non-cash depreciation and depletion with the subsequent sale of the inventory. The depreciation and depletion per pound sold decreased to \$17 per pound, as most of the revalued finished product on hand on the acquisition date was sold during Q1 2010 and Q2 2010.

The cash cost of production for Q3 2010 at \$9 per pound sold is below the Corporation's guidance of \$14 per pound sold for 2010. The low cash cost is attributable to decreased expenditure in 2010 to date, associated with the delay in piping and acidification of new blocks. The acidification costs are included in production costs as incurred, and average production cost will therefore increase during the remainder of the year as expenditure increases in line with the process to return the commissioning of new production blocks to the planned schedule for 2010.

## REVIEW OF DEVELOPMENT PROJECTS - KAZAKHSTAN

### KHARASAN URANIUM PROJECT

Kharasan is an ISR uranium development project located in the Suzak region of South Kazakhstan, owned indirectly as to 30% by the Corporation through the Kyzylkum joint venture ("Kyzylkum"), a Kazakhstan registered limited liability partnership. The remaining interests are owned as to 30% by Kazatomprom and as to 40% by Energy Asia (BVI) Ltd., which is owned by a consortium of Japanese utilities and a trading company.

The design capacity of Kharasan is 5,200,000 pounds (2,000 tonnes U) per year, with a current installed capacity of 2,600,000 pounds (1,000 tonnes U) per year.

**Production in commissioning:** Production in commissioning from Kharasan was 183,600 pounds (71 tonnes U) during Q3 2010, of which 55,100 pounds (21 tonnes U) is attributable to the Corporation, which includes production from the new well fields in the Campan and Santon ore horizons.

**Operations:** The following is a summary of the operational statistics for Kharasan's existing mining area (on a 100% basis) over the last four quarters:

	Drill rigs on site <sup>(1)</sup>	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m <sup>3</sup> /hour)	Concentration in solution (mg U/l)	Production (lbs)
Q4 2009	5	21	66	328.9	48.8	93,900
Q1 2010	4	30	70	423.8	50.9	111,800
Q2 2010	1	5	73	485.0	52.2	145,300
Q3 2010	-	-	73	557.6	58.3	183,600

Note:

(1) As at end of quarter for well field development

Acidification of an additional production block in the existing mining area commenced during Q1 2010 to maintain the current level of production. During the first half of 2010, the existing production blocks at Kharasan continued to perform in line with production levels experienced in 2009.

A total of 30 new wells have been prepared for test mining in 2 new blocks in the Campan and the Santon ore horizons, including 6 production wells. The new test well fields started acidification in April 2010 and flow of solution was initiated to the plant during July 2010, and initial results are positive. The concentration of U in the production solution coming from the test block in the Santon horizon peaked at 290 mg U/l in early September 2010 and the daily average is currently stabilizing at approximately 220 – 230 mg/l U. The concentration of U in the production solution of the test block in the Campon horizon peaked in late August 2010 at 133 mg/l U and has been stabilized at around 77 mg U/l.

The concentration in solution averaged more than 60 mg per litre after the first two months of acidification, compared with an average of 10 mg per litre after 2.5 months of acidification in the original production blocks. The main factors for the better performance of the new test mining area are more precise screen interval placement in the ore zone, use of better quality screens and a lower initial acidification rate which avoids fouling of the screens and gas locking of the formation, which caused lower flow rates in the original test blocks. Initial indications are that the new test blocks have lower carbonate levels than the original blocks, leading to decreased consumption of sulphuric acid. Also, the distance between production and injection wells is shorter than in the original test area mining blocks. Kharasan is also preparing to do a test of adding ferric iron to the mining solution that will increase oxidation of the ore body and therefore potentially increase the uranium concentration.

## **SULPHURIC ACID SUPPLY IN KAZAKHSTAN**

In Kazakhstan, ISR uranium operations are highly dependent on sulphuric acid for the extraction of uranium from the host ore body. The supply of sulphuric acid is therefore of critical importance to the Corporation's operations in Kazakhstan.

Sulphuric acid supply to Betpak Dala, Karatau and Kyzylkum was more than sufficient for operations to achieve production targets in 2009. Although the supply of sulphuric acid is not a cause of immediate concern to the Corporation, the Corporation has identified logistical and transport issues which influence the availability of sulphuric acid to its mines. With the ongoing increase in uranium production in Kazakhstan, the ability to handle supplies, in particular sulphuric acid, is limited by storage capacity at transshipment locations.

In addressing this storage problem, Kazatomprom is proposing to build additional storage of 1,260 m<sup>3</sup> at Suzak and 1,260 m<sup>3</sup> at the Shieli freight handling centres. An additional two storage tanks of 600 m<sup>3</sup> capacity each are currently under construction at South Inkai. One is expected to be completed by the end of 2010 and the second in Q1 2011, supporting the ramp up to full production in 2011. A further 2,400 m<sup>3</sup> storage capacity is now approved and operational at the Zhanakorgan Transshipment base with an approval to construct tanks for a further 7,200 m<sup>3</sup> of acid storage. Existing sulphuric acid producers in Kazakhstan are projected to increase acid production by 350,000 tonnes this year. With nearly all the acid supply coming from within Kazakhstan in 2010, transportation demands for acid rolling stock has been reduced. An independent contractor is constructing a transshipment base at Shieli with 3,000 t of acid storage capacity, scheduled for completion in Q1 2011. Negotiations are in progress to secure storage at this location as well.

## **SULPHURIC ACID PLANT**

The Corporation's SKZ-U joint venture with Kazatomprom and its other joint venture partners continue to advance the development of a sulphuric acid plant near Kharasan at Zhanakorgan. The Corporation's ownership percentage in SKZ-U is 19%. The total construction cost of the plant is expected to be approximately \$217 million, of which approximately 30% has been funded by the joint venture partners to date, with the balance funded by the partners through debt financing. Construction of the plant is expected to be completed by the end of 2011 with production commencing in 2012. The Corporation has funded \$17.9 million of its debt obligation to date towards the construction of the sulphuric acid plant. The balance of approximately \$13.7 million will be funded in 2011.

Desmet Ballestra and Soyuzcomplect have completed the designs for the engineering work for the plant. Equipment orders have been placed and materials and equipment are arriving on site. The turbine has been manufactured and is ready to be shipped from Europe. In Q3 2010, the general contractor continued work on the foundation for the cooling towers, storage and the laboratory building. The foundations for the converter, acid storage, water and diesel storage are complete. The power generation complex contractor has completed the foundation for the power generation turbine.

Construction of infrastructure facilities such as the access road, enclosed warehouse storage, rail spur, temporary camps, power and water supply are complete. The construction of a water pond is also complete with the piping to be installed during the plant construction stage.

## **EXTERNAL PROCESSING FACILITIES**

Betpak Dala has installed and commissioned a drying circuit at South Inkai with a drying capacity of approximately 2,000 tonnes per year, which was approved by the State Commission in July 2010 with the license for the plant to produce and sell finished product being obtained in Q3 2010. Production from the South Inkai and Akdala mines will be processed at the South Inkai processing facility and other processing facilities in Kazakhstan (including Karatau) for the remainder of the year. Betpak Dala plans to increase the capacity of its drying circuit during 2011, after which Akdala and South Inkai should no longer need to make use of external processing facilities. The Karatau mine has its own processing facility, which was licensed in Q2 2010 and Karatau now processes all material produced on site.

## REVIEW OF DEVELOPMENT PROJECTS – UNITED STATES

### POWDER RIVER BASIN, WYOMING

The Powder River Basin in Wyoming hosts several of the Corporation's uranium projects. On January 25, 2010, the Corporation completed the acquisition of 100% of the MALCO Joint Venture ("MALCO") from wholly-owned subsidiaries of AREVA and Électricité de France ("EDF"). The assets of MALCO are located in Johnson and Campbell Counties in the Powder River Basin and include the licensed and permitted Irigaray ISR central processing plant, the Christensen Ranch satellite ISR facility and associated uranium ore bodies, collectively referred to as the Willow Creek Project.

The Irigaray central processing plant currently has the capacity to process approximately 1.3 million pounds of dried  $U_3O_8$  per year. The Corporation plans to expand the processing capacity at Irigaray in line with the U.S. Nuclear Regulatory Commission ("NRC") licensed capacity of 2.5 million pounds per year, by incorporating a vacuum dryer that was purchased for use at the Corporation's Moore Ranch project.

The Corporation commenced installation of the next production area, Mine Unit 7, at the Willow Creek Project. During Q3 2010, an average of 14 drilling rigs were in operation. A total of 329 delineation holes were drilled, 179 cased wells were installed, and 142 wells were completed. Installation of the wellfield surface facilities is ongoing. The Wyoming Department of Environmental Quality ("WDEQ") approved the baseline wellfield data package for Mine Unit 7 and the unit was approved through an internal Safety and Environmental Review Panel review under the NRC performance based license. The Corporation expects that initial production from the Willow Creek Project will commence in 2011.

The Moore Ranch Project, also located in Campbell County, 25 miles east of Edgerton, Wyoming, is expected to become a satellite ISR facility with uranium laden resin transported to Willow Creek for final processing. On September 30, 2010 the NRC issued the operating license for the Moore Ranch in-situ uranium project. This is the first new license granted by the NRC for a U.S. ISR operation in almost 13 years for the development of a new U.S uranium production facility. The Corporation also entered the 30-day notice period in early October, which is followed by another 30-day public notice period for the State of WDEQ permit to mine for Moore Ranch. The permit is expected to be issued in December 2010. Production is planned to commence at Moore Ranch in 2012.

License and permit applications for the Ludeman project in Converse County were submitted to the NRC and the WDEQ in early 2010. The Corporation withdrew the application to make the application consistent with the recently acquired Willow Creek license, and to enhance the hydrologic data base with existing information. The Ludeman project is expected to be licensed as a satellite operation that can feed a central processing plant such as Willow Creek.

At the Allemand-Ross project, the Corporation continued its resource delineation drilling program and the installation of hydrologic test wells for permitting purposes was completed during Q3 2010. Eight cased monitor wells were installed for use in collecting baseline hydrology data and aquifer characteristics.

Planned capital expenditure for the Corporation's Powder River Basin properties in 2010 is now approximately \$28 million, a decrease of \$6 million from previous estimates due to delays in regulatory approvals for Moore Ranch. The \$6 million decrease will be deferred to 2011 and is included in the capital expenditure estimate of \$46 million for the year. A total of \$17 million was spent at the Corporation's Powder River Basin projects up to September 30, 2010.

## REVIEW OF DEVELOPMENT PROJECTS – AUSTRALIA

### HONEYMOON URANIUM PROJECT

The Honeymoon Uranium Project is located in South Australia, approximately 75 kilometres northwest of the city of Broken Hill, New South Wales. The Corporation owns 51% of the Honeymoon Uranium Project Joint Venture, which owns the Honeymoon Uranium Project. The remaining 49% of the joint venture is owned by Mitsui & Co., Ltd, ("Mitsui") who, in October 2008, committed A\$104 million towards the purchase of its interest in Uranium One Australia's business and the development of the Honeymoon Uranium Project.

The project has a design capacity of 880,000 pounds per year, with an expected mine life (including production ramp-up) of six years. The current capital expenditure estimate for the Honeymoon project, including contingencies, is now A\$146 million (on a 100% basis), an increase of A\$8 million from the previous estimate. The increase is associated with increased SMP (structural, mechanical and piping) and E&I (electrical and instrumental) works as well as contractor claims for weather related delays. As at September 30, 2010, a total of A\$137 million in construction capital has been spent (on a 100% basis), of which A\$41 million was spent during 2010.

Commissioning activities commenced during Q2 2010, and production during commissioning is expected to commence in 2011.

## CORPORATE

### ACQUISITION OF AKBASTAU URANIUM MINE AND ZARECHNOYE URANIUM MINE

The Corporation announced on June 8, 2010, the signing of a definitive purchase and subscription agreement to acquire a 50% joint venture interest in the Akbastau uranium mine ("Akbastau") and a 49.67% joint venture interest in the Zarechnoye uranium mine ("Zarechnoye") in Kazakhstan from JSC Atomredmetzoloto ("ARMZ"), the Russian state-owned uranium mining company. Kazatomprom owns 50% and 49.67% joint venture interests in Akbastau and Zarechnoye, respectively. The remainder of the interest in Zarechnoye is held by a Kyrgyz company.

ARMZ will contribute its interests in the Akbastau and Zarechnoye joint ventures and a cash investment of \$610 million in return for 356 new common shares of the Corporation. Following closing, the Corporation will pay a special cash dividend to shareholders other than ARMZ of \$1.06 per share.

Upon completion of the transaction, ARMZ will own not less than 51% of Uranium One's outstanding common shares. ARMZ has agreed to a standstill of 18 months from closing during which it may not, without prior consent, dispose of or acquire any additional Uranium One shares, except pursuant to agreed anti-dilution rights, which will permit ARMZ to maintain not less than a 51% interest in Uranium One and to certain other exceptions.

On July 15, 2010 the Independent Committee and the Board of Directors of Uranium One resolved to recommend the transaction to shareholders and announced the completion of legal due diligence reviews by both parties.

The transaction is subject to one remaining US regulatory approval, and other usual and customary closing conditions. The transaction is expected to be completed before the end of 2010.

### THE AKBASTAU URANIUM MINE

Akbastau is owned 50% by ARMZ and 50% by Kazatomprom and operates fields 1, 3 and 4 of the Budenovskoye deposit in southern Kazakhstan. Karatau, in which Uranium One owns a 50% interest, operates field 2 of the Budenovskoye deposit. Production from Akbastau commenced in 2009 and totalled 1.0 million pounds. Pregnant solutions from the well fields at site 1 at Akbastau are currently being treated at the Karatau processing facilities.

Under the terms of its subsoil use agreements, Akbastau has the exclusive right to carry on exploration, extraction, mining and sales of uranium from fields 3 and 4 of the Budenovskoye deposit until 2037 and from field 1 until 2036. Steady state production from Akbastau is expected to be 7.8 million pounds per year.

According to an Independent Technical Report dated July 12, 2010 prepared by Scott Wilson Roscoe Postle Associates Inc. for Uranium One, as at April 30, 2010 Akbastau had Indicated Resources totalling 12.0 million tonnes, at a grade of 0.090% uranium, containing 10,737 tonnes of uranium (27.9 million pounds  $U_3O_8$ ), and Inferred Resources totalling 26.5 million tonnes, at a grade of 0.093% uranium containing 24,547 tonnes of uranium (63.8 million pounds  $U_3O_8$ ). The resource estimates were prepared in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 - Standards of Disclosure for Mineral Projects.

The resource estimate is based on parameters (e.g. cut-off grade, grade-thickness, internal waste, mineralization to waste ratio, block size, permeability and density) used for the South Inkai and Karatau deposits and originally approved by the Ministry of Geology and the Ministry of Atomic Energy and Industry of the USSR. The methodology applied considered similar structural and tectonic characteristics, lithological and facies types and hydrogeological and geotechnical features. The 2010 resource estimate is based on information from approximately 260,800 metres of drilling. The indicated resources have been drilled on fences 200 metres apart, with holes spaced at 50 metres. The inferred resources have been drilled on fences 400 metres apart, with holes spaced at 50 to 200 metres apart. Gamma ray logging is used in conjunction with the geological interpretations to determine the uranium content.

The mineral resource estimate for the Akbastau uranium mine is updated each year and certified by JSC Volkovgeologia on behalf of the Kazakhstan State Committee on Reserves.

## THE ZARECHNOYE URANIUM MINE

ARMZ has a 49.67% interest in Zarechnoye. Kazatomprom owns a 49.67% interest in the joint venture, and an affiliate of the Kyrgyz government owns the remaining 0.66%. Zarechnoye owns both the Zarechnoye and South Zarechnoye deposits, located in southern Kazakhstan.

Production from Zarechnoye during 2008 was approximately 0.4 million pounds and production in 2009 was approximately 1.2 million pounds. Zarechnoye is expected to ramp up to full production of approximately 2.5 million pounds per year by 2012. Full production from South Zarechnoye, a satellite deposit, is expected to be approximately 1.6 million pounds.

Under its subsoil use agreement, the Zarechnoye joint venture has the exclusive right to carry on exploration, extraction, mining and sales of uranium from the Zarechnoye deposit until 2027. It also has the exclusive right to carry on exploration, extraction, mining and sales of uranium from South Zarechnoye until 2037.

According to an Independent Technical Report dated July 6, 2010 prepared by Scott Wilson Roscoe Postle Associates Inc. for Uranium One, as at April 30, 2010 Zarechnoye had Indicated Resources totalling 19.2 million tonnes, at a grade of 0.078% uranium, containing 12,618 tonnes of uranium (32.9 million pounds U<sub>3</sub>O<sub>8</sub>), and Inferred Resources totalling 7.7 million tonnes, at a grade of 0.051% uranium containing 3,934 tonnes of uranium (10.2 million pounds U<sub>3</sub>O<sub>8</sub>). The resource estimates were prepared in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 - Standards of Disclosure for Mineral Projects.

The resource estimate is based on parameters (e.g. cut-off grade, grade-thickness, internal waste, mineralization to waste ratio, block size, permeability and density) used for other South Kazakhstan uranium deposits and originally approved by the Ministry of Geology and the Ministry of Atomic Energy and Industry of the USSR. The modelling methodology applied considered similar structural and tectonic characteristics, lithological and facies types and hydrogeological and geotechnical features. The 2010 resource estimate is based on information from approximately 368,700 metres of drilling. The indicated resources have been drilled on fences 200 metres apart, with holes spaced at 50 metres. The inferred resources have been drilled on fences 400 metres apart, with holes spaced at 50 to 200 metres apart. Gamma ray logging is used in conjunction with the geological interpretations to determine the uranium content.

The mineral resource estimate for the Zarechnoye uranium mine is updated each year and certified by JSC Volkovgeologia on behalf of the Kazakhstan State Committee on Reserves.

## C\$250 MILLION BOUGHT DEAL FINANCING OF CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

The Corporation announced on February 18, 2010 that it had entered into an agreement for a bought deal financing with a syndicate of underwriters, led by GMP Securities L.P. and including Canaccord Financial Ltd., BMO Capital Markets, CIBC World Markets Inc., RBC Capital Markets and Paradigm Capital Inc. for C\$250,000,000 aggregate principal amount of convertible unsecured subordinated debentures (the "2010 Debentures") together with an over-allotment option of up to C\$37,500,000, of which C\$10,000,000 was exercised when the offering closed on March 12, 2010, resulting in a total receipt of C\$260,000,000.

The 2010 Debentures mature on March 13, 2015, with interest payable at a rate of 5.0% per annum, payable semi-annually from the date of receipt of all necessary Kazakh approvals for the conversion of the 2010 Debentures, or at a rate of 7.5% per annum, payable semi-annually before the receipt of the necessary Kazakh approvals. On October 12, 2010 the Corporation received all necessary Kazakh approvals for the conversion of the 2010 Debentures and the interest rate on the Debentures was consequently reset to 5%.

The 2010 Debentures are convertible into common shares of the Corporation at a rate of 250 common shares per C\$1,000 principal amount and have a conversion price of C\$4.00 per common share. The conversion price is subject to certain adjustments provided for under the terms of the trust indenture, including the adjustment to be made as a result of the \$1.06 special dividend to be paid following initial closing of the ARMZ transaction announced by the Corporation on June 8, 2010.

The Corporation intends to use the net proceeds for potential acquisitions, to finance its operations and development projects and for working capital.

## ISSUANCE OF CONVERTIBLE DEBENTURES TO JAPANESE CONSORTIUM

On February 9, 2009, Uranium One entered into a subscription agreement with Japan Uranium Management Inc ("JUMI"), a special purpose corporation formed by The Tokyo Electric Power Company, Incorporated ("TEPCO"), Toshiba Corporation, and JBIC (collectively the "Japanese Consortium"), 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.

On December 29, 2009 Uranium One Inc and JUMI executed documentation revising the February 9, 2009 private placement between the Corporation and JUMI, to a debenture financing.

Under the revised terms of the private placement, on January 14, 2010 Uranium One issued to JUMI C\$269,100,000 aggregate principal amount of 3% unsecured convertible debentures ("JUMI Debentures") maturing ten years from the date of issue. On July 30, 2010, JUMI undertook to exercise its right of repurchase under the terms of the debentures on closing of the ARMZ transaction.

## **ACQUISITION OF CHRISTENSEN RANCH AND IRIGARAY IN WYOMING**

On August 7, 2009, the Corporation entered into a definitive agreement to acquire 100% of MALCO from wholly-owned subsidiaries of AREVA and EDF for \$35 million in cash.

The assets of MALCO include the licensed and permitted Irigaray ISR central processing plant, the Christensen Ranch satellite ISR facility and associated U<sub>3</sub>O<sub>8</sub> resources located in the Powder River Basin of Wyoming.

The Committee on Foreign Investment in the United States approved the transaction early in November 2009. Closing of the transaction occurred during January 2010 after the Corporation received all regulatory approvals including NRC, WDEQ and Texas Commission on Environmental Quality.

## **SALE OF URANIUM ONE AFRICA**

In May 2009, the Corporation committed to a plan to sell Uranium One Africa Limited, ("Uranium One Africa"), a wholly owned subsidiary of the Corporation. Uranium One Africa owns the Dominion Uranium Project, which the Corporation has placed on care and maintenance during the third quarter of 2008.

The sale of Uranium One Africa was completed in April 2010 and the Corporation received cash proceeds of \$37.3 million. The net carrying value of the investment of \$38.5 million as at December 31, 2009 was written down to the proceeds of \$37.3 million, resulting in an impairment of \$1.2 million in Q1 2010.

## SUMMARY OF QUARTERLY RESULTS

(US dollars in thousands  
except per share and per  
lb amounts)

	3 months ended							
	Sep 30, 2010 \$	Jun 30, 2010 \$	Mar 31, 2010 \$	Dec 31, 2009 \$	Sep 30, 2009 \$	Jun 30, 2009 \$	Mar 31, 2009 \$	Dec 31, 2008 \$
Revenues	73,054	65,973	35,529	69,133	21,333	18,557	42,969	21,146
Net (loss) / earnings from continuing operations	(10,223)	(9,741)	(21,506)	179,601	(15,309)	(265,726)	63,356	(241,393)
Basic and diluted (loss) / earnings per share from continuing operations <sup>(1)</sup>	(0.02)	(0.02)	(0.04)	0.38	(0.03)	(0.57)	0.13	(0.51)
Earnings / (loss) from discontinued operations <sup>(2)</sup>	-	-	-	-	3,408	806	(2,223)	(17,412)
Basic and diluted earnings / (loss) per share from discontinued operations <sup>(1) (2)</sup>	-	-	-	-	0.01	0.00	(0.00)	(0.04)
Net (loss) /earnings	(10,223)	(9,741)	(21,506)	179,601	(11,901)	(264,920)	61,133	(258,805)
Basic and diluted (loss) / earnings per share <sup>(1)</sup>	(0.02)	(0.02)	(0.04)	0.38	(0.03)	(0.56)	0.13	(0.55)
Total assets	2,468,506	2,457,499	2,556,870	2,149,107	1,625,528	1,609,845	1,613,991	1,627,133

Notes:

<sup>(1)</sup> The basic and diluted earnings / loss per share are computed separately for each quarter presented and therefore may not add up to the basic and diluted earnings / loss per share for the year ended December 31, 2009.

<sup>(2)</sup> Gold One International Ltd ("Gold One") (formerly Aflease Gold) was classified as a discontinued operation in Q1 2008.

## NON-GAAP MEASURES

### ADJUSTED NET EARNINGS / LOSS

The Corporation has included the following non-GAAP performance measures throughout this document: adjusted net earnings / loss and adjusted net earnings / loss per share. Adjusted net earnings / loss and adjusted net earnings / loss per share do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures reported by other companies. The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Corporation's performance and ability to generate cash flow. This is provided as additional information and should not be considered in isolation of, or as a substitute for, measures of performance prepared in accordance with GAAP.

Adjusted net earnings / loss is calculated by adjusting the net profit / loss from continuing operations with unrealized foreign exchange gains / losses on future income tax liabilities, impairments, cost of suspension of operations, gains / losses from the sale of assets, the effect of the tax rate adjustment on future income tax liabilities and expenses incurred for corporate development activities. These items are added back due to their inherent volatility and / or infrequent occurrence.

The following table provides a reconciliation of adjusted net earnings / loss to the financial statements:

	3 months ended		9 months ended	
	Sep 30, 2010 \$(000's)	Sep 30, 2009 \$(000's)	Sep 30, 2010 \$(000's)	Sep 30, 2009 \$(000's)
Net loss from continuing operations	(10,223)	(15,309)	(41,470)	(217,679)
Unrealized foreign exchange loss / (gain) on future income tax liabilities	111	(1,326)	752	(68,449)
Impairment of mineral interest, plant and equipment and closure costs	-	8,969	1,886	260,033
Corporate development expenditure	5,451	-	8,484	-
Loss / (gain) on sale of available for sale securities	2,231	(134)	10,449	(126)
<b>Adjusted net loss</b>	<b>(2,430)</b>	<b>(7,800)</b>	<b>(19,899)</b>	<b>(26,221)</b>
Adjusted net loss per share – basic (\$)	(0.00)	(0.02)	(0.03)	(0.06)
Weighted average number of shares (thousands) – basic	588,015	469,799	587,651	469,702

### AVERAGE REALIZED SALES PRICE PER POUND AND CASH COST PER POUND SOLD

The Corporation has included the following non-GAAP performance measures throughout this document: average realized sales price per pound and cash cost per pound sold. The Corporation reports total cash costs on a sales basis. In the uranium mining industry, these are common performance measures but do not have any standardized meaning, and are non-GAAP measures. The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, the Corporation and certain investors use this information to evaluate the Corporation's performance and ability to generate cash flow. This is provided as additional information and should not be considered in isolation of, or as a substitute for, measures of performance prepared in accordance with GAAP.

As in previous periods, sales per pound and cash cost per pound sold are calculated by dividing the revenues and operating expenses found in the statement of operations in the consolidated financial statements by the pounds sold in the period.

## RESULTS OF OPERATIONS AND DISCUSSION OF FINANCIAL POSITION

### SELECTED FINANCIAL INFORMATION

The Corporation's consolidated financial statements and the financial data set out below have been prepared in accordance with GAAP. Uranium One and its operating subsidiaries use the United States dollar, the Australian dollar and the Canadian dollar as measurement currencies.

(US dollars in thousands except per share and per lb amounts)	3 months ended		9 months ended	
	Sep 30, 2010 \$	Sep 30, 2009 \$	Sep 30, 2010 \$	Sep 30, 2009 \$
Revenue	73,054	21,333	174,556	82,859
Loss from continuing operations	(10,223)	(15,309)	(41,470)	(217,679)
Earnings from discontinued operations	-	3,408	-	1,991
Net loss	(10,223)	(11,901)	(41,470)	(215,688)
Adjusted net loss	(2,430)	(7,800)	(19,899)	(26,221)
Cash flows from operating activities	38,198	8,120	11,428	2,001
Loss per share from continuing operations	(0.02)	(0.03)	(0.07)	(0.46)
Earnings per share from discontinued operations	-	0.01	-	0.00
Loss per share	(0.02)	(0.03)	(0.07)	(0.46)
Adjusted net loss per share	(0.00)	(0.02)	(0.03)	(0.06)
Product inventory carrying value <sup>(1)</sup>	81,370	50,981	81,370	50,981
Total assets	2,468,506	1,625,528	2,468,506	1,625,528
Long term financial liabilities	752,541	500,618	752,541	500,618
Average realized uranium price per lb	43	50	44	49
Average spot price per lb	46	45	42	46
Attributable sales volume	1,701,300	423,100	3,983,200	1,688,800
Attributable production volume	1,691,600	807,200	5,191,800	2,323,600
Attributable inventory <sup>(1)</sup>	3,266,400	1,747,000	3,266,400	1,747,000

#### Notes:

<sup>(1)</sup> Inventory as at September 30, 2009 is attributable to the Akdala and South Inkai uranium mines. Inventory as at September 30, 2010 is attributable to the Akdala, South Inkai and Karatau uranium mines. Revenue from production during commissioning of the Corporation's development projects is credited against capital expenditures.

## RESULTS OF OPERATIONS

### THREE MONTHS ENDED SEPTEMBER 30, 2010

#### URANIUM SALES, INVENTORY AND OPERATING COSTS

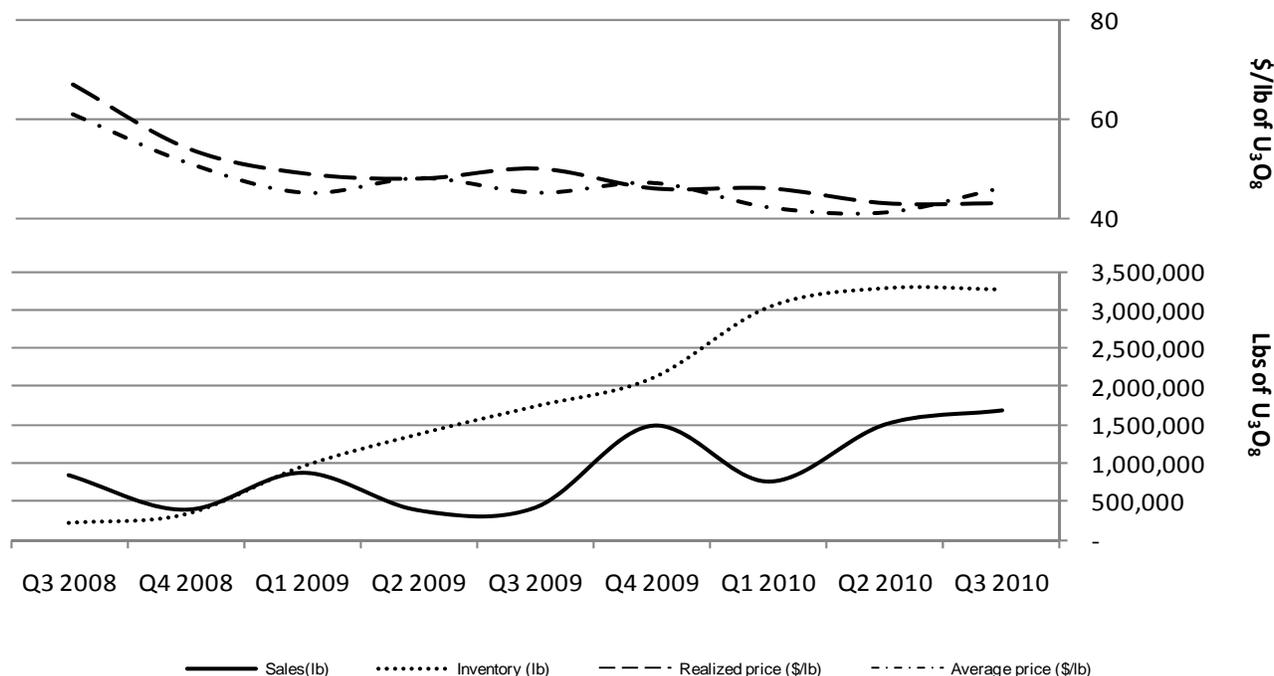
The Corporation's uranium sales, operating expenses and earnings from mine operations were as follows:

	Q3 2010				Q3 2009		
	Akdala	South Inkai	Karatau	Total / Average	Akdala	South Inkai	Total / Average
Revenues (\$000's)	11,265	20,625	41,164	<b>73,054</b>	12,936	8,397	<b>21,333</b>
Attributable sales volumes (lb)	214,000	436,400	1,050,900	<b>1,701,300</b>	259,000	164,100	<b>423,100</b>
Average realized price (\$/lb sold)				<b>43</b>			<b>50</b>
Average spot price (\$/lb)				<b>46</b>			<b>45</b>
Closing spot price (\$/lb)				<b>47</b>			<b>43</b>
Operating expenses (\$000's)	2,651	8,086	9,002	<b>19,739</b>	3,047	3,284	<b>6,331</b>
Operating expenses (\$/lb sold)	12	19	9	<b>12</b>	12	20	<b>15</b>
Depreciation and depletion (\$000's)	2,320	5,528	17,607	<b>25,455</b>	2,863	2,713	<b>5,576</b>
Depreciation and depletion (\$/lb sold) <sup>(1)</sup>	11	13	17	<b>15</b>	11	17	<b>13</b>
Earnings from mine operations (\$000's)	6,294	7,011	14,555	<b>27,860</b>	7,026	2,400	<b>9,426</b>

#### Notes:

(1) Includes fair value adjustments recognized in inventory on acquisition of Karatau and expensed as non-cash depreciation and depletion with the sale of the revalued inventory.

The average realized uranium price per pound sold relative to the average spot price per pound, and the relationship between volumes sold and inventory, over the last eight quarters are as follows:



The inventory levels for Q3 2010 is in line with Q2 2010, as the Karatau mine obtained a license for its refining facilities in June 2010 from the state commission which enabled the mine to sell 1,050,900 pounds of inventory treated at its refining facility during the quarter. The inventory level should decrease as sales catches up with production.

Revenue of \$73.1 million in Q3 2010 increased by 243% compared to the \$21.3 million in Q3 2009, due to volume sold increasing by 1,278,200 pounds (302% higher than in Q3 2009) partially offset by a 14% decrease in the average realized uranium price compared to Q3 2009.

The average realized sale price of \$43 per pound in Q3 2010 is lower than the average spot price of \$46 per pound due to the fact that the majority of material was delivered early in the quarter and sales of Karatau material were delivered into contracts for which pre-payments were received and are therefore subject to certain discounts pursuant to the terms of the contracts. Sales from Karatau to Kazatomprom are also subject to certain discounts to the spot price at the time of delivery to take into account expenses, including shipping costs and selling expenses incurred, by Kazatomprom.

The sales mix for Q3 2010 was 16% for Akdala, 28% for South Inkai and 56% for Karatau, compared to Q3 2009 where Akdala contributed 61% and South Inkai 39% of the sales. The sales mix is expected to align with the production ratio of each mine over time, influenced by the effect of long term contracts on inventory build-up.

Operating expenses per pound sold decreased by 20% from \$15 per pound in Q3 2009 to \$12 per pound in Q3 2010, due to the production cost per pounds sold of South Inkai decreasing by 5% from \$20 per pound in Q3 2009 to \$19 per pound in Q3 2010. The higher cost in Q3 2009 was as a result of higher costs incurred during the commencement of commercial production. The low cash cost of production of Karatau contributed to a lower total cash cost of production.

There is possible volatility in operating expenses due to the timing of the acidification of new wellfields. Sulphuric acid use is higher during the initial acidification process, and the sulphuric acid cost per pound is higher during these periods. The Corporation carries inventory at the weighted average cost of production, calculated at various stages of the production process. As a result, the weighted average cost increases during periods with higher levels of acidification.

Attributable inventory was 3,266,400 pounds at September 30, 2010 compared to 3,279,500 pounds at June 30, 2010.

#### **GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses, including stock option and restricted share expenses of \$2.1 million, amounted to \$10.2 million in Q3 2010, compared to \$9.0 million Q3 2009, including stock option and restricted share expenses of \$1.9 million.

The general and administrative expense for Q3 2010 includes salaries and directors' fees of \$6.1 million, consulting and advisory fees of \$2.7 million, travel expenses of \$0.8 million and office rent of \$0.6 million.

#### **EXPLORATION**

The Corporation determines its discretionary exploration expenditure each year during its planning cycle. Exploration expenditure relates to exploration programs undertaken on the Corporation's properties in the United States, Canada and Australia and amounted to \$1.2 million during Q3 2010, compared to \$2.3 million during Q3 2009.

#### **CARE AND MAINTENANCE AND CLOSURE COSTS**

Total care and maintenance costs in Q3 2010 were \$0.6 million, compared to care and maintenance costs of \$4.1 million for Q3 2009. The decrease in care and maintenance costs is primarily due to the sale of Uranium One Africa and the Corporation's projects in Texas.

The Shootaring Canyon mill in Utah was placed on care and maintenance in 2008 as the Corporation concluded that it could not be operated economically with the currently available resource base and care and maintenance costs of \$0.6 million were incurred in Q3 2010, compared to \$0.5 million in Q3 2009.

#### **INTEREST AND OTHER**

Interest income amounted to \$1.9 million in Q3 2010, compared to \$1.3 million in Q3 2009. In addition to the interest earned on loans to joint ventures, interest is earned on funds held on deposit by the Corporation.

Interest accrued on the Corporation's 2006 Debentures was \$2.5 million in Q3 2010, compared to \$2.3 million in Q3 2009. The increase is a result of the strengthening of the Canadian dollar against the US dollar.

Interest accrued on the Corporation's 2010 Debentures and JUMI Debentures was \$5.7 million and \$3.8 million in Q3 2010, respectively.

The interest expense on the \$65 million drawn down in October 2008 under the Corporation's credit facility was zero in Q3 2010 compared to \$0.4 million in Q3 2009. The loan was repaid in Q2 2010. Other charges relating to the credit facility, including amortization of upfront costs and the availability fee, were \$0.1 million in Q3 2010, compared to \$0.7 million in Q3 2009.

#### **LOSS ON SALE OF AVAILABLE FOR SALE SECURITIES**

The Corporation incurred losses in Q3 2010 of \$2.2 million, compared to gains of \$0.1 million in Q3 2009. The losses were incurred on the sale of investments.

### **FOREIGN EXCHANGE GAIN / LOSS**

Unrealized foreign exchange losses during Q3 2010 were \$1.5 million, including an unrealized loss of \$0.1 million on future income tax liabilities, compared to unrealized foreign exchange losses of \$7.6 million which included an unrealized gain on future income tax liabilities of \$1.3 million in Q3 2009. The Corporation realized foreign exchange losses on cash and other items of sixty thousand in Q3 2010, compared to a gain of \$1.1 million in Q3 2009.

### **CORPORATE DEVELOPMENT EXPENSES**

The Corporation incurred \$5.5 million in transaction costs during Q3 2010, which relates to the acquisition of Akbastau and Zarechnoye and other corporate development projects. The costs mainly consist of advisory and consultation fees.

### **INCOME TAXES**

The current income tax expense for Q3 2010 of \$9.3 million mainly consists of income tax paid and payable in Kazakhstan on profits from the Corporation's Akdala, South Inkai and Karatau mines. For Q3 2009 a \$3.8 million income tax expense was recorded, mainly relating to the Akdala and South Inkai mines.

The future income tax recovery in Q3 2010 of \$3.3 million consists of the following:

- Recovery of future income tax liabilities of the Akdala, South Inkai and Karatau mines of \$2.4 million. The recovery represents the depletion of the future income tax liabilities that were created on the acquisition of the Akdala, South Inkai and Karatau mines, and was based on the excess purchase price paid on acquisition; and
- An increase of \$0.9 million in future income tax assets due to temporary differences and tax loss carry forwards, which is offset against the future income tax liability.

### **NET EARNINGS / LOSS**

The net loss for Q3 2010 amounted to \$10.2 million or \$0.02 per share, compared to a net loss of \$11.9 million or \$0.03 per share for Q3 2009.

## **NINE MONTHS ENDED SEPTEMBER 30, 2010**

### **URANIUM SALES, INVENTORY AND OPERATING COSTS**

Revenue of \$174.6 million for the nine months ended September 2010 increased by 111% compared to the \$82.9 million for the nine months ended September 2009, due to volume sold increasing by 2,294,400 pounds (136% higher than in the nine months ended September 30, 2009) partly offset by a 10% decrease in the average realized uranium price compared to Q3 2009.

Operating expenses per pound sold decreased by 18% from \$17 per pound for the nine months ended September 2009 to \$14 per pound for the nine months ended September 2010, due to the production cost of Karatau of \$9 per pound for the nine months ended September 2010 decreasing the total average cost.

### **GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses, including stock option and restricted share expenses of \$5.9 million, amounted to \$29.6 million for the nine months ended September 2010, compared to \$27.2 million for the nine months ended September 2009, including stock option and restricted share expenses of \$5.7 million.

The general and administrative expense for the nine months ended September 30, 2010 includes salaries and directors' fees of \$18.4 million, consulting and advisory fees of \$5.9 million, travel expenses of \$2.0 million and office rent of \$1.8 million.

### **EXPLORATION**

The Corporation determines its discretionary exploration expenditure each year during its planning cycle. Exploration expenditure relates to exploration programs undertaken on the Corporation's tenures in the United States, Canada and Australia and amounted to \$3.5 million during the nine months ended September 2010, compared to \$6.8 million during the nine months ended September 2009.

### **IMPAIRMENT OF MINERAL INTERESTS, PLANT AND EQUIPMENT**

The Corporation's carrying value for Dominion was impaired by \$1.2 million to the agreed upon sale value of \$37.3 million in Q1 2010, together with other impairments in Q2 2010, resulted in an impairment of \$1.9 million in the nine months ended September 2010.

### **CARE AND MAINTENANCE, CLOSURE COSTS AND IMPAIRMENT**

The Corporation incurred care and maintenance costs of \$1.2 million on Dominion in the nine months ended September 30, 2010 compared to care and maintenance costs of \$8.5 million in the nine months ended September 30, 2009. The sale of Dominion was finalized during April 2010.

The Shooting Canyon mill in Utah was placed on care and maintenance in 2008 as the Corporation concluded that it could not be operated economically with the currently available resource base and care and maintenance costs of \$1.4 million were incurred in the nine months ended September 2010, compared to \$1.7 million in the nine months ended September 2009.

Total care and maintenance costs for the nine months ended September 2010 was \$2.6 million, compared to care and maintenance costs of \$11.7 million for the nine months ended September 30, 2009, which included care and maintenance cost of \$1.5 million for Hobson and La Palangana which were sold in December 2009.

### **INTEREST AND OTHER**

Interest income amounted to \$4.1 million for the nine months ended September 2010, compared to \$4.0 million for the nine months ended September 30, 2009. In addition to the interest earned on loans to joint ventures, interest is earned on funds held on deposit by the Corporation. Deposit interest rates have started to recover since the economic crisis, but the yields are still low.

Interest accrued on the Corporation's 2006 Debentures was \$7.4 million for the nine months ended September 30, 2010, compared to \$6.3 million for the period ended September 30, 2009. The increase is a result of the strengthening of the Canadian dollar against the US dollar.

Interest accrued on the Corporation's 2010 Debentures and JUMI Debentures was \$12.6 million and \$10.7 million for the nine months ended September 2010, respectively.

The interest expense on the \$65 million drawn down in October 2008 under the Corporation's credit facility was \$0.8 million for the nine months ended September 2010 compared to \$1.1 million for the nine months ended September 2009. The loan was repaid in June 2010. Other charges relating to the credit facility, including amortization of upfront costs and the availability fee, were \$1.9 million for the nine months ended September 2010, compared to \$2.1 million for the nine months ended 2009.

#### **LOSS ON SALE OF AVAILABLE FOR SALE SECURITIES**

The Corporation incurred losses during the nine months ended September 2010 of \$10.4 million, compared to gains of \$0.1 million during the nine months ended September 2009. The losses were incurred on the sale of investments.

#### **FOREIGN EXCHANGE GAIN / LOSS**

Unrealized foreign exchange losses in the nine months ended September 2010 were \$1.8 million, including an unrealized loss of \$0.8 million on future income tax liabilities, compared to unrealized foreign exchange gains of \$60.6 million which included an unrealized gain on future income tax liabilities of \$68.4 million in Q3 2009. The Corporation realized foreign exchange losses on cash and other items of \$4.1 million in the nine months ended September 2010, compared to a gain of \$2.2 million in the nine months ended September 2009.

#### **CORPORATE DEVELOPMENT EXPENSES**

The Corporation incurred \$8.5 million in transaction costs during the nine months ended September, 2010, which mainly relates to the acquisition of the joint venture interests in the Akbastau and Zarechnoye uranium mines. The costs mainly consist of advisory and consultation fees.

#### **INCOME TAXES**

The current income tax expense for the nine months ended September 2010 of \$18.7 million mainly consists of income tax paid and payable in Kazakhstan on profits from the Corporation's Akdala, South Inkai and Karatau mines. For the nine months ended September 2009 a \$18.7 million income tax expense was recorded, mainly relating to the Akdala, South Inkai and Karatau mines.

The future income tax recovery in Q3 2010 of \$7.6 million mainly consists of the following:

- Recovery of future income tax liabilities of Akdala, South Inkai and Karatau mines of \$3.5 million. The recovery represents the depletion of the future income tax liabilities that were created on the acquisition of the Akdala and South Inkai mines, and was based on the excess purchase price paid on acquisition; and
- An increase of \$4.1 million in future income tax assets due to temporary differences and tax loss carry forwards, which is set off against the future income tax liability.

#### **NET EARNINGS / LOSS**

The net loss for the nine months ended September 2010 amounted to \$41.5 million or \$0.07 per share, compared to a loss of \$215.7 million or \$0.46 per share for the nine months ended September 2009.

## FINANCIAL CONDITION

### CASH AND CASH EQUIVALENTS

On September 30, 2010, the Corporation had cash and cash equivalents of \$422.0 million, compared to \$148.5 million at December 31, 2009. Cash and cash equivalents on September 30, 2010 include \$11.1 million held by Betpak Dala, \$1.7 million held by Karatau, \$0.6 million held by Kyzylkum, \$9.2 million held by SKZ-U and \$10.3 million held by the Honeymoon Joint Venture. Cash held by the joint ventures is used to fund joint venture operations.

### LOANS TO JOINT VENTURES

Kyzylkum has repaid \$17.5 million of the \$35 million due to the Corporation as a result of the restructuring of its debt. \$14.1 million of the remaining balance is expected to be capitalized to Kyzylkum's charter capital during 2011. The capital contribution will be matched by the joint venture partners, with the contributions having no effect on the percentage ownership. The remaining balance of the Corporation's loan to Kyzylkum is expected to be repaid from 2012 onwards.

The Corporation made additional loans of \$5.6 million to SKZ-U during the three months ended September 30, 2010, bringing the total advances for the 2010 year to \$17.9 million. SKZ-U has repaid a loan of \$4.3 million that was outstanding at June 30, 2010 to the Corporation during the same period. The loan bears interest at LIBOR plus 6% per annum, with interest payable on a semi-annual basis, commencing within three years of initial funding.

### BORROWED URANIUM CONCENTRATES AND URANIUM CONCENTRATES LOANS

In 2008, the Corporation borrowed 200,000 pounds pursuant to a uranium loan agreement to provide the Corporation with flexibility to meet its long term contractual obligations in terms of future uranium sales contracts and mitigate the risk of delivery delays. A liability of \$9.3 million is accounted for in respect of the borrowed uranium concentrates of 200,000 pounds as at September 30, 2010. Pursuant to the amended loan agreement, the 200,000 pounds of material is to be returned in Q3 2011. The loan is therefore classified as a current liability as at September 30, 2010.

A director of Uranium One is also a senior officer of an entity that advanced one of the uranium loans to the Corporation.

### INVENTORIES

The book value of inventories as at September 30, 2010 increased to \$81.4 million from \$65.9 million held at December 31, 2009. Finished uranium concentrates and solutions and concentrates in process increased by \$15.5 million in line with the increased quantity of product inventory from 2,110,500 pounds to 3,266,400 pounds. The increase in product inventory is required to meet the Corporation's commitment under sales contracts and due to the fact that South Inkai and Karatau are in ramp up.

The Corporation revalued acquired inventory from the Karatau acquisition during the 2009 financial year to its fair value determined on acquisition using market indicators at that time. The fair value adjustment is recognized in the statement of operations on the sale of the inventory. The fair value adjustment included in the statement of operations as non-cash for the nine months ended September 2010, which was included in the inventory value at December 31, 2009, amounted to \$8.9 million.

Materials and supplies increased by \$2.8 million in the period ended September 30, 2010.

As at September 30, 2010 the Corporation had attributable inventory of 3,266,400 pounds, of which approximately 546,000 pounds was held at conversion facilities. Sales of product are normally completed at conversion facilities when material is transferred to customers by way of a book transfer. The product on hand at conversion facilities as at September 30, 2010 is committed for delivery under existing sales contracts subsequent to quarter end. Shipping times for finished product can be up to four months, depending on the distance between the mine site and conversion facility, where sales are completed through transfer of legal title and ownership.

A summary of Akdala, South Inkai and Karatau's attributable inventory carried at September 30, 2010 is as follows:

Category	Location	Lbs (000's)
In process	Mine site	499,200
In process	In transit to external processing facilities	90,900
In process	External processing facilities	446,300
Finished product ready to be shipped	Mine site	913,000
Finished product ready to be shipped	External processing facilities	515,400
Finished product In transit	In transit	255,600
Finished product at conversion facility	Conversion facilities	546,000
<b>Total inventory</b>		<b>3,266,400</b>

Inventory as at September 30, 2010 is attributable to the Akdala, South Inkai and Karatau uranium mines. Production during commissioning of the Corporation's development projects is not accounted for as inventory. Attributable material produced and on hand from the Corporation's development projects at September 30, 2010 amounted to 49,300 pounds at Kharasan.

## **OTHER ASSETS**

The Corporation contributed \$16.6 million to its asset retirement fund up to September 30, 2010, mostly as a result of the additional asset retirement obligations acquired as part of the acquisition of Christensen Ranch and Irigaray.

In August 2009, the Corporation paid a deposit of \$8.8 million to AREVA and EDF pursuant to the acquisition of Christensen Ranch and Irigaray. The deposit was applied against the purchase price on closing of the transaction on January 25, 2010.

## **MINERAL INTERESTS, PLANT AND EQUIPMENT**

The values of mineral interests, plant and equipment increased by \$69.6 million for the nine months ended September 30, 2010.

The significant movement during the nine months ending September 30, 2010 consists of:

- The acquisition of Christensen Ranch and Irigaray increasing the value by \$56.4 million;
- Depreciation and depletion decreasing the net value by \$73.1 million; and
- Capital additions of \$77.6 million.

## **CURRENT LIABILITIES RELATED TO THE ACQUISITION OF KARATAU**

In December 31, 2009, the Corporation issued a promissory note of \$90 million to ARMZ as part of the consideration for the acquisition of Karatau. The promissory note was due no later than 12 months from closing of the transaction and was repaid on January 18, 2010 from the proceeds of the JUMI Debentures. Interest was payable on the promissory note at a rate of 4.75% per year.

The Corporation determined that the first instalment of the post-closing tax related adjustments was due and payable on January 4, 2010 and accordingly raised a provision of \$20 million at December 31, 2009. The \$20 million was set off and settled against withholding tax payments made on behalf of ARMZ in January 2010.

In 2006, Karatau entered into a fixed price contract for the sale of uranium. The sales price under this contract was below the current market price for uranium on the day of acquisition. The Corporation accounted for this contract as an unfavourable contract and recognized a liability of \$18.9 million pursuant to this contract on acquisition of Karatau. On sale of uranium into the unfavourable contract, the liability is reduced, with a corresponding credit against revenue. The full liability was settled on September 30, 2010, after accounting for sales into this contract subsequent to acquisition.

## **OTHER CURRENT LIABILITIES**

Karatau had a short term facility of \$10 million outstanding at acquisition. An additional net drawdown of \$27.5 million was made against this facility and new facilities from Unicredit and Halyk Bank during 2010. As at September 30, 2010, the Corporation's share of these facilities was \$18.8 million.

Kyzylkum has outstanding facilities with JBIC, Citibank and Kazatomprom, of which the short term portion amounts to \$16.0 million as at September 30, 2010.

## **NON-CURRENT LIABILITIES**

The outstanding amount on the Corporation's 2006 Debentures increased mainly due to the interest accrued and the strengthening of the Canadian dollar against the US dollar since the issuance of the debentures, partially offset by the coupon interest payments. The 2006 Debentures are denominated in Canadian dollars.

The Corporation issued the JUMI Debentures on January 14, 2010. The value of the liability recognized on initial recognition amounted to \$130.3 million, net of transaction costs of \$1.1 million. Other movement in the debentures is resultant from the accrual of interest, the coupon payment and the strengthening of the Canadian dollar against the US dollar since the issuance of the debentures. The Corporation expects to repay the JUMI debentures at 101% of its face value on closing of the ARMZ transaction. The JUMI Debentures are denominated in Canadian dollars.

The Corporation issued the 2010 Debentures on March 12, 2010. The value of the liability recognized on initial recognition amounted to \$196.8 million, net of transaction costs of \$10.4 million. Other movement in the debentures is resultant from the accrual of interest, the coupon payment and the strengthening of the Canadian dollar against the US since the issuance of the debentures. The 2010 Debentures are denominated in Canadian dollars.

Kyzylkum received secured loans from Kazatomprom in the amount of \$28.6 million, with the option to draw down another \$13.6 million from the \$42.2 million facility. The Corporation's proportionate share of the loan amounts to \$8.6 million. \$16 million of the remaining balance of the JBIC and Citibank loans has been reclassified as current in Q3 2010.

Kyzylkum made scheduled payments of \$9 million against its facilities with JBIC and Citibank and repaid \$17.5 million of the outstanding loan from the Corporation from the proceeds of the Kazatomprom loan.

SKZ-U received unsecured loans from its JBIC facility to the value of \$77.3 million. The Corporation's proportionate share of these loans amounts to \$14.7 million.

Future income tax liabilities increased by \$7.0 million from December 31, 2009, mainly due to the acquisition of Christensen Ranch and Irigaray, which contributed \$13.4 million of the increase. Recovery of future income tax liabilities of the Akdala, South Inkai and Karatau mines resulting from the fair value adjustment on acquisition amounted to \$3.5 million. An increase in the future income tax assets due to temporary differences and tax loss carry forwards of \$4.1 million, decreasing the future income tax liability, accounted for the majority of the remaining movement.

## **EQUITY**

Changes in shareholders' equity consist mainly of the net loss for the year to date of \$41.5 million, an unrealized gain of \$8.5 million recognized on translation of self-sustaining foreign operations, and fair value adjustments on available for sale securities of \$0.1 million.

The value of the equity recognized on initial recognition of the 2010 Debentures amounted to \$44.0 million, net of transaction costs of \$2.1 million and the value of the equity recognized on initial recognition of the JUMI Debentures amounted to \$125.7 million, net of transaction costs of \$1.0 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **WORKING CAPITAL AND CASH GENERATED FROM OPERATIONS**

At September 30, 2010 the Corporation had working capital of \$493.2 million. Included in this amount is cash and cash equivalents of \$422.0 million, which includes the Corporation's proportionate share of cash and cash equivalents at its joint venture operations in Kazakhstan and Australia. Cash held by the Corporation's joint venture operations is applied to the business of the joint ventures and cash flows between the Corporation and the joint ventures normally only occur through loans to the joint ventures and dividends paid by the joint ventures. The Corporation expects that Bepak Dala will fund its capital requirements from cash flow from its operations, without the need for finance from the Corporation or third parties. Karatau is expected to fund its capital requirements through short term loans and cash flow from its operations.

The interest earned on the Corporation's cash balances will be applied to existing commitments in respect of the Corporation's development projects and other current commitments.

The Corporation earns revenue from the sale of uranium from the Akdala, South Inkai and Karatau uranium mines in Kazakhstan. Additional sales revenue will be earned from uranium sales when the Corporation's development projects are commissioned.

Uranium is sold under forward long-term delivery contracts. Contracted deliveries are planned to be filled from the Corporation's mining operations. The ability to deliver contracted product is therefore dependent upon the continued operation of the mining operations as planned. The Corporation has entered into market-related sales contracts with price mechanisms that reference the market price in effect at or near the time of delivery. In addition, the Corporation has negotiated floor price protection in most of its sales contracts. For 2010, committed sales under contract represent approximately 50% of expected production, without taking any available inventory into account.

At September 30, 2010, there were outstanding sales commitments for 2.3 million pounds in respect of sales contracts for the Dominion project, which were not included in the sale of Uranium One Africa. The Corporation plans to meet these commitments from the production of other group entities and, if required, additional purchases from third parties. The Corporation has floor price protection in all of the Dominion contracts and does not expect to incur material losses in satisfying its delivery commitments thereunder.

### **CURRENT AND FUTURE SOURCES OF FUNDING**

Kyzylkum received secured loans from Kazatomprom in the amount of \$28.6 million, with the option to draw another \$13.6 million on the \$42.2 million facility which was negotiated during Q3 2010. The Corporation's proportionate share of the loan amounts to \$8.6 million. \$9.0 million of its outstanding facilities held with other institutions have been repaid during Q3 2010, and \$17.5 million of the loan from the Corporation has been repaid. \$14.1 million of the remaining balance on the loan from the Corporation is expected to be capitalized to Kyzylkum's charter capital during 2011. The capital contribution will be matched by the joint venture partners, with the contributions having no effect on the percentage ownership.

The Corporation utilized the proceeds from the Mitsui transaction for the development of Honeymoon and for general corporate purposes in Australia. In addition to the funds provided by Mitsui, the Corporation expects to contribute \$25 million towards the funding of Honeymoon in 2010, of which \$15.2 million has been contributed up to September 30, 2010.

SKZ-U concluded loan agreements with JBIC in the amount of \$133 million, and Uranium One in the amount of \$31 million to finance the construction of a sulphuric acid plant in Kazakhstan and made the first drawdown of \$65 million under these facilities in April 2010, and the second drawdown \$20 million during September 2010.

According to the terms of the credit facility, the Corporation repaid the outstanding amount of \$65 million during the Q2 2010, and extended the maturity date of the facility to November 30, 2010.

In January 2010, the Corporation received C\$270 million from the issuance of a convertible debenture to JUMI. The Corporation also entered into a C\$260 million bought deal financing of convertible unsecured subordinated debentures, which closed on March 12, 2010.

Upon closing of the ARMZ transaction, the Corporation will receive \$610 million in cash from ARMZ, redeem the JUMI Debentures at 101% of its face value and pay a special dividend of \$1.06 per share to shareholders other than ARMZ. The proposed transaction with ARMZ is therefore expected to result in a net negative cashflow of approximately \$137 million.

The Corporation has not used any of the proceeds from the 2010 Debentures as at September 30, 2010. The Corporation plans to use some of the proceeds of the 2010 debentures to fund the negative cashflow associated with the ARMZ transaction and the remainder, together with working capital on hand, to fund operations and capital expenditures as well as the remaining \$40 million contingent payments pursuant to the Karatau acquisition. Capital expenditures by the Betpak Dala and Karatau joint ventures are expected to be funded through the joint ventures' operating cash flow and short term loans for Karatau.

Uranium One's 2006 Debentures mature on December 31, 2011 and fixed interest at a rate of 4.25% is payable semi-annually in arrears. The JUMI Debentures mature on January 14, 2020 and fixed interest at a rate of 3% is payable semi-annually in arrears. On July 30, 2010, JUMI undertook to exercise its right of repurchase under the terms of the debentures on closing of the ARMZ transaction. The 2010 Debentures mature on March 13, 2015, with interest payable at a rate of 5.0% per annum, payable semi-annually in arrears. The interest rate was reset from 7.5% to 5% on October 13, 2010, the date of receipt of all necessary Kazakh approvals for the conversion of the 2010 Debentures.

In addition to the factors described under "Risks and Uncertainties" below, Uranium One's ability to raise capital is highly dependent on the commercial viability of its projects and the underlying price of uranium. Other risk factors, including the Corporation's ability to develop its projects into commercially viable mines, international uranium industry competition, public acceptance of nuclear power and governmental regulation, can also adversely affect Uranium One's ability to raise additional funding. There is no assurance that additional sources of funding, if required, will be forthcoming. Please refer to "Risks and Uncertainties".

## CONTRACTUAL OBLIGATIONS

A special dividend is payable to shareholders other than ARMZ and the Corporation has to repay the JUMI debenture as a result of the undertaking by JUMI to exercise its right of repurchase, both pursuant to closing of the ARMZ transaction. The only other material changes to the Corporation's contractual obligations during the nine months ended September 30, 2010 resulted from the following, on a attributable basis:

- \$13.8 million drawdown by Karatau against its credit facilities;
- \$18.1 million drawdown by SKZ-U against its credit facilities; and
- \$65.0 million repayment of the Corporation's credit facility.

## COMMITMENTS AND 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.

There were no material changes to the Corporation's commitments and contingencies since December 31, 2009.

## OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

## OUTSTANDING SHARE DATA

As of November 11, 2010, there were issued and outstanding 590,447,532 common shares.

A warrant was issued in connection with the acquisition of the Corporation's interest in Kyzylkum entitling the holder to acquire 6,964,200 shares in Uranium One for no additional consideration upon completion of commissioning of the Kharasan Uranium Project. Uranium One has reserved a total of 57,500 common shares for issuance to third parties under certain property option and joint venture agreements.

As of November 11, 2010, there were 17,904,715 stock options outstanding under Uranium One's stock option plan and the security based compensation plans assumed by the Corporation pursuant to its acquisitions, at exercise prices ranging from C\$0.78 to C\$16.59. There were 391,938 restricted shares outstanding as of November 11, 2010.

Uranium One has the following convertible debentures outstanding:

- The 2006 Debentures, with 155,250 convertible debentures outstanding, each convertible to 50 common shares of Uranium One, representing 7,762,500 common shares;
- The JUMI Debentures, which will be redeemed on closing of the ARMZ transaction, convertible into 117,000,000 common shares of Uranium One; and
- The 2010 Debentures, with 260,000 convertible debentures outstanding, each convertible to 250 common shares of Uranium One, representing 65,000,000 common shares of Uranium One.

## **DIVIDENDS**

There have been no dividend payments on the common shares of Uranium One. Holders of common shares are entitled to receive dividends if, and when declared by the Board of Directors. There are no restrictions on Uranium One's ability to pay dividends except as set out under its governing statute. Uranium One expects to declare a special dividend of \$1.06 per share after initial closing of the ARMZ transaction.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Note 2 to the Corporation's consolidated financial statements for the year ended December 31, 2009 describes all of the Corporation's significant accounting policies.

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

### **MINERAL INTERESTS, PLANT AND EQUIPMENT**

Depreciation and depletion of mineral interests, plant and equipment is primarily calculated using the unit of production method. This method allocates the cost of an asset to each period based on the current period's production as a portion of the total expected production of the life of the mine, or a portion of the estimated recoverable ore reserves. Estimates of the production over the life of the mine and amounts of recoverable reserves are subject to judgment and significant change over time. If actual mineral reserves prove to be significantly different than the estimates, there could be a material impact on the amounts of depreciation and depletion charged to the statement of operations.

### **ASSET RETIREMENT OBLIGATIONS**

Significant decommissioning and reclamation activities are often not undertaken until substantial completion of the useful lives of the productive assets. Regulatory requirements and alternatives with respect to these activities are subject to change over time. A significant change to either the estimated costs or recoverable reserves may result in a material change in the amount charged to earnings.

### **IMPAIRMENT OF LONG-LIVED ASSETS**

The Corporation assesses the carrying value of mineral interests, plant and equipment annually or more frequently if warranted by a change in circumstances. If it is determined that carrying values of the mineral interests, plant and equipment cannot be recovered, the unrecoverable amounts are written off. Recoverability is dependent upon assumptions and judgments regarding future prices, costs of production, sustaining capital requirements and economically recoverable reserves. A material change in assumptions may significantly impact the potential impairment of these assets.

### **TAXES**

The Corporation operates in a number of tax jurisdictions and is therefore required to estimate its income taxes in each of these tax jurisdictions in preparing its consolidated financial statements. In calculating income taxes, consideration is given to factors such as tax rates in the different jurisdictions, non-deductible expenses, valuation allowances, changes in tax laws and management's expectations of future results.

The Corporation estimates future income taxes based on temporary differences between the income and losses reported in its financial statements and its taxable income and losses as determined under the applicable tax laws. The tax effect of these temporary differences is recorded as future tax assets or liabilities in the consolidated financial statements. The calculation of income taxes requires the use of judgment and estimates. If these judgments and estimates prove to be inaccurate, future earnings may be materially impacted. The determination of the ability of the Corporation to utilize tax loss carry-forwards to offset future income tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Corporation. Management is required to assess whether the Corporation is "more likely than not" to benefit from these prior losses and other future tax assets.

Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses. In the event that it is determined that certain of the losses are not likely to be utilized, a valuation allowance would have to be recorded against the recognized future tax assets through a charge to the statement of operations. Conversely, where amounts that are considered not likely to be utilized to reduce future tax payable are determined to be likely to be utilized in the future, the valuation allowances against these losses would be removed by recording a future income tax recovery in the statement of operations.

### **STOCK BASED COMPENSATION**

The Corporation grants stock options and restricted share rights to employees of the Corporation under its stock option and restricted share rights plans. 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 the Black-Scholes pricing model. The fair value of the Awards is expensed over the vesting period of the Awards. In estimating fair value, management is required to make certain assumptions and estimates regarding such items as the life of options and forfeiture rates. Changes in the assumptions used to estimate fair value could result in materially different results.

## **NEW / CHANGES IN ACCOUNTING POLICIES**

The Corporation's accounting policies have been consistently followed except that the Corporation adopted CICA Section 1582 – “*Business Combinations*”, CICA Section 1601 – “*Consolidated Financial Statements*” and Section 1602 – “*Non-controlling Interests*” on January 1, 2010:

CICA Section 1582 – “*Business Combinations*”, which replaces CICA 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's business combinations with acquisition dates on or after January 1, 2011. Early adoption is permitted and the Corporation adopted this standard effective January 1, 2010.

CICA Section 1601 – “*Consolidated Financial Statements*” and Section 1602 – “*Non-controlling Interests*” replaces CICA Handbook Section 1600 - “*Consolidated Financial Statements*”. Sections 1601 and 1602 establish standards for preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. These standards are effective for the Corporation for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted and the Corporation adopted this standard effective January 1, 2010.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

### **Conversion plan**

The Canadian Accounting Standards Board has mandated the adoption of IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the fiscal year immediately preceding the year in which they first adopt IFRS. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting standards which should be addressed.

The Corporation has a multi-year transition plan comprising three major phases; a scoping, planning and assessment phase, a design and build phase and an implement and review phase culminating in the reporting of financial information in accordance with IFRS for Q1 2011.

The Corporation has completed the scoping, planning and assessment phase of the project which resulted in the selection of IFRS accounting policies, transitional exemptions decisions, and the estimation of the impact of these items on the financial statements (discussed in the “Impact of adoption of IFRS” section below).

The International Accounting Standards Board continues to amend and add to current IFRS standards. The Corporation's conversion process includes monitoring actual and anticipated changes to IFRS standards and related rules and regulations and assessing the impacts of these changes on the Corporation and its reporting, including expected dates of when such impacts would be effective.

The Corporation has implemented the necessary changes to its systems and reporting processes including the implementation of new accounting and consolidation systems in various parts of its business in 2009, to support preparation of the IFRS opening balance sheet as at January 1, 2010 and the preparation of its financial statements under IFRS.

The impact of the transition to IFRS on internal controls over financial reporting and disclosure controls and procedures have been determined and the adjusted controls will be implemented concurrently with the processing of the quantified differences on the opening balance sheet.

### **Impact of adoption of IFRS**

IFRS 1, First time Adoption of International Financial Reporting Standards (“IFRS 1”) provides guidance for an entity's initial adoption of IFRS. As a general principle, IFRS 1 requires an entity to apply all International Financial Reporting Standards retrospectively as of the transition date for an entity. IFRS 1 also provides certain mandatory exceptions and limited optional exemptions to assist with difficulties associated with reformulating historical accounting information. Any adjustments arising on the conversion of IFRS from Canadian GAAP will be recognized in the retained earnings balance of the opening balance sheet.

## **IFRS 1: First-time Adoption of International Financial Reporting Standards**

In connection with the application of IFRS 1, the Corporation has made the following significant elections. To the extent such elections will result in adjustments to the opening balance sheet, the preliminary adjustments are also discussed below.

### *Fair value as deemed cost*

IFRS 1 allows an entity to measure an item of property, plant and equipment and investment property upon transition to IFRS at fair value as deemed cost (or under certain circumstances using a previous GAAP revaluation) as opposed to full retroactive application of the cost model under IFRS.

The Corporation has elected to use the fair value as deemed cost for selected properties. This will limit the IFRS requirement to reverse impairments previously recognized on certain long lived assets.

### *Business combinations*

IFRS 1 generally provides for the business combinations standard to be applied either retrospectively or prospectively from the date of transition to IFRS (or to restate all business combinations after a selected date). Retrospective application would require an entity to restate all prior transactions that meet the definition of a business under IFRS. Prospective application would not require an entity to restate prior transactions but would require the recognition of certain assets and liabilities (as defined by IFRS 1) that were acquired or assumed in past business combinations that would not necessarily have been recognized under Canadian GAAP.

The Corporation has elected to apply the business combination standard prospectively, and as such, will have to recognize contingent liabilities and payments from previous business combinations set out in note 26 of the 2009 annual financial statements. Cash contingent payments will be recognized as liabilities and equity payments will be recognized in equity as part of the contributed surplus.

### *Cumulative translation losses*

An entity may elect to deem the cumulative differences that result from the translation of its foreign operations to the reporting currency to be zero at the transition date. This will result in the exclusion of translation differences that arose prior to the transition date from gains or losses on a subsequent disposal of a foreign operation.

The Corporation has elected to reset the cumulative translation losses to zero on transition date, resulting in a preliminary adjustment of \$120 million against retained earnings on the opening balance sheet, after the incorporation of other IFRS differences.

### *Borrowing costs*

Prior to January 1, 2009, the capitalization of borrowing costs was optional under IFRS. At adoption, an entity may designate any date on or before January 1, 2010 to commence capitalization of borrowing costs relating to all qualifying development projects.

The Corporation has elected to commence capitalization of borrowing costs on January 1, 2010.

## **IFRS accounting policy changes**

The following discussion outlines the significant accounting policies, which are required, or are currently expected to be applied by the Corporation, on its adoption of IFRS that will be significantly different than its Canadian GAAP accounting policies. Some of the differences may only affect future transactions and may not have an impact on the opening balance sheet. This discussion has been prepared using the standards and interpretations currently issued and expected to be effective for the Corporation's first annual reporting period under IFRS for the year ended December 31, 2011. Certain accounting policies currently expected to be adopted under IFRS and the application of such policies to certain transactions or circumstances may be modified and, as a result, the impact may be different than the Corporation's current expectations.

### *IAS 36 - Impairment of assets*

Under Canadian GAAP, impairment is recognized for non-financial assets based on estimated fair value when the undiscounted future cash flows from an asset, or group of assets, is less than the carrying value.

Under IFRS, an entity is required to recognize an impairment charge if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or value-in-use, is less than its carrying value. Value in use is the discounted present value of estimated future cash flows expected to arise from the planned use of an asset and from its disposal at the end of its useful life.

IFRS also requires the reversal of an impairment loss when the recoverable amount is higher than the carrying value (by no more than what the depreciated amount of the asset would have been had the impairment not occurred) unlike Canadian GAAP, which does not permit reversals.

The Corporation is performing an analysis of impairment for its properties on the transition date. The preliminary assessment indicated an IFRS impairment of \$63 million would be recognized on the Honeymoon project. The Corporation is still assessing potential impairments on its operations in the United States and Kazakhstan.

#### *IFRS 2 - Share based payments*

Under Canadian GAAP, the Corporation elected to accrue compensation cost as if all instruments granted were expected to vest and recognize the effect of actual forfeitures as they occur.

Under IFRS, an entity is required to estimate the number of equity-settled instruments that are expected to vest and then make adjustments to the actual number that vest unless forfeitures are due to market-based conditions.

The preliminary adjustments for forfeiture rates are an increase in equity of \$1 million, and a decrease in retained earnings of \$1 million on the opening balance sheet.

#### *IAS 21- The effects of changes in foreign exchange rates*

Under Canadian GAAP, there are various indicators to be considered in determining the appropriate functional currency of a foreign operation and such indicators are similar to those under IFRS.

When the assessment of functional currency under IFRS provides mixed indicators and the functional currency is not obvious, priority should be given to certain indicators.

As the Corporation has interests in entities that prepare stand alone IFRS financial statements, the functional currency used in such financial statements needs to be consistent with the functional currency used in the group financial statements. The Corporation has identified certain entities where the functional currency will change to the local currency on transition to IFRS and this will result in non-monetary assets and liabilities being translated to the reporting currency using the closing rate on balance sheet date, compared to the historical rate.

The preliminary adjustments for changes in currency translation adjustments are a decrease in assets of \$136 million, and a decrease in equity of \$136 million on the opening balance sheet.

#### *IAS 37 – Provisions, contingent liabilities and contingent assets*

Under Canadian GAAP, the discount rate used in determining the asset retirement obligation would be the Corporation's credit adjusted risk free rate and is adjusted only for new obligations incurred. The standard also requires the use of external costs in the determination of the asset retirement obligation.

Under IFRS, the discount rate used in determining the asset retirement obligation reflects current market assessments of the time value of money adjusted for specific risks not reflected in the underlying cash flows associated with the liability and is adjusted periodically. There is no requirement to use external costs to determine an asset retirement obligation if the Corporation will use its own resources to perform the related work.

The preliminary adjustment for asset retirement obligations are an increase in assets of \$2 million, and an increase in liabilities of \$2 million on the opening balance sheet.

#### *IAS 23 - Borrowing costs*

Under Canadian GAAP, interest and borrowing costs may be capitalized as part of the cost of a qualifying asset. The Corporation's policy was not to capitalize borrowing costs.

Under IFRS, interest and borrowing costs are capitalized as part of the costs of a qualifying asset.

The recognition of changes in borrowing costs is not expected to result in any adjustments to the opening balance sheet.

#### *IAS 39 – Financial instruments*

Under Canadian GAAP, embedded derivative accounting is not required for a cash conversion option included as a feature of a convertible debenture, as the cash conversion feature is regarded as a settlement feature of the instrument.

Under IFRS, a cash conversion option included as a feature of a convertible debenture meets the definition of an embedded derivative and is required to be separated and accounted for as a derivative instrument.

The recognition of embedded derivatives is not expected to result in any adjustments to the opening balance sheet.

## IAS 12 – Income taxes

Under Canadian GAAP, future income tax assets and liabilities are recognized at the time of acquisition for all assets (not just those acquired in a business combination) as an adjustment to the cost of the asset. Consequently, the carrying amount of the asset represents the minimum future cash flows necessary to recover the investment in the asset, including any associated tax consequences. Future income taxes are classified as current and non-current based on classification of the underlying assets or liabilities.

Under IFRS, a deferred tax asset or liability is only recognized for assets or liabilities that are acquired through a business combination. The recognition of deferred tax on the initial recognition of an asset or liability in any other circumstances is prohibited. Deferred tax is classified as non-current.

The adjustment to income taxes is not expected to result in any adjustments to the opening balance sheet.

## RISKS AND UNCERTAINTIES

The Corporation's operations and results are subject to various risks and uncertainties. These include, but are not limited to, the following: exploration and mining involves operational risks and hazards; mineral resources and mineral reserves are estimates only; there is no certainty that further exploration will result in new economically viable mining operations or yield new reserves to replace and expand current reserves; Uranium One cannot give any assurance that any of its development projects will become operating mines; or that any of its operations on care and maintenance will become operational; mineral rights and tenures may not be granted or renewed on satisfactory terms and may be revoked, altered or challenged by third parties; limited supply of desirable mineral lands for acquisition; risks and problems associated with integrating acquisitions; competition in marketing uranium; competition from other sources of energy and public acceptance of nuclear energy; volatility and sensitivity to uranium prices; the capital requirements to complete the Corporation's current projects and expand its operations are substantial; the integration of acquisitions; currency fluctuations; potential conflicts of interest; the Corporation's operations and activities are subject to environmental risks; government regulation may adversely affect the Corporation; the risks of obtaining and maintaining necessary licences and permits; risks associated with foreign operations including, in relation to Kazakhstan, the risk of future sulphuric acid constraints and in relation to Kyrgyzstan, the risk of continued disruption of shipments to and from external processing facilities affecting deliveries to customers and the Corporation is dependent on key personnel.

In November 2007, Kazakhstan enacted legislation giving the government the right in certain circumstances to re-negotiate previously concluded subsoil use contracts. Together with its joint venture partner, Kazatomprom, the Corporation has been reviewing the potential impact and application of this legislation. Based on these discussions, the Corporation understands that the legislation is not directed at the uranium mining industry in Kazakhstan.

Uranium One's risk factors are discussed in detail in its Annual Information Form for the year ended December 31, 2009, which is available on SEDAR at [www.sedar.com](http://www.sedar.com), and should be reviewed in conjunction with this document.

## STOCK OPTION AND RESTRICTED SHARE PLANS

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

Under the Corporation's restricted share plan, restricted share rights exercisable for common shares of Uranium One at the end of a restricted period, for no additional consideration, are granted by the Board of Directors in its discretion to eligible directors, officers and employees. The aggregate maximum number of common shares available for issuance under the restricted share plan is capped at three million. The number of shares available for issuance to non-employee directors may not exceed 0.5% of the total number of common shares outstanding on a non-diluted basis.

During Q3 2010 stock options and restricted share rights activity was as follows:

- 49,000 options were granted during the quarter.
- 1,585,966 options were exercised.
- 844,215 options lapsed.
- 37,221 restricted share rights were exercised.
- 5,500 restricted share rights were cancelled.

## DISCLOSURE CONTROLS AND PROCEDURES

The Corporation's management, with the participation of its President and Chief Executive Officer and Interim Chief Financial Officer, are responsible for establishing and maintaining adequate disclosure controls. Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including Uranium One's President and Chief Executive Officer and Interim Chief Financial Officer, so that appropriate decisions can be made regarding public disclosure, and information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in securities legislation.

## INTERNAL CONTROLS AND PROCEDURES

The Corporation's management, with the participation of its President and Chief Executive Officer and Interim Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Interim Chief Financial Officer, the Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

There have been no material changes in the Corporation's internal control over financial reporting during the quarter ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## OUTLOOK

During the remainder of 2010 and in 2011, the Corporation is focused on maintaining production from Akdala at current levels, ramping up production at Karatau and South Inkai towards a level of 5.2 million pounds (2,000 tonnes U) in 2011, successfully commissioning its development projects, controlling costs at its operations and remaining a reliable supplier of U<sub>3</sub>O<sub>8</sub> to the nuclear fuel industry. The Corporation's total attributable production guidance for 2010 remains unchanged at 7.0 million pounds.

Assuming the completion of the acquisition of the joint venture interest in Akbastau and Zarechnoye by the end of 2010, the Corporation's attributable production estimate for 2011 is 10.5 million pounds and is made up as follows:

Operation	Status	Total estimated 2011 production (millions of lbs)	Ownership %	Estimated attributable 2011 production (millions of lbs)
Akdala	Producing	2.6	70%	1.8
South Inkai	Producing	5.0	70%	3.4
Karatau	Producing	4.6	50%	2.4
Akbastau	Producing	2.4	50%	1.2
Zarechnoye	Producing	2.0	49.67%	1.0
Powder River Basin	Commissioning / Producing	0.3	100%	0.3
Honeymoon	Commissioning / Producing	0.4	51%	0.2
Kharasan	Commissioning	0.7	30%	0.2
<b>Totals:</b>		<b>18.0</b>		<b>10.5</b>

Attributable production for 2012 is estimated to be 12.5 million pounds.

During 2011, the average cash cost per pound sold, including Kazakh mineral extraction tax, is expected to be as follows:

Mine	2011 - Estimated average cash cost (\$/lb)
Akdala	14
South Inkai	19
Karatau	12
Akbastau	18
Zarechnoye	21
Powder River Basin	25
Honeymoon	35

During the ramp-up to design capacity of 2,000 tonnes U per year, unit costs of production at South Inkai are expected to be higher than the costs during a steady state of operation. This is primarily due to the fact that sulphuric acid used to acidify production blocks is expensed in the period of acidification. During periods of production ramp-up, unit costs of production will therefore be higher and will only stabilize when the operation reaches steady state production. During steady state, production costs at South Inkai are expected to be higher than Akdala and Karatau mainly due to higher sulphuric acid consumption rates at South Inkai.

Excluding sales under offtake agreements negotiated with ARMZ and the Japanese Consortium, the Corporation currently has contracts for the sale of an aggregate of 24 million attributable pounds, including 5 million pounds which will be sold at an average fixed price of \$66 per pound (subject to escalation) and 12 million pounds which has been contracted with weighted average floor prices of approximately \$48 per pound. The remainder of contracted attributable sales are not subject to floors and such sales are related to the market price of U<sub>3</sub>O<sub>8</sub> at the time of delivery.

For 2011, the Corporation expects to sell approximately 9.5 million attributable pounds, excluding sales during commissioning. Excluding sales under the offtake agreement negotiated with ARMZ, the Corporation has already contracted for the sale of 3.9 million attributable pounds in 2011, of which 3.6 million pounds have weighted average floor prices of approximately \$48 per pound.

For 2012, the Corporation expects to sell approximately 12.0 million attributable pounds, excluding sales during commissioning. Excluding sales under the offtake agreement negotiated with ARMZ, the Corporation has already contracted for the sale of 3.7 million attributable pounds in 2012, of which 3.2 million pounds have weighted average floor prices of approximately \$48 per pound.

The Corporation's estimated capital expenditure and funding per project for 2011 are expected to be as follows:

Mine / project	2011 - Estimated capital expenditure in \$'millions					
	Wellfield development	Resource definition drilling	Plant and equipment and other	Total	Ownership %	Total
		100%				Attributable
<b>Kazakhstan</b>						
Akdala	5	2	28	35	70%	25
South Inkai	17	2	30	49	70%	34
Karatau	15	9	21	45	50%	23
Akbastau	29	15	72	116	50%	58
Zarechnoye	11	7	12	30	49.67%	15
Kharasan <sup>(1)</sup>	21	9	-	30	30%	9
SKZ-U	-	-	111	111	19%	21
<b>Subtotal - Kazakhstan</b>	<b>98</b>	<b>44</b>	<b>274</b>	<b>416</b>		<b>185</b>
<b>Australia and United States</b>						
Honeymoon	3	-	5	8	51%	4
Powder River Basin	24	-	22	46	100%	46
Great Divide Basin	-	-	1	1	100%	1
Other	-	-	2	2		2
<b>Subtotal - Australia and United States</b>	<b>27</b>	<b>-</b>	<b>30</b>	<b>57</b>		<b>53</b>
<b>Totals:</b>	<b>125</b>	<b>44</b>	<b>304</b>	<b>473</b>		<b>238</b>

(1) - Sales during commissioning are offset against the estimated capital expenditure

Capital expenditure in 2011 makes provision for the following:

- Akdala: wellfield development, resource definition drilling, construction of a satellite processing plant, refurbishment and relocation of the camp facilities;
- South Inkai: wellfield development, resource definition drilling, expansion of the drying facility to process Akdala material as well as upgrading of the plant and camp;
- Karatau: wellfield development, resource definition drilling, completion of the plant expansion to accommodate the processing of Akbastau material and expansion of the camp;
- Akbastau: wellfield development, resource definition drilling, completion of ponds, piping and infrastructure development, construction of the satellite plants and a new camp; and
- Zarechnoye: wellfield development, resource definition drilling, and sustaining capital.

Other estimated expenditures by the Corporation in 2011 are expected to be as follows:

Item	2011 - Estimated in \$'millions
General and administrative (excluding stock based compensation)	37
Restructuring and other non-recurring costs	11
Exploration	7

## FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION

*This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the price of uranium, the estimation of mineral resources and reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, the timing of uranium processing facilities being fully operational, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, market conditions, corporate plans, objectives and goals, requirements for additional capital, government regulation of mining operations, the estimation of mineral resources and reserves, the realization of resource and reserve estimates, environmental risks, unanticipated reclamation expenses, the timing and potential effects of proposed acquisitions and divestitures, title disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, possible variations in grade and ore densities or recovery rates, failure of plant, equipment or processes to operate as anticipated, possible shortages of sulphuric acid in Kazakhstan, possible changes to the tax code in Kazakhstan, accidents, labour disputes or other risks of the mining industry, delays in obtaining government approvals or financing or in completion of development or construction activities, risks relating to the completion and integration of acquisitions, risks relating to the completion of the transaction with ARMZ, to international operations, to prices of uranium as well as those factors referred to in the section entitled "Risk factors" in Uranium One's Annual Information Form for the year ended December 31, 2009 which is available on SEDAR at [www.sedar.com](http://www.sedar.com), and which should be reviewed in conjunction with this document. Although Uranium One has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Except as required under applicable securities laws, Uranium One undertakes no obligation to update publicly or revise any forward looking statements, whether as a result of new information, future events, or otherwise.*

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

*This document and the Corporation's other publicly filed documents use the terms "measured", "indicated" and "inferred" resources as defined in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects. United States investors are advised that while these terms are recognized and required by Canadian regulations, the SEC does not recognize them. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into reserves. In addition, "inferred resources" have a great amount of uncertainty as to their existence and economic and legal feasibility and it cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Investors are cautioned not to assume that all or any part of an inferred resource exists or is economically or legally mineable. Mineral resources are not mineral reserves and do not have demonstrated economic viability.*

*Scientific and technical information contained herein has been reviewed on behalf of the Corporation by Mr. M.H.G. Heyns, Pr.Sci.Nat. (SACNASP), MSAIMM, MGSSA, Senior Vice President Technical Services of the Corporation, Mr. Wayne Valliant, P.Geo. of Scott Wilson Roscoe Postle Associates Inc. (for Akbastau resources only), Mr. Hrayr Agnerian, P.Geo. of Scott Wilson Roscoe Postle Associates Inc. (for Akbastau and Zarechnoye resources only), Mr. Gerd Wiatzka, P.Eng. of SENES Consultants Limited (for Akbastau and Zarechnoye environmental considerations only), Mr. Dennis Bergen, P. Eng. of Scott Wilson Roscoe Postle Associates Inc. (for the Akbastau preliminary assessment and Zarechnoye reserves, mining and processing and modelling only), all qualified persons for the purposes of NI 43-101.*