

# management 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 months ended March 31, 2011, together with certain trends and factors that are expected to impact the rest of its 2011 financial year. Information herein is presented as of May 10, 2011 and should be read in conjunction with the interim consolidated financial statements of the Corporation for the three months ended March 31, 2011 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 International Financial Reporting Standards ("IFRS") or ("GAAP"). All amounts are in US dollars and tabular amounts are in millions, except where otherwise indicated. Canadian dollars are referred to herein as C\$. Australian dollars are referred to herein as A\$. The functional currency of Uranium One, is the Canadian dollar.

References herein to "Q1 2010" and "Q1 2011" refer to the three months ended March 31, 2010 and March 31, 2011, 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.

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

## **HIGHLIGHTS**

## Operational

- Total attributable production during Q1 2011 was a record 2.4 million pounds, 33% higher than total attributable production of 1.8 million pounds during Q1 2010.
- The average total cash cost per pound sold was \$14 during Q1 2011, 22% lower than the average cash cost per pound sold of \$18 during Q1 2010.
- First full quarter of attributable production from the recently acquired Akbastau and Zarechnoye mines was 366,900 pounds and 231,000 pounds, respectively.

#### Financial

- Attributable sales volumes during Q1 2011 were 1.7 million pounds, 120% higher than 0.8 million pounds sold during Q1 2010.
- Revenue was \$101.9 million in Q1 2011, 187% higher than \$35.5 million in Q1 2010. The average realized sales price during Q1 2011 was \$61 per pound compared to \$46 per pound in Q1 2010. The average spot price in Q1 2011 was \$68 per pound.
- Earnings from mine operations were \$51.2 million during Q1 2011, a 428% increase from earning from mine operations of \$9.7 million in Q1 2010, due to increased sales volumes, an increase in the realized sales price and decreased operating expenses
- Net income during Q1 2011 was \$14.0 million, or \$0.01 per share compared to a net loss of \$1.4 million or nil per share during Q1 2010.
- Adjusted net income during Q1 2011 was \$14.7 million, or \$0.02 per share compared to an adjusted net loss of \$10.5 million or \$0.02 per share in Q1 2010.

# Corporate

On March 21, 2011, ARMZ and Uranium One announced revised terms for ARMZ's acquisition of Mantra Resources, initially announced on December 15, 2011. Uranium One's option to acquire Mantra from ARMZ was also revised to allow for the option period to be extended to 24 months.

# OUTLOOK

- The serious incident at Fukushima will have-near term impact on uranium demand due to loss of capacity, program delays and extended outages due to inspections and upgrades; however, broader growth rates for nuclear power remain robust on the strength of the emerging markets of China, India, Russia and the Middle East. The Corporation believes that market conditions will continue to be favourable for lower cost, diversified producers like Uranium One.
- The total attributable production guidance for 2011 remains at 10.5 million pounds, consisting 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 \$18 per pound, based on \$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 optional quantities under off-take agreements negotiated with ARMZ and the JUMI consortium, the Corporation currently has contracts for the sale of an aggregate of 22 million attributable pounds to customers, including 5 million pounds which will be sold at an average fixed price of \$65 per pound (subject to escalation) and 12 million pounds which has been contracted with weighted average floor prices of approximately \$47 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 revised its attributable capital expenditures in 2011 to \$74 million for wellfield development, \$21 million for resource definition drilling and \$139 million for plant and equipment, totalling \$234 million. The reduction is due to decreases of \$10 million for plant and equipment and \$9 million for wellfield development at the Akbastau mine.
- 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 \$7 million, and exploration expenses are expected to be \$7 million.

# **KEY STATISTICS**

TOTAL ATTRIBUTABLE PRODUCTION	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Attributable commercial production (lbs)					
Akdala	407,500	453,200	448,000	489,200	489,900
South Inkai	669,800	782,700	770,300	769,700	771,700
Karatau	633,000	769,500	473,300	521,100	458,600
Akbastau <sup>(1)</sup>	366,900	16,700	-	-	-
Zarechnoye (1)	231,000	16,300	-	-	-
Subtotal	2,308,200	2,038,400	1,691,600	1,780,000	1,720,200
Attributable production during commissioning (lbs)					
Kharasan	71,100	68,400	55,100	43,600	33,500
Willow Creek Project	16,500	-	-	-	-
	87,600	68,400	55,100	43,600	33,500
Total attributable production	2,395,800	2,106,800	1,746,700	1,823,600	1,753,700

## Note:

Akbastau and Zarechnoye were acquired on December 27, 2010. Production therefore represents the period from acquisition to December

FINANCIAL	Q1 2011	Q1 2010
Attributable production (lbs) (1)	2,308,200	1,720,200
Attributable sales (lbs) (1)	1,681,700	764,400
Average realized sales price (\$ per lb) (2)	61	46
Average cash cost of production sold (\$ per lb) <sup>(2)</sup>	14	18
Revenues (\$ millions)	101.9	35.5
Earnings from mine operations (\$ millions)	51.2	9.7
Net earnings / (loss) (\$ millions)	14.0	(1.4)
Net earnings / (loss) per share – basic and diluted (\$ per share)	0.01	(0.00)
Adjusted net earnings / (loss) (\$ millions) <sup>(2)</sup>	14.7	(10.5)
Adjusted net earnings / (loss) per share – basic and diluted (\$ per share)(2)	0.02	(0.02)

## Notes:

Attributable production and sales are from assets owned and in commercial production during the period (For Q1 2011: Akdala, South Inkai, Karatau, Akbastau and Zarechnoye; for Q1 2010: Akdala, South Inkai and Karatau only).

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

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, a 50% interest in the Akbastau joint venture, which owns the Akbastau uranium mine in Kazakhstan, a 49.67% interest in the Zarechnoye joint venture, which owns the Zarechnoye 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
Akbastau JSC <sup>(1)</sup>	Akbastau Uranium Mine	Kazakhstan	Producing	50% J.V. interest
Zarechnoye JSC <sup>(1)</sup>	Zarechnoye Uranium Mine	Kazakhstan	Producing	49.67% J.V. interest

#### Advanced development projects

Entity	Project	Location	Status	Ownership
Kyzylkum LLP	Kharasan Uranium Project	Kazakhstan	Commissioning <sup>(2)</sup>	30% J.V. interest
Uranium One Americas, Inc.	Willow Creek Project	USA	Commissioning <sup>(3)</sup>	100% interest

The Corporation is also developing the following mineral properties:

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

## Notes:

The Akbastau and Zarechnoye Uranium Mines were acquired on December 27, 2010.

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.

Commissioning at the Willow Creek Project commenced on December 20, 2010 with operation of the initial well field at Christensen Ranch. Commissioning will be completed when a pre-defined operating level, based on the design of the plant, is maintained.

# 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 582,100 pounds (224 tonnes U) during Q1 2011, of which 407,500 pounds (157 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:

	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m³/hour)	Concentration in solution (mg U/I)	Production (lbs)
Q2 2010	81	215	1,745	70	698,800
Q3 2010	65	210	1,691	67	640,000
Q4 2010 Q1 2011	65 56	209 209	1,677 1,763	65 64	647,500 582,100

A total of 56 wells were installed during Q1 2011. The program for 2011 provides for the installation of 247 wells to achieve the production target for the year.

Acidification of one production block commenced during the quarter. The average flow rates, concentration in solution and production for Q1 2011 is in line with the plan for the year and Akdala is on track to meet its production target of 2.6 million pounds in 2011.

Akdala contracted an engineering company in Kazakhstan to design a satellite plant to facilitate treatment of solutions from production blocks located approximately 15 kilometres to the east of the current central processing facilities in an area known as Letniy. The approval of detailed design of the satellite plant was received during Q2 2010. Construction of the satellite plant is scheduled for 2011. Production from new well fields in the Letniy area is expected to commence by the end of 2011.

Capital expenditure incurred during Q1 2011 was \$1.0 million. Capital expenditure incurred by Betpak Dala at Akdala in 2011 is expected to be approximately \$35 million on a 100% basis, of which \$28 million is planned to be spent on the construction of satellite plant and fixed asset purchases, with the balance expected to be spent on well-field development and resource definition drilling.

# **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	3 months ended								
Corporation's attributable share)	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009 <sup>(1)</sup>	Sep 30, 2009 <sup>(1)</sup>	Jun 30, 2009 <sup>(1)</sup>	
Production in lbs	407,500	453,200	448,000	489,200	489,900	531,100	464,200	438,800	
Sales in lbs	73,400	870,800	214,000	611,700	212,500	710,400	259,000	210,100	
Inventory in lbs	956,000	626,300	1,047,700	808,000	936,000	666,600	849,300	655,100	
Revenues (\$'millions)	4.5	47.9	11.3	25.6	8.8	32.8	12.9	10.0	
Operating expenses (\$'millions)	0.9	10.9	2.6	7.3	2.8	8.6	3.0	2.7	
Operating expenses (\$/lb sold)	13	13	12	12	13	12	12	13	
Depreciation (\$'millions)	0.8	8.9	2.3	6.0	2.0	7.2	2.9	2.5	
Depreciation (\$/lb sold)	11	10	11	10	10	10	11	12	

## Note:

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.

The cash cost of production for Q1 2011 at \$13 per pound sold is in line with the Corporation's guidance of \$14 per pound sold.

Information for periods prior to January 1, 2010, the date of the Corporation's transition to IFRS, has been prepared in accordance with Canadian generally accepted accounting principles and have not been restated to comply with IFRS.

## 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 957,000 pounds (368 tonnes U) in Q1 2011, of which 669,800 pounds (258 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 (m³/hour)	Concentration in solution (mg U/I)	Production (lbs)
Q2 2010	106	229	2,215	87	1,099,600
Q3 2010	80	255	2,339	83	1,100,400
Q4 2010	59	280	2,568	73	1,118,100
Q1 2011	137	294	2,784	67	957,000

A total of 137 wells were installed during Q1 2011. The program for 2011 provides for the installation of 472 wells to achieve the production target for the year.

One production block was acidified and placed into production during the quarter. The new block achieved lower than expected concentration in solution, decreasing the average concentration. It is expected that production blocks to be placed into production in Q2 and Q3 2011 will increase the average concentration in solution to planned levels. Despite the lower than expected production result during Q1 2011, the Corporation expects to make up the difference during the remainder of 2011 to achieve its annual production target of 5.0 million pounds on a 100% basis.

Capital expenditure incurred during Q1 2011 was \$5 million during the quarter. Capital expenditure incurred by Betpak Dala at South Inkai in 2011 is expected to be approximately \$49 million on a 100% basis, of which \$17 million is related to well-field development, \$2 million is related to resource definition drilling and \$30 million is related to construction activities and fixed asset purchases.

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

(All figures are the	3 months ended									
Corporation's attributable share)	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009 <sup>(1)</sup>	Sep 30, 2009 <sup>(1)</sup>	Jun 30, 2009 <sup>(1)</sup>		
Production in lbs	669,800	782,700	770,300	769,700	771,700	547,000	343,000	376,700		
Sales in lbs	924,100	965,300	436,400	645,800	420,100	535,700	164,100	175,000		
Inventory in lbs	1,245,400	1,500,200	1,684,900	1,360,200	1,230,100	903,900	897,700	729,500		
Revenues (\$'millions)	60.6	50.8	20.6	28.6	21.2	25.7	8.4	8.6		
Operating expenses (\$'millions)	15.3	15.1	8.0	13.1	9.6	11.2	3.3	4.0		
Operating expenses (\$/lb sold)	17	16	18	20	23	21	20	23		
Depreciation (\$'millions)	9.9	10.9	5.4	7.5	5.7	8.8	2.7	2.8		
Depreciation (\$/lb sold)	11	11	12	12	14	16	17	16		

## Note:

The cash cost of production for Q1 2011 at \$17 per pound sold is in line with the Corporation's guidance of \$19 per pound sold.

Information for periods prior to January 1, 2010, the date of the Corporation's transition to IFRS, has been prepared in accordance with Canadian generally accepted accounting principles and have not been restated to comply with IFRS.

# 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 2011.

Production: Production from Karatau was 1,265,900 pounds (487 tonnes U) in Q1 2011, of which 633,000 pounds (244 tonnes U) is attributable to the Corporation.

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

	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m³/hour)	Concentration in solution (mg U/I)	Production (lbs)
Q2 2010	72	108	1,061	170	1,042,100
Q3 2010	85	111	963	173	946,700
Q4 2010	73	135	1,448	182	1,538,900
Q1 2011	45	123	1,404	175	1,265,900

A total of 45 wells were installed during Q1 2011. The program for 2011 provides for the installation of 282 wells to achieve the production target for the year.

Acidification of two new production blocks commenced during Q1 2011. The average flow rates, concentration in solution and production for Q1 2011 is in line with the plan for the year and Karatau is on track to meet its production target of 4.6 million pounds in 2011.

Capital expenditure incurred during Q1 2011 was \$ 9.4 million. Capital expenditure incurred by Karatau in 2011 is expected to be approximately \$45 million on a 100% basis, of which \$15 million is related to well-field development, \$9 million is related to resource definition drilling and \$21 million is related to construction activities and fixed asset purchases.

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					
(All figures are the Corporation's attributable share)	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009 <sup>(1) (2)</sup>
Production in lbs	633,000	769,500	473,300	521,100	458,600	73,100
Sales in lbs	448,500	899,000	1,050,900	260,000	131,800	252,800
Inventory in lbs	587,200	402,600	533,800	1,111,300	866,900	540,000
Revenues (\$'millions)	23.2	47.3	41.2	11.4	5.5	10.7
Operating expenses (\$'millions)	3.6	7.5	9.0	1.8	1.6	3.1
Operating expenses (\$/lb sold)	8	8	9	7	12	12
Depreciation (\$'millions)	7.7	16.2	17.6	5.6	4.1	7.6
Depreciation (\$/lb sold)	17	18	17	22	31	30

## Notes:

The cash cost of production for Q1 2011 at \$8 per pound sold for Q1 2011 is lower than the Corporation's guidance of \$12 per pound sold, due to lower than expected expenditure in Q1 2011.

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

Information for periods prior to January 1, 2010, the date of the Corporation's transition to IFRS, has been prepared in accordance with Canadian generally accepted accounting principles and have not been restated to comply with IFRS.

## **AKBASTAU URANIUM MINE**

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

Akbastau is licensed to mine 4,992,000 pounds (1,920 tonnes U) per year from sections 1 and 3 of the Budenovskoye deposit. Akbastau is also planning on commencing production from section 4 of the Budenovskove deposit following receipt of required regulatory approvals. Akbastau is adjacent to the Karatau mine, which is licensed to mine section 2 within the southern subfield of the Budenovskoye deposit. Akbastau entered into a toll processing agreement with Karatau, under which solutions mined at Akbastau are currently processed at Karatau.

Production: Production from Akbastau was 733,800 pounds (282 tonnes U) in Q1 2011, of which 366,900 pounds (141 tonnes U) is attributable to the Corporation.

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

	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m³/hour)	Concentration in solution (mg U/I)	Production (lbs)
Q4 2010 <sup>(1)</sup>	7	47	387	288	33,400
Q1 2011	52	57	546	259	733,800

## Note:

A total of 52 wells were installed during Q1 2011. The program for 2011 provides for the installation of 141 wells to achieve the production target for the year.

One new block was placed into production during Q1 2011. The average flow rates, concentration in solution and production for Q1 2011 is in line with the plan for the year and Akbastau is on track to meet its production target of 2.4 million pounds in 2011.

Capital expenditure incurred during Q1 2011 was \$ 7.2 million. Capital expenditure incurred by Akbastau in 2011 is expected to be \$97 million on a 100% basis, of which \$20 million is for well field development, \$15 million for resource definition drilling and \$62 million for the construction of processing facilities and infrastructure.

Financial information: The following table shows the attributable production, sales and production costs for Akbastau since acquisition on December 27, 2010:

	3 months ended	Period ended	
(All figures are the Corporation's attributable share)	Mar 31, 2011	Dec 31, 2010 <sup>(1)</sup>	
Production in lbs	366,900	16,700	
Sales in lbs	129,600	-	
Inventory in lbs	594,800	360,500	
Revenues (\$'millions)	8.2	-	
Operating expenses (\$'millions)	1.7	-	
Operating expenses (\$/lb sold)	13	-	
Depreciation (\$'millions)	6.4	-	
Depreciation (\$/lb sold)	49	-	

## Note:

Depreciation recognized include fair value adjustments processed against finished product on hand on the acquisition date. The fair value adjustment is recognised as non-cash Depreciation with the subsequent sale of the inventory. The Corporation expects depreciation per pound sold to decrease to approximately \$13 per pound sold during 2011.

Since the acquisition date of December 27, 2010.

Attributable values since the acquisition date of December 27, 2010

## **ZARECHNOYE URANIUM MINE**

Zarechnoye is an operating ISR uranium mine located in the Syrdarya basin in the Otrar region, South Kazakhstan Oblast. The Corporation has a 49.67% indirect interest in the Zarechnoye uranium mine through its 49.67% interest in the Zarechnoye joint venture. Kazatomprom owns a 49.67% share of the Zarechnoye joint venture and the remaining shareholding is held by a Kyrgyz company.

The design capacity of the Zarechnoye mine is 2,522,000 pounds (970 tonnes U) per year. It is expected that the annualized rate of production will reach this level in 2012. In addition, potential production from a satellite deposit known as South Zarechnoye could be 1,600,000 pounds (615 tonnes U) per year following additional resource definition drilling and receipt of applicable permits.

Production: Production from Zarechnoye was 465,000 pounds (179 tonnes U) in Q1 2011, of which 231,000 pounds (89 tonnes U) is attributable to the Corporation.

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

	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m³/hour)	Concentration in solution (mg U/I)	Production (lbs)
Q4 2010 <sup>(1)</sup>	1	153	2,293	48	32,600
Q1 2011	81	154	2,231	42	465,000

#### Note:

A total of 81 wells were installed during Q1 2011. The program for 2011 provides for the installation of 320 wells to achieve the production target for the year.

One new block was placed into production during Q1 2011. The average flow rates, concentration in solution and production for Q1 2011 is in line with the plan for the year and Zarechnove is on track to meet its production target of 2.0 million pounds in 2011.

Capital expenditure incurred during Q1 2011 was \$ 6.0 million, compared to the budget of \$ 6.9 million. Capital expenditure incurred by Zarechnoye in 2011 is expected to be \$30 million on a 100% basis, of which \$21 million is for well field development and \$9 million for resource definition drilling.

Financial information: The following table shows the attributable production, sales and production costs for Zarechnoye since acquisition on December 27, 2010:

3 months ended	Period ended	
Mar 31, 2011	Dec 31, 2010 <sup>(1)</sup>	
231,000	16,300	
106,100	143,300	
224,000	103,600	
5.4	6.3	
1.8	2.3	
17	16	
2.6	3.9	
22	27	
	ended Mar 31, 2011  231,000 106,100 224,000 5.4 1.8 17 2.6	

## Note:

Depreciation includes fair value adjustments processed against finished product on hand on the acquisition date. The fair value adjustment is recognized as non-cash depreciation with the subsequent sale of the inventory The Corporation expects depreciation per pound sold to decrease to approximately \$14 per pound sold during 2011.

Since the acquisition date of December 27, 2010.

Attributable values since the acquisition date of December 27, 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 237,100 pounds (91 tonnes U) during Q1 2011, of which 71,100 pounds (27 tonnes U) is attributable to the Corporation.

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

	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m³/hour)	Concentration in solution (mg U/I)	Production (lbs)
Q2 2010	5	73	485	52	145,300
Q3 2010	-	73	558	58	183,600
Q4 2010	-	75	556	69	227,900
Q1 2011	29	77	552	84	237,100

Acidification of an additional production block in the initial test mining area commenced during 2010 to maintain the current level of production. The initial production blocks at Kharasan continued to perform in line with production levels experienced in 2009.

A total of 30 new wells have been prepared during 2010 for test mining in two new blocks in the Campan and the Santon ore horizons, including six production wells. A total of 29 wells were installed in the new test mining area during Q1 2011. Results to date from the new test well fields have been positive.

The main factors contributing to the better performance of the new test mining areas 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 initial test mining 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 has added ferric iron to the mining solution, on a test basis, to increase the oxidation of the ore body. The preliminary results are positive.

Capital expenditure incurred during Q1 2011 was \$4 million. Capital expenditure for Kharasan in 2011 is expected to be approximately \$30 million on a 100% basis, of which \$21 million is related to wellfield development and \$9 million for resource definition drilling.

## 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.

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 transhipment locations.

The sulphuric acid supply was less than expected during Q1 2011, due to shortages being experienced in Kazakhstan. The shortages were caused by one of the producers performing maintenance on its furnaces, which requires a temporary shutdown of operations, and the allocation of sulphuric acid to fertilizing companies during the sowing season. Kharasan and Zarechnoye, which owns tranship bases used for storage are affected to a lesser extent. The Zarechnoye mine has managed to secure an alternative supply of acid from Russia.

In addressing this storage problem, Kazatomprom has built additional storage of 600 m³ at Taukent and 600 m³ at the Shieli freight handling centres. An additional two storage tanks of 600 m³ capacity each are currently under construction at South Inkai. Both are expected to be completed in Q2 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 transhipment base with an approval to construct tanks for a further 7,200 m3 of acid storage.

Existing sulphuric acid producers in Kazakhstan are projected to increase acid production by 350,000 tonnes in 2011. With nearly all the acid supply coming from within Kazakhstan in 2011, transportation demands for acid rolling stock has been reduced.

# 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 \$199 million, of which approximately 45% has been funded by the joint venture partners to date, with the balance funded by the partners through debt financing. Mechanical completion of the plant is scheduled by the end of 2011 and production of sulphuric acid is expected to commence in 2012. The Corporation has funded \$18 million of its debt obligation to date towards the construction of the sulphuric acid plant. The balance of approximately \$13 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 has been delivered from Europe. In Q1 2011, the general contractor continued work on installation of gas ducts, welding tests and weld repairs, steel structures installation for pipe racks and buildings. Live storage is completed; Laboratory and ancillary buildings are almost completed. The power generation complex contractor has almost completed the foundation for the power generation turbine. Steel structures installation is in progress

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.

Capital expenditure incurred during Q1 2011 was \$14.2 million. Capital expenditure incurred by SKZ-U in 2011 is expected to be approximately \$111 million on a 100% basis.

# REVIEW OF DEVELOPMENT PROJECTS – UNITED STATES

# POWDER RIVER BASIN, WYOMING

## WILLOW CREEK URANIUM PROJECT

Willow Creek is an ISR uranium development project located in Johnson and Campbell Counties in the Powder River Basin. The project includes 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 design capacity of Willow Creek is 1,300,000 pounds U<sub>3</sub>O<sub>8</sub> (500 tonnes U) per year. The Corporation plans to expand the processing capacity at the Willow Creek central plant in line with the U.S. Nuclear Regulatory Commission ("NRC") licensed capacity of 2,500,000 pounds U<sub>3</sub>O<sub>8</sub> (962 tonnes U) per year by incorporating a vacuum dryer that was purchased for use at the Corporation's Moore Ranch project.

Production in commissioning: Production in commissioning from Willow Creek was 16,500 pounds (6 tonnes U) during Q1 2011.

Operations: The following is a summary of the operational statistics for Willow Creek (on a 100% basis):

	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m³/hour)	Concentration in solution (mg U/I)	Production (lbs)
Q1 2011	67	18	103	28	16,500

The Corporation commenced installation of Mine Unit 7, the first production area at the Willow Creek Project for the Corporation, in April 2010. Since then, a total of 350 delineation holes were drilled, 380 cased wells have been installed and 376 wells have been completed. Installation of additional wells and associated surface facilities is ongoing.

Commissioning of the first block commenced during 2010 and was placed into production during Q1 2011. Commissioning of the second block commenced during Q1 2011. It is expected that the third block will be placed into production during Q2 2011.

## **OTHER PROJECTS**

The Moore Ranch satellite deposit, 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. Installation of the monitor well ring for the first planned wellfield commenced during 2010, and was completed during April 2011. Hydrologic testing and baseline sampling of the monitor well ring will commence during Q2 2011. The timing of construction and subsequent production at Moore Ranch is currently under review.

License and permit applications for the Ludeman satellite deposit in Converse County were re-submitted to the NRC and the Wyoming Department of Environmental Quality ("WDEQ") in February 2011 and the NRC has resumed its review. The Ludeman satellite deposit is expected to be licensed as a satellite operation that can feed a central processing plant such as Willow Creek.

At the Allemand-Ross satellite deposit, preparation for the regional baseline hydrologic characterization was completed. Two temporary surface discharge permits were received from WDEQ to conduct the aquifer testing. Plans are to complete the testing in Q2 2011.

Capital expenditure incurred by the Corporation on its Powder River Basin projects during Q1 2011 was \$9 million. Capital expenditure of approximately \$46 million is expected to be incurred by the Corporation's Powder River Basin properties during 2011, of which \$24 million is related to wellfield development, \$12 million for the development of the Moore Ranch satellite facilities and disposal well and \$10 million for other construction activities and fixed asset purchases.

# 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.

Hot commissioning of the ground water treatment plant and operation of the calcium removal circuit has commenced. The South Australian Environmental Protection Authority and Primary Industry and Resources SA have granted authorisation to commence wellfield acidification. Further state and federal approvals are expected in Q2 2011 to meet current process plant hot commissioning and production ramp up timing.

Capital expenditure incurred by the Corporation on its Honeymoon project during Q1 2011 was \$1.6 million. Capital expenditure of approximately \$20 million on a 100% basis is expected to be incurred by the Corporation's Honeymoon project during 2011, of which \$10 million is related to wellfield development and \$10 million for other construction activities and fixed asset purchases.

## CORPORATE

## OPTION AGREEMENT TO ACQUIRE MANTRA RESOURCES LIMITED

Following the announcement on December 15, 2010 that ARMZ had entered into a definitive agreement to acquire all of the issued shares of Mantra Resources Limited ("Mantra"), Uranium One and ARMZ jointly announced that they had entered into an option agreement to allow Uranium One to acquire Mantra from ARMZ. Mantra's core asset is the Mkuju River Project in Tanzania which is nearing the completion of a definitive feasibility study. The joint strategy of Uranium One and ARMZ is to create a diversified uranium production company with high quality mines and development projects.

On March 21, 2011, Uranium One announced that Mantra and ARMZ revised the terms of the agreement, which also resulted in a revised option agreement with ARMZ.

Pursuant to the revised agreement with ARMZ, Uranium One has a call option to acquire Mantra from ARMZ, exercisable at any point within 12 months of closing, with the ability to extend the term of the option to 24 months from 12 months provided that Uranium One partially exercises its call option and acquires approximately 15% of the shares of Mantra for \$150 million before the later of six months from closing of the acquisition of Mantra by ARMZ and January 31, 2012. The agreement also provides ARMZ with a put option to sell Mantra to Uranium One at the end of the term. Uranium One will become the operator of the Mkuju River Project once ARMZ completes the acquisition of Mantra. As operator of the project, Uranium One will be responsible to provide funding for the project.

The purchase price to be paid will be equal to ARMZ's acquisition cost of Mantra (approximately A\$1.0 billion), including any additional expenditures contributed by ARMZ to Mantra or its properties and interest thereon at a rate of 2.65% per annum.

The exercise of the put or call option will constitute a related party transaction under applicable Canadian securities legislation. Accordingly, the exercise of the put and call options is subject to Uranium One minority shareholder approval, as well as to required regulatory approvals.

## THE FUKUSHIMA INCIDENT

On March 11, 2011, north-eastern Japan suffered the devastating impacts of a 9.0 magnitude earthquake and subsequent tsunami. These events have, among other things, led to a reduction in uranium demand in Japan due to the permanent shutdown of the Fukushima Daiichi units and program delays or extended outages at other reactors. In the wake of Fukushima, most countries with nuclear power plants have embarked on comprehensive nuclear safety audits and reviews. The Corporation expects that these audits will validate the safety of nuclear power whose record continues to compare favorably to the risks and environmental consequences of other energy sources.

While there may be some delays to nuclear power plants currently in the planning or permitting stages, the Corporation believes that reactors under construction around the world will continue to move ahead, particularly in the emerging markets of China, India, Russia and the United Arab Emirates, where over 55% of the new build is expected to occur. The nuclear programs of these countries are the energy cornerstones of their national economic policies and, while lessons from Fukushima will be incorporated, they have all reaffirmed their full commitment to nuclear energy. China recently revised its 10 year projection of installed nuclear capacity to a range of 70 to 80 Gwe and, while this was down from the previous 90 Gwe, this level of growth still catapults China's uranium needs to 20% of global demand by 2020.

While the impacts from Fukushima are not yet fully known, current indications are that uranium demand is expected to be reduced downward by only 5% over the next decade; as a result, uranium market conditions should continue to be positive, particularly for diversified, low cost producers such as Uranium One.

# **SUMMARY OF QUARTERLY RESULTS**

(US dollars in millions

except per share and per	d per 3 months ended							
lb amounts)	Mar 31, 2011 \$	Dec 31, 2010 \$	Sep 30, 2010 \$	Jun 30, 2010 \$	Mar 31, 2010 \$	Dec 31, 2009 <sup>(3)</sup> \$	Sep 30, 2009 <sup>(3)</sup> \$	Jun 30, 2009 <sup>(3)</sup> \$
Revenues	101.9	152.3	73.1	66.0	35.5	69.1	21.3	18.6
Net earnings / (loss)	14.0	(112.9)	(44.8)	5.4	(1.4)	179.6	(15.3)	(265.7)
Basic and diluted earnings / (loss) per share from continuing operations <sup>(1)</sup>	0.01	(0.17)	(0.08)	0.01	(0.00)	0.38	(0.03)	(0.57)
Earnings / (loss) from discontinued operations <sup>(2)</sup>	-	-	-	-	-	-	3.4	0.1
Basic and diluted earnings / (loss) per share from discontinued operations <sup>(1) (2)</sup>	-	-	-	-	-	-	0.01	0.00
Net earnings / (loss)	14.0	(112.9)	(44.8)	5.4	(1.4)	179.6	(11.9)	(264.9)
Basic and diluted earnings / (loss) per share <sup>(1)</sup>	0.01	(0.17)	(80.0)	0.01	(0.00)	0.38	(0.03)	(0.56)
Total assets	2,990.7	2,958.1	2,032.0	2,028.6	2,124.9	2,149.1	1,625.5	1,609.8

## Notes:

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, 2010.

Gold One International Ltd was classified as a discontinued operation in Q1 2008.

Information for periods prior to January 1, 2010, the date of the Corporation's transition to IFRS, has been prepared in accordance with Canadian generally accepted accounting principles and have not been restated to comply with IFRS.

## 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 and the effect of the tax rate adjustment on future income tax liabilities. 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	s ended
	Mar 31, 2011 \$'millions	Mar 31, 2010 \$'millions
Net earnings / (loss)	14.0	(1.4)
Fair value adjustments	-	(10.4)
Impairment of mineral interest, plant and equipment and closure costs	-	1.2
Corporate development expenditure	0.7	-
Gain on sale of available for sale securities	-	0.1
Adjusted net earnings / (loss)	14.7	(10.5)
Adjusted net earnings / (loss) per share – basic (\$)	0.02	(0.02)
Adjusted net earnings / (loss) per share – diluted (\$) (1)	0.02	(0.02)
Weighted average number of shares (millions) – basic	957.2	587.3
Weighted average number of shares (millions) – diluted	1,049.7	587.3

## Notes:

# 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 income statement in the consolidated financial statements by the pounds sold in the period.

The diluted earnings per share includes an adjustment increasing earnings and the weighted average number of shares.

# 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 Kazakhstan tenge, the Australian dollar and the Canadian dollar as measurement currencies.

3 month	ıs ended
Mar 31, 2011 \$	Mar 31, 2010 \$
101.9	35.5
14.0	(1.4)
14.7	(10.5)
67.0	0.2
0.01	(0.00)
0.02	(0.02)
89.3	80.4
2,990.7	2,124.9
700.7	816.0
61	46
68	42
Lbs	Lbs
1,681,700	764,400
2,308,200	1,720,200
3,607,400	3,033,000
	Mar 31, 2011 \$ 101.9 14.0 14.7 67.0 0.01 0.02 89.3 2,990.7 700.7 61 68 Lbs 1,681,700 2,308,200

## Notes:

Inventory as at March 31, 2010 is attributable to the Akdala, South Inkai and Karatau Uranium Mines. Inventory as at March 31, 2011 is attributable to the Akdala, South Inkai, Karatau, Akbastau and Zarechnoye Uranium Mines. Revenue from production during commissioning of the Corporation's development projects is credited against capital expenditures.

# **RESULTS OF OPERATIONS**

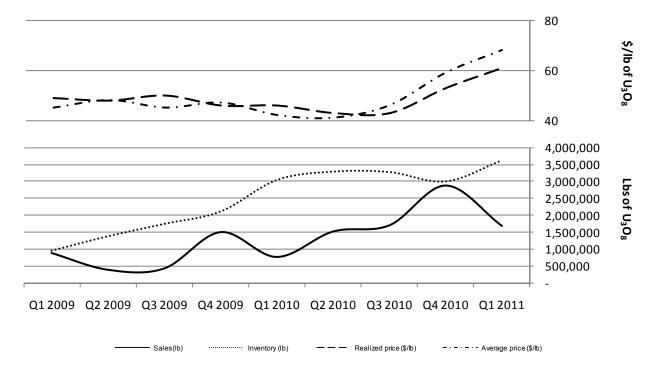
# **URANIUM SALES, INVENTORY AND OPERATING COSTS**

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

	Q1 2011					Q1	2010			
	Akdala	South Inkai	Karatau	Akbastau	Zarechnoye	Total / Average	Akdala	South Inkai	Karatau	Total / Average
Revenues (\$million)	4.5	60.6	23.2	8.2	5.4	101.9	8.8	21.2	5.5	35.5
Attributable sales volumes (lb)	73,400	924,100	448,500	129,600	106,100	1,681,700	212,500	420,100	131,800	764,400
Average realized price (\$/lb sold)						61				46
Average spot price (\$/lb)						68				42
Closing spot price (\$/lb)						63				42
Operating expenses (\$million)	0.9	15.3	3.6	1.7	1.8	23.3	2.8	9.6	1.6	14.0
Operating expenses (\$/lb sold)	13	17	8	13	17	14	13	23	12	18
Depreciation (\$million)	0.8	9.9	7.7	6.4	2.6	27.4	2.0	5.7	4.1	11.7
Depreciation (\$/lb sold) (1)	11	11	17	49	22	16	10	14	31	15
Earnings from mine operations (\$million)	2.8	35.4	11.9	0.2	0.9	51.2	3.9	5.9	-	9.8

## Notes:

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:



Revenue of \$101.9 million in Q1 2011 increased by 187% compared to the \$35.5 million in Q1 2010, due to volume sold increasing by

<sup>(1)</sup> Includes fair value adjustments recognized in inventory on acquisition of Karatau, Akbastau and Zarechnoye and expensed as non-cash Depreciation with the sale of the revalued inventory.

917,300 pounds (120% higher than in Q1 2010) and a \$15 per pound increase in the average realized uranium price compared to Q1 2010.

The sales mix for Q1 2011 was 4% for Akdala, 55% for South Inkai, 27% for Karatau, 8% for Akbastau and 6% for Zarechnoye, compared to Q1 2010 where Akdala contributed 28%, South Inkai 55% and Karatau 17% 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 22% from \$18 per pound in Q1 2010 to \$14 per pound in Q1 2011, mainly due to:

- The decrease in cash cost of South Inkia from \$23 per pound to \$17 per pound; and
- The decrease in cash cost of Karatau from \$12 per pound to \$8 per pound.

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 increased from 2,992,700 pounds at December 31, 2010 to 3,607,400 pounds at March 31, 2011. The increase in attributable inventory for Akdala, Karatau, Akabastau and Zarechnoye was 329,700 pounds, 184,600 pounds, 234,300 pounds and 120,400 pounds respectively, and the decrease in attributable inventory for South Inkai was 254,800 pounds.

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

General and administrative expenses, including stock option and restricted share expenses of \$1.4 million, was \$12.2 million in Q1 2011, compared to \$9.4 million Q1 2010, including stock option and restricted share expenses of \$2.0 million.

The general and administrative expense for Q1 2011 includes salaries and directors' fees of \$6.3 million, consulting and advisor fees of \$1.9 million, travel expenses of \$0.6 million and office rent of \$0.7 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 was \$1.2 million during Q1 2011, compared to \$0.9 million during Q1 2010.

## CARE AND MAINTENANCE, CLOSURE COSTS AND IMPAIRMENT

During Q1 2010, the Corporation's carrying value for Dominion was impaired to the agreed upon sale value of \$37.3 million, resulting in an impairment of \$1.2 million.

The Shootaring 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.

Total care and maintenance costs in Q1 2011 were \$0.3 million, compared to care and maintenance costs of \$1.6 million for Q1 2010.

# **INTEREST AND OTHER**

Interest income was \$1.8 million in Q1 2011 and \$1.0 million Q1 2010. In addition to the interest earned on loans to joint ventures, interest is earned on funds held on deposit by the Corporation. The interest income increased due to the issuance of the 2010 debentures during the 2010 financial year.

Interest accrued on the Corporation's 2006 Debentures was \$2.6 million in Q1 2011, compared to \$2.4 million in Q1 2010. The increase is a result of the strengthening of the Canadian dollar against the US dollar.

Interest accrued on the Corporation's 2010 Debentures was \$5.9 million and \$1.3 million in Q1 2011 and Q1 2010, respectively. The 2010 Debentures were issued on March 12, 2010.

The JUMI debentures were redeemed during 2010, and accrued interest of \$3.1 million during Q1 2010.

Interest on contingent payments decreased in Q1 2011 as the interest accrual on the Karatau contingent payment is offset with interest accrued on the receivable acquired as part of the ARMZ transaction during 2010.

Accrued interest increased to \$2.1 million in Q1 2011 from \$1.0 million in Q1 2010, mainly due to the increase in interest bearing liabilities of the Corporation's joint ventures.

## **FOREIGN EXCHANGE GAIN / LOSS**

Foreign exchange losses during Q1 2011 were \$5.3 million, compared to foreign exchange gains of \$4.0 million in Q1 2010.

## **INCOME TAXES**

The current income tax expense for Q1 2011 of \$13.3 million mainly consists of income tax paid and payable in Kazakhstan on profits from the Corporation's Akdala, South Inkai, Karatau, Akbastau and Zarechnoye mines. For Q1 2010 a \$3.2 million income tax expense was recorded, mainly relating to the Akdala, South Inkai and Karatau mines.

The future income tax recovery in Q1 2011 of \$6.5 million consists of the following:

- Recovery of future income tax liabilities of the Kazakhstan mines of \$4.7 million. The recovery represents the depletion of the future income tax liabilities that were created on the acquisition of the mines in Kazakhstan, and was based on the excess purchase price paid on acquisition; and
- An increase of \$1.8 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 earnings for Q1 2011 was \$14.0 million or \$0.01 per share, compared to net loss of \$1.4 million or \$0.00 per share for Q1 2010.

# FINANCIAL CONDITION

## **CASH AND CASH EQUIVALENTS**

On March 31, 2011, the Corporation had cash and cash equivalents of \$371.8 million, compared to \$324.4 million at December 31, 2010. Cash and cash equivalents on March 31, 2011 include \$75.4 million held by Betpak Dala, \$5.0 million held by Karatau, \$4.9 million held by Akbastau, \$1.2 million held by Zarechnoye, \$11.3 million held by Kyzylkum, \$3.9 million held by SKZ-U and \$8.3 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 the \$19.0 million outstanding on the loan from the Corporation at December 31, 2009 as a result of the restructuring of its debt. In 2011 Uranium One made a capital contribution of \$24.0 million to Kyzylkum's charter capital. The capital contribution was matched by the joint venture partners, with the contributions having no effect on the percentage ownership.

## 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 \$12.5 million is accounted for in respect of the borrowed uranium concentrates of 200,000 pounds as at March 31, 2011, Pursuant to the loan agreements, the 200,000 pounds of material is to be returned in Q3 2011. The loans are therefore classified as a current liability as at March 31, 2011.

## INVENTORIES AND PURCHASED URANIUM CONCENTRATES

The value of inventories as at March 31, 2011 increased to \$98.7 million from \$90.0 million held at December 31, 2010. Finished uranium concentrates and solutions and concentrates in process increased by \$8.9 million in line with the increased quantity of product inventory from 2,993,200 pounds to 3,607,400 pounds.

The Corporation revalued acquired inventory from the Akbastau and Zarechnove acquisition during the 2010 financial year to its fair value determined on acquisition using market indicators at that time. The fair value adjustment included during December 31, 2010 was recognized in the income statement on the sale of the inventory during Q1 2011.

Materials and supplies decreased by \$0.2 million in the period ended March 31, 2011.

As at March 31, 2011 the Corporation had attributable inventory of 3,607,400 pounds, of which approximately 778,200 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 March 31, 2011 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 the Corporation's attributable inventory carried at March 31, 2011 is as follows:

Category	Location	Lbs
In process	Mine site	491,900
In process	In transit to external processing facilities	-
In process	External processing facilities	403,400
Finished product ready to be shipped	Mine site	570,900
Finished product ready to be shipped	External processing facilities	917,600
Finished product In transit	In transit	445,400
Finished product at conversion facility	Conversion facilities	778,200
Total inventory		3,607,400

In 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 March 31, 2011 amounted to 150,300 pounds at Kharasan and Willow Creek.

## MINERAL INTERESTS, PLANT AND EQUIPMENT

The values of mineral interests, plant and equipment increased by \$24.1 million during the guarter ended March 31, 2011.

The significant movement for Q1 2011 consists of:

- Depreciation decreasing the net value by \$28.5 million;
- Capital additions of \$31.2 million during Q1 2011; and
- Foreign exchange adjustments of \$24.6 million.

## **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 December 31, 2010, partially offset by the coupon interest payments. The 2006 Debentures are denominated in Canadian dollars and mature on December 31, 2011.

## CURRENT LIABILITIES RELATED TO THE ACQUISITION OF AKBASTAU AND ZARECHNOYE

Prior to acquisition on December 27, 2010, Zarechnove entered into a discounted sales price contract for the sale of uranium. The discount on the sales price under this contract was higher than the current industry practice uranium sales contracts in Kazakhstan. The Corporation accounted for this contract as an unfavourable contract and recognized a liability of \$11.6 million pursuant to this contract on acquisition of Zarechnoye. The Corporation received \$11.6 million in cash on acquisition to compensate for the unfavourable contract. On sale of uranium into the unfavourable contract, the liability is reduced, with a corresponding credit against revenue. \$0.2 million was recognized in the income statement in Q1 2011 and \$0.3 million was recognized during 2010.

#### CURRENT AND LONG TERM PORTION OF JOINT VENTURE DEBT

Kyzylkum had loans outstanding of \$54.3 million, \$69.9 million and \$41.5 million from the Japan Bank for International Cooperation ("JBIC"), Citibank and Kazatomprom, respectively. At March 31, 2011, the Corporation's share of Kyzlkum's loans is \$49.7 million, of which \$16.0 million is classified as short term.

Karatau had loans outstanding of \$10.0 million and \$5.0 million from UniCredit and Citibank, respectively. At March 31, 2011, the Corporation's share of Karatau's loans is \$7.5 million, which is classified as short term.

In addition to the \$18.0 million loan from the Corporation, SKZ-U has loans outstanding of \$15.9 million, \$15.0 million and \$46.3 million from Sumitomo Mitsui Banking Corporation, Mizuho Corporate Bank and JBIC, respectively. At March 31, 2011, the Corporation's share of SKZ-U's loans is \$14.7 million, which is classified as long term.

Akbastau had loans outstanding of \$10.0 million, \$3.4 million and \$43.7 million from Alpha Bank, GRK and Effective Energy. At March 31, 2011, the Corporation's share of these loans is \$28.5 million, which is classified as long term.

Zarechnoye had loans outstanding of \$28.0 million, \$60.0 million and \$3.4 million from Eurasia Development Bank, Effective Energy and Citibank, respectively. At March 31, 2011, the Corporation's share of these loans is \$45.4 million, of which \$11.8 million is classified as short term.

## **NON-CURRENT LIABILITIES**

The outstanding amount on the Corporation's 2010 Debentures increased mainly due to the interest accrued and the strengthening of the Canadian dollar against the US dollar since December 31, 2010, partially offset by the coupon interest payments. The 2010 Debentures are denominated in Canadian dollars and mature on March 13, 2015.

## **EQUITY**

Changes in shareholders' equity consist mainly of the net earnings for the year of \$14.0 million and a gain of \$15.9 million recognized on translation of foreign operations.

# LIQUIDITY AND CAPITAL RESOURCES

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

At March 31, 2011 the Corporation had working capital of \$225.2 million. Included in this amount is cash and cash equivalents of \$371.8 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 Betpak 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 its 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 2011, committed sales under contract represent approximately 66% of expected production, without taking any available inventory into account.

At March 31, 2011, there were outstanding sales commitments for 2.2 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**

The Corporation has two convertible debentures outstanding as at March 31, 2011. In addition, the Corporation's joint ventures in Kazakhstan have amounts outstanding on several debt facilities.

Uranium One's 2006 Debentures have a face value of C\$155 million and mature on December 31, 2011 with fixed interest at a rate of 4.25% payable semi-annually in arrears. The Corporation plans to redeem the 2006 Debentures from internal cash resources. The 2010 Debentures have a face value of C\$260 million and mature on March 13, 2015, with interest payable at a rate of 5.0% per annum, payable semi-annually in arrears.

Capital and operational expenditures by the Betpak Dala and Karatau joint ventures in 2011 are expected to be funded through the joint ventures' operating cash flow.

Karatau owed \$37.5 million to financial institutions on December 31, 2010 and the Corporation's proportionate share of the amount owing was \$18.8 million, of which \$11.3 million has been repaid during Q1 2011. The remaining amount owing is due in 2011 and it is expected that the loans will be repaid from Karatau's operating cash flow.

The Corporation and its joint venture partners in Kyzylkum made \$80 million in capital contributions to the joint venture in 2011, with further capital contributions planned for 2012 and 2013. The Corporation's share of the capital contribution in 2011 was \$24 million, with the other joint venture partners contributing proportionally to their ownership interests. The proceeds received by Kyzylkum are expected to be used to repay the outstanding loan from the Corporation, service its debt repayments and to fund capital and operational expenditure in 2011.

On March 31, 2011, Akbastau and Zarechnoye had outstanding facilities of \$57.0 million and \$91.4 million, respectively. The Corporation's share of these facilities was \$28.5 million and \$45.4 million, respectively. Pursuant to the terms of the acquisition agreement, ARMZ agreed to fund, or arrange funding for, the Corporation's proportionate share of the funding required by Akbastau and Zarechnove for a period of 18 months after closing of the transaction.

The Corporation utilized the proceeds from the Mitsui transaction received in December 2008 for the development of Honeymoon and for general corporate purposes in Australia. The Corporation expects to contribute \$27 million towards the funding of Honeymoon in 2011.

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 drew down \$95.2 million under these facilities to date.

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

There were no material changes in contractual obligations since December 31, 2010.

# 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.

Betpak Dala is disputing a tax assessment of approximately \$23 million in respect of the 2004 to 2008 taxation years, which primarily relates to excess profit tax. Excess profit tax is not applicable to the Corporation's operations in Kazakhstan following the January 1, 2009 amendments to Kazakhstan's tax code. Betpak Dala's appeals against the tax assessment have so far been unsuccessful and Betpak Dala intends to apply to the Kazakh Supreme Court for leave to appeal the lower courts' decisions. Betpak Dala paid \$18 million of the disputed amount, to ensure that there is no interruption in their business. Following consultation with external legal counsel, the Corporation assessed there to be a high probability to successfully recover payments made in respect of the assessment. Accordingly, the Corporation has not recognised the income tax expense, but recorded the payment in trade and other receivables that the Corporation expects to recover against future tax assessments.

Other than the contingent tax payment of Betpak Dala, there were no material changes to the Corporation's commitments and contingencies since December 31, 2010.

# OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

# OUTSTANDING SHARE DATA

As of May 10, 2011, there were issued and outstanding 957,189,036 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 57,200 common shares for issuance to third parties under certain property option and joint venture agreements.

Uranium One has the following convertible debentures outstanding:

- The 2006 Debentures, with 155,250 convertible debentures outstanding, each convertible to 63.45 common shares of Uranium One, representing 9,850,888.33 common shares. Fractional shares will be settled with cash; and
- The 2010 Debentures, with 259,985 convertible debentures outstanding, each convertible to 317.46 common shares of Uranium One, representing 82,534,838 common shares of Uranium One. Fractional shares will be settled with cash.

# **DIVIDENDS**

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.

# CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Note 2 to the Corporation's interim consolidated financial statements for the period ended March 31, 2011 describes all of the Corporation's significant accounting policies and estimates.

# 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. The three months ended March 31, 2011 is the Corporation's first reporting period under

The Corporation implemented 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 International Accounting Standards Board continues to amend and ddd 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 were implemented concurrently with the processing of the quantified differences on the opening balance sheet and during the preparation of the financial statements under IFRS.

The transition to IFRS did not have a significant impact the Corporation's key performance indicators and compensation arrangements.

# Impact of adoption of IFRS

The implementation of IFRS, and the policy choices made with the implementation, resulted in adjustments in equity, comprehensive income and presentation changes in the financial statements, which include reclassification changes.

The transition also resulted in numerous financial statement presentation changes, which resulted in more disclosure on certain notes.

The Corporation's cash balances and cash flow statement have not been impacted, except for reclassification adjustments as illustrated in the interim financial statements.

The table below summarizes the adjustments to equity on the opening balance sheet and comparative periods, as disclosed in the interim financial statements:

	Jan 1, 2010 US\$m	Mar 31, 2010 US\$m	Dec 31, 2010 US\$m
Under Canadian GAAP	1,480.9	1,631.7	2,336.4
IAS 36 - Impairment of assets	(269.8)	(269.8)	(210.8)
IAS 21 – Effects of Changes in Foreign Exchange rates	(135.8)	(124.0)	(122.1)
IAS 39 - Financial instruments	` -	(39.4)	(2.3)
IFRS 1 – Business combinations	(54.9)	(51.8)	(71.0)
Under IFRS	1,020.4	1,146.7	1,930.2

The table below summarizes the adjustments to comprehensive income, as disclosed in the interim financial statements:

	Three months ended	Year ended
	Mar 31, 2010	Dec 31, 2010
	US\$m	US\$m
Comprehensive income under Canadian GAAP	(21.0)	(176.1)
Income statement adjustments:		
Exchange differences on translation	11.5	12.7
Impairment of mineral interest, property, plant and equipment	-	65.7
Fair value adjustment of financial liabilities	4.9	(8.9)
Fair value adjustment of embedded derivative	4.6	(26.5)
Unwinding of contingent liabilities	(1.7)	(7.0)
Other	0.8	
Other comprehensive income adjustments:		
Exchange differences on translation	1.7	(6.8 <b>)</b>
Total IFRS conversion comprehensive income adjustments	21.8	29.2
Comprehensive income under IFRS	0.8	(146.9)

# Post implementation

The post-implementation phase involve continuous monitoring of changes implemented by the International Accounting Standard Board ("IASB") to IFRS. There are significant ongoing projects which could impact the Corporation, including the proposed changes to the standards that govern the recognition and accounting for interest in joint ventures and the extractive industries project. The impact of any new standards or interpretations will be evaluated as they are drafted and published.

# 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, 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.

There were no restricted share rights outstanding on December 31, 2010 or March 31, 2011.

During Q1 2011 stock options activity was as follows:

- 2,211,800 options were granted during the quarter.
- 5,000 options were exercised.
- 439,850 options were forfeited and 1,651,790 expired.

# DISCLOSURE CONTROLS AND PROCEDURES

The Corporation's management, with the participation of its Chief Executive Officer and 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 Chief Executive Officer and 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 Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the 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 guarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## 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 integration of acquisitions, 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, 2010 which is available on SEDAR at www.sedar.com, and which should be reviewed in conjunction with this document. Although Uranium One has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. 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 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, a qualified person for the purposes of NI 43-101.