

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 year ended December 31, 2011, together with certain trends and factors that are expected to impact its 2012 financial year. Information herein is presented as of March 5, 2012, and should be read in conjunction with the consolidated financial statements of the Corporation for the year ended December 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\$, Russian Rubles are referred to herein as Rubles or RUB, and Australian dollars are referred to herein as A\$. The functional currency of Uranium One is the US dollar.

All references herein to pounds are pounds of U₃O₈.

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 March 13, 2015 are also listed on the TSX and its unsecured Ruble-denominated bonds are listed on MICEX in Moscow, Russia.

Additional information about the Corporation and its business and operations can be found in its continuous disclosure documents. These documents, including 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 2011 was a record 10.7 million pounds, 43% higher than total attributable production of 7.4 million pounds during 2010.
- The average total cash cost per pound sold was \$14 per pound during 2011, compared to the average cash cost per pound sold of \$13 per pound during 2010.
- Total attributable production during Q4 2011 was a record 3.4 million pounds, 60% higher than total attributable production of 2.1 million pounds during Q4 2010.
- 42% increase in measured and indicated resources at the Mkuju River Project from 65.5 million pounds to 93.3 million pounds. Inferred resources are 26.1 million pounds.

Financial

- Attributable sales volumes for 2011 increased by 44% to a record 9.9 million pounds, compared to 6.9 million pounds sold during 2010.
- Revenue increased by 62% to a record \$530.4 million in 2011, compared to \$326.9 million in 2010. The average realized sales price during 2011 was \$54 per pound. The average spot price in 2011 was \$57 per pound.
- Earnings from mine operations were \$262.6 million during 2011, an increase of 89% over earnings from mine operations of \$138.7 million in 2010, due to increased sales volumes.
- The net earnings for 2011 were \$88.4 million or \$0.09 per share, compared to net losses of \$153.7 million or \$0.25 per share for 2010.
- The adjusted net earnings for 2011 were \$113.7 million or \$0.12 per share, compared to adjusted net losses of \$3.3 million or \$0.01 per share for 2010.

Corporate

- During June 2011, Uranium One became the operator of Mantra's Mkuju River Project. On January 16, 2012, Uranium One elected to pay \$150 million to ARMZ which will both extend the term of the Mantra call option from June 7, 2012 to June 7, 2013 and result in Uranium One acquiring a 13.9% stake in Mantra from ARMZ.
- The Corporation issued ruble-denominated bonds with an aggregate principal amount of \$463.5 million (RUB 14.3 billion) in December 2011. In connection with the offering, the Corporation entered into a RUB/USD cross-currency interest rate swap agreement, creating a synthetic US dollar instrument with an interest rate of 6.74%.

OUTLOOK

- The supply and demand consequences of the March 2011 earthquake and tsunami at the Fukushima nuclear power plant in Japan have now been factored into the uranium market. Global demand for uranium continues to grow as a result of the increasing reliance on nuclear power in emerging markets including that of China, India, Russia, South Korea and the Middle East.
- The Corporation's total attributable production guidance for 2012 and 2013 is estimated to be 11.6 million and 12.5 million pounds respectively.
- During 2012, the average cash cost per pound sold is expected to be approximately \$19 per pound.
- The Corporation expects attributable sales to be approximately 11.0 million and 12.5 million pounds in 2012 and 2013 respectively.
- The Corporation expects to incur attributable capital expenditures in 2012 of \$114 million for wellfield development and \$115 million for plant and equipment, totalling \$229 million for its assets in Kazakhstan, the United States and Australia.
- In 2012, general and administrative expenses, excluding non-cash items, are expected to be approximately \$39 million and exploration expenses are expected to be \$11 million.

KEY STATISTICS

TOTAL ATTRIBUTABLE PRODUCTION	Q4 2011	Q4 2010	FY 2011	FY 2010
Attributable commercial production (lbs)				
Akdala	644,100	453,200	2,027,800	1,880,300
South Inkai	836,400	782,700	2,817,700	3,094,400
Karatau	933,100	769,500	2,826,800	2,222,500
Akbastau ⁽¹⁾	483,400	16,700	1,437,000	16,700
Zarechnoye ⁽¹⁾	259,200	16,300	947,900	16,300
Subtotal	3,156,200	2,038,400	10,057,200	7,230,200
Attributable production during commissioning (lbs)				
Kharasan	92,600	68,400	332,800	200,600
Willow Creek	98,000	-	214,800	-
Honeymoon	28,300	-	51,000	-
Subtotal	218,900	68,400	598,600	200,600
Total attributable production	3,375,100	2,106,800	10,655,800	7,430,800

Notes:

⁽¹⁾ Akbastau and Zarechnoye were acquired on December 27, 2010. Production in Q4 2010 and FY 2010 therefore represents the period from acquisition to December 31, 2010

FINANCIAL	Q4 2011	Q4 2010	FY 2011	FY 2010
Attributable production (lbs) ⁽¹⁾	3,156,200	2,038,400	10,057,200	7,230,200
Attributable sales (lbs) ⁽¹⁾	3,161,200	2,878,400	9,881,400	6,861,600
Average realized sales price (\$ per lb) ⁽²⁾	50	53	54	48
Average cash cost of production sold (\$ per lb) ⁽²⁾	15	12	14	13
Revenues (\$'millions)	157.9	152.3	530.4	326.9
Earnings from mine operations (\$'millions)	76.0	76.3	262.6	138.7
Net (loss) / earnings (\$'millions)	(1.1)	(112.9)	88.4	(153.7)
Net (loss) / earnings per share – basic and diluted (\$ per share)	(0.00)	(0.18)	0.09	(0.25)
Adjusted net earnings / (loss) (\$'millions) ⁽²⁾	21.4	(16.6)	113.7	(3.3)
Adjusted net earnings / (loss) per share – basic (\$ per share) ⁽²⁾	0.02	(0.02)	0.12	(0.01)

Notes:

⁽¹⁾ Attributable production and sales are from assets in commercial production during the year (For 2010: Akbastau and Zarechnoye only from the date of acquisition on December 27, 2010.)

⁽²⁾ 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, Tanzania, the United States, Australia and Canada.

Uranium One is a controlled company, with JSC Atomredmetzoloto (“ARMZ”), a Russian state-owned mining company, owning 51.4% of the outstanding common shares. 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 Corporation became the operator of the Mkuju River project in Tanzania in June 2011, and exercised its option to acquire a 13.9% interest in Mantra Resources, which owns the Mkuju River Project, on January 16, 2012.

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 LLP ⁽¹⁾	Akbastau Uranium Mine	Kazakhstan	Producing	50% J.V. interest
Zarechnoye LLP ⁽¹⁾	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 ⁽²⁾	30% J.V. interest
Uranium One Americas, Inc.	Willow Creek Uranium Project	USA	Commissioning ⁽³⁾	100% interest
Uranium One Australia (Proprietary) Ltd.	Honeymoon Uranium Project	Australia	Commissioning ⁽⁴⁾	51% 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 (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

Notes:

- (1) The Akbastau and Zarechnoye Uranium Mines were acquired on December 27, 2010.
- (2) 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.
- (3) Commissioning at the Willow Creek Uranium Project commenced during December 2010 with operation of the initial well field at Christensen Ranch.
- (4) Commissioning at the Honeymoon Uranium Project commenced during Q4 2010.

REVIEW OF OPERATIONS

AKDALA URANIUM MINE

Akdala is an operating in situ recovery ("ISR") uranium mine located in the Chu-Sary Su basin in the Suzak region, South Kazakhstan oblast, 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 2,896,800 pounds (1,114 tonnes U) during 2011, of which 2,027,800 pounds (780 tonnes U) was 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 (m ³ /hour)	Concentration in solution (mg U/l)	Production (lbs)
Q1 2011	56	209	1,763	64	582,100
Q2 2011	86	220	1,885	65	685,800
Q3 2011	68	232	1,885	67	708,700
Q4 2011	16	253	2,159	72	920,200

A total of 226 wells were installed during 2011, compared to the budget of 227. The program for 2012 provides for the installation of 274 wells to achieve the production target for the year.

Acidification of 5 new production blocks was completed during the year and these blocks were put into production during 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 2010. Construction of the satellite plant started during the year and is scheduled for completion in 2012. Key equipment for the satellite plant has been ordered. Production from new well fields in the Letniy area is expected to commence by the end of 2012.

Capital expenditure incurred during 2011 was \$9 million, compared to the budget of \$17 million. The difference was mostly due to the postponement of the construction of the satellite and well-field development in the Letniy area to 2012. Capital expenditure incurred by Betpak Dala at Akdala in 2012 is expected to be approximately \$27 million on a 100% basis, of which \$17 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.

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							
	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010
Production in lbs	644,100	496,100	480,100	407,500	453,200	448,000	489,200	489,900
Sales in lbs	347,700	728,900	258,200	73,400	870,800	214,000	611,700	212,500
Inventory in lbs	1,227,000	936,800	1,173,800	956,000	626,300	1,047,700	808,000	936,000
Revenues (\$ millions)	17.0	38.3	15.8	4.5	47.9	11.3	25.9	8.8
Operating expenses (\$ millions)	4.9	9.5	3.7	0.9	10.9	2.6	7.3	2.8
Operating expenses (\$/lb sold)	14	13	14	12	13	12	12	13
Depreciation (\$ millions)	3.8	7.5	2.7	0.8	9.0	2.3	6.2	2.2
Depreciation (\$/lb sold)	11	10	11	11	10	11	10	10

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 U₃O₈ sold and are lower in periods when the quantity of U₃O₈ sold is lower. There is a corresponding build-up of inventory in periods when the quantity of U₃O₈ sold is lower than production.

The cash cost of production for 2011 at \$13 per pound of U₃O₈ sold was in line with the Corporation's guidance of \$14 per pound sold.

SOUTH INKAI URANIUM MINE

South Inkai is an operating ISR uranium mine located in the Chu-Sary Su basin in the Suzak region, South Kazakhstan oblast, 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 2012.

Production: Production from South Inkai was 4,025,400 pounds (1,548 tonnes U) in 2011, of which 2,817,700 pounds (1,084 tonnes U) was 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 ³ /hour)	Concentration in solution (mg U/l)	Production (lbs)
Q1 2011	137	294	2,784	67	957,000
Q2 2011	156	309	2,787	57	886,700
Q3 2011	148	360	3,230	55	986,800
Q4 2011	114	381	3,505	57	1,194,900

A total of 555 wells were installed during 2011, compared to the budget of 457. Additional wells were installed to compensate for the lower than expected concentration in solution from the new well fields. The program for 2012 provides for the installation of 620 wells to achieve the production target for the year.

Acidification of nine new production blocks was completed during the year and put into production during 2011.

Capital expenditure incurred during 2011 was \$32 million, compared to the revised budget of \$30 million. Capital expenditure incurred by Betpak Dala at South Inkai in 2012 is expected to be approximately \$51 million on a 100% basis, of which \$21 million is planned to be spent on the installation of dryers and fixed asset purchases, with the balance expected to be spent on reserves definition and well-field development.

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 Corporation's attributable share)	3 months ended							
	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010
Production in lbs	836,400	690,800	620,700	669,800	782,700	770,300	769,700	771,700
Sales in lbs	1,304,700	666,800	726,800	924,100	965,300	436,400	645,800	420,100
Inventory in lbs	693,700	1,162,000	1,138,100	1,245,400	1,500,200	1,684,900	1,360,200	1,230,100
Revenues (\$ millions)	66.9	37.4	43.0	60.6	50.8	20.6	28.6	21.2
Operating expenses (\$ millions)	24.4	12.5	12.0	15.3	15.2	8.1	13.1	9.7
Operating expenses (\$/lb sold)	19	19	17	17	16	19	20	23
Depreciation (\$ millions)	14.8	7.1	8.1	9.9	10.9	5.5	7.6	6.2
Depreciation (\$/lb sold)	11	11	11	11	11	13	12	15

The cash cost of production at South Inkai for 2011 of \$18 per pound sold was in line with guidance of \$19 per pound sold.

KARATAU URANIUM MINE

Karatau 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 Karatau joint venture. The other 50% interest is held by Kazatomprom.

Pursuant to the terms of its subsoil use contract, the permitted production rate at the Karatau mine is 5,200,000 pounds (2,000 tonnes U) per year.

Production: Production from Karatau was 5,563,300 pounds (2,175 tonnes U) in 2011, of which 2,826,800 pounds (1,087 tonnes U) was 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 (m ³ /hour)	Concentration in solution (mg U/l)	Production (lbs)
Q1 2011	45	123	1,404	175	1,265,900
Q2 2011	97	114	1,283	157	1,137,500
Q3 2011	111	128	1,637	149	1,383,700
Q4 2011	89	146	1,848	167	1,866,200

A total of 342 wells were installed during 2011, compared to the budget of 282. The program for 2012 provides for the installation of 330 wells to achieve the production target for the year.

Acidification of nine new production blocks was completed and put into production during 2011.

The production rate was increased over the plan in order to produce 1.9 million pounds during Q4 2011, which was achieved by placing an additional production block into operation.

Capital expenditure incurred during 2011 was \$49 million, compared to the revised budget of \$40 million. The difference was mostly due to increased well-field development activities in order to increase the production rate in 2011. Capital expenditure incurred by Karatau in 2012 is expected to be approximately \$52 million on a 100% basis, of which \$26 million is related to well-field development and the remainder for construction activities and fixed asset purchases.

Financial information: The following table shows the attributable production, sales and production costs for Karatau over the prior eight quarters:

(All figures are the Corporation's attributable share)

	3 months ended							
	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010
Production in lbs	933,100	691,900	568,800	633,000	769,500	473,300	521,100	458,600
Sales in lbs	824,400	1,084,700	211,900	448,400	899,000	1,050,900	260,000	131,800
Inventory in lbs	659,900	551,200	944,000	587,200	402,600	533,800	1,111,300	866,900
Revenues (\$ millions)	40.1	51.4	10.5	23.2	47.3	41.2	11.4	5.5
Operating expenses (\$ millions)	8.7	9.9	1.7	3.6	7.5	9.0	1.8	1.6
Operating expenses (\$/lb sold)	11	9	8	8	8	9	7	12
Depreciation (\$ millions)	7.3	17.7	3.6	7.7	16.2	17.8	5.6	4.1
Depreciation (\$/lb sold)	9	16	17	17	18	17	22	31

Depreciation for the quarter ended December 31, 2011 includes an adjustment to the mineral reserve base, from an overestimation in prior quarters, used for depreciation calculations in the quarter and future quarters. Depreciation for 2010 includes fair value adjustments recognized against finished product on hand on the acquisition date. The fair value adjustment is recognized as non-cash depreciation and depletion with the subsequent sale of the inventory. The depreciation per pound sold decreased, as the revalued finished product on hand on the acquisition date was sold during Q1 2010 and Q2 2010.

The cash cost of production for 2011 at \$9 per pound sold was below the Corporation's guidance of \$12 per pound sold. The low cash cost was attributable to decreased expenditure in 2011, associated with the delay in piping and acidification of new blocks.

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, 3 and 4 of the Budenovskoye deposit. Akbastau is currently producing from sections 1 and 3 and plans to commence production from section 4 of the Budenovskoye 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 2,873,900 pounds (1,105 tonnes U) of which 1,437,000 pounds (553 tonnes U) was attributable to the Corporation.

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

	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m ³ /hour)	Concentration in solution (mg U/l)	Production (lbs)
Q1 2011	52	57	546	259	733,800
Q2 2011	69	62	500	229	650,000
Q3 2011	20	62	560	165	523,400
Q4 2011	-	88	616	263	966,700

A total of 141 wells were installed during 2011, in line with the budget of 141. The program for 2012 provides for the installation of 285 wells to achieve the production target for the year.

Acidification of 2 new production blocks was completed during the year and these blocks, together with 1 production block acidified in 2010, were put into production during 2011.

Capital expenditure incurred during 2011 was \$36.5 million, compared to the revised budget of \$27 million. Capital expenditure incurred by Akbastau in 2012 is expected to be approximately \$114 million on a 100% basis, of which \$38 million is related to well-field development and the remainder relates to construction activities and fixed asset purchases.

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

(All figures are the Corporation's attributable share)	3 months ended				Period ended
	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010 ⁽¹⁾
Production in lbs	483,400	261,700	325,000	366,900	16,700
Sales in lbs	436,900	303,700	491,000	129,600	-
Inventory in lbs	421,800	382,500	425,900	594,800	360,500
Revenues (\$'millions)	21.5	14.4	25.1	8.2	-
Operating expenses (\$'millions)	5.0	4.0	5.7	1.7	-
Operating expenses (\$/lb sold)	11	13	11	13	-
Depreciation (\$ millions)	4.4	5.0	4.9	6.4	-
Depreciation (\$/lb sold)	10	16	10	49	-

Note:

⁽¹⁾ Attributable values since the acquisition date of December 27, 2010.

Up to Q1 2011, depreciation recognized 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 cash cost of production for 2011 at \$12 per pound sold is below the Corporation's guidance due to higher than expected concentration in solution, which also resulted in higher production.

ZARECHNOYE URANIUM MINE

Zarechnoye is an operating ISR uranium mine located in the Syr darya 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.

Production: Production from Zarechnoye was 1,908,200 pounds (734 tonnes U) for the year, of which 947,900 pounds (365 tonnes U) was 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 (m ³ /hour)	Concentration in solution (mg U/l)	Production (lbs)
Q1 2011	81	154	2,231	42	465,000
Q2 2011	85	166	2,382	38	495,800
Q3 2011	128	162	2,462	32	425,600
Q4 2011	127	173	2,636	35	521,800

A total of 421 wells were installed during 2011, compared to the budget of 427. The program for 2012 provides for the installation of 489 wells to achieve the production target for the year.

Acidification of seven new production blocks was completed during the year and these blocks, together with 1 production block acidified in 2010, were put into production during 2011.

Capital expenditure incurred during 2011 was \$33 million, compared to the budget of \$30 million. The difference was mostly due to increased well-field development activities in order to increase the production rate in 2011. Capital expenditure incurred by Zarechnoye in 2012 is expected to be approximately \$42 million on a 100% basis, of which \$28 million is related to well-field development and the remainder for construction activities and fixed asset purchases.

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

(All figures are the Corporation's attributable share)

	3 months ended				Period ended
	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010 ⁽¹⁾
Production in lbs	259,200	211,400	246,300	231,000	16,300
Sales in lbs	247,500	302,400	264,200	106,100	143,300
Inventory in lbs	117,800	109,400	202,900	224,000	103,100
Revenues (\$ millions)	12.4	16.2	18.5	5.4	6.3
Operating expenses (\$ millions)	5.6	6.3	5.4	1.8	2.3
Operating expenses (\$/lb sold)	23	21	20	17	16
Depreciation (\$ millions)	3.0	4.5	3.4	2.6	3.9
Depreciation (\$/lb sold)	12	15	14	22	27

Note:

⁽¹⁾ Attributable values since the acquisition date of December 27, 2010.

Up to Q1 2011, depreciation includes fair value adjustments processed against finished product on hand on the acquisition date. The fair value adjustment was recognized as non-cash depreciation with the subsequent sale of the inventory.

The average cash cost of production at \$21 per pound sold for 2011 was in line with guidance.

REVIEW OF DEVELOPMENT PROJECTS - KAZAKHSTAN

KHARASAN URANIUM PROJECT

Kharasan is an ISR uranium development project located in the Syr darya basin in the Suzak region, South Kazakhstan Oblast. The Corporation has an indirect 30% interest in the Kharasan Uranium Project through its 30% interest in the Kyzylkum joint venture ("Kyzylkum"), a Kazakhstan registered limited liability partnership. Kazatomprom has a 30% interest in Kyzylkum and Energy Asia (BVI) Ltd., which is owned by a consortium of Japanese utilities and a trading company, has the remaining 40% interest in Kyzylkum.

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 1,109,400 pounds (427 tonnes U) during 2011, of which 332,800 pounds (128 tonnes U) was 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 (m ³ /hour)	Concentration in solution (mg U/l)	Production (lbs)
Q1 2011	29	77	552	84	237,100
Q2 2011	114	86	581	80	262,300
Q3 2011	85	88	642	84	301,300
Q4 2011	66	105	663	79	308,700

A total of 294 wells were installed during 2011, in line with the budget of 294. The program for 2012 provides for the installation of 50 wells to achieve the production target for the year. The current wells are sufficient to maintain production during commissioning, and the planned installation rate for 2012 has been lowered as a result.

Acidification of four new production blocks was completed during the year and these blocks were put into production during 2011.

Capital expenditure incurred during 2011 was \$26 million, compared to the revised budget of \$27 million. Capital expenditure incurred by Kharasan in 2012 is expected to be approximately \$67 million on a 100% basis, of which \$13 million is related to completion of well-field development commenced in 2011, with the remainder to be spent on construction activities and fixed asset purchases.

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 transshipment locations.

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 have been constructed at South Inkai, with commissioning planned for June 2012. A further 2,400 m³ storage capacity is operational at the Zhanakorgan transshipment base near the Kharasan Project with an approval to construct tanks for a further 7,200 m³ of acid storage.

In 2011, domestic sulphuric acid supplies in Kazakhstan were supplemented by imports from Russia, which constituted approximately 36% of sulphuric acid delivered to the Corporation's mines in Kazakhstan.

SULPHURIC ACID PLANT

The Corporation's SKZ-U joint venture with Kazatomprom and its other joint venture partners continues to advance the development of a sulphuric acid plant near Kharasan at Zhanakorgan which will be an additional source of sulphuric acid for its operations. 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 66% has been spent up to December 31, 2011. Production of sulphuric acid is expected to commence in Q2 2012. The Corporation has funded \$25 million of its debt obligation to date towards the construction of the sulphuric acid plant.

The construction and installation activities at the sulphuric acid plant are 95% complete. All construction activities are expected to be completed by Q2 2012. The design capacity of the plant is 500,000 tonnes of sulphuric acid per year.

Capital expenditure incurred in 2011 was \$72 million compared with the revised estimate of \$107 million. The construction was delayed by personnel shortages and a delay in the delivery of material. Capital expenditures for 2012 totalling \$11 million are planned to complete the construction, which includes commissioning costs.

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 current design capacity of Willow Creek is 1,300,000 pounds U₃O₈ (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 U₃O₈ (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 214,800 pounds (80 tonnes U) during 2011.

Operations: The following is a summary of the operational statistics for Willow Creek:

	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m³/hour)	Concentration in solution (mg U/l)	Production (lbs)
Q1 2011	67	18	103	28	16,500
Q2 2011	68	49	302	26	42,800
Q3 2011	74	80	391	26	57,500
Q4 2011	84	136	553	32	98,000

A total of 456 wells were completed during 2011, compared to a revised budget of 702. The program for 2012 provides for the installation of 988 wells to achieve the production target for the year.

The last module of Mine Unit 7 (Module 76) was placed into operation at the end of October 2011.

Well installation and surface construction of the new Mine Unit 8 commenced in Q4 2011. The first portion of Mine Unit 8, Module 81, is anticipated to be placed into operation during Q1 2012.

Capital expenditure incurred during 2011 was \$34 million, compared to the budget of \$46 million. The difference is due to the deferral in the construction of Moore Ranch. Capital expenditure in 2012 is expected to be approximately \$33 million on a 100% basis, of which \$32 million is planned to be spent on well-field development.

REVIEW OF DEVELOPMENT PROJECTS – AUSTRALIA

HONEYMOON URANIUM PROJECT

The Honeymoon Uranium Project is an ISR uranium development project 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”).

The project has a design capacity of 880,000 pounds per year.

Production in commissioning: Production in commissioning from Honeymoon was 100,000 pounds (38 tonnes U) during 2011, of which 51,000 pounds (20 tonnes U) is attributable to the Corporation.

Operations: The following is a summary of the operational statistics for Honeymoon (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/l)	Production (lbs)
Q3 2011	-	10	175	86	44,500
Q4 2011	-	22	300	70	55,500

An additional 12 production wells were put into production in Q4 2011 from the second wellfield. Calcium removal from groundwater from the third wellfield was completed in Q4 2011. The program for 2012 provides for the installation of 96 wells and associated surface facilities to achieve the production target for the year.

Capital expenditure incurred during 2011 was A\$12.3 million compared to the budget of A\$11.0 million. Capital expenditure in 2012 is expected to be approximately \$25 million on a 100% basis, of which \$17 million is planned to be spent on fixed asset purchases, with the balance expected to be spent on wellfield development.

The first shipment of uranium concentrates from Honeymoon to the United States occurred in February 2012.

CORPORATE

RUBLE BOND OFFERING

On December 7, 2011, the Corporation entered into agreements with eligible investors and issued Ruble-denominated bonds (the "Ruble Bonds") having an aggregate principal amount of \$463.5 million (RUB 14.3 billion) repayable five years from the date of issuance. The Ruble Bonds bear interest at a Ruble rate of 9.75%, payable semi-annually from the date of issue. In connection with the offering, the Corporation entered into a RUB/USD cross-currency interest rate swap agreement ("Swap"). The Swap has a USD fixed exchange rate of \$1.00 = RUB 30.855 and results in a USD fixed interest rate of 6.74% on the principal amount of \$463.5 million. The swap was entered into by the Corporation to effectively create a synthetic US dollar borrowing by converting the Ruble denominated coupon payments and principal amount of the Ruble Bonds to fixed US dollar cash flows, and therefore eliminate any exposure to Ruble / USD fluctuations. For accounting purposes the Corporation designated 80% of the swap as a cash flow hedge of the foreign currency risk inherent in the interest and principal payments on the RUB 14.3 billion borrowing.

The Ruble Bonds are direct, unsecured, non-convertible, interest-bearing obligations of the Corporation, subordinated to any present or future secured obligations, and ranking equally with all other unsecured indebtedness.

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 revised definitive feasibility study.

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. On June 7, 2011, ARMZ completed the acquisition of Mantra, and Uranium One became the operator of Mantra's Mkuju River Project in Tanzania pursuant to agreements entered into with ARMZ in connection with the closing. As operator of the project, Uranium One is responsible to provide funding for the project and consequently entered into a loan agreement with Mantra on June 6, 2011. The loan agreement is guaranteed by ARMZ and provides for a loan of \$150 million which will increase after receipt of a special mining license for the Mkuju River Project. A drawdown of \$6.0 million has been made against the facility up to December 31, 2011.

Pursuant to the revised agreement with ARMZ, Uranium One has a call option to acquire Mantra from ARMZ, exercisable at any point up to June 7, 2012, 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 January 31, 2012. The agreement also provides ARMZ with a put option to sell Mantra to Uranium One at the end of the option term if all conditions precedent, including minority shareholder approval, have been met. The transaction falls outside of the scope of IAS 39, financial instruments: recognition and measurement and does not meet the recognition criteria of IFRS 3, business combinations for consolidation at December 31, 2011.

The purchase price to be paid by Uranium One will be equal to ARMZ's acquisition cost of Mantra (approximately \$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.

On January 16, 2012, Uranium One announced that it has elected to pay \$150 million to ARMZ which extended the term of the Mantra call option from June 7, 2012 to June 7, 2013 and resulted in Uranium One acquiring a 13.9% stake in Mantra from ARMZ.

MKUJU RIVER PROJECT

The Mkuju River Project is a large scale uranium development project located in southern Tanzania. Current activity at the Project is focused on licensing and permitting. Early in 2011, the Tanzanian Government submitted an application to the UNESCO World Heritage Committee ("WHC") for a minor adjustment of the boundary of the adjacent Selous Game Reserve to ensure Project activities did not adversely impact the adjacent Reserve, a World Heritage Site comprising some 5 million hectares. At its annual meeting in June 2011, the WHC referred the application for further review, including a visit by the International Union for Conservation and Nature ("IUCN") to the Project area late in 2011. An advisory mission was led by two experts to the Project area in October 2011. The IUCN experts also met with national government and other stakeholders and submitted a report to the Tanzanian Government in November 2011. The report was also examined by the IUCN World Heritage Panel. An updated environmental impact assessment was submitted to the WHC at the end of January 2012.

In the meantime, additional exploration work on the project is being conducted in the area of the expected Special Mining License. During Q4 2011, a single rig was operated, with a second rig being mobilized to the site. Drilling was focused on brownfields exploration and resource upgrade drilling to enable conversion of inferred material within the pit designs to an indicated classification. A definitive feasibility study relating to the Project is being prepared by Uranium One and is expected to be finalized by the end of first half of 2012.

RESOURCE ESTIMATE

CSA Global Pty Ltd. ("CSA") has provided the Corporation with an updated NI 43-101 compliant mineral resource estimate as at September 27, 2011 for the Mkuju River Project ("Mkuju River"). The updated mineral resource estimate incorporates a cut-off grade of 100 ppm U₃O₈, additional drilling data and the use of Uniform Conditioning ("UC") grade estimation methodology.

Mineral Resource estimate (100%)	Tonnage (million tonnes)	Grade (U ₃ O ₈ ppm)	Contained U ₃ O ₈ (million pounds)
Measured resource	80.3	313	55.3
Indicated resource	59.3	291	38.0
Total Measured & Indicated	139.6	303	93.3
Inferred resource	42.5	278	26.1

Notes:

Reported at a cut-off grade of 100 ppm U₃O₈. All figures are rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding. The resource estimate has been prepared by independent consultants CSA Global Pty Ltd ('CSA') under the supervision of Qualified Person Mr. Malcolm Titley and is reported in accordance with the Canadian National Instrument 43-101.

Compared to the mineral resource estimate previously announced by Mantra in November 2010 (which used a cut-off grade of 200 ppm U₃O₈), the updated mineral resource estimate shows a 39% increase in the Measured resource category to 55.3 million pounds and a 48% increase in the Indicated resource category.

The updated mineral resource estimate also shows a reduction in Inferred resources of 9.8 million pounds primarily resulting from the conversion of Inferred resources into Indicated and Measured resources. The updated resource model will form the basis for the definitive feasibility study being prepared on Mkuju River.

URANIUM MARKET

One year after the devastating Japanese earthquake and tsunami which crippled the Fukushima units of Tokyo Electric Power, we are in a much better position to assess the impact this accident will have on nuclear power and the uranium market going forward. While most of Japan's 54 reactors are now offline and awaiting stress test results and restart approvals, and Germany appears willing to go through with its nuclear phase out by 2022, these developments are exceptional, unlikely to deteriorate further and have been largely factored into most analysts' assumptions. At the same time, the supply side of the equation has been revised downward due to production shortfalls at existing mines, significant postponements of new development projects, and the expiration of the US/Russian HEU agreement in 2013. The net effect is that while the market may be in balance for the next 12 to 18 months, due largely to the displacement of supplies from impacted reactors, we clearly see the need for new mine production to meet demand for uranium which is expected to grow at 2% to 3% per year going forward.

The basis of this growth projection stems from the continued expansion of the demand for nuclear power, particularly in the emerging markets of China, Russia, India and the Middle East. China has resumed their approval of new reactor construction projects, having paused to assess and confirm the safety of their existing and planned units (current estimate of 75-80 GWe by 2020). Russia's nuclear program continues to benefit from a strong national energy policy which promotes nuclear energy both domestically and abroad. India's nuclear growth is a cornerstone of the national imperative to lift the standard of living of its massive population (current estimate of 63 GWe by 2032). The Middle East has seen a role model emerge in the United Arab Emirates, which are building a four unit station (possibly more), to the highest international standards as the basis of their diversified economy going forward. Saudi Arabia is following suit with a 16 reactor program and Turkey and Jordan are proceeding with their first units.

The developed nuclear markets have all seen a very thorough review and assessment of the ability of their reactors to withstand multiple threats under the most extreme circumstances, and while some additional safety upgrades are being implemented, this risk assessment has largely validated the robust defense-in-depth philosophy of nuclear power. Growth in the United States has been impacted more by a weak economy and projected low natural gas prices, however, the first wave of new units in Georgia and South Carolina are under construction and the completion of two additional units in the Tennessee Valley Authority fleet are also proceeding. South Korea has reaffirmed its commitment to nuclear energy as has the Czech Republic, in stark contrast to its neighbor Germany which will face serious challenges to meet the electricity demands of its manufacturing and export driven economy from renewable sources (and imports of electricity).

The published market price indicators would seem to support the view that the underlying supply and demand fundamentals remain strong. Spot uranium prices have been trading in a narrow, but healthy, range of \$50 to \$55 for over 8 months now which is \$10 per pound higher than the period one year prior to the Fukushima events. Published long term prices (defined as the base escalated price at which a producer would be willing to lock into for future multi-year deliveries) have remained fairly steady in the low \$60 per pound range. Future price movements will depend on the degree the production industry is able to expand to meet increasing uranium requirements and Uranium One believes that it is well positioned with its globally diversified, low cost production portfolio and strategic growth plans.

SUMMARY OF QUARTERLY RESULTS

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

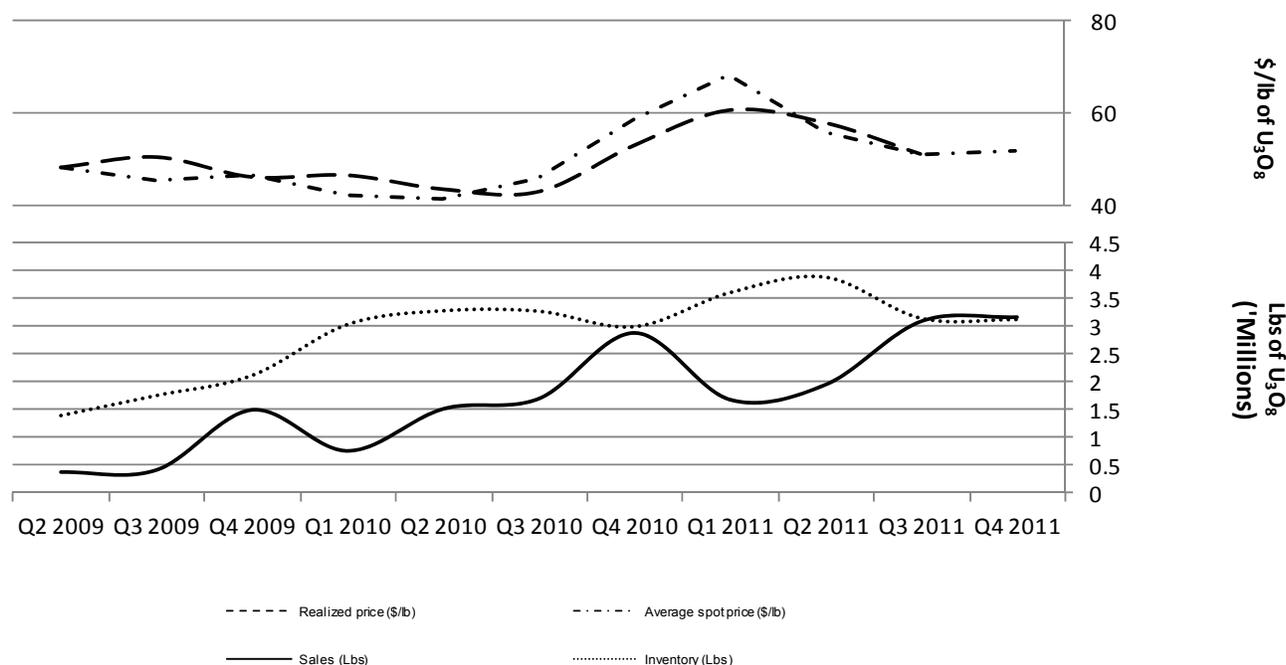
3 months ended

	Dec 31, 2011 \$	Sep 30, 2011 \$	Jun 30, 2011 \$	Mar 31, 2011 \$	Dec 31, 2010 \$	Sep 30, 2010 \$	Jun 30, 2010 \$	Mar 31, 2010 \$
Revenues	157.9	157.7	112.9	101.9	152.3	73.1	66.0	35.5
Net (loss) / earnings	(1.1)	45.8	29.7	14.0	(112.9)	(44.8)	5.4	(1.4)
Basic and diluted (loss)/earnings per share ⁽¹⁾	(0.00)	0.05	0.03	0.01	(0.17)	(0.08)	0.01	(0.00)
Total assets	3,303.3	2,975.9	2,972.3	2,990.7	2,946.4	2,032.0	2,028.6	2,124.9

Notes:

(1) 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, 2011 and December 31, 2010.

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 average realized sales price per pound sold by the Corporation is related to the spot price. Pricing in the Corporation's sales contracts normally reference average market prices up to 3 months before the delivery date and the realized sales prices will therefore be below average market prices in a rising market price environment, and the opposite in a falling market environment.

The Corporation's sales volumes are determined by the terms of long term sales contracts with customers and the delivery schedules which customers are allowed to select each given year.

Earnings fluctuate in line with sales volume, but are also affected by a mixture of fixed and variable costs, including general and administration cost, foreign exchange, impairment charges and taxation.

THREE MONTHS ENDED DECEMBER 31, 2011

RUBLE BOND OFFERING

On December 7, 2011, the Corporation raised \$463.5 million through the issuance of the Ruble Bonds and converting the Ruble cash flows into US dollars through the Swap, as described in “Corporate – Ruble Bond Offering”.

The Swap effectively converts the Ruble Bonds into a synthetic US dollar borrowing by fixing the Corporation’s principal and interest payments in US dollar terms and while the Swap is in force, the Corporation is not exposed to any Ruble currency risks. For accounting purposes, the Corporation will recognize certain foreign exchange gains or losses in the income statement during the term of the Ruble Bonds and Swap at each reporting period. The cumulative effect of Ruble / US dollar currency movements on the income statement is expected to be zero over the full term of the Ruble Bonds and Swap.

Interest of \$2.1 million was accrued, which consists of interest of \$2.9 million that was accrued on the Ruble Bonds at RUB 9.75%, offset with \$0.8 million interest accrued on the Swap. The interest on the Swap reduces the effective interest rate, before taking transaction costs into account, to 6.74%, which is the cash rate as well. Net foreign exchange gains of \$3.9 million were recognized in the income statement, consisting of \$18.2 million on the revaluation of the Ruble Bonds to the closing US dollar rate on the reporting date, offset by fair value changes in the Swap liability since inception of \$14.3 million. A further fair value loss of \$2.0 million was recorded against the fair value hedge reserve in equity.

URANIUM SALES, INVENTORY AND OPERATING COSTS

The Corporation had attributable sales of 3,161,200 pounds during Q4 2011, compared to 2,878,400 pounds in Q4 2010. The Corporation’s attributable share of revenue from sales in Q4 2011 was \$157.9 million, compared to \$152.3 million in Q4 2010. The increase in revenue is due to a 10% higher sales volume offset with a 6% decrease in the average realized uranium price per pound compared to Q4 2010. The average realized price per pound sold in Q4 2011 was \$50 per pound.

Earnings from mining operations were \$76.0 million in Q4 2011 after the deduction of operating expenses of \$48.6 million (\$15 per pound sold) and depreciation and depletion charges of \$33.3 million (\$11 per pound sold). Revenue for Q4 2011 was in line with revenue in Q3 2011, and Q4 2011 earnings from mine operations were in line with earnings from mine operations in Q4 2010.

FAIR VALUE ADJUSTMENTS

The Corporation recognized fair value losses of \$3.9 million in Q4 2011 resulting from the update of the assumptions on its contingent liabilities, compared to fair value losses of \$5.7 million in Q4 2010.

INCOME TAXES

Betpak Dala disputed 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 appeal against the tax assessment was unsuccessful and accordingly, the Corporation has recognised the attributable \$16.7 million income tax expense in the income statement in Q4 2011.

NET EARNINGS / LOSS

Net losses in Q4 2011 were \$1.1 million, or \$0.00 per share, compared to net losses of \$112.9 million or \$0.18 per share in Q4 2010.

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 earnings/loss by adding back restructuring costs, impairments, cost of suspension of operations, gains/losses from the sale of assets and the effect of the tax rate adjustment on deferred 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 ended		Year ended	
	Dec 31, 2011	Dec 31, 2010	Dec 31, 2011	Dec 31, 2010
	\$'millions	\$'millions	\$'millions	\$'millions
Net (loss)/earnings	(1.1)	(112.9)	88.4	(153.7)
Fair value adjustments	3.9	5.7	2.6	36.5
Impairment and care and maintenance costs	0.3	45.5	1.2	49.9
Corporate development expenditure	0.2	0.4	1.2	8.9
Restructuring costs	1.4	5.5	3.6	5.5
Effect of rate adjustment on deferred tax liabilities ⁽¹⁾	-	39.0	-	39.0
Non-recurring income tax expense	16.7	-	16.7	-
Loss on sale of available for sale securities	-	0.2	-	10.6
Adjusted net earnings / (loss)	21.4	(16.6)	113.7	(3.3)
Adjusted net earnings / (loss) per share – basic and diluted (\$)	0.02	(0.02)	0.12	(0.01)
Weighted average number of shares (millions) – basic and diluted	957.2	682.9	957.2	611.6

Note:

⁽¹⁾ The rate adjustment relates to the change in the effective tax rate used to calculate deferred tax, resulting from the change in the tax regulations for Kazakhstan in 2010.

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

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

	Year ended		
	Dec 31, 2011 \$'000	Dec 31, 2010 \$'000	Dec 31, 2009 \$'000 ⁽⁵⁾
Revenues	530.4	326.9	152.0
Earnings / (loss) from continuing operations	88.4	(153.7)	(38.1)
Earnings from discontinued operations	-	-	2.0
Net earnings / (loss)	88.4	(153.7)	(36.1)
Adjusted net earnings/(loss)	113.7	(3.3)	(36.5)
Cash flows from operating activities	169.7	41.8	6.1
Earnings / (loss) per share from continuing operations	0.09	(0.25)	(0.08)
Earnings per share from discontinued operations	-	-	0.00
Net earnings / (loss) per share	0.09	(0.25)	(0.08)
Adjusted net earnings / (loss) per share	0.12	(0.01)	(0.08)
Product inventory carrying value ⁽¹⁾⁽²⁾⁽³⁾	77.0	80.4	65.9
Total assets	3,303.3	2,946.4	2,149.1
Long term financial liabilities	1,174.7	711.2	400.0
Special cash dividend per share ⁽⁴⁾	-	\$1.06	-
Average realized uranium price per lb	54	48	48
Average spot price per lb	57	47	46
	Lbs	Lbs	Lbs
Attributable sales volume	9,881,400	6,861,600	3,187,700
Attributable production volume	10,057,200	7,230,200	3,474,800
Attributable inventory ⁽¹⁾	3,120,200	2,992,700	2,110,500

Notes:

- (1) Inventory 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.
- (2) For 2010, the Akbastau inventory balance includes fair value adjustments of \$5.5 million recorded as part of the business combination on December 27, 2010.
- (3) For 2010, the Zarechnoye inventory balance includes fair value adjustments of \$4.2 million recorded as part of the business combination on December 27, 2010.
- (4) On December 20, 2010, the Corporation paid a special dividend of \$1.06 for each common share to shareholders other than ARMZ.
- (5) 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 then applicable and has not been restated to comply with IFRS.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2011

URANIUM SALES, INVENTORY AND OPERATING COSTS

The Corporation's uranium sales, costs of uranium sales and earnings from mine operations were as follows in 2011 and 2010:

	2011					Total / Average
	Akbastau	Akdala	South Inkai	Karatau	Zarechnoye ⁽¹⁾	
Revenues (\$ millions)	69.2	75.6	207.9	125.2	52.5	530.4
Attributable sales volumes (lb '000)	1,361.2	1,408.2	3,622.4	2,569.4	920.2	9,881.4
Operating expenses (\$ millions)	16.4	19.0	64.2	23.9	19.1	142.6
Operating expenses (\$/lb sold)	12	13	18	9	21	14
Depreciation (\$ millions)	20.7	14.8	39.9	36.3	13.5	125.2
Depreciation (\$/lb sold)	15	11	11	14	15	13
Earnings from mine operations (\$ millions)	32.1	41.8	103.8	65.0	19.9	262.6

The Corporation realized an average sales price of \$54 per pound sold during 2011, compared to the closing spot and average spot prices of \$52 per pound and \$57 per pound respectively.

	2010				Total / Average
	Akdala	South Inkai	Karatau	Zarechnoye ⁽¹⁾	
Revenues (\$ millions)	93.9	121.3	105.4	6.3	326.9
Attributable sales volumes (lb 000)	1,909.0	2,467.6	2,341.7	143.3	6,861.6
Operating expenses (\$ millions)	23.8	45.8	19.9	2.4	91.9
Operating expenses (\$/lb sold)	12	19	9	16	13
Depreciation (\$ millions)	19.4	29.6	43.4	3.9	96.3
Depreciation (\$/lb sold)	10	12	19	27	14
Earnings from mine operations (\$ millions)	50.7	45.9	42.1	-	138.7

The Corporation realized an average sales price of \$48 per pound sold during 2010, compared to the closing spot and average spot prices of \$63 per pound and \$47 per pound respectively.

Notes:

(1) Akbastau and Zarechnoye were acquired on December 27, 2010. Zarechnoye's uranium sales, costs and earnings from mine operations therefore represents the period from acquisition to December 31, 2010. Depreciation for Zarechnoye in 2010 and for both Akbastau and Zarechnoye in the early part of 2011 include fair value adjustments in inventory recognized on acquisition of Zarechnoye, which was expensed as non-cash depreciation with the sale of the recovered inventory.

The average realized sales price per pound sold by the Corporation is related to the spot price. Pricing in the Corporation's sales contracts normally reference average market prices up to 3 months before the delivery date and the realized sales prices will therefore be below average market prices in a rising market price environment, and the opposite in a falling market environment.

The Corporation's sales volumes are determined by the terms of long term sales contracts with customers and the delivery schedules which customers are allowed to select each given year. The Corporation forecasts the amount of U₃O₈ to be produced from its mines over the medium to long term and enters into long term sales contracts (i.e., contracts for delivery more than 12 months from the date of execution) with customers for specific yearly quantities. The Corporation commits a relatively high degree of its projected production for delivery into contracts in the immediate future, with progressively lower percentages being committed to contracts with delivery dates more than four to five years in the future. The Corporation also maintains a 'cushion' between projected production and committed sales to ensure that it can meet all delivery commitments even in the event of lower than projected production. This approach also allows for opportunistic spot sales for a portion of annual production. Sales contracts normally provide for delivery of a fixed quantity of uranium concentrates per year. Delivery schedules are generally fixed, with minor allowances for customers to select the exact month of delivery depending on their refuelling schedules. Customers normally schedule deliveries to ensure the U₃O₈ is delivered in time to correspond to their schedules for conversion, enrichment, and fabrication, which in turn depend on their schedule for reloading of fuel at their nuclear power plants. The exact timing of sales is therefore not entirely at the Corporation's discretion and sales are often uneven from quarter to quarter depending on the exact dates that customers choose for delivery of their uranium.

Customers take delivery of U₃O₈ at conversion facilities and the Corporation ships the U₃O₈ produced at its mines to converters in time for scheduled deliveries to customers. In situations where deliveries are scheduled shortly after a quarter end, the Corporation often has low sales in that quarter, with higher inventory levels in anticipation of the delivery. Where deliveries are scheduled shortly before a quarter end, sales for the quarter could be higher, with relatively low inventory balances at the end of the quarter. Depending on the location of the conversion facility, shipping times from Kazakhstan can be up to four months and the lead time between production of U₃O₈ and sales therefore has a significant impact on inventory levels at any given time. Uranium One has entered into an agreement with ARMZ to optimize each party's delivery logistics and enhance reliability of supply.

Revenue of \$530.4 million in 2011 increased by 62% compared to the \$326.9 million in 2010, due to volume sold increasing by 3.0 million pounds (43% higher than in 2010) and an increase in the average realized sales price from \$48 per pound to \$54 per pound.

The sales mix for 2011 was 14% for Akbastau, 14% for Akdala, 37% for South Inkai, 26% for Karatau and 9% for Zarechnoye, compared to 2010 in which Akdala contributed 28% to the sales, South Inkai 36%, Karatau 34%, and Zarechnoye 2%. The sales mix is expected to align with the production ratio of each mine over time, considering the effect of long term contracts on inventory build-up.

Operating expenses per pound sold increased from \$13 per pound in 2010 to \$14 per pound in 2011, mainly due to the larger contribution in the volume sold from Zarechnoye and an increase in the cost per pound at Akdala from \$12 per pound to \$13 per pound, and at Zarechnoye from \$16 per pound to \$21 per pound sold. The higher costs are partially offset with a decrease in the cost per pound sold at South Inkai from \$19 to \$18.

Operating expenses are also affected by inflation of approximately 7% in Kazakhstan.

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 3,120,200 pounds at December 31, 2011.

GENERAL AND ADMINISTRATIVE EXPENSES

The main drivers of the cash component of general and administrative expenses are salaries, directors' fees, consulting and advisor fees, travel expenses and office rent. Non-cash stock option and restricted share expenses are normally a significant contributor to general and administrative expenditure, as a significant contributing factor to Uranium One's future success is its ability to attract and retain qualified and competent personnel. To accomplish this, Uranium One adopted a stock option plan to advance its interests by encouraging directors, officers and employees to have equity participation in Uranium One.

General and administrative expenses, including stock option expenses of \$8.6 million, was \$50.4 million in 2011, compared to \$53.0 million in 2010, including stock option and restricted share expenses of \$13.9 million. The expense in 2011 includes restructuring costs of \$3.6 million, compared to \$5.5 million in 2010. Restructuring costs include the cost of moving the Corporation's head office from Vancouver to Toronto and associated severance payments to staff. The decrease in the share option and restricted share expense results from the accelerated vesting caused by the change of control that occurred with the ARMZ transaction during 2010.

The general and administrative expense for 2011 includes salaries and directors' fees of \$26.4 million, consulting and advisor fees of \$4.9 million, travel expenses of \$1.2 million and office rent of \$3.5 million.

EXPLORATION

The Corporation has a significant resource base and does not rely on exploration success for current and future production activities. Exploration expenditure is therefore purely discretionary. 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 \$4.5 million during 2011, compared to \$5.5 million during 2010.

IMPAIRMENT AND CARE AND MAINTENANCE

The Corporation impaired the value of the Honeymoon project with \$43.9 million in 2010 based on the results from year end impairment testing. Higher construction costs and the strong Australian dollar were the main reasons for the decrease in the expected return of the project.

Total care and maintenance costs in 2011 were \$1.2 million, compared to care and maintenance costs of \$2.9 million for 2010. These costs mainly relate to the Shootaring Canyon Mill which was placed on care and maintenance in 2008.

FINANCE INCOME AND EXPENSES

Interest income was \$7.2 million in 2011 and \$6.1 million 2010. In addition to the interest earned on loans to joint ventures and associates, interest is earned on funds held on deposit by the Corporation.

Interest accrued on the Corporation's 2006 Debentures was \$10.5 million in 2011, compared to \$9.9 million in 2010. Interest accrued on the Corporation's 2010 Debentures was \$23.9 million in 2011, compared to \$18.3 million 2010. The 2010 Debentures were issued in March 2010.

The 2006 Debentures were redeemed in December 2011.

Interest on contingent payments of \$2.9 million in 2011 and \$7.0 million in 2010 relates to bonus payments linked to exploration targets at South Inkai and Kharasan.

Interest accrued on the Ruble Bonds was \$2.1 million, net of a \$0.8 million credit accrued on the cross currency interest rate swap.

FOREIGN EXCHANGE GAIN / LOSS

Foreign exchange gains on the Ruble Bonds, debentures, cash balances and deposits during 2011 were \$3.9 million, compared to foreign exchange losses of \$1.6 million for 2010.

FAIR VALUE ADJUSTMENTS

The Corporation recognized fair value losses of \$2.6 million during 2011 resulting from the update of the assumptions on its contingent liabilities, compared to fair value losses of \$36.5 million during 2010.

INCOME TAXES

Betpak Dala disputed 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 appeal against the tax assessment was unsuccessful and accordingly, the Corporation has recognised the attributable \$16.7 million income tax expense in the income statement in Q4 2011.

The remaining current income tax expense for 2011 of \$57.9 million mainly consists of income tax paid and payable in Kazakhstan on profits from the Corporation's mines in Kazakhstan. For 2010 a \$49.3 million income tax expense was recorded, mainly relating to the Akdala, South Inkai and Karatau mines.

The deferred tax recovery in 2011 of \$11.7 million consists of the recovery of deferred tax liabilities of the Kazakhstan mines. The recovery represents the depletion of the deferred tax liabilities that were created on the acquisition of the mines in Kazakhstan, and was based on the excess purchase price paid on acquisition.

NET EARNINGS / LOSS

The net earnings for 2011 were \$88.4 million or \$0.09 per share, compared to net losses of \$153.7 million or \$0.25 per share for 2010.

FINANCIAL CONDITION

CASH AND CASH EQUIVALENTS

On December 31, 2011, the Corporation had cash and cash equivalents of \$619.0 million, compared to \$324.4 million at December 31, 2010. The cash balance per entity on December 31, 2011 was as follows:

	Held by subsidiary or Joint Ventures (\$ millions)	Corporation's attributable share (\$ millions)
Betpak Dala	50.5	35.4
Karatau	7.6	3.8
Akbastau	3.2	1.6
Kyzylkum	3.7	1.2
Zarechnoye	6.9	3.4
Honeymoon	10.5	5.4
SKZ-U	7.0	1.3
Holding and intermediate companies		566.9
Total cash		619.0

Cash generated by the Corporation's joint ventures is used to fund joint venture operations.

LOANS TO JOINT VENTURES AND RELATED PARTIES

Kyzylkum has repaid the \$19.0 million outstanding on the loan from the Corporation at December 31, 2010 as a result of the restructuring of its debt. In 2011, the Corporation 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.

The Corporation advanced an additional \$7.1 million to SKZ-U during 2011, bringing the total loan to \$25.1 million, as part of its obligation to provide project financing for the construction and commissioning of the sulphuric acid plant in Kazakhstan.

The Corporation advanced \$6.0 million to Mantra during 2011, as part of its obligation to fund the capital expenditure of Mantra. The Corporation advanced an additional \$4 million to Mantra during January 2012.

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 \$10.4 million is accounted for in respect of the borrowed uranium concentrates of 200,000 pounds as at December 31, 2011. The loan agreement was amended in July 2011 and the 200,000 pounds of material is now to be returned in 2013. The loan is therefore classified as a non-current liability as at December 31, 2011.

INVENTORIES AND PURCHASED URANIUM CONCENTRATES

The value of inventories as at December 31, 2011 increased to \$91.2 million from \$90.0 million held at December 31, 2010. Finished uranium concentrates and solutions and concentrates in process decreased by \$3.4 million due to a decrease in the weighted average carrying value of closing inventory, partially offset by an increase in material on hand.

The Corporation revalued acquired inventory from the Akbastau and Zarechnoye acquisition during the 2010 financial year to its fair value determined on acquisition using market indicators at that time. The fair value adjustment of \$9.7 million, as calculated on acquisition, was recognized in the income statement on the sale of the inventory during 2011.

Materials and supplies increased by \$4.6 million in the period ended December 31, 2011, in line with the ramp-up of the Kharasan, Honeymoon and Willow Creek projects.

As at December 31, 2011 the Corporation had attributable inventory of 3.1 million pounds, including approximately 1.3 million pounds 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 December 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 December 31, 2011 is as follows:

Category	Location	Lbs
In process	Mine site	232,200
In process	External processing facilities	542,200
Finished product ready to be shipped	Mine site	586,300
Finished product ready to be shipped	External processing facilities	440,700
Finished product at conversion facility	Conversion facilities	1,318,800
Total inventory		3,120,200

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 December 31, 2011 was 379,300 pounds.

MINERAL INTERESTS, PROPERTY PLANT AND EQUIPMENT

The reporting values of mineral interests, plant and equipment increased by \$28.4 million during the year ended December 31, 2011.

The significant movement for 2011 consists of:

- Capital additions of \$181.8 million; offset by
- Pre-production revenue of \$15.2 million capitalized; and
- Currency translation adjustments of \$9.6 million; and
- Depreciation of \$124.8 million.

GOODWILL

The Corporation recognized goodwill of \$116.0 million and \$35.3 million with the acquisition of Akbastau and Zarechnoye respectively, as a result of the requirement to recognize a deferred tax liability calculated as the difference between the tax effect of the fair value of the assets and liabilities acquired and their tax base. The goodwill will be included in the cash generating unit that it relates to during impairment testing.

CURRENT LIABILITIES

The Corporation repaid the principal and interest owing under the 2006 Debentures from internal cash resources during December 2011.

CURRENT LIABILITIES RELATED TO THE ACQUISITION OF AKBASTAU AND ZARECHNOYE

Prior to acquisition, Zarechnoye 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. \$2.0 million was recognized in the statement of operations in 2011 related to sales into this contract since acquisition.

CURRENT LIABILITIES RELATED TO THE ACQUISITION OF KARATAU

The Corporation acquired \$40 million in receivables as part of the ARMZ transaction during 2010 and the amount was owed to the Corporation by ARMZ. The Corporation had \$40 million in contingent payments owing to ARMZ at that time, depending on tax related adjustments related to the purchase of Karatau and has agreed with ARMZ to offset the contingent payments as they become due against the \$40 million in receivables. The Corporation has therefore offset \$20 million of the contingent payment as it became due during January 2011 and January 2012.

CURRENT AND LONG TERM PORTION OF JOINT VENTURE DEBT

Kyzylkum had loans outstanding of \$36.9 million, \$47.4 million and \$47.1 million from the Japan Bank for International Cooperation ("JBIC"), Citibank and Kazatomprom, respectively. At December 31, 2011, the Corporation's share of Kyzylkum's loans is \$39.4 million, of which \$15.8 million is classified as short term.

In addition to the \$25.1 million loan from the Corporation, SKZ-U has loans outstanding of \$21.5 million, \$21.5 million and \$64.4 million from Sumitomo Mitsui Banking Corporation, Mizuho Corporate Bank and JBIC, respectively. At December 31, 2011, the Corporation's share of SKZ-U's loans is \$20.3 million, which is classified as long term.

Akbastau had loans outstanding of \$18.5 million and \$37.5 from Effective Energy and Kazfinance respectively. At December 31, 2011, the Corporation's share of these loans is \$27.8 million, of which \$11.3 million is classified as short term.

Zarechnoye had loans outstanding of \$38.0 million, \$3.9 million and \$37.5 million from Effective Energy, Citibank and Kazfinance, respectively. At December 31, 2011, the Corporation's share of these loans is \$39.2 million, of which \$22.1 million is classified as short term.

RUBLE BONDS AND SWAP

On December 7, 2011, the Corporation raised \$463.5 million through the issuance of the Ruble Bonds and converting the Ruble cash flows into US dollars through the Swap, as described in “Corporate – Ruble Bond Offering”.

The Swap effectively converts the Ruble Bonds into a synthetic US dollar borrowing by fixing the Corporation's principal and interest payments in US dollar terms and while the Swap is in force, the Corporation is not exposed to any Ruble currency risks. For accounting purposes, the Corporation will recognize certain foreign exchange gains or losses in the income statement during the term of the Ruble Bonds and Swap at each reporting period. The cumulative effect of Ruble / US dollar currency movements on the income statement is expected to be zero over the full term of the Ruble Bonds and Swap.

Interest of \$2.1 million was accrued, which consists of interest of \$2.9 million that was accrued on the Ruble Bonds at RUB 9.75%, offset with \$0.8 million interest accrued on the Swap. The interest on the Swap reduces the effective interest rate, before taking transaction costs into account, to 6.74%, which is the cash rate as well. Net foreign exchange gains of \$3.9 million were recognized in the income statement, consisting of foreign exchange of \$18.2 million on revaluation of the Ruble Bonds to the closing US dollar rate on the reporting date, and fair value changes in the Swap liability since inception of \$14.3 million. A further fair value loss of \$2.0 million was recorded against the fair value hedge reserve in equity.

NON-CURRENT LIABILITIES

The outstanding amount on the Corporation's 2010 Debentures increased mainly due to the interest accrued, partially offset by the weakening of the Canadian dollar against the US dollar since December 31, 2010, and 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:

- Net earnings for the period of \$88.4 million; and
- Stock options issued and vested of \$8.6 million; offset by
- Exchange fluctuations on translation of foreign operations of \$3.1 million; and
- Revaluation of the cash flow hedging reserve of \$2.0 million.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL AND CASH GENERATED FROM OPERATIONS

At December 31, 2011 the Corporation had working capital of \$714.9 million. Included in this amount are cash and cash equivalents of \$619.0 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 Betpak Dala and Karatau will fund their capital requirements from cash flow from their operations, without the need for finance from the Corporation or third parties. Cash in excess of the working capital requirements from the Corporation's joint ventures is distributed to the Corporation through the payment of dividends.

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 its mines in Kazakhstan. Additional sales revenue will be earned from uranium sales when the Corporation's development projects are commissioned.

Refer to *Results of Operations - Uranium sales, inventory and operating costs* for a discussion on inventory levels and the relationship between contracted sales and inventory.

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 many of its sales contracts.

CURRENT AND FUTURE SOURCES OF FUNDING

The Corporation has convertible debentures and Ruble Bonds outstanding as at December 31, 2011 that were obtained for general corporate purposes. In addition, the Corporation's joint ventures in Kazakhstan have amounts outstanding on several debt facilities.

The Corporation repaid the principal and interest owing under the 2006 Debentures from internal cash resources during December 2011.

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 being funded from internal resources.

The Ruble Bonds of \$463.5 million mature on December 7, 2016, with Ruble interest payable at 9.75% per annum, payable semi-annually in arrears being funded from internal resources. The Swap fixed the US dollar principal to \$463.5 million, and the interest at a USD rate of 6.74%.

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, which has been repaid during Q2 2011. The loans were 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 were used to repay the outstanding loan from the Corporation, service its debt repayments and to fund capital and operational expenditure in 2011. Kyzylkum restructured the terms of its outstanding loans early in 2012, extending the repayment period through December 2018. Pursuant to the terms of the restructuring, interest on the loans has increased by 1% and the lenders have the right to demand cash balances in excess of Kyzylkum's current requirements.

On December 31, 2011, Akbastau and Zarechnoye had outstanding facilities of \$55.7 million and \$79.4 million, respectively. The Corporation's share of these facilities was \$27.8 million and \$39.2 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 Zarechnoye for a period of 18 months after closing of the transaction.

On December 31, 2011, SKZ-U had loans outstanding of \$107.4 million, in addition to the loan outstanding from Uranium One in the amount of \$25.1 million to finance the construction of a sulphuric acid plant in Kazakhstan.

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

(US dollars in millions)	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
Lease obligations	2.9	4.1	1.9	-	8.9
Capital commitments	23.9	0.1	0.3	4.3	28.6
Environmental and closure costs	-	0.6	1.4	43.6	45.6
Trade and other payables	58.3	-	-	-	58.3
Interest bearing liabilities	43.0	54.6	484.3	3.5	585.4
Uranium concentrates loan	-	10.4	-	-	10.4
Provision for contingent payments	-	-	57.4	-	57.4
Interest payable on financial liabilities	37.7	94.8	31.6	1.6	165.7
2010 Debentures	-	266.1	-	-	266.1
Other	0.5	0.9	0.9	0.8	3.1
	166.3	431.6	577.8	53.8	1,229.5

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.

The Corporation incurs expenditures to maintain and increase its production capacity, which mostly consist of its capital expenditure budget as outlined in the *Outlook* section.

In accordance with a loan agreement between Uranium One and Mantra dated June 6, 2011, Uranium One has agreed to provide a credit facility to fund the development of the Mkuju River Project and other Mantra exploration activities. The credit facility is guaranteed by ARMZ.

RELATED PARTIES

The following significant related party transactions and balances are included in the Corporation's results as at December 31, 2011:

- Akbastau and Zarechnoye have outstanding loans with Effective Energy, an affiliate of the Corporation;
- The Corporation acquired certain receivables in the ARMZ transaction, which are offset against the Karatau contingent payments, payable to ARMZ, as they become due;
- The Corporation entered into an option agreement to acquire Mantra from ARMZ;
- The Corporation has sales contracts and off-take agreements with related parties. These transactions have market related terms and pricing, except for a Zarechnoye contract acquired as part of the ARMZ transaction. The Corporation received \$11.6 million in cash on acquisition to compensate for the unfavourable contract. On December 31, 2011, the Corporation owed \$4.5 million to certain of its joint ventures as a result of these transactions;
- The Corporation had sales of \$66.3 million and purchases of \$3.8 million with ARMZ and ARMZ affiliates, on market related terms;
- The Corporation acquired finished product of \$13.0 million from ARMZ and ARMZ affiliates, which was settled with finished product produced by the Corporation's operations;
- On December 31, 2011, the Corporation has outstanding trade receivables of \$4.5 million and trade payables of \$0.2 million with ARMZ and ARMZ affiliates; and
- The Corporation advanced \$6.0 million to Mantra during 2011, as part of its obligation to fund the capital expenditure of Mantra. The Corporation advanced an additional \$4 million to Mantra during January 2012.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

OUTSTANDING SHARE DATA

As of March 5, 2012, 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.

As of March 5, 2012, there were 13,496,537 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\$2.09 to C\$16.59. There were no restricted shares outstanding as of March 5, 2012.

Uranium One has 259,985 2010 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 JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires the Corporation's management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates. Information about areas of judgment and key sources of uncertainty and estimation is contained in the accounting policies and/or the notes to the consolidated financial statements.

The following are the key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Recoverability of accounts receivable and investments

Provision is made against accounts that in the estimation of management may be impaired. The recoverability assessment of accounts receivable is based on a range of factors including the age of the receivable and the creditworthiness of the customer. The provision is assessed monthly with a detailed formal review of balances and security being conducted at year-end. Determining the recoverability of an account involves estimation as to the likely financial condition of the customer and their ability to subsequently make payment. To the extent that future events impact the financial condition of the customers, these provisions could vary significantly.

Investments in securities are reviewed for impairment at the end of each reporting period. When the fair value of the investment falls below the Corporation's carrying value, and it is considered to be significant or prolonged, an impairment charge is recorded to the consolidated income statement for the difference between the investment's carrying value and its estimated fair value at the time. In making the determination as to whether a decline is considered prolonged, the Corporation considers such factors as the duration and extent of the decline, the investee's financial performance, and the Corporation's ability and intention to retain its investment for a period that will be sufficient to allow for any anticipated recovery in the investment's market value. Differing assumptions could affect whether an investment is impaired in any period or the amount of the impairment.

Net realizable value of inventories

In determining the net realizable value of inventories, the Corporation estimates the selling prices, based on published market rates, cost of completion and cost to sell. To the extent that future events impact the saleability of inventory these provisions could vary significantly.

Estimated reserves, resources and exploration potential

Reserves are estimates of the amount of product that can be extracted from the Corporation's properties, considering both economic and legal factors. Calculating reserves and estimates requires decisions on assumptions about geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the analysis of drilling samples and other geological data.

Estimates of reserves may change from period to period as the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations. Changes in reported reserves may affect the Corporation's financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows;
- Depreciation and amortization charged in the consolidated income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change; and
- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

Impairment of mineral interests, property, plant and equipment

For the purpose of determining the recoverable amount of assets or cash generating units, estimates are made of the discount rate. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, restoration and rehabilitation costs and future capital expenditures. The Corporation's management is required to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the asset may be impaired and the impairment would be charged against the consolidated income statement.

Expected economic lives of, estimated future operating results and net cash flows from mineral interests

In applying the units of production method, depreciation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proven and probable reserves. In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction.

The Corporation's operating result and net cash flow forecasts are based on the best estimates of expected future revenues and costs, including the future cash costs of production, capital expenditure, close down and restoration. These may include net cash flows expected to be realized from extraction, processing and sale of mineral resources that do not currently qualify for inclusion in proven ore reserves. Such non reserve material is included where there is a high degree of confidence in its economic extraction. This expectation is usually based on preliminary drilling and sampling of areas of mineralization that are contiguous with existing reserves.

The mine plan takes account of all relevant characteristics of the ore body, ore grades, chemical and metallurgical properties of the ore impacting on process recoveries and capacities of processing equipment that can be used. The mine plan is therefore the basis for forecasting production output in each future year and for forecasting production costs.

The Corporation's cash flow forecasts are based on estimates of future commodity prices. These long term commodity prices are derived from market consensus and supply and demand fundamentals. These assessments often differ from current price levels and are updated periodically.

In some cases, prices applying to some part of the future sales volumes of a cash generating unit are predetermined by existing sales contracts. The effects of such contracts are taken into account in forecasting future cash flows.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodity, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being re-estimated.

Fair value of financial instruments

For financial instruments that have fair values that cannot be reasonably approximated to their carrying values, the fair values of those financial instruments must be estimated. As much as possible, the fair values of those financial instruments have been estimated by reference to quoted market prices for actual or similar instruments where available and disclosed accordingly.

The fair values of other financial instruments are measured using valuation models that maximize the use of observable market inputs. Certain assumptions and estimates require management estimates including excess spread, prepayment rates, expected credit losses and discount rates. Valuation methodologies and assumptions are reviewed on an ongoing basis. A significant change in this assessment may result in unrealized losses being recognized in net income.

The fair value of the cross-currency interest rate swap is based on credit risk adjusted discounted cash flows. These require the Corporation's management to make assumptions and estimates regarding US dollar exchange rates, interest rates and credit spreads. Some of the inputs to the valuation model are based on unobservable market data. The model is sensitive to assumptions and estimates made by the Corporation's management and changes in these inputs could result in different values being recognized on the consolidated balance sheet and through profit or loss as part of the ineffectiveness of the cash flow hedging relationship.

Fair value of stock-based compensation

The Corporation determines the fair value of options granted using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Corporation's stock options.

Fair value of assets and liabilities acquired in business combinations

Business combinations are accounted for by applying the acquisition method of accounting, whereby the purchase consideration of the combination is allocated to the identifiable net assets on the basis of fair value on acquisition. The amount of goodwill initially recognized is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgment.

Allocation of the purchase price affects the results of the Corporation as finite lived intangible assets are amortized, whereas indefinite lived intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite lived and finite lived intangible assets.

Reclamation and closure cost obligations

Reclamation and closure cost obligation provisions represent management's best estimate of the present value of the future reclamation and closure costs. Significant estimates and assumptions are made in determining the amount of reclamation and closure cost obligation provisions. Those estimates and assumptions deal with uncertainties such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination; determination of the appropriate discount rate; and the timing, extent and costs of required restoration and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The following are the critical judgments that have a significant effect on the consolidated financial statements:

Impairment of mineral interests, property, plant and equipment

Judgment is involved in assessing whether there is any indication that an asset or cash generating unit may be impaired. This assessment is made based on an analysis of, amongst other factors, changes in the market or business environment, events that have transpired that have impacted the asset or cash generating unit, and information from internal reporting.

Impairment testing is done at the cash generating unit level. Some of the Corporation's joint ventures have multiple mining areas and management must exercise judgment in determining what constitutes a cash generating unit and the degree of aggregation of various assets. This impacts the impairment analysis performed, as the results of the impairment analysis might differ based on the composition of the various cash generating units.

Commencement of commercial operations

Determining when a project has commenced commercial operations involves judgment. Management performs this assessment on an ongoing basis for each development project. Amongst the criteria that are evaluated are: the level of production relative to design capacity and the sustainability of this level; the period of time since the start of uranium production; and an assessment of the sustainability of profitable operations. These factors can be subjective and no one factor by itself is necessary indicative. Management exercises judgment in evaluating these factors based on its knowledge of the project's operations.

This assessment impacts the balance sheet and income statement, as upon commencement of commercial operations, development expenditures cease to be capitalized, revenue is recognized from any sales when the appropriate criteria have been met, and the assets included in assets under construction are reclassified to property, plant and equipment.

Determination of joint control

The Corporation conducts its operations through joint ownership interests. Judgment is needed to assess whether these interests meet the definition of joint control, as opposed to an investment interest. Management makes this determination based on an analysis of the contracts with the other venturers, including assessing whether unanimous consent is required on financial and operating decisions.

Taxation

The provision for income taxes and composition of income tax assets and liabilities requires management's judgment as to the types of arrangements considered to be a tax on income in contrast to an operating cost. The application of income tax legislation also requires judgments in order to interpret the various legislations and apply those findings to the Corporation's transactions.

Management judgment and estimates are required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized in the consolidated balance sheet. Judgments are made as to whether future taxable profits will be available in order to recognize certain deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, commodity prices, reserves, operating costs, and other capital management transactions. These judgments and assumptions are subject to risk and uncertainty, therefore there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the consolidated balance sheet and the amount of other tax losses and temporary differences not yet recognized.

Functional and presentation currency

Judgment is required to determine the functional currency of each entity. These judgments are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Uranium One's functional currency changed from the Canadian dollar to the US dollar on December 1, 2011 due to changes in the Corporation's debt structure.

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 was the Corporation's first reporting period under IFRS.

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 implementation 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 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 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 consolidated annual financial statements.

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

	Dec 31, 2010	Jan 1, 2010
	US\$m	US\$m
Under Canadian GAAP	2,336.4	1,480.9
IAS 36 - Impairment of assets	(210.8)	(269.8)
IAS 12 - Income taxes	(28.5)	(28.3)
IAS 21 - Effects of Changes in Foreign Exchange rates	(122.1)	(135.8)
IAS 39 - Financial instruments	(2.3)	-
IFRS 1 - Business combinations	(71.0)	(54.9)
Under IFRS	1,901.7	992.1

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

	Year ended Dec 31, 2010 US\$m
Comprehensive loss under Canadian GAAP	(176.1)
Income statement adjustments:	
Exchange differences on translation	12.7
Impairment of mineral interest, property, plant and equipment	65.7
Fair value adjustment of financial liabilities	(8.9)
Fair value adjustment of embedded derivative	(26.5)
Unwinding of contingent liabilities	(7.0)
	36.0
Other comprehensive income adjustments:	
Exchange differences on translation	(4.9)
Total IFRS conversion comprehensive income adjustments	31.1
Comprehensive loss under IFRS	(145.0)

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 completing and 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; Russian ruble currency exchange risk; restrictions of the Russian banking system; 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; a change in ownership that breach covenants of the Ruble Bonds; and the Corporation is dependent on key personnel.

Uranium One's risk factors are discussed in detail in its Annual Information Form for the year ended December 31, 2011, which is to be filed 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 December 31, 2011.

During the year ended December 31, 2011, stock options activity was as follows:

- 3,120,060 options were granted during the period.
- 5,000 options were exercised.
- 3,299,599 options were forfeited or expired.

DISCLOSURE CONTROLS AND PROCEDURES

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

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

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. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Corporation's internal control over financial reporting as required by Canadian securities laws.

Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the internal control over financial reporting was effective 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 year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

OUTLOOK

During 2012, the Corporation is focused on ensuring that production from Akdala and Karatau remain at full production capacity, continuing the ramp-up in production at South Inkai, Akbastau and Zarechnoye, successfully commissioning its development projects, completing the revised definitive feasibility study for the Mkuju River Project, controlling costs at its operations and remaining a reliable supplier of U₃O₈ to the nuclear fuel industry.

The Corporation's attributable production estimate for 2012 is 11.6 million pounds and is made up as follows:

Operation	Status	Total estimated 2012 production (millions of lbs)	Ownership %	Estimated attributable 2012 production (millions of lbs)
Akdala	Producing	2.6	70%	1.8
South Inkai	Producing	4.9	70%	3.4
Karatau	Producing	5.2	50%	2.6
Akbastau	Producing	3.0	50%	1.5
Zarechnoye	Producing	2.2	49.67%	1.1
Powder River Basin	Commissioning / Producing	0.5	100%	0.5
Honeymoon	Commissioning / Producing	0.6	51%	0.3
Kharasan	Commissioning / Producing	1.3	30%	0.4
Total		20.3		11.6

Attributable production for 2013 is estimated to be 12.5 million pounds.

During 2012, the average cash cost per pound sold, including Kazakh mineral extraction tax, is expected to be \$19 per pound and is made up as follows:

Mine	2012 - Estimated average cash cost (\$/lb)
Akdala	16
South Inkai	20
Karatau	13
Akbastau	18
Zarechnoye	22
Powder River Basin	30
Honeymoon	47
Weighted average	19

The Corporation's strategy is to remain fully exposed to the uranium price. Material is sold at market related prices at the time of delivery, except for contracts for 5 million pounds which will be sold at an average fixed price of \$67 per pound (subject to escalation).

For 2012, the Corporation expects to sell approximately 11.0 million attributable pounds, excluding sales during commissioning. For 2013, the Corporation expects to sell approximately 12.5 million attributable pounds, excluding sales during commissioning.

The Corporation's estimated capital expenditure per project for 2012 are expected to be as follows:

Mine/project	2012 - Estimated capital expenditure in \$ millions				
	Wellfield development	Plant and equipment and other		Ownership %	Total Attributable
			100%		
Kazakhstan					
Akdala	10	17	27	70%	19
South Inkai	30	21	51	70%	36
Karatau	26	26	52	50%	26
Akbastau	38	76	114	50%	57
Zarechnoye	28	14	42	49.67%	21
Kharasan ⁽¹⁾	13	54	67	30%	20
SKZ-U	-	11	11	19%	2
Subtotal – Kazakhstan	145	219	364		181
Australia and United States					
Honeymoon ⁽¹⁾	8	17	25	51%	13
Powder River Basin ⁽¹⁾	32	1	33	100%	33
Great Divide Basin	-	1	1	100%	1
Other	-	1	1		1
Subtotal – Australia and United States	40	20	60		48
Total	185	239	424		229

(1) – Excludes sales during commissioning which will be offset against the estimated capital expenditure

Capital expenditure in 2012, on an attributable basis, comprises the following expenditures (as noted below certain of these have been deferred from 2011):

- Akdala: wellfield development and resource definition drilling, as well as \$7 million for construction of a satellite processing plant and \$4 million for the refurbishment and relocation of the camp facilities, that have been deferred from the planned capital expenditure for 2011;
- South Inkai: wellfield development, resource definition drilling and sustaining capital, as well as the remaining \$4 million for the expansion of the drying facility to process Akdala material and \$4 million for upgrading the plant and camp, that have been deferred from the planned capital expenditure for 2011;
- 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, which includes \$17 million for the construction of the plant and new camp and \$8 million for piping and infrastructure development, that have been deferred from the planned capital expenditure for 2011; and
- Zarechnoye: wellfield development, resource definition drilling, and sustaining capital.

Other estimated expenditures by the Corporation in 2012 are expected to be as follows:

Item	2012 – Estimated in \$'millions
General and administrative (excluding stock based compensation)	39
Exploration	11

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, 2011 which is to be filed 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, 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 New Business and Technical Services of the Corporation, a qualified person for the purposes of NI 43-101.

The information contained herein regarding the estimation of Mineral Resources at the Mkuju River project was prepared by Mr. Malcolm Titley of CSA Global Pty. Ltd. Mr. Titley is a Member of the Australian Institute of Geoscientists and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code) and is a qualified person under National Instrument 43-101 .