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October 18, 2010

Keith McConnell, Deputy Director
Decommissioning & Uranium Recovery Licensing Directorate
U.S. Nuclear Regulatory Commission
Office of Federal and State Materials &
Environmental Management Programs
MS T-8F5, 11545 Rockville Pike
Rockville, MD 20852

Re: **RESPONSE TO REQUEST FOR ADDITIONAL INFORMATION**
Notice of Change of Control and Ownership Information (ARMZ)
Irigaray / Christensen Ranch - Materials License SUA-1341
Moore Ranch - Materials License SUA-1596
Jab & Antelope - Materials License Application (Docket No. 40-9079)
Ludeman - Materials License Application (Docket No. 40-9095)

Dear Mr. McConnell:

By letter dated October 6, 2010, the U.S. Nuclear Regulatory Commission (NRC) provided Uranium One Inc., Uranium One USA, Inc. and Uranium One Americas, Inc. (collectively "Uranium One") with a Request for Additional Information (RAI) concerning the above referenced Notice of Change of Control and Ownership Information. Please find enclosed Uranium One's first set of responses to the RAI. As noted in the enclosure, portions of Uranium One's response to question 4 will be provided to the NRC under separate cover letters from Uranium One and JSC Atomredmetzoloto (ARMZ) due to the fact that the information is confidential commercial and financial information submitted under 10 C.F.R. 2.390, and should be withheld from public disclosure.

If you have any questions about the enclosed responses, please contact me at (307) 234-8235, ext. 333 or donna.wichers@uranium1.com.

Sincerely,

Donna Wichers
Senior Vice President, ISR Operations
Uranium One Inc.
Uranium One USA, Inc.
Uranium One Americas, Inc.

Enclosure: Responses to RAI with Attachments

cc: Ron Linton (NRC)
Glenn Mooney (WDEQ)
Don McKenzie (WDEQ)

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Glenn Mooney (WDEQ)
Don McKenzie (WDEQ)

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A Member of the Uranium One Inc. Group of Companies
907 N. Poplar • Suite 260
Casper • WY 82601
www.uranium1.com

4839-9664-3591\13

Uranium One Responses to Request for Additional Information
October 18, 2010

RAI 1: (a) Provide a corporate organizational chart before and after the transaction is completed, listing all corporate entities. (10 CFR 40.46)

An organization chart showing Uranium One Inc.'s current corporate structure is attached as Exhibit 1. An organization chart showing Uranium One Inc.'s corporate structure after the closing of the Purchase and Subscription Agreement ("Proposed Transaction") with JSC Atomredmetzoloto ("ARMZ") and its wholly owned subsidiaries Effective Energy N.V., a Dutch company ("Effective Energy") and Uranium Mining Company, a Russian open joint stock company ("UMC"), including all ARMZ and Uranium One Inc. subsidiaries is attached as Exhibit 2.

(b) Revise the corporate organizational charts to list all corporate entities and to clearly describe the relationship of Rosatom to Uranium One Inc.

See response to RAI 1(a) above.

RAI 2: Discuss and provide evidence that the letter of credit will remain valid and enforceable if the transaction is approved.

Uranium One USA, Inc.'s current surety arrangement for Materials License SUA-1341 is a fully cash-backed Irrevocable Standby Letter of Credit issued by the Bank of Montreal on behalf of Uranium One Inc. and Uranium One USA, Inc. in the amount of $9,714,299.00[1] in favor of the State of Wyoming, Department of Environmental Quality and the U.S. Department of the Interior. There will be no changes to the Letter of Credit for Materials License SUA-1341 under the Proposed Transaction. Attached as Exhibit 3 is confirmation from the Bank of Montreal that (i) it has been notified of the Proposed Transaction, (ii) it will continue to back the Letter of Credit after the closing of the Proposed Transaction, and (iii) the Proposed Transaction will not constitute a default under any agreement between the Bank of Montreal and Uranium One Inc. or its subsidiaries affecting the validity of the Letter of Credit.

RAI 3: Describe the relationship between Rosatom, ARMZ and Uranium One USA, Inc. with regard to Uranium One USA, Inc.'s decommissioning liabilities. (10 CFR 40.46)

As outlined in Response to RAI 2 above, the full cost of decommissioning under Materials License SUA-1341 is currently funded by a fully cash-backed Irrevocable Standby Letter of Credit which will remain in full force and effect after the consummation of the Proposed Transaction.

Uranium One USA, Inc. and Uranium One Americas, Inc. (the licensees under Materials License SUA-1341 and Materials License SUA-1596, respectively) have no formal relationship directly with Rosatom or ARMZ, and do not anticipate any such relationship following the closing of the Proposed Transaction. Furthermore, neither ARMZ nor Rosatom will hold any unique powers by agreement or otherwise with regard to Uranium One USA, Inc. and Uranium One Americas, Inc.'s U.S. business or any of the assets, facilities or properties located in the United States ultimately owned by Uranium One Inc. ("Uranium One U.S. Facilities"), including the Irigaray, Christensen Ranch and Moore Ranch projects.

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[1] By letter dated August 18, 2010, Uranium One USA, Inc. submitted its annual reclamation performance bond estimate and surety update for the Irigaray and Christensen Ranch Project under Materials License SUA-1341, which the NRC is currently reviewing.

Both before and after the closing of the Proposed Transaction, all decisions with regard to the Irigaray, Christensen Ranch and Moore Ranch projects and Materials License SUA-1341 and Materials License SUA-1596 ("Licenses"), including all decommissioning decisions, will be made by the Board of Directors and officers of Uranium One USA, Inc., Uranium One Americas, Inc. and Uranium One Inc. A list of the current officers of Uranium One Inc., Uranium One Americas, Inc. and Uranium One USA, Inc. are attached to the July 20, 2010 Notice of Change of Control and Ownership Information ("Notice") as Exhibit 7. Day to day decisions with regard to the project development, operations and any decommissioning activities at the Irigaray, Christensen Ranch and Moore Ranch projects will be made by the management of Uranium One USA, Inc. and Uranium One Americas, Inc., principally Donna Wichers as the Senior Vice President of ISR Operations in coordination and consultation with the Radiation Safety Officer as appropriate. Strategic decisions with regard to forward investment and growth of Uranium One U.S. Facilities, including the Irigaray, Christensen Ranch and Moore Ranch projects, will be made by Uranium One Inc.

Rosatom and ARMZ will not directly participate in decision-making with regard to decommissioning liabilities at the Irigaray, Christensen Ranch and Moore Ranch projects under the Licenses and are not liable for any decommissioning liabilities under the Licenses.

RAI 4: Provide two years of audited financial statements and five years of pro-forma financial statements, or equivalent information, for ARMZ, prepared in accordance with United States Generally Accepted Accounting Principles (10 CFR 40.46).

ARMZ's Combined and Consolidated Financial Statements ("ARMZ Financial Statements") together with an independent auditor's report for the year ended December 31, 2009 are attached hereto as Exhibit 4. The ARMZ Financial Statements provide financial information for both 2009 and 2008. The ARMZ Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS), a set of accounting standards that are widely used and accepted around the world. All listed European Union companies have been required to use IFRS since 2005. The United States began allowing foreign issuers to use IFRS in 2007. The use of IFRS will be required for all Canadian listed companies beginning January 1, 2011. In addition to the attached ARMZ Financial Statements, ARMZ is submitting under a separate cover letter the requested five years of *pro-forma* financial statements prepared in accordance with IFRS with a request for confidential treatment by the NRC as confidential commercial and financial information submitted under 10 C.F.R. § 2.390.

Although ARMZ is providing under separate cover the information requested in RAI 4, Uranium One Inc. again emphasizes that it will remain a separate and independently managed corporation, separate and apart from ARMZ. ARMZ's financial standing will have no bearing on the development and operation of the Uranium One U.S. Facilities or the ability of Uranium One Inc. and its subsidiaries (collectively "Uranium One") to complete the required decommissioning under the Licenses. For the purpose of the NRC's analysis of the financial viability of the licensees under the Licenses, the more relevant financial statements to review would be those of Uranium One Inc., which are consolidated for all of Uranium One Inc.'s subsidiaries, including the licensees (Uranium One USA, Inc and Uranium One Americas, Inc.). Attached as Exhibit 5 is Uranium One Inc.'s Annual Consolidated Financial Statements ("Uranium One Financial Statements") for the year ended December 31, 2009 prepared in accordance with Canadian GAAP. The Uranium One Financial Statements include an auditor's report and provides financial information for both 2009 and 2008. In addition to the attached Uranium One Financial Statements, Uranium One Inc. is submitting under a separate cover letter the requested five years of *pro-forma* financial statements prepared in accordance with

IFRS with a request for confidential treatment by the NRC as confidential commercial and financial information submitted under 10 C.F.R. § 2.390.

RAI 5: (a) Discuss whether Uranium One intends to apply for an export license. If so, please indicate that Uranium One understands that a separate export license is required subject to 10 CFR Part 110.

Uranium One does not intend today (and does not envision in the foreseeable future) any export of U_3O_8 from the United States derived from the Uranium One U.S. Facilities and, accordingly, does not foresee any need to apply to the NRC for an export license under 10 C.F.R. Part 110 ("Part 110"). Because the Uranium One U.S. Facilities, including the Irigaray, Christensen Ranch and Moore Ranch Projects, are being developed expressly for the purpose of providing additional domestic supply of U_3O_8 to United States customers, Uranium One has not viewed or planned the Uranium One U.S. Facilities as a source of U_3O_8 to serve customers in other countries.

To be clear, Uranium One is fully aware that any U_3O_8 produced from the Uranium One U.S. Facilities is subject to U.S. export control regulations administered by the NRC under Part 110. Uranium One takes seriously its obligations under U.S. law, including the import and export restrictions contained in Part 110. Uranium One has engaged for several years U.S. legal counsel familiar with U.S. export control laws, including Part 110, and regularly relies upon such counsel for guidance in this area. In consultation with such counsel, Uranium One is already developing and will shortly adopt a formal written export control compliance policy and procedure to ensure that all Uranium One personnel have appropriate guidance with respect to the U.S. export control laws generally and Part 110 in particular. If any such circumstances were to change and Uranium One were to face any commercial export opportunity in the future, Uranium One would then comply with all applicable requirements of Part 110 and seek the appropriate NRC export license prior to any such export transaction.

(b) Clarify the membership of the Korean Consortium.

ARMZ's Annual Report refers to a confidential Memorandum of Understanding ("MOU") with a Korean Consortium. The Korean Consortium consists of three well-established South Korean companies, and the MOU simply provides a framework for cooperation in evaluating a potential joint mining project. Neither the parties nor the project has any connection to North Korea.

RAI 6: Based on the citations below, discuss how an approval of an indirect change of control would be consistent with the Atomic Energy Act of 1954, as Amended (AEA), and would not be inimical to safety and security. (Atomic Energy Act of 1954, as amended, Section 69; 10 CFR 40.32(d)).

To effectuate the policies set forth by Congress, the Atomic Energy Act of 1954, as amended ("AEA") includes among its purposes the establishment of --

> "(d) a program to encourage widespread participation in the development and utilization of atomic energy for peaceful purposes to the maximum extent consistent with the common defense and security and with the health and safety of the public...."

Atomic Energy Act of 1954, 42 U.S.C. 2013 (d).

Consistent with this and other purposes of the AEA, the NRC, with respect to "change of control" applications involving indirect foreign control, must determine that the issuance of a license would not be "inimical to the common defense and security, and would not constitute unreasonable risk to the health and safety of the public." The NRC has explained that in making this determination,

> "...NRC will consider foreign ownership, control, and domination. Although NRC has never adopted any explicit criteria for determining whether a particular transaction will be 'inimical to the common defense and security,' the NRC has historically focused on a relationship between a potential licensee and other entities involved in the transaction that could lead to the ultimate power of a foreign entity to direct the actions of the licensees with regard to licensed activities....
>
> NRC's focus is on the health and safety aspects, not on the financial intricacies, of the proposed transaction.... NRC is required by law to ensure that public health and safety is not compromised and to be confident that when a licensee's program is undergoing a change of control, all efforts are made to ensure that the performance of the radiation safety aspects of the program is not degraded."

NRC, Consolidated Guidance About Materials Licenses, NUREG-1556 Vol. 15, pages 5-2 - 5-3.

Considered in light of the facts of the transaction and the NRC's practice, the NRC's approval of Uranium One's application for change of control would be fully consistent with the AEA and would not be inimical to safety and security.

Upon closing of the Proposed Transaction, Uranium One Inc. will remain a publicly listed company on the Toronto Stock Exchange ("TSX") and Johannesburg Stock Exchange ("JSE") and will continue to be subject to extensive ongoing securities regulatory, corporate governance, and financial reporting requirements under applicable Canadian laws and regulations and the rules and regulations of the TSX and JSE. The equity and debt capital markets that Uranium One Inc. has accessed in the past and intends to access in the future are subject to extensive regulation and public disclosure requirements. Uranium One Inc. will also continue to be governed by a Board of Directors with a majority of "independent directors," as defined in "National Instrument 52-110" of the Canadian Securities Administrators.

As explained in the responses above to RAI numbers 2 - 4 above, 7 -9 below, and in prior information submitted by Uranium One in connection with this application, nothing about the investment of ARMZ in Uranium One will alter the current commitments of the licensees with respect to their health, safety, and environmental obligations, including decommissioning liabilities. Indeed, the Proposed Transaction will add financial strength to Uranium One's proposed program of development of the mining operations that are the subject of the Licenses. These operations are specifically intended to create a new U.S. source of natural uranium for commercial customers in the United States, who currently rely overwhelmingly on imports to supply their needs. Both by encouraging "widespread participation in the development and utilization" of a critical domestic source of uranium supply for peaceful purposes, and by ensuring that public health and safety concerns are not compromised, approval of the proposed application would be consistent with the AEA.

The transaction does not in any way present a hostile threat to U.S. defense and security interests. Rosatom, which indirectly owns 100% of the shares of ARMZ, was established in late 2007 by enactment of the Law on Rosatom. It is the successor to the former Federal Agency on Atomic Energy, and it is the regulator of Russia's nuclear energy industry. Among its various responsibilities, Rosatom represents the Russian Federation in various international fora and carries out the Russian Government's policies with respect to international cooperation in non-proliferation and nuclear safety. For instance, the Protocol to the U.S.-Russian Plutonium

Management and Disposition Agreement, signed by the two governments on April 13, 2010, envisions that such collaboration activities will be agreed upon and implemented by the U.S. Department of Energy and Rosatom, respectively.

While it is indirectly owned by Rosatom, ARMZ operates as a commercial participant in the global uranium industry, pursuing profit-making activities. Like Uranium One Inc., ARMZ is solely a mining company, and its investment in Uranium One Inc. is solely taken for commercial reasons. ARMZ is a joint stock company organized under the laws of the Russian Federation. Headquartered in Moscow, ARMZ, through its subsidiaries, is engaged in the exploration, mining, production and sale of uranium ore in Russia and abroad. To date, almost all of ARMZ's mining operations have been in Russia (and more recently, Kazakhstan), and the principal customers of ARMZ are the Russian companies Tenex JSC amd TVEL. Tenex enriches, and sells internationally, low enriched uranium and other products and services within the nuclear fuel cycle. TVEL processes uranium ore and produces nuclear fuel for use in nuclear power plants. It is noteworthy that Tenex has a long and successful partnership with United States Enrichment Corporation ("USEC") under the "Megatons-to-Megawatts" agreement between the United States and Russia, dating to 1994. Under that agreement, Tenex supplies a substantial quantity of low-enriched uranium to USEC for supply to U.S. utility customers.

As noted above and as stated in ARMZ's charter, ARMZ was established to be a commercial enterprise. As a joint stock company, ARMZ is similar to many other commercial enterprises in Russia. ARMZ has a Board of Directors and a professional management team, and these bodies are, by law, required to pursue the purposes described in the company's charter. ARMZ's shareholders are not granted any special corporate or shareholders' rights and have only the standard corporate rights afforded to shareholders by Russian law.

ARMZ and its shareholders are committed to maintaining the highest standards of corporate governance. Under ARMZ's governance structure, strategic decisions are made at the board level and implemented by its executive management team. ARMZ is subject to all Russian laws relating to corporate governance, including the Federal Joint Stock Companies Law, and it follows the Code of Corporate Conduct recommended by the Russian Federal Commission for Securities Markets. ARMZ is governed by the same regulatory regime as joint stock companies controlled by private shareholders and is subject to the same reporting and disclosure requirements (as set out in the Russian Civil Code and the Federal Law on Joint Stock Companies) as other privately owned companies.

In sum, the demonstrated commercial character of ARMZ; the long history of successful cooperation by affiliates of Rosatom with United States agencies and commercial enterprises in pursuit of various policy and commercial objectives; the continued establishment of Uranium One Inc. as a Canadian public company and the clear commercial objectives of the transaction between ARMZ and Uranium One Inc.; the absence of any possible motive or opportunity by ARMZ to engage in hostile conduct with respect to the licensed activities; and the very nature of the mining operations that are the subject of this application all support a determination that grant of the application would be consistent with the AEA and present no inimical threat to U.S. national security.

RAI 7: (a) State which party or parties would ultimately have indirect control over NRC License SUA-1341 (10 CFR 40.46) if the transaction is approved.

As discussed in the July 20, 2010 Notice, upon the closing of the Proposed Transaction, ARMZ will hold a total of approximately 52.1% of the outstanding shares of Uranium One Inc. through its wholly owned subsidiaries Effective Energy and UMC. In addition, upon the closing of the Proposed Transaction, Uranium One Inc.'s Board of Directors will be reduced from its current size of 13 directors to nine directors. Of those nine remaining directors, ARMZ will be entitled to nominate five, two of which must be independent directors who are independent from and do not have a "material relationship" as defined under National Instrument 52-110, with ARMZ. In total, following the closing of the Proposed Transaction, Uranium One Inc.'s Board of Directors will be comprised of a majority of independent directors. ARMZ will also have the authority to second two individuals into Uranium One Inc. management positions; however, one such ARMZ management secondee must be located in Kazakhstan and neither secondee may be located in the United States or be given any management role with respect to any Uranium One U.S. Facilities.

As discussed above in the response to RAI 3, both before and after the closing of the Proposed Transaction, all decisions with regard to the Irigaray, Christensen Ranch and Moore Ranch projects and Licenses will be made by the Board of Directors and officers of Uranium One USA, Inc., Uranium One Americas, Inc. and Uranium One Inc. Uranium One USA, Inc. and Uranium One Americas, Inc. will retain direct control over the day to day activities under the Licenses as the licensees. Uranium One Inc. will only have indirect control over the Licenses through its decision making with regard to investment in Uranium One U.S. Facilities, including the Irigaray, Christensen Ranch and Moore Ranch projects.

ARMZ will not hold any unique rights or duties by agreement or otherwise with regard to Uranium One U.S. Facilities, including the Irigaray, Christensen Ranch and Moore Ranch projects. Uranium One Inc. will remain an independently managed company that is publicly traded on the TSX and JSE. Furthermore, ARMZ will have no position on or direct authority over any of the Boards of Directors of Uranium One USA Inc. and Uranium One Americas Inc. or management positions with either of those corporate entities.

(b) State whether the party or parties who would have indirect control over the NRC license could have the ability to exert direct control over the NRC license. If so, state the process through which this could occur.

As outlined above in the response to RAI 7(a), Uranium One Inc. and ARMZ have specifically structured the Proposed Transaction to preserve the independence of Uranium One Inc. and the control of the Licenses by Uranium One USA Inc and Uranium One Americas Inc. following the closing of the Proposed Transaction. ARMZ will have no ability to exert direct control over the NRC Licenses.

RAI 8: Confirm that Uranium One Inc. understands that it is required to appropriately notify NRC in advance of changes to corporate lineage. (10 CFR 40.36)

Uranium One Inc. is fully aware of and takes seriously its obligations to act in full compliance with U.S. laws concerning Materials License transfers and changes of control, including changes to corporate lineage, as contained in 10 C.F.R. § 40.36 and NUREG 1556, Vol. 15.

RAI 9: Confirm that ARMZ and Rosatom commit to abide by Uranium One Inc.'s commitments. (10 CFR 40.36)

Uranium One Inc. is authorized to confirm that (a) ARMZ and Rosatom commit to abide by Uranium One Inc.'s commitments with respect to Materials License SUA-1341 and Materials License SUA-1596, and (b) neither ARMZ nor Rosatom will cause Uranium One Inc., Uranium One USA Inc., or Uranium One Americas Inc. to fail to abide by the terms of Materials License SUA-1341 and Materials License SUA-1596, or otherwise fail to abide by U.S. law in any respect.

RAI 10: State whether an accounting concern, resulting in the issuance of a qualified opinion on ARMZ's financial statements, was resolved (10 CFR 40.36).

The accounting concern, resulting in the issuance of a qualified opinion on ARMZ's financial statements for 2007, has been resolved. ARMZ is submitting under a separate cover letter a copy of a statement from the auditor of the ARMZ 2007 Consolidated Financial Statements, explaining the grounds for the initial concern and the auditor's satisfaction with its resolution . As explained in its letter, ARMZ is requesting confidential treatment by the NRC of its submission as confidential commercial and financial information submitted under 10 C.F.R. § 2.390.

RAI 11: State whether the ARMZ charter is duplicated in Exhibit 11.

Uranium One Inc. inadvertently included two duplicate copies of the current ARMZ charter as Exhibit 11 to the Notice. The two copies of the ARMZ charter are identical.

Exhibit 1
to
Uranium One Responses to Request for Additional Information

URANIUM ONE CORPORATE ORGANIZATIONAL CHART
BEFORE PROPOSED TRANSACTION

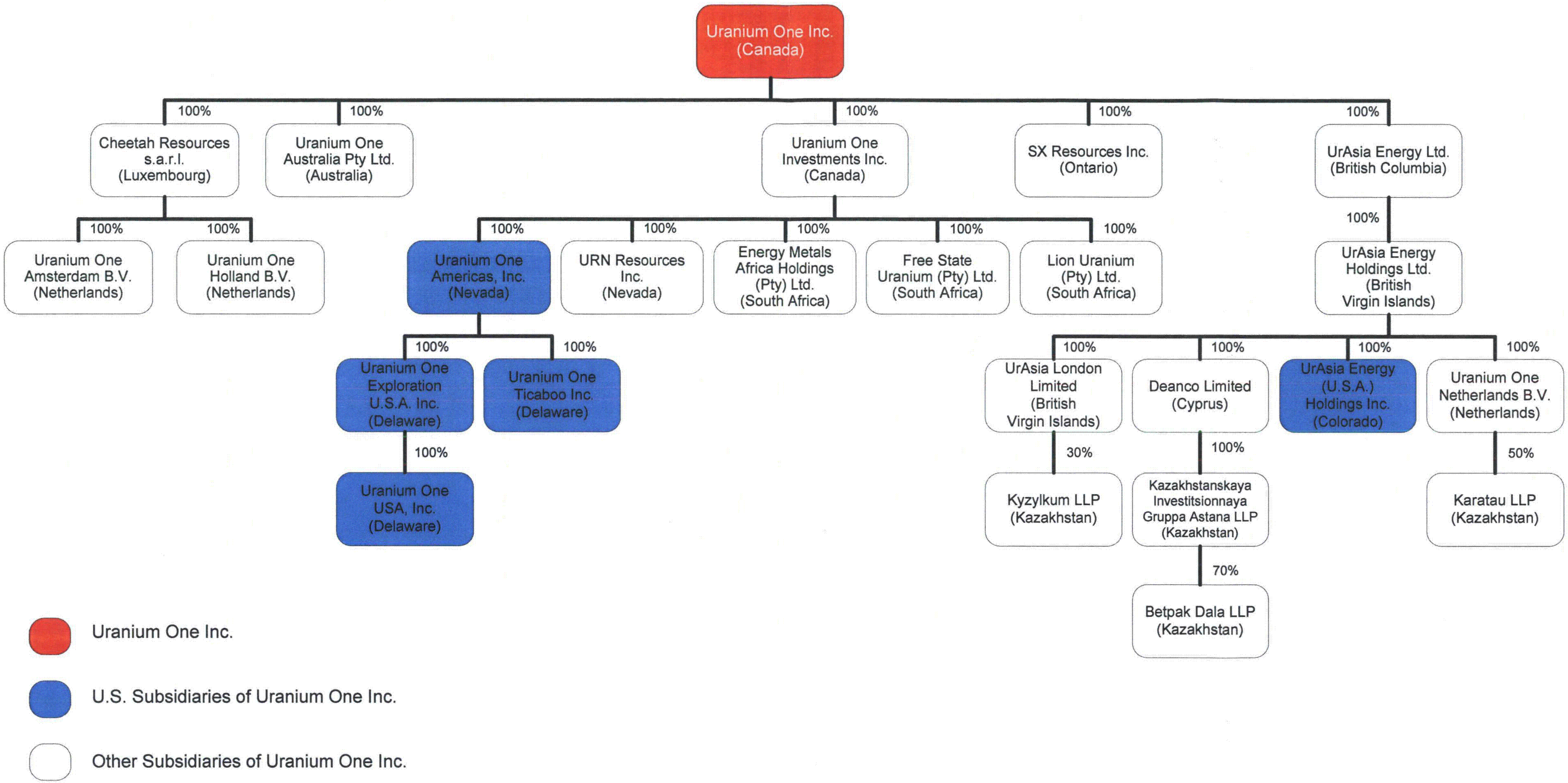
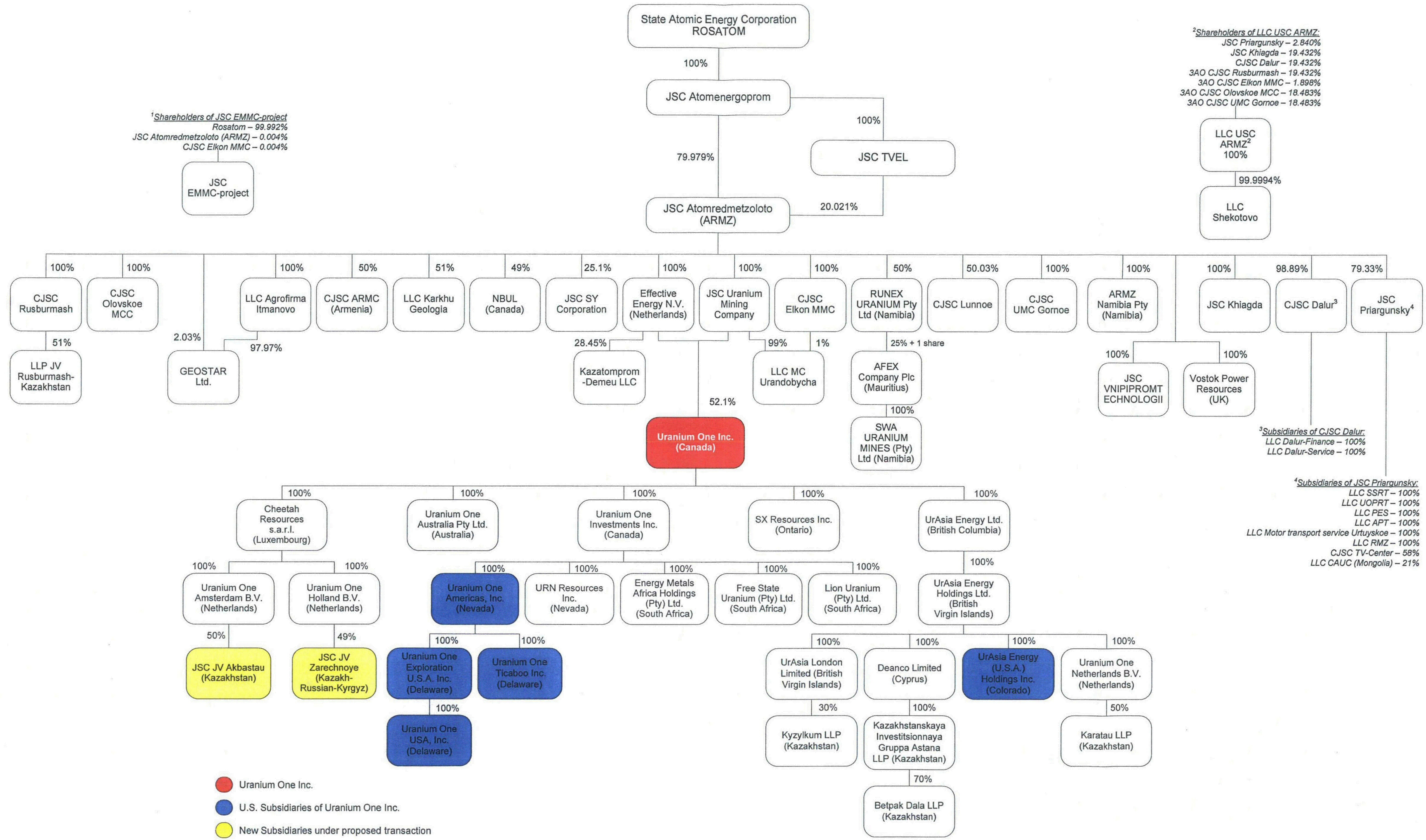

Uranium One Inc. (Canada)
100%
Cheetah Resources s.a.r.l. (Luxembourg)
100%
Uranium One Australia Pty Ltd. (Australia)
100%
Uranium One Investments Inc. (Canada)
100%
SX Resources Inc. (Ontario)
100%
UrAsia Energy Ltd. (British Columbia)
100%
Uranium One Amsterdam B.V. (Netherlands)
100%
Uranium One Holland B.V. (Netherlands)
100%
Uranium One Americas, Inc. (Nevada)
100%
URN Resources Inc. (Nevada)
100%
Energy Metals Africa Holdings (Pty) Ltd. (South Africa)
100%
Free State Uranium (Pty) Ltd. (South Africa)
100%
Lion Uranium (Pty) Ltd. (South Africa)
100%
UrAsia Energy Holdings Ltd. (British Virgin Islands)
100%
Uranium One Exploration U.S.A. Inc. (Delaware)
100%
Uranium One Ticaboo Inc. (Delaware)
100%
Uranium One USA, Inc. (Delaware)
100%
UrAsia London Limited (British Virgin Islands)
100%
Deanco Limited (Cyprus)
100%
UrAsia Energy (U.S.A.) Holdings Inc. (Colorado)
100%
Uranium One Netherlands B.V. (Netherlands)
30%
Kyzylkum LLP (Kazakhstan)
100%
Kazakhstanskaya Investitsionnaya Gruppa Astana LLP (Kazakhstan)
70%
Betpak Dala LLP (Kazakhstan)
50%
Karatau LLP (Kazakhstan)
Uranium One Inc.
U.S. Subsidiaries of Uranium One Inc.
Other Subsidiaries of Uranium One Inc.

Exhibit 2
to
Uranium One Responses to Request for Additional Information

URANIUM ONE CORPORATE ORGANIZATIONAL CHART
AFTER PROPOSED TRANSACTION



State Atomic Energy Corporation ROSATOM
100%
JSC Atomenergoprom
100%
JSC TVEL
79.979%
20.021%
JSC Atomredmetzoloto (ARMZ)
[1]Shareholders of JSC EMMC-project
Rosatom – 99.992%
JSC Atomredmetzoloto (ARMZ) – 0.004%
CJSC Elkon MMC – 0.004%
JSC EMMC-project
[2]Shareholders of LLC USC ARMZ:
JSC Priargunsky – 2.840%
JSC Khiagda – 19.432%
CJSC Dalur – 19.432%
3AO CJSC Rusburmash – 19.432%
3AO CJSC Elkon MMC – 1.898%
3AO CJSC Olovskoe MCC – 18.483%
3AO CJSC UMC Gornoe – 18.483%
LLC USC ARMZ[2] 100%
99.9994%
LLC Shekotovo
100%
CJSC Rusburmash
51%
LLP JV Rusburmash-Kazakhstan
100%
CJSC Olovskoe MCC
2.03%
GEOSTAR Ltd.
100%
LLC Agrofirma Itmanovo
97.97%
50%
CJSC ARMC (Armenia)
51%
LLC Karkhu Geologia
49%
NBUL (Canada)
25.1%
JSC SY Corporation
28.45%
Kazatomprom -Demeu LLC
100%
Effective Energy N.V. (Netherlands)
100%
JSC Uranium Mining Company
52.1%
99%
100%
CJSC Elkon MMC
1%
LLC MC Urandobycha
50%
RUNEX URANIUM Pty Ltd (Namibia)
25% + 1 share
AFEX Company Plc (Mauritius)
100%
SWA URANIUM MINES (Pty) Ltd (Namibia)
50.03%
CJSC Lunnoe
100%
CJSC UMC Gornoe
100%
ARMZ Namibia Pty (Namibia)
100%
JSC VNIPIPROMT ECHNOLOGII
100%
Vostok Power Resources (UK)
100%
JSC Khiagda
98.89%
CJSC Dalur[3]
79.33%
JSC Priargunsky[4]
[3]Subsidiaries of CJSC Dalur:
LLC Dalur-Finance – 100%
LLC Dalur-Service – 100%
[4]Subsidiaries of JSC Priargunsky:
LLC SSRT – 100%
LLC UOPRT – 100%
LLC PES – 100%
LLC APT – 100%
LLC Motor transport service Urtuykoe – 100%
LLC RMZ – 100%
CJSC TV-Center – 58%
LLC CAUC (Mongolia) – 21%
Uranium One Inc. (Canada)
100%
Cheetah Resources s.a.r.l. (Luxembourg)
100%
Uranium One Amsterdam B.V. (Netherlands)
50%
JSC JV Akbastau (Kazakhstan)
100%
Uranium One Holland B.V. (Netherlands)
49%
JSC JV Zarechnoye (Kazakh-Russian-Kyrgyz)
100%
Uranium One Australia Pty Ltd. (Australia)
100%
Uranium One Investments Inc. (Canada)
100%
Uranium One Americas, Inc. (Nevada)
100%
Uranium One Exploration U.S.A. Inc. (Delaware)
100%
Uranium One USA, Inc. (Delaware)
100%
Uranium One Ticaboo Inc. (Delaware)
100%
URN Resources Inc. (Nevada)
100%
Energy Metals Africa Holdings (Pty) Ltd. (South Africa)
100%
Free State Uranium (Pty) Ltd. (South Africa)
100%
Lion Uranium (Pty) Ltd. (South Africa)
100%
SX Resources Inc. (Ontario)
100%
UrAsia Energy Ltd. (British Columbia)
100%
UrAsia Energy Holdings Ltd. (British Virgin Islands)
100%
UrAsia London Limited (British Virgin Islands)
30%
Kyzylkum LLP (Kazakhstan)
100%
Deanco Limited (Cyprus)
100%
Kazakhstanskaya Investitsionnaya Gruppa Astana LLP (Kazakhstan)
70%
Betpak Dala LLP (Kazakhstan)
100%
UrAsia Energy (U.S.A.) Holdings Inc. (Colorado)
100%
Uranium One Netherlands B.V. (Netherlands)
50%
Karatau LLP (Kazakhstan)
Uranium One Inc.
U.S. Subsidiaries of Uranium One Inc.
New Subsidiaries under proposed transaction

Exhibit 3
to
Uranium One Responses to Request for Additional Information

LETTER FROM BANK OF MONTREAL

BMO Capital Markets

BMO Nesbitt Burns Inc.
885 West Georgia St.
Suite 1700
Vancouver, BC V6C 3E8
Tel.: (604) 443-1431
Fax: (604) 443-1408

October 12, 2010

Uranium One, Inc.
Attn: Graham du Preez, Chief Financial Officer
1285 West Pender Street, Suite 900
Vancouver, British Columbia, V6E 4B1

Re: Irrevocable Standby Letter of Credit No.[redacted]

Dear Mr. du Preez,

Reference is made for all purposes to that certain Irrevocable Standby Letter of Credit No. ("Letter of Credit") issued by the Bank of Montreal ("Bank") in favor of the State of Wyoming, Department of Environmental Quality and the U.S. Department of the Interior as the surety for reclamation obligations of Uranium One USA, Inc. under that certain Permit to Mine No. 478 and Materials License SUA-1341 and attendant mining and reclamation plans. The Letter of Credit is cash-backed by funds held by the Bank currently in the amount of $9,714,299.00.

The Bank has been informed by Uranium One Inc. of the transaction entered into by Uranium One Inc. represented by a Purchase and Subscription Agreement with JSC Atomredmetzoloto ("ARMZ") and its wholly owned subsidiaries Effective Energy N.V. ("Effective Energy") and Uranium Mining Company ("UMC") under which Uranium One Inc. will receive cash and interests in two uranium mines in southern Kazakhstan from Effective Energy and UMC in return for issuing new common shares of Uranium One Inc. to Effective Energy and UMC (the "Transaction"). The Bank understands that upon consummation of the Transaction ARMZ, through its subsidiaries, will own approximately 52.1% of the total outstanding common shares of Uranium One Inc.

This letter confirms that the Letter of Credit will remain in full force and effect after the consummation of the Transaction and that the Transaction will not by its terms result in a breach of any terms or conditions governing the Letter of Credit.

Very truly yours,

Jerry Kaye

Director

Loan Products Group

Exhibit 4
to
Uranium One Responses to Request for Additional Information

ARMZ FINANCIAL STATEMENTS

COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

of open joint stock company "Atomredmetzoloto" together with Independent Auditor's Report for the year ended 31 December 2009

Исх. № 4133

BDO

Tel: +7 495 797 5665
Fax: +7 495 797 5660
E-mail: reception@bdo.ru
www.bdo.ru

ZAO BDO
Section 11, Build. 1,
125, Warshavskoe shosse,
Moscow, 117587, Russia

Independent Auditor's Report

To the Shareholders and the Board of Directors of open joint stock company "Atomredmetzoloto"

We have audited the accompanying combined and consolidated financial statements of open joint stock company "Atomredmetzoloto" and its subsidiaries (hereinafter the "Group"), which comprises the combined and consolidated statement of financial position as at 31 December 2009, the combined and consolidated statement of comprehensive income, the combined and consolidated statement of changes in equity and the combined and consolidated cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Combined and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these combined and consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control system relevant to the preparation and fair presentation of the combined and consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined and consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the combined and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control system relevant to the entity's preparation and fair presentation of the combined and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying combined and consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Natalya Kharlamova
Audit Engagement Partner
30 June 2010

ZAO BDO

Contents

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(in thousands of Russian Rubles unless noted otherwise)

	Note	31 December 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	6	17,785,904	13,994,233
Intangible assets	7	873,270	1,011,586
Exploration and evaluation assets	8	2,408,137	1,091,501
Investments in associates and jointly controlled entities	9	14,141,031	155,395
Deferred income tax assets	25	353,711	146,258
Other non-current assets	10	2,702,179	222,227
Total non-current assets		**38,264,232**	**16,621,200**
Current assets			
Inventories	11	4,265,348	7,352,527
Income tax receivable		141,907	391,786
Accounts receivable and prepayments	12	8,924,684	3,151,201
Other current assets	13	3,170,362	515,668
Cash and cash equivalents	14	51,685,187	2,434,954
Total current assets		**68,187,488**	**13,846,136**
TOTAL ASSETS		**106,451,720**	**30,467,336**
EQUITY			
Share capital	15	20,127,325	3,956,040
Additional paid in capital	15	48,028,800	85
Merger reserve	15	6,692,886	6,726,305
Currency translation reserve		(1,067,341)	19,825
Retained earnings		6,404,666	556,074
Total equity attributable to the shareholders of OJSC Atomredmetzoloto		**80,186,336**	**11,258,329**
Non-controlling interest		1,852,560	1,575,720
TOTAL EQUITY		**82,038,896**	**12,834,049**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	16	9,413,165	3,012,902
Finance lease liability	17	39,023	154,797
Deferred tax liabilities	25	936,604	1,089,025
Other non-current liabilities	20	1,052,313	844,376
Total non-current liabilities		**11,441,105**	**5,101,100**
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	16	7,468,899	10,455,303
Finance lease liability	17	98,532	236,487
Accounts payable and accruals	19	3,016,959	1,521,788
Income tax payable		1,892,029	28,804
Other taxes payable	18	495,300	289,805
Total current liabilities		**12,971,719**	**12,532,187**
TOTAL LIABILITIES		**24,412,824**	**17,633,287**
TOTAL EQUITY AND LIABILITIES		**106,451,720**	**30,467,336**

30 June 2010

Khachaturov T.G.
First Deputy of General Director
OJSC Atomredmetzoloto

Pozdeeva A.D.
Chief Accountant
OJSC Atomredmetzoloto

(in thousands of Russian Rubles unless noted otherwise)

	Note	Year ended 31 December 2009	Year ended 31 December 2008
Revenue	21	29,233,932	15,197,372
Cost of sales	22	(16,595,099)	(10,054,453)
Gross profit		**12,638,833**	**5,142,919**
Administrative and selling expenses	23	(3,898,666)	(2,513,546)
Operating profit		**8,740,167**	**2,629,373**
Share of loss of associates and jointly controlled entities	9	(89,950)	(43,757)
Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost	5	-	417,463
Finance costs	24	(2,566,427)	(926,500)
Gain from sale of financial investment	5	2,693,689	-
Other incomes / (expenses)		43,423	(76,983)
Foreign exchange gain / (loss)		1,411,486	(1,705,559)
Profit before income tax		**10,232,388**	**294,037**
Income tax expense	25	(3,504,446)	(4,837)
Profit for the year		**6,727,942**	**289,200**
Profit / (loss) attributable to:			
Shareholders of OJSC Atomredmetzoloto		6,742,708	278,181
Non-controlling interest		(14,766)	11,019
Profit for the year		**6,727,942**	**289,200**
Other comprehensive income after income tax			
Exchange differences on translation of foreign operations		(1,087,166)	22,498
Total comprehensive income for the period attributable to:		**5,640,776**	**311,698**
Shareholders of OJSC Atomredmetzoloto		5,655,542	300,679
Non-controlling interest		(14,766)	11,019

(in thousands of Russian Rubles unless noted otherwise)

	Note	Share capital	Additional paid in capital	Merger reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total Equity
Balance as at 1 January 2008		454	85	8,002,176	(2,673)	343,570	8,343,612	1,487,748	9,831,360
Total comprehensive income		-	-	-	22,498	278,181	300,679	11,019	311,698
Issue of share capital	15	3,955,586	-	-	-	-	3,955,586	-	3,955,586
Sale of shares of subsidiary	15	-	-	-	-	22,184	22,184	(22,184)	-
Contribution of shares of entities under common control	15	-	-	(1,275,871)	-	-	(1,275,871)	99,137	(1,176,734)
Dividends	15	-	-	-	-	(87,861)	(87,861)	-	(87,861)
Balance as at 31 December 2008		3,956,040	85	6,726,305	19,825	556,074	11,258,329	1,575,720	12,834,049
Total comprehensive income		-	-	-	(1,087,166)	6,742,708	5,655,542	(14,766)	5,640,776
Issue of share capital	15	16,171,285	48,028,715	-	-	-	64,200,000	-	64,200,000
Acquisition of shares of subsidiaries	1	-	-	(33,419)	-	(894,116)	(927,535)	291,606	(635,929)
Balance as at 31 December 2009		20,127,325	48,028,800	6,692,886	(1,067,341)	6,404,666	80,186,336	1,852,560	82,038,896

(in thousands of Russian Rubles unless noted otherwise)

	Note	Year ended 31 December 2009	Year ended 31 December 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		10,232,388	294,037
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	6	1,049,424	771,054
Amortisation of intangible assets	7	12,212	13,432
Bad debt provision	23	200,794	865
Provision for obsolete stock	22	(6,284)	3,129
Loss on disposal of property, plant and equipment		24,586	31,772
Interest income	24	(380,735)	(46,182)
Interest expense	24	2,490,765	848,437
Effect of discounting	24	81,735	77,506
Gain on disposal of other assets		104,671	431
Foreign exchange differences		(1,733,313)	1,705,559
Interest on finance lease	24	90,505	46,739
Excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost	5	-	(417,463)
Share of loss of associates and jointly controlled entities	9	89,950	43,757
Vacation accrual		66,663	25,376
Provision for bonus payments		258,805	(48,218)
Loss on derivative financial instruments	24	396,096	-
Gain from sale of financial investment	5	(2,693,689)	-
Dividends, accrued	5	(111,939)	-
Other accruals		(69,535)	68,294
Cash from operating activities before changes in working capital and income tax		**10,103,099**	**3,418,525**
Changes in working capital:			
Change in accounts receivable and prepayments		(5,559,373)	(1,843,594)
Change in inventories		2,990,383	(3,173,234)
Change in accounts payable and accruals		1,892,982	222,781
Change in other taxes payable		150,909	110,698
Change in other long-term liabilities		(252)	146,445
Interest paid		(2,368,634)	(805,593)
Income tax paid		(1,751,214)	(727,531)
Net cash generated from operating activities		**5,457,900**	**(1,845,910)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received		370,304	42,749
Long-term loans issued		(272,020)	-
Short-term loans issued		(20,142)	(531,175)
Repayment of long-term loans issued		37,628	
Repayment of short-term loans issued		217,340	272,673
Purchase of property, plant and equipment		(5,228,793)	(3,200,898)
Sale of property, plant and equipment		27,621	-
Purchase of intangible assets		(107,357)	(545,302)
Purchase of promissory notes		(404,922)	(6,200)
Sale of promissory notes		253,771	-
Dividends received	5	111,939	19,766
Purchase of derivative financial instruments	13	(656,833)	-
Purchase of exploration and evaluation assets		(1,376,768)	(678,720)
Acquisition of shares of subsidiaries, associates and jointly controlled entities	1, 5	(17,770,809)	(182,892)
Net cash used in investing activities		**(24,819,041)**	**(4,809,999)**

(in thousands of Russian Rubles unless noted otherwise)

CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		21,433,061	14,626,556
Proceeds from long-term borrowings		35,187,700	567,809
Repayment of short-term borrowings		(25,348,242)	(7,990,068)
Repayment of long-term borrowings		(26,587,400)	(2,182,299)
Proceeds from share issue	1, 15	64,200,000	2,972,000
Dividends paid	15	-	(87,861)
Finance lease payments		(273,745)	(188,837)
Net cash generated from financing activities		**68,611,374**	**6,911,707**
Increase in cash and cash equivalents		**49,250,233**	**255,798**
Cash and cash equivalents at the beginning of the year		**2,434,954**	**2,179,156**
Cash and cash equivalents at the end of the year		**51,685,187**	**2,434,954**

Note 1. Group and Group's activity

The combined and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2009 for OJSC Atomredmetzoloto (hereinafter referred to as the Company) and for its subsidiaries and associates (together referred to as the Group or the Group Atomredmetzoloto).

The Company is an Open Joint-Stock Company and was established in accordance with the legislation of the Russian Federation.

As at 31 December 2008 the Group was controlled by OJSC TVEL, which possessed 99.99 percent of the shares of the Company. OJSC TVEL is indirectly (through OJSC «Atomenergoprom») controlled by the State Atomic Energy Corporation Rosatom (hereinafter - «Rosatom»). As at 31 December 2009 the Group is controlled by Rosatom, which possesses 80.345 percent of the shares of the Company.

Rosatom is a special form of legal entity according to Russian legislation, established by the Russian Federation based on separated property principle owned by Rosatom. Its governing bodies are appointed by the President of the Russian Federation and the Government of the Russian Federation. Rosatom executes the shareholder right in respect of joint stock companies, which shares belong to Rosatom according to the legislation on joint stock companies.

Principal activity. The Group's principal activity is uranium exploration and mining on the territory of the Russian Federation and the Republic of Kazakhstan.

The legal address and place of activity. The legal address of the Company is 22, B. Drovyanoy per., Moscow, 109004, the Russian Federation.

Operating environment of the Group. The Russian Federation displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The global financial crisis has had a severe effect on the Russian economy since mid-2008:

(i) Lower commodity prices have resulted in lower income from exports and thus lower domestic demand. Russia's economy contracted in 2009.

(ii) The rise in Russian and emerging market risk premium resulted in a steep increase in foreign financing costs.

(iii) The depreciation of the Russian Rouble against hard currencies (compared to RR 25.3718 for USD 1.00 as at 1 October 2008) increased the burden of foreign currency corporate debt, which has risen considerably in recent years.

(iv) As part of preventive steps to ease the effects of the situation in financial markets on the economy, the Government incurred a large fiscal deficit in 2009.

Borrowers and debtors of the Group were adversely affected by the financial and economic environment, which in turn has had an impact on their ability to repay the amounts owed. Deteriorating economic conditions for borrowers and debtors were reflected in revised estimates of expected future cash flows in impairment assessments.

The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations and frequent changes, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Russian Federation. The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Management is unable to predict all developments in the economic environment which could have an impact on the Group's operations and consequently assess the potential effect, if any, they could have on the future financial position of the Group.

Establishment of the Group. The state corporation Atomredmetzoloto was established in 1992 on the basis of the former 1st Chief Division of the Ministry of medium mechanical engineering of the USSR and operated within the Ministry of an atomic energy of Russia. In 1995 the State Corporation Atomredmetzoloto was reorganized into Open Joint Stock Company (AOOT), and in 1999 re-registered in the same legal form OJSC (OAO) due to the changes in the registration of legal entities.

Note 1. Group and Group's activity (continued)

In 2007 in the process of formation of the State atomic holding OJSC Atomenergoprom, which consolidated all civil atomic enterprises, and Atomic Energy Corporation Rosatom, 100 percent of shares of the Company were transferred to OJSC Atomenergoprom. Within the restructuring process the Federal agency of atomic energy (subsequenty Rosatom) assigned to the Company the function of raw materials supply to Russian nuclear industry. For this purpose the uranium exploration and mining assets controlled by the Russian Federation were consolidated in one Group.

As a result during 2007-2009 the Company acquired control or significant influence in the following subsidiaries, associates and jointly controlled entities:

- acquired through the common control transactions from OJSC TVEL and OJSC Tehsnabexport, including:
  - OJSC Priargunskoe proizvodstvennoe gorno-chimicheskoe ob'edinenie (OJSC PPGHO);
  - CJSC Dalur;
  - OJSC Khiagda;
  - OJSC Uranovaya gornorudnaya kompaniya (UGRK);
  - CJSC Rusburmash;
  - CJSC Lunnoe;
  - OJSC Korporatsiya Razvitiya Yuzhnoi Yakutii;
  - JSC Joint Venture Zarechnoe;
  - JSC Joint Venture Aкbastau (25 percent+1 share);
  - CJSC TV-Centr (subsidiary of OJSC PPGHO);
  - LLC Joint Venture Rusburmash-Kazakhstan (subsidiary of CJSC Rusburmash);
  - LLC Dalur-Finance (subsidiary of CJSC Dalur);
  - LLC Schekotovo.
- established by OJSC Atomredmetzoloto and its subsidiaries during 2007-2009, including:
  - CJSC Elkonski Gorno-Mettalurgichesky Kombinat (GMK);
  - CJSC Uranium mining company Gornoe;
  - CJSC Olovskaya gorno-chimicheskaya kompaniya;
  - LLC Karkhu Geologiya;
  - LLC Control centre Urandobycha;
  - LLC Edinaya servisnaya kompaniya (ESK) ARMZ;
  - Runex Uranium PTY Ltd.;
  - Northern Basins Uranium Ltd.;
  - CJSC Armyano-rossiyskaya gornorudnaya kompaniya;
  - LLC Dalur-Service (subsidiary of CJSC Dalur);
  - LLC Streltsovsky stroitelno-semontnyi trest (subsidiary of OJSC PPGHO);
  - LLC Upravlenie obshestvennogo pitania i roznichnoi torgovli (subsidiary of OJSC PPGHO);
  - LLC Avtotransportnie perevozki (subsidiary of OJSC PPGHO);
  - LLC Avtokhoziaistvo Urtuiskoe (subsidiary of OJSC PPGHO);
  - LLC Predpriatie elektrosviasi (subsidiary of OJSC PPGHO);
  - LLC Remontno-mekhanicheskyi zavod (subsidiary of OJSC PPGHO);
  - Vostok Power Resourses Ltd.
- acquired from external counterparties, including:
  - LLC Agrofirma Itmanovo;
  - LLC Geostar (subsidiary of LLC Agrofirma Itmanovo);
  - Effective Energy N.V.;
  - JSC Joint Venture Aкbastau (25 percent - 1 share);
  - Uranium One Inc.

Description of business combination transactions is provided in Notes 1 and 5.

The list of the Group's subsidiaries, associates and jointly controlled entities is provided below.

(in thousands of Russian Rubles unless noted otherwise)

Note 1. Group and Group's activity (continued)

Name	Type of activity	Group's effective interest in voting shares as at 31 December 2009	Group's effective interest in voting shares as at 31 December 2008	Incorporation
Subsidiaries:				
OJSC Priargunskoe proizvodstvennoe gorno-chimicheskoe ob'edinenie (OJSC PPGHO) (1)	Uranium mining	79.33%	78.61%	Russia
CJSC Dalur (2)	Uranium mining	98.67%	97.97%	Russia
OJSC Khiagda	Uranium mining	100.00%	100.00%	Russia
CJSC Elkonski Gorno-Mettalurgichesky Kombinat (GMK)	Uranium exploration	100.00%	100.00%	Russia
CJSC Lunnoe	Uranium and gold exploration	50.03%	50.03%	Russia
CJSC Uranium mining company Gornoe	Uranium exploration	100.00%	100.00%	Russia
CJSC Olovskaya gorno-chimicheskaya kompaniya	Uranium exploration	100.00%	100.00%	Russia
LLC Geostar	Zirconia ore exploration	100.00%	100.00%	Russia
LLC Agrofirma Itmanovo	Other assets	100.00%	100.00%	Russia
LLC Karkhu Geologiya	Uranium exploration	51.00%	51.00%	Russia
LLC Dalur-Finance	Financing activity	98.67%	97.97%	Russia
CJSC TV-Centr (3)	Other assets	46.01%	45.60%	Russia
LLC Control centre Urandobycha	Service company	100.00%	100.00%	Russia
OJSC Uranovaya gornorudnaya kompaniya (UGRK)	Management company	100.00%	100.00%	Russia
CJSC Rusburmash (4)	Service company	100.00%	51.00%	Russia
LLC Joint Venture Rusburmash-Kazakhstan (3)	Service company	51.00%	26.01%	Kazakhstan
LLC Edinaya servisnaya kompaniya (ESK) ARMZ (1), (2), (4)	Service company	96.33%	87.94%	Russia
LLC Streltsovsky stroitelno-remontnyi trest (5)	Service company	79.33%	-	Russia
LLC Upravlenie obshestvennogo pitania i roznichnoi torgovli (5)	Service company	79.33%	-	Russia
LLC Avtotransportnie perevozki (5)	Service company	79.33%	-	Russia
LLC Avtohoziaistvo Urtuiskoe (5)	Service company	79.33%	-	Russia
LLC Predpriatie elektrosviasi (5)	Service company	79.33%	-	Russia
LLC Remontno-mekhanicheskyi zavod (5)	Service company	79.33%	-	Russia
LLC Schekotovo (6)	Service company	99.99%	-	Russia
Vostok Power Resourses Ltd. (7)	Service company	100.00%	-	UK
Effective Energy N.V. (8)	Management company	100.00%	-	Netherlands
LLC Dalur-Service (7)	Service company	98.67%	-	Russia
Associates and jointly controlled entities:				
JSC Joint Venture Zarechnoe	Uranium mining	49.67%	49.67%	Kazakhstan
JSC Joint Venture Akbastau (8)	Uranium exploration and mining	50.00%	25.00%	Kazakhstan
Runex Uranium PTY Ltd.	Uranium exploration	50.00%	50.00%	Namibia
Northern Basins Uranium Ltd.	Uranium exploration	49.00%	49.00%	Canada
OJSC Korporatsiya Razvitiya Yuzhnoi Yakutii	Service company	25.10%	25.10%	Russia
Joint Company Armyano-rossiyskaya gornorudnaya kompaniya	Uranium exploration	50.00%	50.00%	Russia
Uranium One Inc. (9)	Uranium mining	19.95%	-	Canada

Note 1. Group and Group's activity (continued)

(1) In 2009 the Company contributed RR 1,576,702 thousand in the share capital OJSC PPGHO. As a result, the Company's share in OJSC PPGHO increased from 78.61 percent to 79.33 percent. The change in non-controlling interest was reflected in the Statement of Changes in Equity on the date of the transaction.

(2) In 2009 the Company contributed RR 1,126,478 thousand in the share capital of CJSC Dalur. As a result, the Company's share in CJSC Dalur increased from 97.97 percent to 98.67 percent. The change in non-controlling interest was reflected in the Statement of Changes in Equity on the date of the transaction.

(3) CJSC TV-Centr and LLC Joint Venture Rusburmash-Kazakhstan are considered as subsidiaries, as they are controlled by OJSC PPGHO and CJSC Rusburmash respectively, which, in its turn, are controlled by OJSC Atomredmetzoloto.

(4) In 2009 the Company acquired 49 percent CJSC Rusburmash from Veselu Estates Limited. The acquisition cost was RR 600,237 thousand paid in cash. In addition, CJSC Rusburmash as of the date of acquisition owned 51 percent of LLC Joint Venture Rusburmash-Kazakhstan. The change in non-controlling interest was reflected in the Statement of Changes in Equity on the date of the transaction.

(5) In 2009 OJSC PPGHO founded 100 percent controlled subsidiaries LLC Streltsovsky stroitelno-remontnyi trest, LLC Upravlenie obshestvennogo pitania i roznichnoi torgovli, LLC Avtotransportnie perevozki, LLC Avtohoziaistvo Urtyiskoe, LLC Predpriatie elektrosviasi, LLC Remontno-mekhanicheskyi zavod.

(6) In 2009 LLC Edinaya servisnaya kompaniya ARMZ acquired 98 percent in LLC Schekotovo from OJSC Tehsnabexport. Acquisition cost was RR 126,061 thousand. The Group recorded a transaction in the Statement of Changes in Equity as acquisition of the entities under common control. Besides, in 2009 LLC Edinaya servisnaya kompaniya ARMZ acquired 1 percent in LLC Schekotovo from LLC Kraun. Acquisition cost was RR 1,211 thousand. The Group recorded the transaction in the Statement of Changes in Equity. Also, in 2009 LLC Edinaya servisnaya kompaniya ARMZ maid contribution of RR 9,999.9 thousand into LLC Schekotovo. The Group recorded the transaction in the Statement of Changes in Equity.

(7) In 2009 OJSC Atomredmetzoloto founded a subsidiary Vostok Power Resource Limited in the UK. The company was founded to carry-out international projects of OJSC Atomredmetzoloto, to implement assignments of OJSC Atomredmetzoloto on provision of non-government financing of uranium-mining projects, to organize work with potential investors and international consultants.

In 2009 CJSC Dalur founded 100 percent subsidiary LLC Dalur-Service.

(8) On 5 March 2009 the Group acquired 100 percent of Effective Energy N.V. (Netherlands). At the purchase date Effective Energy N.V. was a holding company and did not conduct any own activity. The major assets of Effective Energy N.V. were investments into LLC Karatau (50 percent) and JSC Joint Venture Akbastau (25 percent less 1 share), which are engaged in exploration, mining and processing of uranium in Kazakhstan. See Note 5.

(9) On 14 December 2009 Effective Energy N.V. sold 50 percent of LLC Karatau to Uranium One Inc. The payment included 117 million shares of Uranium One Inc., which made 19.95 percent of share capital.

OJSC Atomredmetzoloto and Uranium One Inc. signed a off-take agreement on purchase of uranium concentrates, entitling OJSC Atomredmetzoloto to purchase from Uranium One Inc., the greater of:

- 50 percent of annual forecast production of uranium concentrates by LLC Karatau, or
- 20 percent of total annual production of concentrates by Uranium One Inc.

OJSC Atomredmetzoloto and Uranium One Inc. entered into a framework agreement, under which Uranium One Inc. received a right of first offer on assets of OJSC Atomredmetzoloto outside the Russian Federation, in case the OJSC Atomredmetzoloto decides to sell them. In addition, OJSC Atomredmetzoloto received a seat on the Board of Directors of Uranium One Inc. as at 31 December 2009. Furthermore another representative of the Group joined the Board of Directors in May 2010 after the shareholders of Uranium One Inc. approved increase of its membership.

As a result of the transaction, the Group acquired a significant influence in Uranium One Inc. Investment in Uranium One Inc. is accounted for under the equity method in the combined and consolidated financial statements. See also Note 5.

Note 2. Basis of preparation

Basis of preparation of the financial statements. These combined and consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) using the historical cost convention.

These consolidated financial statements are combined as acquisitions of subsidiaries from parties under common control are accounted for using pooling of interests method. Under this method, the business combination in the combined and consolidated financial statements of the combined entity is presented as if the businesses had been combined from the beginning of the earliest period presented (which is 1 January 2008) or, if later, the date when the combined entities were first brought under common control.

The principal accounting policies applied in the preparation of these combined and consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, except for specifically disclosed circumstances (refer to Note 3).

Going concern basis. The financial statements have been prepared on the basis that the Group will continue as a going concern.

Presentation currency. Unless stated otherwise, the financial information in the combined and consolidated financial statements is presented in thousands of Russian roubles (RR).

Reclassifications. The Group revised its approach to classification of mineral extraction tax. As a result, the amount of taxes other than income tax in cost of sales increased by RR 284,790 thousand, in comparative period, and the amount of taxes other than income tax in administrative and selling expenses decreased by the corresponding amount.

Moreover, in 2008 consulting expenses in administrative and selling expenses increased by, RR 22,251 thousand. Other administrative expenses were decreased correspondingly.

Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Group from 1 January 2009:

Adoption of IAS 1, Presentation of Financial Statements (revised in September 2007 and effective for annual periods beginning on or after 1 January 2009). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Group has elected to present a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (previously balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Group's Combined and Consolidated Financial Statements, but had no impact on the recognition or measurement of specific transactions and balances.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2008, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. Improvement to IFRS 5 in respect of classification as held for sale in case of a loss of control over a subsidiary (effective for annual periods starting from 1st July 2009) was not early adopted by the Group.

Note 2. Basis of preparation (continued)

Puttable Financial Instruments and Obligations Arising on Liquidation - IAS 32 and IAS 1 Amendment. The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The amendment did not have an impact on the combined and consolidated financial statements.

Vesting Conditions and Cancellations - Amendment to IFRS 2, Share-based Payment. The amendment clarified that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment did not have an impact on the combined and consolidated financial statements.

IFRIC 13, Customer Loyalty Programmes. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The amendment did not have an impact on the combined and consolidated financial statements.

IFRIC 15, Agreements for the Construction of Real Estate. The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. The amendment did not have any material impact on the combined and consolidated financial statements.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate - IFRS 1 and IAS 27 Amendment, issued in May 2008. The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss rather than as a recovery of the investment. The amendment did not have an impact on the combined and consolidated financial statements.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures, issued in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (i) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (ii) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in the combined and consolidated financial statements.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009. The amendments clarify that on reclassification of a financial asset out of the at fair value through profit or loss category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment did not have an impact on the combined and consolidated financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation. The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the currency translation gain or loss reclassified from other comprehensive income to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 did not have an impact on the combined and consolidated financial statements.

The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses. Many of the principles of full IFRS for recognising and measuring assets, liabilities, income and expense have been simplified, and the number of required disclosures have been simplified and significantly reduced. The IFRS for SMEs may be applied by entities which publish general purpose financial statements for external users and do not have public accountability. The IFRS for SMEs is not applicable to the Group.

Note 2. Basis of preparation (continued)

IAS 27, Consolidated and Separate Financial Statements and consequential amendments to IAS 28, Investments in associates (revised in January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously minority interests) even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. Revised requirements also specify how an entity should measure any gain or loss arising on the loss of control of a subsidiary or loss of significant influence over an associate. The Group early adopted the revised Standard.

IFRS 3, Business Combinations (revised in January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group early adopted the revised Standard. As a result, accounting for business combinations, the Group 1) expensed all consulting expenses related to the business combinations; 2) acquired minority interests were accounted in combined and consolidated Statement of Changes in Equity

Unless stated otherwise, amendments and interpretations had no significant effect on the combined and consolidated financial statements of the Group.

New standards and interpretations that are mandatory for acceptance to the integration of the Group for accounting periods beginning on or after 1 January 2010 or after that date and have not been early adopted by the Group:

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies when and how any distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 is not relevant to the Group's operations because it does not distribute non-cash assets to owners.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Consolidated Financial Statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity settles its debt by issuing its own equity instruments. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. The Group is currently assessing the impact of the interpretation on the Consolidated Financial Statements.

Eligible Hedged Items - Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have any impact on the Consolidated Financial Statements as the Group does not apply hedge accounting.

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2009, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and better accommodate future changes. The Group concluded that the revised standard does not have any effect on the combined and consolidated financial statements.

Note 2. Basis of preparation (continued)

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Group does not expect the amendments to have any material effect on the combined and consolidated financial statements.

Classification of Rights Issues - Amendment to IAS 32 (issued 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Group does not expect the amendment to have any material effect on combined and consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group does not expect the amendments to have any material effect on its financial statements.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (i) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (ii) providing a partial exemption from the disclosure requirements for government-related entities. The Group has early adopted the amendment to IAS 24 regarding partial exemption for government related entities. The new requirement is to disclose for government related entities only individually significant transactions and transactions that may be collectively significant.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only basic loan features). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

Note 2. Basis of preparation (continued)

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, *Determining Whether an Arrangement Contains a Lease* when the application of their national accounting requirements produced the same result. The amendments will not have any impact on the combined and consolidated financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Group Combined and Consolidated Financial Statements.

In the combined and consolidated financial statements, the Group has not early adopted new standards and interpretations, listed in the note Adoption of New or Revised Standards and Interpretations which are effective from 1 January 2010 or after this date, except for early adoption of IAS 24 regarding partial exemption from the disclosure requirements for state-controlled entities.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions that affect the amounts recognised in the combined and consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the combined and consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Provision for impairment of items of property, plant and equipment and construction in progress. At the end of each reporting period the Group's management assess whether there is any indication that the carrying value of Group's property, plant and equipment and construction in progress may exceed their recoverable amount. The recoverable amount of fixed assets and construction in progress is the greater of two values: the fair value of the asset less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The amount of impairment recognized in the statement of comprehensive income in the period in which the fact of impairment has been identified. If circumstances change and the management of the Group comes to the conclusion that the value of property, plant and equipment and capital construction in progress has increased the provision for impairment will be fully or partially restored.

The estimated useful lives of the items of the property, plant and equipment. Assessment of useful lives of the certain item of property, plant and equipment is the subject of judgment of the Group's management, which is formed on the basis of experience preparing judgments about other similar assets. In determining the useful life of an asset management takes into account the intended use, estimated technical obsolescence, physical deterioration, as well as the actual conditions of use of the asset. Changing any of these conditions or estimates may lead to an adjustment of the depreciation rates in future periods.

Deferred income tax asset recognition. Deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax asset is recognised to the extent that utilization of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Provision for retirement obligations. In accordance with collective agreements of OJSC PPGHO and CJSC Dalur, the employees are paid additional compensation at retirement. The retirement obligations recognized in financial statements of the Group, are the discounted value of these payments.

Present value of liabilities is evaluated at the present value of expected future cash outflows using real long-term interest rates.

Note 2. Basis of preparation (continued)

Environmental obligations. Environmental obligations include decommissioning and land restoration costs. Future decommissioning and land restoration costs, discounted to net present value, are capitalised and correspondingdecommissioning obligations raised as soon as the constructive obligation to incur such costs arises and the future decommissioning cost can be reliably estimated. Capitalised amounts are depreciated together with respective items of property, plant and equipment. The effect of discount on the decommissioning obligation is included in interest expense. Decommissioning obligations are periodically reviewed considering current laws and regulations, and adjustments made as necessary. Ongoing rehabilitation costs are expensed when incurred.

Note 3. Summary of significant accounting policies

The combined and consolidated financial statements. Subsidiaries are those companies (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than 50 percent of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has the power to govern the financial and operatingt policies of another entity, . Subsidiaries are consolidated from the date on which control is transferred to the Group (date of acquisition) and are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or taken on at the date of exchange, and costs directly attributable to the acquisition. The date of exchange is the acquisition date where a business combination took place as a result of a single transaction, and is the date of each share purchase, where a business combination is achieved in stages .

The excess of the cost of acquisition over the acquirer's share of the fair value of the net assets of the acquiree at each transaction date is recorded as goodwill. The excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost (negative goodwill) is recognised immediately in the statement of comprehensive income.

Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any minority interest, except for conditional obligations under the income tax which are estimated according to IAS 12 "Income taxes". The difference, if any, between the fair values of the net assets at the date of exchange and at the date of acquisition is recorded directly in equity.

Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all its subsidiaries apply unique accounting policies consistent with the Group's policies.

Non-controlling interest is the part of the net results and the net assets of subsidiaries attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Purchase of minority interests. The difference (in the presence of that) between balance cost of a minority interest and the amount paid for its acquisition is recorded directly in equity.

Purchases of subsidiaries from the parties under common control. Purchases of subsidiaries from parties under common control are accounted for using pooling of interest accounting method. Under this method the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are accounted at the predecessor entity's carrying amounts. The difference between net assets, including the goodwill recorded at the predecessor statement of financial position, and the consideration paid is recorded in the present combined and consolidated financial statements as merger reserve.

Investments in associates and jointly controlled entities. Investments in associates and jointly controlled entities are accounted for using the equity method of accounting, based upon the percentage of ownership held by the Group. Associates are entities over which the Company has significant influence but not control.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Note 3. Summary of significant accounting policies (continued)

Jointly controlled entities are joint ventures that involve the establishment of a corporation, partnership or other entity in which each venturer has an interest.

The Group discontinues the use of the equity method from the date on which it ceases to have joint control over, or have significant influence on jointly controlled entities and associates.

Unrealised gains on transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value, cost or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Group may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the investees are used to determine the fair value of certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in the financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items of the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest.

Classification of financial assets. The Group classifies its finansial assets into the following categories: a) loans and receivables, b) available-for sale financial assets and c) financial assets held-to-maturity.

Loans and receivables are non-derivarive financial assets with fixed or measureable payments, which are not activelly traded on the market, excluding those which the Group intends to sell in the nearest future.

Held to maturity investments are non-derivative financial assets with fixed or measureable payments, which are not traded on the market, and the Group has intention and ability to hold until redemption. The Group classifies

Note 3. Summary of significant accounting policies (continued)

investment securities as held-to-maturity at their initial recognition and evaluates the reasonableness of initial classification at each reporting date.

Derivative financial instruments include call options, acquired by the Group.

Classification of financial liabilities. All other financial liabilities are accounted at amortised cost.

Initial recognition of financial instruments. All financial assets and financial liabilities are initially recognised at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions with the same instrument or by a valuation technique whose variable inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases and sales transactions are recorded at delivery date, and corresponding change in value for the period from initial recognition of liability till the date of delivery is not recognized with the respect to assets, accounted at acquisition cost or amortised cost; recognized through statement of comprehensive income for investments available for trading; for financial assets available for sale - recorded through equity accounts.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Securities held to maturity. Securities held to maturity are recorded at amortised cost using effective interest rate method, less impairment losses.

Derivative financial instruments. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The Group's policy is to measure these instruments at fair value, with resulted gains or losses being reported within the consolidated statement of comprehensive income. Derivative financial instruments are not accounted for as hedges.

Accounts receivable. Trade and other accounts receivable are recorded at amortised cost calculated using the effective interest rate method. Provision for impairment of loans issued and accounts receivable is established if there is objective evidence that the Group will not be able to collect amounts when initially due. The provision amount is calculated as the difference between the carrying value of an asset and the present value of expected cash flows discounted at the initial effective interest rate corresponding to the initial financing terms. The provision is recorded in the statement of comprehensive income. Main factors which are considered by the Management while assessing the possible impairment of accounts receivable, are used to be overdue status and recoverable value of collateral if any. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- delay in any regular payment that cannot be explained by operating delays;
- the debtor experiences significant financial problems, which is confirmed by financial information on the debtor available to the Group;
- the debtor faces bankruptcy or other financial restructuring;
- a negative change of the debtor's payment status conditioned by changes in the national or local economic environment affecting the borrower;
- collateral value (if available) significantly decreased as a result of market deterioration.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, demand deposits with banks and other high-liquid short-term investments with original maturities of less than three months. Cash and cash equivalents

Note 3. Summary of significant accounting policies (continued)

are accounted for at amortised cost calculated on the basis of the effective interest method. Restricted cash balances are not considered as part of cash and cash equivalents for the purpose of the cash flow statement. Cash balances with restrictions on exchange or use for repayment of obligations within at least 12 months after the reporting date are included in other long-term assets.

Borrowings. Borrowings are recorded at amortised cost using the effective interest method. Interest costs on loans received for financing the construction of the property, plant and equipment are capitalised in the cost of these assets during the period required to complete and prepare these assets for their intended use. Other expenses relating to borrowings are recognised in the statement of comprehensive income.

In cases, when the qualified asset cannot be directly assigned to borrowed facility, for example, when the Group attracts financing on a centralized basis; the amount of capitalized interest is calculated using capitalisation rate multiplied by the amount of expenses attributable to qualified asset. Capitalisation rate is weighted average actual borrowing rate of the Group, excluding borrowings which can be directly attributed to the qualified asset.

Trade payables. Trade payables are recorded based on the actually performed contractual obligations and accounted at amortised cost using the effective interest method.

Property, plant and equipment. Items of property, plant and equipment are measured at the historical cost. Initial cost includes interest on for purpose and non for purpose financing of construction of corresponding items.

Repairs and maintenance costs are included in the current period's expenses. Cost of replacing of major parts or components of premises and equipment items is capitalised and the replaced part is retired.

At each reporting date management assesses whether there is any indication that an asset may be impaired. If any indication for impairment exists, management of the Group estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount; the impairment loss is recognised in the statement of comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in the statement of comprehensive income.

Depreciation. Plots of land owned by the Group are not depreciated. Depreciation of items of property, plant and equipment which are used in the process of uranium mining is recognised using units of production method where it most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation of other property, plant and equipment is calculated using the straight-line method to write down their cost to their residual values over their estimated useful lives at the following annual rates:

	Useful life (years)
Auxiliary fixed assets	20 - 50
Buildings and constructions	10 - 55
Machinery and equipment	5 - 20
Motor transport	4 - 8
Other	5 - 10

Liquidation value of the asset represents net proceeds as a result of potential sales of the asset less selling costs assuming that the remaining useful life of the asset and its technical condition is close to the end of its estimated useful life. Liquidation value is deemed to be zero in case the Group intends to use the asset till the end of its physical life period. Liquidation value and useful lives of assets are re-considered and adjusted if required at each reporting date.

Exploration and evaluation assets. Expenses for exploration and evaluation of uranium fields are capitalized from the moment the Group receives permission or license for exploration and evaluation works.

Exploration and evaluation expenditures include feasibility studies, geophysics and seismology, land works, exploratory drilling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting the uranium ore.

Exploration and evaluation assets are transferred to property, plant and equipment or intangible assets when the technical feasibility and commercial viability of extracting the uranium ore are demonstrable.

Note 3. Summary of significant accounting policies (continued)

Exploration costs incurred before the receipt of licenses (rights for exploration) are called preliminary exploration costs and expensed in the period when incurred. Such costs include project operational works, technical feasibility studies and overheads connected to preliminary exploration. All general overheads which cannot be directly attributed to exploration and evaluation works, expensed when incurred.

Depreciation of exploration and evaluation assets commences from the moment when commercial mining of uranium starts. Exploration and evaluation assets are depreciated using units of production method.

In the combined and consolidated financial statements exploration and evaluation assets are not depreciated because as at 31 December 2009 the commercial mining of uranium has not commenced at the exploration and evaluation stage.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risk and rewards incidental to ownership from the lessor to the Company, the total lease payments, including those on expected termination, are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. The period of the lease is the non-cancellable lease period, for which the lease has concluded lease contract with additional conditions, according to which the lease has the right for continuing of the lease with additional payment or without it, in cases, when as of the beginning of the rent period there is a certainty that the lease intends to use the right.

Finance leases. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in debts. The interest cost is charged to the statement of comprehensive income over the lease period using the effective interest method. Assets acquired under finance lease are depreciated within lower of their economic useful life period and lease maturity terms in case the Group has no evidence that it will receive ownership rights for the asset after the moment the lease agreement is over.

Exploration and mining licenses. Exploration and mining licenses are measured at historical cost less accumulated depreciation and impairment losses. All licenses are included into the intangible assets. All licenses are depreciated starting from the moment of commercial mining of the uranium using units of production method.

Other intangible assets. All other intangible assets have definite useful life period and include other licenses, capitalized software and trademarks.

Acquired licenses, software and trademarks are capitalized in the amount of actual costs including costs for installation and preparation for it use.

Expenditure for development of unique and identifiable software which is controlled by the Group is recorded as intangible assets in case the potential economic benefit exceeds incurred expenses. Capitalised costs include salary of personnel involved in the development process and corresponding overheads. All other costs including technical support are expensed as incurred.

Intangible assets are amortised on a straight line basis within the period of their useful life:

	Useful life (years)
Licenses excluding exploration and mining licenses	2 - 3
Other intangible assets	3 - 5

In case of impairment the carrying amount of intangible asset is being written down to the lower of selling value less costs to sell and value in use.

Income taxes. Income taxes are recorded in the combined and consolidated financial statements in accordance with Russian legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the combined and consolidated statement of comprehensive income except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

Current tax represents the amount to be paid or refunded from the taxation authorities in respect of taxable profit or loss for the current or previous periods. Taxes other than on income are included in other administrative expenses.

Note 3. Summary of significant accounting policies (continued)

Deferred income tax is provided using the balance sheet liability method for deferred tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. The carrying amount of deferred tax is calculated on the basis of tax rates that are expected to apply in the period, when temporary differences are reversed or deferred tax losses are utilised, on the basis of tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are set off against deferred tax liabilities only within individual companies of the Group. Deferred tax assets relating to deductible temporary differences and deferred tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post acquisition retained earnings of subsidiaries and also other changes in subsidiaries' post-acquisition reserves, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

The management reviews the Group's uncertain tax positions at each reporting date. Liabilities are recognised for those income tax positions, that, according to the management's estimates (based on interpretations of the tax legislation enacted or substantively enacted at the reporting date, or other available judicial or other decision), will most probably lead to additional tax assessments if these positions are challenged by the tax bodies. Liabilities for penalties, interest and taxes other than on income are recognised based on the management's best estimate of the expenditure required to settle the obligations at the reporting date.

Inventories. Inventories are accounted for at the lower of cost and net selling price. Cost of inventories is defined using average weighted cost. Cost of finished goods and work in progress includes cost of raw materials, direct labor and other direct costs and corresponding portion of overheads calculated based on budgeted absorption rates and excludes finance costs. Net selling price is potential selling price in the normal course of business less costs to complete production and less selling costs.

Prepayments and advances. Prepayments and advances are recorded at initial costs less impairment provision. Prepayments are classified as long-term in case the expected terms of goods and services receipt exceeds 12 months or if the prepayment relates to the asset which is to be recorded as non current at initial recognition. The amount of prepayment for acquisition of the asset is included in its cost in case the Group obtains control over this asset and existence of expectations to receive economic benefits in the future. Other prepayments are posted to profit and loss at the moment when goods and services are received. In case there is an indicator that goods and services will not be received by the Group, the prepayments are written to profit and loss.

Share capital. Ordinary shares and non-cumulative non-redeemable preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction from income received from share issue, excluding taxes. The excess of actual proceeds of the share issue over the nominal amount of shares issued is recognized as additional paid in capital.

Dividends. Dividends are recognised as liabilities and deducted from equity at the reporting date only if they were declared before the reporting date. Information on dividends is disclosed in the financial statements if they were recommended before the reporting date, and also recommended or declared after the reporting date and before the combined and consolidated financial statements are authorised for issue.

Value added tax. Value added tax (VAT) arising on sales of products is subject to payment to the budget on the earlier of: (a) the date of receipt of receivables from clients; or (b) the date of delivery of goods or services to clients. VAT included in the cost of acquired goods and services is generally subject to refunding through offsetting with VAT on sales revenue after receipt of the invoice. The offset is carried out in accordance with the tax legislation. VAT relating to sales and purchases is recognised in the combined and consolidated statement of financial position on a gross basis and disclosed separately in assets and liabilities. In creating provisions for impairment of receivables, impairment losses are recognised in full, including VAT.

Provisions. Provisions are recognised in case the Group as a result of past event bears legal or other accepted liabilities which probably will lead to potential outflow of resources of the Group which can be reliabily estimated. In case the Group has the number of analogue potential obligations the possibility if resources outflow is estimated for the whole class of obligations. Provision is recorded even in case the possibility is remote for one of such potential obligations.

In cases where the Group expects indemnity against the provision, for example as a result of insurance contract signed, the indemnity amount should be recorded separately as an asset if the possibility of this compensation or asset receipt is high.

Environmental obligations. Environmental obligations include decommissioning and land restoration costs.

Note 3. Summary of significant accounting policies (continued)

Future decommissioning and land restoration costs, discounted to net present value, are capitalised and corresponding decommissioning obligations raised as soon as the constructive obligation to incur such costs arises and the future decommissioning cost can be reliably estimated. Capitalised amounts are depreciated together with respective items of property, plant and equipment. The accrual of discount on the decommissioning obligation is included in interest expense. Decommissioning obligations are periodically reviewed considering current laws and regulations, and adjustments made as necessary.

Foreign currency. The functional currency of the Group is the currency of primary economic environment of the Group and where the Group performs its operating activity. Functional currency of the Company and presentation currency of the Group is national currency of Russian Federation - Russian Rouble (RR).

Monetary assets and liabilities, held by the Company and denominated in foreign currencies at the reporting date, are translated into RR at the exchange rates set by the Central Bank of the Russian Federation at the date. Gains and losses resulting from the settlement of such transactions and from the translation of the monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. The non-monetary balance sheet items including investments into equity instruments are not recalculated at the year end exchange rates. The foreign exchange gains and losses incurred as a result of changes in fair value of equity financial instruments are recorded through profit and loss from change in fair value.

Recalculation of functional currency into the presentation currency. The financial results and financial position of each Group company (which functional currency is not currency of hyperinflationary economy) is recalculated into the presentation currency in the following way:

(i) assets and liabilities are recalculated at closing (or reporting date) rate;

(ii) revenues and expenses in the statement of comprehensive income are recalculated at the average rate for corresponding period (if the average rate is not an approximation of the average rates as of the dates of transactions the revenues and expenses are recalculated at the rates valid as of the dates of transactions);

(iii) currency translation effect is recorded as separate component of equity.

Goodwill and fair value adjustments incurred as a result of acquisition of foreign subsidiary are recorded as assets and liabilities of foreign investment and recalculated at closing exchange rate. On disposal of subsidiary as a result of sales, liquidation, distribution of equity, discontinuing operation of part or whole of the business currency translation effects recorded as component of equity are written off to the statement of comprehensive income.

Revenue recognition. Revenue from sale of goods is recognised at the moment of transfer of risks and rewards connected with ownership rights for these goods, usually at delivery moment. In case the Group takes responsibility to deliver goods till specific location, revenue is recognised at the moment the goods reach this location.

Revenue from sale of services is recognised in the reporting period when these services were performed taking into consideration percentage of completion of services at the reporting date compared to contracted amount.

Revenue is recognised net of VAT and rebates.

Revenue from the sale of goods is measured at the fair value of the consideration received or to be received. If it is impossible to evaluate fair value of goods received under the barter transaction, the revenue is recognized at fair value of the goods and services sold.

Interest income is accrued proportionally in accordance with terms of financing using effective interest rate.

Employee compensation. Accrual of payroll, contributions to the pension fund of the Russian Federation and the social insurance fund, paid annual leave and sick leave, bonuses and non-monetary benefits is made in the period when the services that define the named types of remuneration were provided by the employees of the Group.

In accordance with collective agreements of OJSC PPGHO and CJSC Dalur, employees are paid additional compensation at retirement. In addition, OJSC PPGHO and CJSC Dalur provides personal payments to ex-workers - non-working pensioners, and also pays the cost of travel to the place of vacation. Commitments to the above benefits recognized in the financial statements of the Group represent the discounted value of these payments. Thus, when evaluating the commitments it was assumed that all employees will work till retirement.

Present value of liabilities is evaluated at the present value of expected future cash outflows.

Actuarial gains and losses arising from changes in actuarial assumptions and past service cost are recognized in profit and loss account immediately. Evaluation of these obligations is carried out by the Group.

(in thousands of Russian Rubles unless noted otherwise)

Note 3. Summary of significant accounting policies (continued)

Key assumptions used in calculating the liabilities relate to:
- discount rate;
- the average life expectancy of recipients of benefits.

Note 4. Related party transactions

The definition of related parties is provided in IAS 24 Related Party Disclosures. Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial and economic decisions or exercise general control over its operations. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Information on the ultimate controlling party and other principal shareholder of the Group is disclosed in Note 1.

State-controlled entities. In the normal course of business the Group enters into transactions with entities controlled by the State. Taxes are accrued and paid under the Russian tax legislation. Tax balances and expenses are disclosed in Notes 12, 18, 22, 23 and 25.

The balances with the state-controlled entities are disclosed below.

	31 December 2009	31 December 2008
Trade accounts receivable	131,641	107,446
Other accounts receivable	8,184	3,886
Settlement accounts with banks	68,721	7,846
Term deposits with maturity of less than three Months	-	13,000
Advances issued	24,940	27,601
Advances received	3,080	4,015
Loans received	3,814,340	407,000
Trade accounts payable	153,841	113,561
Other accounts payable	21,738	11,312

The information on the significant transactions with the state-controlled entities is provided below.

	Year ended 31 December 2009	Year ended 31 December 2008
Other revenue	256,326	300,887
Raw materials and goods	(4,516)	-
Utilities	(72,802)	-
Rent	(1,217)	(389)
Contracting services	(610,174)	(289,978)
Interest expense	(217,199)	-
Other income / (expenses)	(498)	246

Subsidiaries and affiliates of Rosatom and associates and jointly controlled entities of the Company. The relationship with the parent company Rosatom (31 December 2008: OJSC TVEL), its subsidiaries and affiliates (companies under common control), as well as associates and jointly controlled entities of the Company, which the Group has entered into significant transactions with or has significant balances as of 31 December 2009 is presented below.

(in thousands of Russian Rubles unless noted otherwise)

Note 4. Related party transactions (continued)

	Companies under common control	Associates and jointly controlled entities
Trade accounts receivable	1,544,846	619,554
Other accounts receivable	7,494	-
Advances issued	23,229	1,959,591
Long-term accounts receivable	-	991,891
Loans issued	-	256,555
Advances received	178,975	
Loans received	6,156,155	-
Contribution from shareholders	-	-
Trade accounts payable	1,345,913	74,196
Other accounts payable	2,649	-

The income and expense items with related parties for the year ended 31 December 2009 were as follows:

	Companies under common control	Associates and jointly controlled entities
Sales of uranium	21,198,066	-
Other revenue	26,743	262,560
Total	**21,224,809**	**262,560**
Purchases		
Cost of raw materials goods	(1,858,581)	(1,230,489)
Rent	(1,347)	-
Contracting services	(66)	-
Total	**(1,859,994)**	**(1,230,489)**
Administrative and selling expenses		
Representative expenses	(900)	-
Consulting and information services	(466)	-
Contracting services	(4,324)	-
Other expenses, net	(1,932)	-
Total	**(7,622)**	-
Other incomes and expenses		
Result on disposal of fixed assets	(2,995)	-
Interest income	-	30,765
Interest cost	-	(402)
Other income and expenses	(787)	12
Other financial incomes and expenses	697	(696)
Total	**(3,085)**	**29,679**

At 31 December 2008 the outstanding balances with related parties were as follows:

	OJSC TVEL	Companies under common control	Associates and jointly controlled entities
Trade accounts receivable	818,721	115,231	25,810
Other accounts receivable	977	23,750	32
Advances issued	-	57,468	-
Loans issued	-	-	114,584
Advances received	178,190	-	-
Trade accounts payable	49,078	134,911	188,479
Other accounts payable	30,528	2,454	-

(in thousands of Russian Rubles unless noted otherwise)

Note 4. Related party transactions (continued)

The income and expense items with related parties for the year ended 31 December 2008 were as follows:

	OJSC TVEL	Companies under common control	Associates and jointly controlled entities
Sales of uranium	9,379,798	3,335,703	-
Sales of coal	-	816,032	-
Sales of services	6,473	31,296	-
Total	**9,386,271**	**4,183,031**	**-**
Purchases			
Cost of raw materials and goods	(201)	4,108,877	666,835
Rent	(2,775)	-	-
Contracting services	(174,623)	(1,064)	-
Repair and maintenance	-	(892)	-
Total	**(177,599)**	**(4,110,833)**	**666,835**
Administrative and selling expenses			
Repair and maintenance	-	89	-
Utilities	-	51	-
Contracting services	1,151	5,362	-
Total	**1,151**	**5,502**	**-**
Other incomes and expenses			
Interest income	-	6,174	-
Gain on disposal of property, plant and equipment	-	6,410	-
previous periods expenses	-	(3,761)	-
Other income	1,224	3,661	-
Other finance costs	-	(1,230)	-
Total	**1,224**	**11,524**	**-**

Remuneration paid to the key management personnel. The information on the remuneration to the key management personnel is presented in table below:

	Year ended 31 December 2009		Year ended 31 December 2008	
	Paid	**Accrued**	**Paid**	**Accrued**
Salaries	95,212	109,439	74,518	85,653
Short-term bonuses	100,158	104,053	14,468	16,630
Total	**121,276**	**139,398**	**88,986**	**102,283**

Note 5. Business combinations

Acquisition of Effective Energy N.V. On 5 March 2009 the Company acquired 100 percent shares of Effective Energy N.V. (the Netherlands). Purchase consideration amounted to US Dollar 470 million (RR 17,027,348 thousand) and was paid. The balance of cash of Effective Energy N.V. on the date of acquisition was RR 426 thousand.

Effective Energy N.V. was founded in September 2006 in the Netherlands. At the date of the acquisition Effective Energy N.V. was a holding company without any own business activity. The main assets of Effective Energy N.V. were financial investments in LLC Karatau (50 percent share in equity) and JSC Joint Venture Akbastau (25 percent less one share), which are engaged in exploration, mining and processing of uranium in Kazakhstan.

This acquisition was recorded as an acquisition of a group of assets, which include investments into LLC Karatau and JSC Joint Venture Akbastau. Proportional allocation of the acquisition price of Effective Energy N.V. between the investments in JSC Joint Venture Akbastau and LLC Karatau based on their fair values as per the independent valuation report is as follows:

(in thousands of Russian Rubles unless noted otherwise)

Note 5. Business combinations (continued)

Investment in LLC Karatau (50 percent share)	11,817,559
Investments in JSC Joint Venture Akbastau (25 percent less one share)	4,969,884
Other assets	239,905
Total consideration	**17,027,348**

As the result of the transaction, the share of the Group in JSC Joint Venture Akbastau increased to 50 percent. The Group recorded the investment in JSC Joint Venture Akbastau in the combined and consolidated financial statements using equity method. Allocation of the purchase consideration of JSC Joint Venture Akbastau based on the independent valuation report is as follows:

	Carrying value	Fair value adjustment	Fair value
Current assets	109,661	45,475	155,136
Non-current assets	1,063,695	23,196,056	24,259,751
Short-term liabilities	(1,065,918)	23,203	(1 ,042,715)
Long-term liabilities	(164,907)	(4,808,915)	(4,973,822)
Net identifiable assets	**(57,469)**	**18,455,819**	**18,398,350**
Acquired share			25%
Acquired net assets			4,559,587
Purchase consideration			4,969,884
Goodwill			**370,297**

The share in LLC Karatau was sold in 2009.

Sale of LLC Karatau shares. On 14 December 2009 Effective Energy N.V. sold 50 percent share in equity capital of LLC Karatau to Uranium One Inc. The payment was made by:

- 117 million shares of Uranium One Inc., which made 19.95 percent of equity;
- promissory note of US Dollar 90 million (RR 2,716,989 thousand) with maturity of 12 months (Note 13). The promissory note and accrued interest were settled in 2010;
- additional compensation in the amount of US Dollar 60 million (Note 10 and 12). The compensation is to be paid in three equal installments of US Dollar 20 million in 2010, 2011 and 2012. Additional compensation is due for payment if revenue of LLC Karatau will be exempt from excess profit tax in Kazakhstan. The first part in the amount of US Dollar 20 million was paid in 2010. The Group recorded accounts receivable for compensation for all three periods at amortized cost as the receipt of compensation is virtually certain.

In September 2009 Effective Energy N.V. received dividends from LLC Karatau in the amount of RR 111,939 thousand. Dividends were accounted in the combined and consolidated Statement of Comprehensive Income (Note 24).

The gain from the sale of investments in LLC Karatau was RR 2,693,689 thousand:

	Fair value
Market value of Uranium One Inc. shares	10,089,390
Promissory note of Uranium One Inc. (including accrued interest)	2,779,548
Additional compensation at amortized cost	1,634,784
Total	**14,503,722**
Cost of investment in LLC Karatau*	(11,810,033)
Profit from sale of share in LLC Karatau	**2,693,689**

** Cost of investment includes RR 11,817,559 thousand, allocated as a result of purchase of Effective Energy N.V. on 5 March 2009 and currency translation effect in the amount of RR 7,526 thousand.*

Investment in Uranium One Inc. is accounted in the combined and consolidated financial statements based on equity method. Preliminary allocation of the purchase price of Uranium One Inc. is as follows:

(in thousands of Russian Rubles unless noted otherwise)

Note 5. Business combinations (continued)

	Carrying value	Fair value adjustment	Fair value
Current assets	8,596 037	-	8,596,037
Non-current assets	46,944,684	15,181,147	62,125,831
Short-term liabilities	(8,110,375)	-	(8,110,375)
Long-term liabilities	(11,961,944)	-	(11,961,944)
Net identifiable assets	**35,468,402**	**15,181,147**	**50,649,549**
Acquired share			19.95%
Acquired net assets			10,089,390
Purchase consideration			10,089,390
Goodwill			-

Acquisition of LLC Firma Geostar and LLC Agrofirma Itmanovo. In 2008 the Group acquired 99.99 percent and 2.03 percent shares in LLC Agrofirma Itmanovo and LLC Firma Geostar respectively from individuals. LLC Agrofirma Itmanovo at the date of acquisition owned 97.97 percent share in LLC Firma Geostar. Purchase consideration was RR 97,986 thousand for the share in LLC Agrofirma Itmanovo and RR 2,000 thousand for the share in LLC Firma Geostar.

The main assets of LLC Agrofirma Itmanovo are 5 land plots with the square of 52,196 hectares near Itmanovo village, Gagarinsky district, Nizhny Novgorod region, and 97.97 percent shares in LLC Firma Geostar.

The main assets of LLC Firma Geostar is the license, issued on 10 July 1993 valid for the period of 25 years for the right of subsoil use for completion of geological study and mining at Itmanovskaya placer of Lukoyanovsky deposit of titanium-zirconium sands.

For determination of the fair value of the acquired shares an independent evaluation was made. The fair value of the acquired assets and liabilities was determined by independent appraiser on discounted cash flow method.

The excess of fair value of the acquired assets over the acquisition cost of shares in LLC Firma Geostar and LLC Agrofirma Itmanovo in the amount of RR 417,463 thousand was accounted for in the combined and consolidated Statement of Comprehensive Income for 2008. The main reason for the excess was that the Group made a bargain purchase.

(in thousands of Russian Rubles unless noted otherwise)

Note 6. Property, plant and equipment

	Land	Auxiliary fixed assets*	Buildings and constuctions	Machinery and equipment	Motor transport	Other fixed assets	Construction in progress	Total
Cost								
Balance as at 1 January 2008	-	6,337,844	12,688,974	8,029,546	1,017,550	202,626	2,330,162	30,606,702
Additions	-	-	7,137	335,794	179,394	16,902	3,035,412	3,574,639
Acquired on acquisition of subsidiaries	149,309	-	11,082	462	83	348	1,725	163,009
Transfer	-	59,778	382,327	873,296	86,581	72,583	(1,474,565)	-
Disposals	-	(19,034)	(374,830)	(89,169)	(24,143)	(11,120)	(24,984)	(543,280)
Exchange differences	-	-	1,732	11,432	3,590	781	1,080	18,615
Balance as at 31 December 2008	149,309	6,378,588	12,716,422	9,161,361	1,263,055	282,120	3,868,830	33,819,685
Additions	7,871	-	363,135	8,527	71,389	7,781	4,661,095	5,119,798
Transfer	2,949	499,178	2,980,830	550,728	121,952	17,663	(4,173,300)	-
Disposals	-	(12,223)	(137,186)	(92,658)	(5,810)	(9,663)	(41,247)	(298,787)
Exchange differences	-	-	(1,921)	(12,402)	(4,129)	(884)	(742)	(20,078)
Balance as at 31 December 2009	160,129	6,865,543	15,921,280	9,615,556	1,446,457	297,017	4,314,636	38,620,618
Accumulated depreciation Balance as at 1 January 2008	-	(4,569,977)	(7,375,239)	(6,748,603)	(702,639)	(149,483)	-	(19,545,941)
Additions	-	(100,865)	(277,705)	(257,001)	(108,845)	(26,638)	-	(771,054)
Acquired on acquisition of subsidiaries	-	-	(185)	(428)	(83)	(234)	-	(930)
Disposals	-	16,537	374,366	70,433	22,013	10,972	-	494,321
Exchange differences	-	-	(120)	(1,269)	(379)	(80)	-	(1,848)
Balance as at 31 December 2008	-	(4,654,305)	(7 278 883)	(6,936,868)	(789,933)	(165,463)	-	(19,825,452)
Additions	-	(102,973)	(409,678)	(304,964)	(190,036)	(41,773)	-	(1,049,424)
Disposals	-	529	12,770	14,719	2,842	6,287	-	37,147
Exchange differences	-	-	185	2,082	625	123	-	3,015
Balance as at 31 December 2009	-	(4,756,749)	(7,675,606)	(7,225,031)	(976,502)	(200,826)	-	(20,834,714)
Net book value as at 1 January 2008	-	1,767,867	5,313,735	1,280,943	314,911	53,143	2,330,162	11,060,762
Net book value as at 31 December 2008	149,309	1,724, 283	5,437,539	2,224,493	474,122	116,657	3,868,830	13,994,233
Net book value as at 31 December 2009	160,129	2,108,794	8,245, 674	2,390,525	469,955	96,191	4,314,636	17,785,904

**The Group «Auxiliary fixed assets» includes high-voltage transmission lines, pipelines, heating systems and other facilities.*

(in thousands of Russian Rubles unless noted otherwise)

Note 6. Property, plant and equipment (continued)

Machinery, equipment and transport groups include assets received under the finance lease agreements with the carrying value of RR 351,495 thousand as of 31 December 2009 (31 December 2008: RR 512,355 thousand).

Operating lease. The Group leases a number of land areas owned by local governments under non-cancellable operating lease agreements. Land lease payments are determined by lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2009	31 December 2008
Less than one year	42,501	21,185
Between one year and five years	21,735	34,933
After five years	112,867	124,893
Total	177,103	181,011

The land areas leased by the Group are the territories on which the Group's electric power stations and other assets are located. The leases typically run for an initial period of 5 - 49 years with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals.

Note 7. Intangible assets

	Licences	Software in development	Other assets	Total
Cost				
Balance as at 1 January 2008	**136,299**	**-**	**1,088**	**137,387**
Additions	493,936	42,095	7,872	543,903
Additions on acquisition of subsidiaries	347,673	-	4	347,677
Exchange differences	-	-	8	8
Balance as at 31 December 2008	**977,908**	**42,095**	**8,972**	**1,028,975**
Additions	24,296	90,352	781	115,429
Disposals	(233,465)	-	(8,464)	(241,929)
Exchange differences	-	(3)	3	-
Balance as at 31 December 2009	**768,739**	**132,444**	**1,292**	**902,475**
Accumulated depreciation				
Balance as at 1 January 2008	**(3,667)**	**-**	**(301)**	**(3,968)**
Amortisation charge	(13,120)	-	(312)	(13,432)
Additions on acquisition of subsidiaries	(3)	-	(3)	(6)
Amortisation on disposals	-	-	17	17
Balance as at 31 December 2008	**(16,790)**	**-**	**(599)**	**(17,389)**
Amortisation charge	(9,639)	(2,550)	(23)	(12,212)
Amortisation on disposals	-	-	396	396
Balance as at 31 December 2009	**(26,429)**	**(2,550)**	**(226)**	**(29,205)**
Net book value as at 1 January 2008	**132,632**	**-**	**787**	**133,419**
Net book value as at 31 December 2008	**961,118**	**42,095**	**8,373**	**1,011,586**
Net book value as at 31 December 2009	**742,310**	**129,894**	**1,066**	**873,270**

(in thousands of Russian Rubles unless noted otherwise)

Note 7. Intangible assets (continued)

Included under Licenses caption is the cost of licenses for exploration and mining.

Remaining useful life of licenses is:	Number of years
At existing deposits	5
At deposits under exploration and development	18

Software in progress includes capitalized expenses on implementation of Microsoft Dynamics (Axapta) software at OJSC PPGHO in the amount of RR 92,888 thousand.

Note 8. Exploration and evaluation assets

	Geology and exploration	Land and construction works	Feasibility analysis	Total
Balance as at 1 January 2008	**158,922**	**94,927**	**340,573**	**594,422**
Additions	365,128	307	131,644	497,079
Balance as at 31 December 2008	**524,050**	**95,234**	**472,217**	**1,091,501**
Reclass to construction in progress	-	-	(153,084)	(153,084)
Additions	1,328,822	112,695	28,203	1,469,720
Balance as at 31 December 2009	**1,852,872**	**207,929**	**347,336**	**2,408,137**

(in thousands of Russian Rubles unless noted otherwise)

Note 9. Investments in associates and jointly controlled entities

As at 31 December 2009 the Group's interests in associates and jointly controlled entities were as follows:

	31 December 2008	Share of profit / (loss) of associates and jointly controlled entities	Charged to other comprehensive income	Acquired (Note 5)/ contributed to share capital	31 December 2009
Associates					
Uranium One Inc.	-	834	(250,130)	10,089,390	9,840,094
JSC Joint Venture Zarechnoye	133,921	(123,806)	(10,115)	-	-
OJSC Korporatsiya Razvitiya Yuzhnoi Yakutii	17,738	10,739	-	-	28,477
Northern Basins Uranium Ltd.	1,174	17	236	-	1,427
Total investments in associates	**152,833**	**(112,216)**	**(260,009)**	**10,089,390**	**9,869,998**
Jointly controlled entities					
JSC Joint Venture Akbastau	-	30,341	(747,370)	4,969,884	4,252,855
Joint Company Armyano-rossiyskaya gornorudnaya kompaniya	2,332	(8,112)	1,116	22,553	17,889
Runex Uranium PTY Ltd.	230	37	22	-	289
Total investments in jointly controlled entities	**2,562**	**22,266**	**(746,232)**	**4,992,437**	**4,271,033**
Total investments in associates and jointly controlled entities	**155,395**	**(89,950)**	**(1,006,241)**	**15,081,827**	**14,141,031**

As at 31 December 2008 the Group's interests in associates and jointly controlled entities were as follows:

	31 December 2007	Share of profit / (loss) of associates and jointly controlled entities s	Charged to other comprehensive income	Dividends received	Contributed to share capital	31 December 2008
Associates						
JSC Joint Venture Zarechnoye	145,426	(14,103)	22,364	(19,766)	-	133,921
OJSC Korporatsiya Razvitiya Yuzhnoi Yakutii	31,514	(13,776)	-	-	-	17,738
Northern Basins Uranium Ltd.	-	9	(73)	-	1,238	1,174
JSC Joint Venture Akbastau	1,747	(14,232)	12,485	-	-	-
Total investments in associates	**178,687**	**(42,102)**	**34,776**	**(19,766)**	**1,238**	**152,833**
Jointly controlled entities						
Joint Company Armyano- rossiyskaya gornorudnaya kompaniya	-	(1,655)	396	-	3,591	2,332
Runex Uranium PTY Ltd.	-	-	(3)	-	233	230
Total investments in jointly controlled entities	**-**	**(1,655)**	**393**	**-**	**3,824**	**2,562**
Total investments in associates and jointly controlled entities	**178,687**	**(43,757)**	**35,169**	**(19,766)**	**5,062**	**155,395**

(in thousands of Russian Rubles unless noted otherwise)

9. Investments into associates and jointly controlled entities (continued)

The following is the summarized financial information, in agrregate, related to significant associates and jointly controlled entities as of 31 December 2009:

Name	Total assets	Total liabilities	Revenue	Income/ (loss)	Equity share (%)	The country of registration
Associates						
Uranium One Inc.	55,540,721	20,072,319	1,230,539	107,319	19.95%	Canada
JSC Joint Venture Zarechnoye	3,072,025	3,081,368	1,658,432	(249,261)	49.67%	Kazakhstan
OJSC Korporatsiya Razvitiya Yuzhnoi Yakutii	122,055	8,603	80,068	42,783	25.10%	Russia
Northern Basins Uranium Ltd.	2,912	-	-	17	49.00%	Canada
Jointly controlled entities						
JSC Joint Venture Akbastau*	23,274,314	6,455,113	369,609	(24,892)	50.00%	Kazakhstan
Joint Company Armyano-rossiyskaya gornorudnaya kompaniya	35,919	142	-	(183,478)	50.00%	Armenia
Runex Uranium PTY Ltd.	410	-	-	-	50.00%	Namibia

**The amounts include fair value adjustment made upon acquisition of additional 25 percent share in JSC Joint VentureAkbastau on 5 March 2009.*

The following is the summarized financial information, in agrregate, related to significant associates and jointly controlled entities as of 31 December 2008:

Name	Total assets	Total liabilities	Revenue	Income/ (loss)	Equity share (%)	The country of registration
Associates						
JSC Joint Venture Zarechnoye	3,155,693	2,886,067	661,826	(28,380)	49.67%	Kazakhstan
JSC Joint Venture Akbastau	900,839	959,501	3,582	(56,932)	25.00%	Kazakhstan
OJSC Korporatsiya Razvitiya Yuzhnoi Yakutii	78,742	8,074	-	(54,883)	25.10%	Russia
Northern Basins Uranium Ltd.	2,395	-	-	7	49.00%	Canada
Jointly controlled entities						
Joint Company Armyano-rossiyskaya gornorudnaya kompaniya	7,214	2,298	-	(3,310)	50.00%	Armenia
Runex Uranium PTY Ltd.	231	-	-	-	50.00%	Namibia

Note 10. Other non-current assets

	31 December 2009	31 December 2008
Long-term accounts receivable	1,021,927	23,348
Cash deposit	400,000	-
Promissory notes	280,296	-
Long-term borrowings granted to a related party	256,555	-
Total financial assets	**1,958,778**	**23,348**
Long-term advances receivable	602,360	-
Long-term VAT recoverable	141,041	198,879
Total other non-current assets	**2,702,179**	**222,227**

Long-term accounts receivable include receivable in 2011-2012 from Uranium One Inc. for the sale of LLC Karatau in the amount of RR 991,891 thousand stated after deduction of a discount in the amount of RR 212,837 thousand, calculated at the rate of 14 percent (Note 5).

Deposit in the amount of RR 400,000 thousand is placed in the OJSC National Reserve Bank. Term of the deposit is till 17 February 2011. Annual interest rate is 10 percent.

(in thousands of Russian Rubles unless noted otherwise)

The Group acquired interest-free promissory notes of OJSC National Reserve Bank with nominal value of RR 357,933 thousand with maturity on 17 February 2012 in exchange for promissory notes OJSC AKB Electronika in the amount of RR 255,670 thousand, which the Group had as at 31 December 2008.

Note 10. Other non-current assets (continued)

The term of the long-term loans granted in US Dollars to JSC Joint Venture Zarechnoye is 1 April 2012. The effective interest rate is 14 percent.

In 2009 the Group provided advances to JSC Joint Venture Zarechnoye and JSC Joint Venture Akbastau for the supply of uranium. The value of advances as at 31 December 2009 is RR 2,286,964 thousand, including short-term portion of RR 1,684,604 thousand (Note 12) and long-term portion of RR 602,360 thousand.

Note 11. Inventories

	31 December 2009	31 December 2008
Raw materials	1,917,087	1,459,873
Work in progress	580,822	640,665
Finished goods	1,800,423	5,291,257
Provision for obsolete stock	(32,984)	(39,268)
Total inventories	**4,265,348**	**7,352,527**

Movement in provision for obsolete stock is provided below.

Provision for obsolete stock as at 1 January 2008	**36,139**
Charge for the period	3,129
Provision for obsolete stock as at 31 December 2009	**39,268**
Reversal	(6,284)
Provision for obsolete stock as at 31 December 2009	**32,984**

Note 12. Accounts receivable and prepayments

	31 December 2009	31 December 2008
Trade accounts receivable	4,991,778	1,207,106
Other accounts receivables	951,579	284,989
Total financial accounts receivable	**5,943,357**	**1,492,095**
Value added tax recoverable	851,106	165,909
Advances to suppliers and prepayments	1,684,604	521,222
Value added tax prepaid	235,052	755,040
Other prepaid taxes	202,762	118,366
Other receivables	7,803	98,569
Total accounts receivable and prepayments	**8,924,684**	**3,151,201**

As of 31 December 2009 trade accounts receivable include receivable from two customers for uranium exports in the amount of RR 3,121,413 thousand. The delivery was made in late 2009. During 2010 the receivable has been paid.

As of 31 December 2009 other accounts receivable include receivable from Uranium One Inc. for the sale of LLC Karatau to Uranium One Inc. in the amount of RR 602,364 thousand (Note 5).

The provision for impairment of accounts receivable has been determined based on specific customer identification, customer payment trends, subsequent receipts and settlements and the analyses of expected future cash flows. Management believes that the Group entities will be able to realise the net receivable amount through direct collections and other non-cash settlements, and the recorded value approximates their fair value.

Movements in the impairment provision for trade and other accounts receivable are as follows:

(in thousands of Russian Rubles unless noted otherwise)

Note 12. Accounts receivable and prepayments (continued)

	Financial accounts receivable	Advances issued
Provision for impairment as at 1 January 2008	**44,946**	**19,781**
(Release)/accrual of bad debt provision, net	(2,396)	1,531
Bad debt provision acquired on acquisition of subsidiaries	-	2,685
Provision for impairment as at 31 December 2008	**42,550**	**23,997**
Charge for the period	27,364	55,528
Provision for impairment as at 31 December 2009	**69,914**	**79,525**

Analysis by credit quality of accounts receivable is as follows:

	31 December 2009		31 December 2008	
	Trade accounts receivable	**Other accounts receivable**	**Trade accounts receivable**	**Other accounts receivable**
Current and not impaired accounts receivable - the risk is associated with:				
- Russian government	-	1,210	5,728	4,760
- Other Russian municipal authorities	28,278	7,196	77,306	1,064
- Major Russian corporations	1,562,155	186,343	1,051,096	174,905
- Small companies	43,129	21,069	27,288	51,955
- Major foreign companies	3,138,373	664,817	25,812	50,188
- Other	1,133	3,314	1,895	233
Total current and not impaired accounts receivable	**4,773,068**	**883,949**	**1,189,125**	**283,105**
Due but not impaired				
- less 30 days	7,218	4,134	528	235
- 30 to 90 days overdue	207,011	61,457	7,244	200
- 90 to 180 days overdue	4,481	2,039	10,210	1,448
Total due but not impaired	**218,710**	**67,630**	**17,982**	**1,883**
Individually defined as doubtful (total amount)				
- 90 to 180 days overdue	4,481	2,039	10,208	1,448
- 180 to 360 days overdue	38,465	24,929	7,094	-
- beyond 360 days overdue	-	-	21,706	2,094
Total of individually defined as doubtful	**42,946**	**26,968**	**39,008**	**3,542**
Less provision for doubtful accounts receivable	**(42,946)**	**(26,968)**	**(39,008)**	**(3,542)**
Total	**4,991,778**	**951,579**	**1,207,106**	**284,989**

Note 13. Other current assets

	31 December 2009	31 December 2008
Bank promissory notes at amortised cost	2,716,989	255,670
Derivative financial instruments	260,737	-
Loans at amortised cost (effective interest rate - 8%)	192,636	259,998
Total other current assets	**3,170,362**	**515,668**

Within the terms of the selling transaction of LLC Karatau (Note 5) the Group has received a bank promissory note Uranium One Inc. at the amount of RR 2,716,989 thousand (US Dollar 90 million). The annual interest rate was 4.75 percent. A promissory note with the accrued interest was settled in January 2010.

In August 2009 Effective Energy N.V. entered into two option agreements on purchasing of 18,936,600 shares of Uranium One Inc. (3.23 percent of the share capital) with exercise dates in February - March 2010. The loss from revaluation of the option agreements at fair value as of 31 December 2009 was RR 396,096 thousand (Note 24).

(in thousands of Russian Rubles unless noted otherwise)

Note 14. Cash and cash equivalents

	31 December 2009	31 December 2008
Settlement accounts with banks	18,666,521	2,373,389
Term deposits with maturity of less than three months	33,002,222	14,043
Restricted cash	16,044	47,097
Cash on hand	400	425
Total cash and cash equivalents	**51,685,187**	**2,434,954**

Restricted cash include cash placed on letter of credit accounts and cash in transit.

The main reason for the significant increase in cash and cash equivalents was receipt of funds to additional issue of shares of the Company (Note 15).

Balances on settlement accounts, term bank deposits are neither overdue nor impaired. Analysis of the credit quality of the balances in banks and short-term bank deposits is shown in the table below:

	31 December 2009		31 December 2008	
	Settlement accounts with banks	Term deposits with banks	Settlement accounts with banks	Term deposits with banks
Rating Standard and Poor				
BBB	68,721	-	24,285	13,000
B+	2,021,734	2,159	2,165,544	-
BBB-	13,251	-	2	-
B	16,545,920	33,000,063	182,968	110
BB-	6,709	-	26	-
B-	9,833	-	260	-
CCC	1	-	1	-
No ratings	352	-	303	933
Total	**18,666,521**	**33,002,222**	**2,373,389**	**14,043**

Note 15. Share capital

	Number of shares issued	Ordinary shares	Additional paid in capital	Total
As at 1 January 2008	**453,722**	**454**	**85**	**539**
Issue of share capital	3,955,586,175	3,955,586	24,841,084	28,796,670
Credited against merger reserve	-	-	(24,841,084)	(24,841,084)
As at 31 December 2008	**3,956,039,897**	**3,956,040**	**85**	**3,956,125**
Issue of share capital	16,171,284,635	16,171,285	48,028,715	64,200,000
As at 31 December 2009	**20,127,324,532**	**20,127,325**	**48,028,800**	**68,156,125**

Issue of share capital in 2008. The Company issued additional 3,955,586,175 shares with the value of RR 28,796,670 thousand in favor of OJSC TVEL. Additional shares were paid for in the following way:

- by shares of subsidiaries of OJSC TVEL, including OJSC PPGHO, OJSC Khiagda and CJSC Dalur in the amount of RR 25,824,667 thousand, and
- cash in the amount of RR 2,972,000 thousand.

Additional paid in capital represents the amount by which contributions to capital exceed the nominal value of shares issued. In the combined and consolidated Statement of Changes in Equity additional paid in capital was credited against the merger reserve.

Issue of share capital in 2009. In accordance with the decision of the Extraordinary General Meeting of Shareholders on increase of the share capital of the Company (Minutes №1 dated 20 January 2009) the share capital of the Company was increased to 20,127,324,532 shares with a nominal value of RR 1 each.

Payment of additional share issue of the Company was fully made in 2009. According to the Government Resolution № 909-R dated 11 July 2009 Rosatom received a grant from the federal budget in the amount of RR 50 billion for the purchase of shares of the Company. According the Government Resolution № 1998-R dated 19 December 2009 Rosatom received a grant from the federal budget of RR 14.2 billion for the purchase of shares of the Company.

(in thousands of Russian Rubles unless noted otherwise)

Note 15. Share capital (continued)

The additional share issue was registered in the shareholders' register to the account of Rosatom, which share in the share capital of the Company amounted to 80.345 percent. Report on the results of the additional share issue was registered by the Federal Service for Financial Markets of Russia in March 2010.

The funds obtained under the additional share issue are to be used for the investment program of the Group to increase efficiency and competitiveness of Russian nuclear industry on global market.

Sale of shares of the subsidiary. In March 2008, an additional share issue of CJSC Lunnoe, which was acquired by the Company and OJSC Zoloto Seligdara, was made. As a result the share of the Company in CJSC Lunnoe decreased to 50.03 percent. In these combined and consolidated financial statements the transaction is accounted for in the Statement of Changes in Equity.

Merger reserve. The difference in the amount of RR 7,575,733 thousand between the acquisition cost, equity of the companies, acquired by the Group in the transactions under common control in accordance with IFRS on 1 January 2007, and minority interest was reflected in the merger reserve within equity attributable to the shareholders of the Company.

The difference between the acquisition cost, equity of the companies, acquired by the Group in transactions under common control in accordance with IFRS in 2007 and 2008 and minority interests of RR 426,443 thousand and RR 1,275,871 thousand was reflected in the merger reserve within equity attributable to the majority shareholders of the Company.

Currency translation reserve. Currency translation differences arise as a result of recalculation of the functional reporting currency of foreign operations of the Group into the presentation currency (the Russian ruble). The main reason for the loss of RR 1,087,166 thousand from currency translation differences, as reflected in the other comprehensive income of the Group for the year ended 31 December 2009, is a revaluation of Russian ruble against Kazakhstan tenge and Euro.

Dividends. Distribution of profits is made on the basis of the financial statements prepared in accordance with the Russian accounting rules. During the year ended 31 December 2009 there were no dividends declared (for the year ended 31 December 2008 the amount of dividends declared and paid was RR 87,861 thousand).

Note 16. Borrowings

The structure of non-current borrowings is as follows:

	31 December 2009	31 December 2008
Borrowings from companies	6,307,316	94,501
Bank loans	3,153,030	4,093,617
Bonds	-	510,835
Less: current portion of long-term borrowings	(47,181)	(1,686,051)
Total non-current borrowings	**9,413,165**	**3,012,902**

In March 2008 the Group has made a public offering of ordinary documentary interest-bearing non-convertible bonds. Number of bonds issued amounted to 520 thousand with a nominal value of RR 1,000 maturing in 2013. Total value of the offering was RR 520,000 thousand. Interest on the 1st and 2nd coupons was set at 12.95 percent per annum, 3rd -6th coupons - 14 percent p.a., 7th -10th coupons - coupon rate is to be set by the issuer. In 2009 the bonds were redeemed early.

In August 2009 the Company signed a loan agreement with OJSC Atomenergoprom for RR 3,300,000 thousand with a maturity date on 10 February 2014. This loan was repaid in the first half of 2010.

In December 2009 the Company signed a loan agreement with OJSC Atomenergoprom for RR 2,790,000 thousand with a maturity date on 10 February 2014. This loan was repaid in the first half of 2010.

The Group's non-current borrowings mature as follows:

(in thousands of Russian Rubles unless noted otherwise)

Note 16. Borrowings (continued)

	31 December 2009	31 December 2008
From one to two years	236,667	2,730,864
From two to three years	3,000,000	132,266
From three to four years	86,498	-
From four to five years	6,090,000	149,772
Итого long-term borrowings	**9,413,165**	**3,012,902**

The structure of current borrowings is as follows:

	31 December 2009	31 December 2008
Bank loans	5,090,362	8,471,844
Borrowings from third parties	2,331,356	297,408
Current portion of long-term borrowings	47,181	1,686,051
Total current borrowings	**7,468,899**	**10,455,303**

The Group's borrowings are denominated in the following currencies:

	31 December 2009	31 December 2008
Borrowings denominated in:		
- Russian Roubles	13,798,784	1,886,346
- US Dollars	3,083,280	11,581,859
Total borrowings	**16,882,064**	**13,468,205**

As at 31 December 2009 the effective interest rate ranged from 9.67 percent to 18.5 percent per annum on borrowings denominated in RR, from 10 percent to 14 percent per annum on borrowings denominated in US Dollars (31 December 2008: effective interest rate ranged from 9.5 percent to 18 percent per annum on borrowings denominated in RR, from 11 percent to 13 percent per annum on borrowings denominated in US Dollars).

As at 31 December 2009 the interest capitalized in property, plant and equipment and exploration and evaluation assets amounted to RR 555,073 thousand (2008: RR 119,823 thousand).

Borrowings have the following carrying value and fair value:

	Carrying value		Fair value	
	2009	2008	2009	2008
Bank loans	8,243,392	12,565,460	8,032,438	11,266,932
Bonded loan	-	510,835	-	510,835
Borrowings from third parties	8,638,672	391,909	7,952,160	391,909
Total borrowings	**16,882,064**	**13,468,205**	**15,984,598**	**12,169,676**

Note 17. Finance lease obligations

Below is information of the minimum lease payments under finance leases and their present value:

	31 December 2009			31 December 2008		
	Minimum lease payments	Interest	The amount of obligations	Minimum lease payments	Interest	The amount of obligations
Up to one year	177,980	79,448	98,532	290,329	53,842	236,487
From one year to five years	39,905	882	39,023	172,397	24,307	148,090
More than 5 years	-	-	-	9,758	3,051	6,707
Total	**217,885**	**80,330**	**137,555**	**472,484**	**81,200**	**391,284**

(in thousands of Russian Rubles unless noted otherwise)

Note 18. Other taxes payable

	31 December 2009	31 December 2008
Value added tax	256,102	161,833
Unified social tax	128,028	44,557
Property tax	33,395	20,738
Land tax	21,806	21,120
Personal income tax	18,636	13,830
Transportation tax	1,145	3,155
Other taxes	36,188	24,572
Total other taxes payable	**453,300**	**289,805**

Note 19. Accounts payable and accruals

	31 December 2009	31 December 2008
Trade accounts payable	2,181,915	885,599
Other accounts payable	119,254	223,765
Total financial accounts payable	**2,301,169**	**1,109,364**
Settlements with personnel	525,466	220,540
Advances received	189,375	188,356
Other accounts payable	949	3,528
Total accounts payable and accruals	**3,016,959**	**1,521,788**

Note 20. Other non-current liabilities

	Retirement obligations	Environmental provision	Other	Total
Net book value as at 31 December 2007	**322,703**	**324,909**	**9,400**	**657,012**
Charged for the period	141,332	40,919	5,113	187,364
Net book value as at 31 December 2008	**464,035**	**365,828**	**14,513**	**844,376**
Charged for the period	(129,842)	338,031	(252)	207,937
Net book value as at на 31 December 2009	**334,193**	**703,859**	**14,261**	**1,052,313**

The management of the Group has evaluated the expenditures for environmental protection (environmental restoration) until 2025 based on the interpretation of the existing license agreements and environmental legislation and in accordance with IAS 37 Provisions, contingent liabilities and contingent assets. Discount rate used to calculate liabilities, which as at 31 December 2009 amounted to 8.43 percent (31 December 2008: 13.87 percent), is an actual pre-tax rate, the application of which the Group considers reasonable in the current economic situation in Russian Federation at the reporting date. The relevant asset has been included in the group «Buildings and constructions» as part of the property, plant and equipment. The growth of the provision for environmental protection during year 2009, which was due to a decrease in the discount rate, used for evaluation of the obligation, also increased the carrying value of group «Buildings and constructions» as part of the property, plant and equipment.

Decrease in the provision for retirement obligations during 2009 is mostly due to the re-structuring of the personnel of OJSC PPGHO and its transfer to the newly created subsidiaries (Note 1), which do not have retirement conditions similar to those in the collective agreement of OJSC PPGHO.

The following tables contain data on the retirement obligation and the actuarial assumptions at 31 December 2009, 31 December 2008 and 31 December 2007.

The amounts reflected in the combined and consolidated Statement of Financial Position as at 31 December:

(in thousands of Russian Rubles unless noted otherwise)

Note 20. Other non-current liabilities (continued)

	31 December 2009	31 December 2008	31 December 2007
Retirement obligations with defined benefits	334,193	464,035	322,703
Fair value of the assets	-	-	-
Financial position of retirement obligations	334,193	464,035	322,703
Unrecognized net actuarial gain / (loss)	-	-	-
Unrecognized past service cost	-	-	-
Net liabilities reflected in the Statement of Financial Position	**334,193**	**464,035**	**322,703**

The amounts reflected in the combined and consolidated Statement of Comprehensive Income:

	31 December 2009	31 December 2008
Current service cost	(100,483)	166,567
Interest expense	12,354	9,036
Total	**(88,129)**	**175,603**

Changes in the net liability are recognized in the combined and consolidated Statement of Financial Position at 31 December as follows:

	31 December 2009	31 December 2008
Pension liability		
Pension liability as at 1 January	464,035	322,703
Net loss as reflected in the combined and consolidated Statement of Comprehensive Income	(88,129)	175,603
Pensions paid	(41,713)	(34,271)
Pension liability as at 31 December	**334,193**	**464,035**

The group estimates the total payment under the pension programs with the defined benefits in the amount RR 11,481 thousand in 2010.

Actuarial assumptions in calculating the liabilities:

	31 December 2009	31 December 2008
Discounting rate (actual)	2.7%	2.8%
The expected average length of service of employees, remaining to their retirement (years)	18.3	18.5

Note 21. Revenue

	Year ended 31 December 2009	Year ended 31 December 2008
Sales of uranium	26,926,282	12,715,501
Sales of electricity and heat	953,478	950,349
Sales of coal	647,266	918,005
Other sales	706,906	613,517
Total revenue	**29,233,932**	**15,197,372**

(in thousands of Russian Rubles unless noted otherwise)

Note 22. Cost of sales

	Year ended 31 December 2009	Year ended 31 December 2008
Raw materials and goods	7,361,452	8,484,605
Change in work in progress and finished goods	3,954,712	(3,409,254)
Personnel costs	3,034,958	3,008,253
Depreciation of property, plant and equipment	964,921	742,663
Taxes other than on income	350,728	356,365
Transportation expenses	245,500	212,112
Utilities	175,567	109,419
Insurance	78,675	58,590
Repairs and maintenance	72,302	221,017
Security	64,217	36,611
Provision for obsolete stock	(6,284)	3,129
Other expenses	298,351	237,141
Total cost of sales	**16,595,099**	**10,054,453**

Personnel costs include obligatory social and pension payments in the amount of RR 655,228 thousand (2008: RR 620,355 thousand).

Note 23. Administrative and selling expenses

	Year ended 31 December 2009	Year ended 31 December 2008
Personnel costs	1,525,957	972,107
Consulting and information expenses	729,645	332,967
Bad debt provision	200,794	865
Taxes other than on income	220,414	167,485
Repairs and maintenance	195,509	105,074
Rent	178,998	173,740
Insurance	144,162	175,855
Transportation expenses	112,644	134,701
Materials	115,942	52,347
Business trip expenses	104,341	85,429
Depreciation of property, plant and equipment	84,503	28,391
Bank services	47,608	33,405
Other administrative expenses	238,149	251,180
Total administrative and selling expenses	**3,898,666**	**2,513,546**

Personnel costs include obligatory social and pension payments in the amount of RR 201,568 thousand (2008: RR 89,387 thousand).

Note 24. Finance income and costs

	Year ended 31 December 2009	Year ended 31 December 2008
Interest income	380,735	46,182
Dividends income (Note 5)	111,939	-
Interest expense	(2,490,765)	(848,437)
Loss on derivative financial instruments (Note 13)	(396,096)	-
Effect of discounting	(81,735)	(77,506)
Interest on finance lease liabilities	(90,505)	(46,739)
Total finance income / (costs)	**(2,566,427)**	**(926,500)**

The Group capitalized borrowing costs from the financing directly related to exploration and evaluation of new uranium deposits in the amount of RR 285,483 thousand (2008: RR 48,603 thousand). The capitalization rate was 20 percent (2008: 10 percent).

(in thousands of Russian Rubles unless noted otherwise)

Note 25. Income tax

Income tax expense / (benefit) reflected in the combined and consolidated Statement of Comprehensive Income comprises the following:

	Year ended 31 December 2009	Year ended 31 December 2008
Current income tax expense	3,864,320	307,088
Deferred income tax benefit	(359,874)	(302,251)
Income tax expense for the year	**3,504,446**	**4,837**

A reconciliation between the expected and the actual taxation charge is provided below:

	Year ended 31 December 2009	Year ended 31 December 2008
Profit before tax	**10,232,388**	**294,037**
Theoretical tax charge at statutory rate 20% (2008: 24 %)	(2,046,478)	(70,569)
Tax effect of income items which are not assessable for taxation Purposes	101,609	78,040
Tax effect of expense items which are not deductible for taxation purposes	(1,021,443)	(169,436)
Effect of different tax rate	(538,134)	-
Effect of change in tax rate	-	157,128
Total income tax expense for the year	**(3,504,446)**	**(4,837)**

In November 2008 a law was enacted on the reduction of the profit tax rate in Russian Federation from 24 percent to 20 percent starting 1 January 2009. The above effect of the income tax rate change represents the effect of applying a reduced tax rate of 20 percent to the deferred tax balances as at 31 December 2009 and 31 December 2008.

Deferred income tax assets

	31 December 2007	Charged to profit and loss	31 December 2008	Charged to profit and loss	31 December 2009
Accounts receivable	27,179	9,068	36,247	97,029	133,276
Retirement obligations	77,008	15,799	92,807	(40,948)	51,859
Long-term financial investments	-	-	-	115,817	115,817
Property, plant and equipment	19,856	34,239	54,095	34,336	88,431
Inventories	24,902	32,802	57,704	(18,414)	39,290
Environmental provision	77,873	(4,707)	73,166	87,179	160,345
Short-term borrowings	9,478	37,373	46,851	(28,260)	18,591
Non-current liabilities	6,472	22,452	28,924	(21,332)	7,592
Accounts payable	31,173	(734)	30,439	83,087	113,526
Other assets	10,023	2,365	12,388	53,850	66,238
Tax losses carried forward	863	265	1,128	151,600	152,728
Gross deferred income tax asset	**284,827**	**148,922**	**433,749**	**513,944**	**947,693**

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

The movements in the Group's deferred tax liabilities for the year ended 31 December 2009 is provided below:

(in thousands of Russian Rubles unless noted otherwise)

Note 25. Income tax (continued)

Deferred income tax liabilities

	31 December 2007	Charged to profit and loss	Business combination	31 December 2008	Charged to profit and loss	31 December 2009
Property, plant and equipment	(1,323,250)	146,818	(30,962)	(1,207,394)	(24,101)	(1,231,495)
Intangible assets	(63)	(2,730)	(68,721)	(71,514)	112	(71,402)
Inventories	(681)	(14,641)	-	(15,322)	15,322	-
Other non-current liabilities	(41,068)	6,845	-	(34,223)	-	(34,223)
Exploration and evaluation assets	(2,016)	(11,911)	-	(13,927)	(46,650)	(60,577)
Other liabilities	(63,084)	28,948	-	(34,136)	(98,753)	(132,889)
Gross deferred income tax liability	**(1,430,162)**	**153,329**	**(99,683)**	**(1,376,516)**	**(154,070)**	**(1,530,586)**
Net recognised deferred income tax assets and liability	**(1,145,335)**	**302,251**	**(99,683)**	**(942,767)**	**359,874**	**(582,893)**

The amount of the unrecognised deferred tax asset on loss carried-forward as at 31 December 2009 amounts to RR 2,285 thousand (31 December 2008: RR 59,026 thousand), as there is no certainty that the amount of tax losses carried forward will be offset in the future.

The amount of the unrecognized deferred tax liability on taxable temporary differences as at 31 December 2009 amounts to RR 211,519 thousand (2008: RR 176,365 thousand), related to investments into subsidiaries, as the Group is able to control the timing of these temporary differences and does not intend to realize them in the foreseeable future.

In the combined and consolidated Statement of Financial Position deferred income tax differences as at 31 December 2009 and 31 December 2008 are netted off by the consolidated entities, whereas in the present note the deferred income tax differences are detailed per its types. Applying this approach to the disclosure of deferred income taxes resulted in a discrepancy between the balances of deferred income tax presented in the combined and the consolidated Statement of Financial Position and disclosed in this note, however the effect on the combined and consolidated Statement of Comprehensive Income and the net position in the Statement of Financial Position are same.

Note 26. Contingencies and commitments

Political environment. The operations and earnings of the Group entities is, from time to time and in varying degrees, affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in the Russian Federation.

Insurance. The Group has limited insurance policies with respect to assets, operations, third party liabilities and other insured risks. Therefore, the Group may be exposed to the risks that were not insured.

Legal proceedings. The Group entities are party to certain legal proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which, upon final disposition, will have a material adverse effect on the position of the Group.

Tax contingencies. Russian tax, currency and customs legislation is subject to varying interpretation and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities, in particular the way of accounting for tax purposes of some income and expenses of the Group as well as deductibility of input VAT from suppliers and contractors. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances review may cover longer periods.

(in thousands of Russian Rubles unless noted otherwise)

Note 26. Contingencies and commitments (continued)

Management believes that as at 31 December 2009 its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in the combined and consolidated financial statements.

Capital commitments. As of 31 December 2009 the Group has capital expenditures under agreements related to purchase of property, plant and equipment for a total consideration of RR 1,614,860 thousand (31 December 2008: RR 1,115,452 thousand).

The Group's management already has the necessary funding to cover the commitments. The Group's management believes that future net income and funding will be sufficient to cover this and any similar commitments.

Assets pledged and restricted. At 31 December 2009 and 31 December 2008 the Group has the following assets pledged as collateral:

	31 December 2009	31 December 2008
Property, plant and equipment	1,161,251	465,448
Securities	431,560	75,560
Property rights (revenue under sales contract)	1,090,000	5,321,218
Total assets pledged and restricted	**2,682,811**	**5,862,226**

Guarantees. Guarantees are irrevocable assurances that the Group will make payments in the event that another party cannot meet its obligations. The Group has guaranteed the following borrowings received by the Group's related parties:

Name of counterparty	Debtor	Nature of relationship	31 December 2009	31 December 2008
OJSC Evraziyskiy bank Razvitiya	JSC Joint Venture Zarechnoe	Associate	1,300,923	1,441,222
Amsterdam Trade Bank N.V.	JSC Joint Venture Zarechnoe	Associate	338,253	-
OJSC Alpha-bank	JSC Joint Venture Zarechnoe	Associate	181,554	-
OJSC Nomos-Bank	Individuals	Employees of the Group	35,000	35,000
OJSC Gazprombank	Individuals	Employees of the Group	2,937	4,708
OJSC Narodniy bank	JSC Joint Venture Aкbastau	Jointly controlled entity	-	63,033
Total			**1,858,667**	**1,543,963**

(in thousands of Russian Rubles unless noted otherwise)

Note 26. Contingencies and commitments (continued)

In 2008 the Group issued a guarantee for the loan provided to JSC Joint Venture Zarechnoe by OJSC Evraziyskiy bank razvitiya in the amount of US Dollar 63,000 thousand. As of 31 December 2009 the outstanding loan amounted to US Dollar 43,000 thousand. Loan is repayable on 13 March 2012.

In 2009 the Group provided a guarantee for the loans raised by JSC Joint Venture Zarechnoe from Amsterdam Trade Bank N.V. in the amount of US Dollar 11,168 thousand. As of 31 December 2009 the outstanding amount of the loans totaled US Dollar 11,168 thousand. The loans are repayable in 2010.

In 2009 the Group provided a guarantee for the loans raised by JSC Joint Venture Zarechnoe from OJSC Alpha-bank in the amount of US Dollar 6,000 thousand. As of 31 December 2009 the outstanding amount of the loans totaled to US Dollar 6,000 thousand. The loan was repaid on 21 February 2010.

The remaining guarantees were issued by the Group in respect of loans received by employees of the Group.

The Company received guarantees in the amount of RR 85,000 thousand.

Note 27. Financial risk management

The risk management function within the Group is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures of the Group to minimise these risks.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's sales on credit terms and other transactions with counterparties giving rise to financial assets. The Group's maximum exposure to credit risk by class of assets includes the following:

	Note	31 December 2009	31 December 2008
Other non-current assets			
- Long-term accounts receivable	10	1,021,927	23,348
- Deposits	10	400,000	-
- Promissory notes	10	280,296	-
- Long-term borrowings to a related party	10	256,555	-
Other current assets			
- Bank promissory note at amortised cost	13	2,716,989	255,670
- Derivative financial instruments	13	260,737	-
- Loans accounted for at amortised cost	13	192,636	259,998
Accounts receivable			
- Trade accounts receivable	12	4,991,778	1,207,106
- Other financial accounts receivable	12	951,579	284,989
Cash and cash equivalents			
- Settlement accounts with banks	14	18,666,521	2,373,389
- Term deposits with maturity of less than three months	14	33,002,222	14,043
- Cash on hand	14	400	425
- Restricted cash	14	16,044	47,097
Total maximum credit risk		**62,757,684**	**4,466,065**

Although settlement of accounts receivable is exposed to economic factors the management believes that there is no significant risk of losses exceeding the provision for impairment of accounts receivables already provided for.

The Group follows the policy of doing business only with solvent clients and continually monitors transactions exposed to credit risk. The Group's management conducts ageing analysis of trade accounts receivable and follows up past due balances.

Cash is deposited with financial institutions which at time of account opening had minimum default risk. Credit quality of cash and cash equivalents is disclosed in Note 14. As of 31 December 2009 94 percent of cash equivalents is deposited in OJSC Gazprombank (31 December 2008: OJSC Gazprombank - 7 percent, OJSC Nomos-Bank - 90 percent), which causes the concentration of credit risk within the Group.

(in thousands of Russian Rubles unless noted otherwise)

Note 27. Financial risk management (continued)

The Group does not have significant risk arising from issued loans and promissory notes since majority of loans is issued to associates and jointly controlled entities or companies with good credit history.

No collateral is provided to the benefit of the Group.

Market risk. Market risk represents the possible changes in market prices for uranium and its influence on future operational performance indicators of the Group. The fall in prices may result in decrease in net profit margin and cash flows. Low long-term price levels may result in decrease in volumes of production and sales of uranium and as a result may affect the Group's ability to meet its contractual obligations. The Group assesses on a regular basis the possible scenarios of future uranium price fluctuations and their effect on operational and investment decisions.

The Group's general strategy related to mining and sales of uranium is carried out in a centralized way by

- signing long-term agreements;
- searching for new customers;
- applying up-to-date technologies of uranium mining and processing.

Currency risk. In respect of currency risk, management sets limits on the level of risk exposure by currency and in total, which are monitored on monthly basis. The table below presents general analysis for currency exchange rate risk for the Group as of reporting date:

	31 December 2009			31 December 2008		
	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
Russian Roubles	54,383,614	16,140,308	38,243,306	3,168,253	3,390,104	(221,851)
US Dollars	8,159,578	5,029,874	3,129,704	1,271,931	11,777,882	(10,505,951)
Euro	133,955	161	133,794	-	-	-
Others	80,537	9,112	71,425	25,881	21,153	4,728
Total	**62,757,684**	**21,179,455**	**41,578,229**	**4,466,065**	**15,189,139**	**(10,723,074)**

As at 31 December 2009, if US Dollar had changed 10 percent against Russian Roubles the effect on financial result for the year and equity would have been RR 415,782 thousand.

To manage currency risk the Group applies the following methods:

- raising financing in Russian Roubles;
- creating of assets and liabilities in foreign currency;
- localization of foreign exchange risk in the parent company of the Group.

Interest rate risk. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Group's loans issued and borrowings obtained are under fixed interest rates. The Group does not have a policy of hedging interest rate risk.

Liquidity risk. Reasonable liquidity risk management includes maintaining certain level of adequacy of cash and liquid securities. Most of financial liabilities of the Group are short-term. The outstanding amount in the table represents contractual undiscounted cash flows.

(in thousands of Russian Rubles unless noted otherwise)

Note 27. Financial risk management (continued)

	Due in 1 year	From 1 to 2 years	Due between 2 and 3 years	Beyond 3 year
At 31 December 2009	**10,505,792**	**276,572**	**4,300,923**	**6,176,498**
Borrowings (Note 16)	7,468,899	236,667	3,000,000	6,176,498
Finance lease (Note 17)	177,980	39,905	-	-
Guarantees (Note 26)	557,744	-	1,300,923	-
Accounts payable (Note 19)	2,301,169	-	-	-
Total as at 31 December 2009	**12,474,052**	**3,061,290**	**218,146**	**1,620,038**
Borrowings (Note 16)	10,790,786	2,906,651	160,680	169,058
Finance lease (Note 17)	290,329	114,931	57,466	9,758
Guarantees (Note 26)	63,033	39,708	-	1,441,222
Accounts payable (Note 19)	1,109,364	-	-	-

The Group did not have unused credit lines as at 31 December 2009 and 31 December 2008.

To manage liquidity risk the Group applies the policy of retaining financial assets, for which there is an active market and which can be readily converted in case of necessity to maintain liquidity by means of:

- planning and control over expenditures and cash flows;
- fixing terms of payments in agreements.

Note 28. Management of capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders, to protect the interests of other stakeholders and to maintain optimal capital structure to reduce its cost. In order to maintain and adjust capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Total capital of the Group is calculated as equity plus debt (short-term and long-term borrowings), as shown in the combined and consolidated Statement of Financial Position as at 31 December 2009, and amounts to RR 99,058,515 thousand (31 December 2008: RR 26,693,538 thousand). The optimal capital structure is achieved through a mix of debt and equity financing with the view of reducing the risks.

Russian law sets the following capital requirements:

- Share capital shall not be less than 1,000 minimum monthly wage as at the date of entity registration;
- If share capital exceeds the entity's net assets then the entity shall decrease its share capital down to the amount that does not exceed its net assets;
- If the minimal authorised share capital exceeds the entity's net assets, such entity shall be liquidated.

As at 31 December 2009 and 31 December 2008 the Company met the above mentioned capital requirements.

Note 29. Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some

Note 29. Fair value of financial instruments (continued)

characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial instruments carried at fair value. Financial derivatives are carried in the Statement of Financial Position at their fair value. The estimation of financial derivatives is carried out according to the market data.

Financial assets carried at amortised cost. The fair value of floating rate instruments placement is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash inflows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty.

Carrying value of financial accounts receivable approximately equals to their fair value (Note 12).

Liabilities carried at amortised cost. The estimated fair value of fixed interest rate instruments with stated maturity dateis based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period (demandable liabilities) is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid (Note 16). Carrying value of accounts payable approximately equals to their fair value.

Note 30. Subsequent events

Foundation of ARMZ Namibia (Proprietary) Limited. In February 2010 the Company established 100 percent subsidiary in Namibia - ARMZ Namibia (Proprietary) Limited.

Exercise of call option on shares of Uranium One Inc. In February - March 2010 Effective Energy N.V. exercised call option on 18,936,600 shares of Uranium One Inc. As a result, the share of the Group in Uranium One Inc. increased up to 23.1 percent.

Share issue completion. In March 2010 the amendments on the increase of the share capital were introduced to the Charter of the Company (Note 15).

Acquisition of OJSC VNIPIpromtechnology. In April 2010 the Company purchased from OJSC Atomenergoprom 100 percent shares of OJSC Veduschiy proektno-iziskatelsky and naychno-issledovatelskiy institute of promishlennoy technology (OJSC VNIPIpromtechnology), which is a research institute for complex design of uranium mining and processing industry objects. The acquisition cost amounts to RR 184,800 thousand.

Long-term finance lease agreement with OJSC MRSK-Sibir-Buryatenergo. In 2010 OJSC Hiagda (lessor) entered into a long-term real estate rent agreement with the right of subsequent redemption with OJSC MRSK-Sibir-Buryatenergo (lessee). The leased assets include high-voltage air lines and transformer substation. The value of property under the contract is RR 150,921 thousand. The term of the contract is till 31 March 2028.

Loan agreements of OJSC PPGHO. In 2010 OJSC PPGHO entered into short-term loan agreements with the total amount of RR 800,000 thousand and long-term loan agreements in the total amount of RR 1,080,000 thousand.

Loan agreements of OJSC ARMZ. In 2010 OJSC ARMZ entered into short-term loan agreements in the total amount of RR 120,000 thousand and long-term loan agreements in the total amount of RR 7,500,000 thousand and US Dollar 84,000 thousand.

Loan agreements of OJSC Hiagda. In 2010 OJSC Hiagda entered into short-term loan agreements with the total amount of RR 4,983,939 thousand.

Loan agreements of CJSC Rusburmash. In 2010 CJSC Rusburmash entered into short-term loan agreements in the total amount of RR 500,000 thousand.

Loan agreements of LLC ESK ARMZ. In 2010 LLC ESK ARMZ entered into short-term loan agreements with the total amount of RR 1,900,000 thousand.

Loan agreements of Effective Energy N.V. In 2010 Effective Energy N.V. entered into long-term loan agreements with the total amount of US Dollar 90,000 thousand.

Note 30. Subsequent events (continued)

Acquisition of Uranium One Inc. In June 2010 the Group entered into an agreement with Uranium One Inc. according to which the Group increases its share in equity capital of Uranium One Inc. by acquisition of additional share issue of Uranium One Inc. (356 million ordinary shares). The payment includes 50 percent of JSC Joint Venture Akbastau shares, 49.7 percent of JSC Joint Venture Zarechnoe shares and US Dollar 610 million. Upon the closure of the deal the share of the Group in the share capital of Uranium One Inc. will amount to not less than 51 percent.

Acquisition of LLC Karchu Geologiya. In June 2010 the Company`s Board of Directors approved the acquisition of 49 percent share in LLC Karchu Geologiya from Cameco Global Exploration Ltd. The value of the transaction is US Dollar 45,700.

Sale of Northern Basins Uranium Ltd. In June 2010 the Board of Directors of the Company approved sale of 49 percent share of Northern Basins Uranium Ltd. The value of the transaction is 49,000 Canadian Dollars.

Additional share issue of the Company. In June 2010 Federal Service for Financial Markets of Russia registered additional share issue of the Company in the amount of 129,915,429 shares with nominal value of RR 1. Shares are issued to OJSC TVEL and OJSC Atomenergoprom. The value of the share issue is RR 805,476 thousand. As a result of the additional share issue, the share of Rosatom in the share capital of the Company will be 79.83 percent, the share of OJSC TVEL - 20.021 percent, the share of OJSC Atomenergoprom - 0.149 percent.

Exhibit 5
to
Uranium One Responses to Request for Additional Information

<u>URANIUM ONE FINANCIAL STATEMENTS</u>

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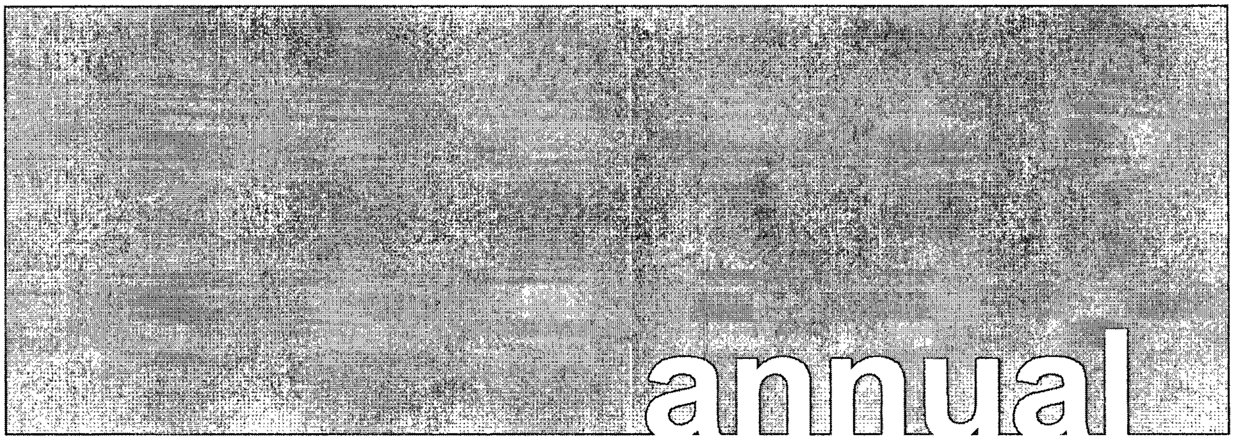

annual financial statements

Annual Consolidated Financial Statements
for the year ended December 31, 2009

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management's responsibility for financial reporting

Management's Responsibility for Financial Reporting

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

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

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

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

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

"Jean Nortier"
Jean Nortier
President & Chief Executive Officer

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

March 9, 2010

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auditors' Report

Auditors' Report

To the Shareholders of Uranium One Inc.

We have audited the consolidated balance sheets of Uranium One Inc. (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of operations, changes in equity, comprehensive (loss) income, accumulated other comprehensive (loss) income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
March 9, 2010
Vancouver, B.C, Canada

Uranium One Inc.

Consolidated Balance Sheets

As at December 31, 2009 and 2008
(in United States dollars)

	Notes	Dec 31, 2009 $'000	Dec 31, 2008 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4	148,465	176,225
Accounts and other receivables	5	42,405	39,926
Current portion of loans to joint ventures	6.2	-	19,158
Inventories	7	71,634	17,390
Other assets	9	24,472	12,043
		286,976	**264,742**
Non-current assets			
Mineral interests, plant and equipment	8	1,748,284	1,285,415
Loans to joint ventures	6.2	29,250	14,000
Other assets	9	33,137	62,976
Assets held for sale	3.3	51,460	-
		1,862,131	**1,362,391**
Total assets		**2,149,107**	**1,627,133**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	65,908	47,423
Income taxes payable	14	1,633	12,639
Current portion of long term debt	11	63,579	-
Other liabilities	15	137,043	-
		268,163	**60,062**
Non-current liabilities			
Long term debt	11	-	61,275
Convertible debentures	12	140,862	118,042
Asset retirement obligations	13	16,100	12,999
Future income tax liabilities	14	180,687	375,293
Other liabilities	15	49,451	48,924
Assets held for sale	3.3	12,944	-
		400,044	**616,533**
SHAREHOLDERS' EQUITY			
Share capital	16	3,823,297	3,522,824
Contributed surplus	17	133,478	131,602
Equity component of convertible debentures		46,480	46,480
Accumulated other comprehensive income / (loss)		16,392	(247,708)
Deficit		(2,538,747)	(2,502,660)
		1,480,900	**950,538**
Total shareholders' equity and liabilities		**2,149,107**	**1,627,133**

Basis of presentation and principles of consolidation (note 2.1), contingencies (note 26) & subsequent events (note 27)

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

Approved on behalf of the board of directors

"Ian Telfer"	*"Andrew Adams"*
Ian Telfer	Andrew Adams
Chairman of the board	Chairman of the audit committee

Uranium One Inc.

Consolidated Statements of Operations

For the years ended December 31, 2009 and 2008
(in United States dollars)

	Notes	Year ended Dec 31, 2009 $'000	Dec 31, 2008 $'000
Revenues		**151,992**	**149,776**
Operating expenses		(51,021)	(30,490)
Depreciation and depletion		(46,383)	(22,566)
Earnings from mine operations		**54,588**	**96,720**
General and administrative [(1)]		(37,903)	(48,689)
Exploration expense		(8,830)	(14,881)
Impairment of mineral interests, plant and equipment and closure costs	8.1	(265,456)	(3,322,222)
Care and maintenance		(15,386)	(1,868)
Operating loss		**(272,987)**	**(3,290,940)**
Interest and other	18	(9,145)	(7,376)
Gain on available for sale securities		193	4,345
Foreign exchange gain / (loss)	19	59,027	(11,709)
Other		(630)	2,650
Loss from continuing operations before income taxes		**(223,542)**	**(3,303,030)**
Current income tax expense	14	(20,915)	(44,191)
Future income tax recovery	14	206,379	1,013,634
Loss from continuing operations		**(38,078)**	**(2,333,587)**
Profit / (loss) from discontinued operations		1,991	(122,260)
Net loss		**(36,087)**	**(2,455,847)**
[(1)] Stock option and restricted share expense (non-cash) included in general and administrative	17	7,502	15,423
Loss per share from continuing operations			
Basic and diluted		$(0.08)	$(4.98)
Profit / (loss) per share from discontinued operations			
Basic and diluted		$0.00	$(0.26)
Net loss per share			
Basic and diluted		$(0.08)	$(5.24)
Weighted average number of shares (in thousands)			
Basic and diluted	21	475,583	468,424

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

Uranium One Inc.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2009 and 2008
(in United States dollars)

	Share capital $'000	Contributed surplus $'000	Equity component of convertible debentures $'000	Accumulated other comprehensive income / (loss) $'000	Deficit $'000	Total $'000
Balance as at January 1, 2008	**3,496,884**	**134,387**	**46,480**	**51,967**	**(46,813)**	**3,682,905**
Net loss for the year					(2,455,847)	(2,455,847)
Stock options and restricted shares vested	-	15,423	-	-	-	15,423
Exercise of warrants	15,791	(11,460)	-	-	-	4,331
Exercise of stock options and restricted shares	10,149	(6,748)	-	-	-	3,401
Unrealized loss recognized on translation of self-sustaining foreign operations	-	-	-	(282,170)	-	(282,170)
Unrealized loss recognized on translation of self-sustaining foreign discontinued operations	-	-	-	(27,480)	-	(27,480)
Realized loss on sale of Gold One[1]	-	-	-	10,163	-	10,163
Fair value adjustments on available for sale securities, net of tax	-	-	-	(188)	-	(188)
Balance as at December 31, 2008	**3,522,824**	**131,602**	**46,480**	**(247,708)**	**(2,502,660)**	**950,538**
Net loss for the year	-	-	-	-	(36,087)	(36,087)
Stock options and restricted shares vested	-	7,502	-	-	-	7,502
Exercise of stock options and restricted shares	6,856	(5,626)	-	-	-	1,230
Issuance of contingent shares	388					388
Unrealized gain recognized on translation of self-sustaining foreign operations	-	-	-	16,391	-	16,391
Realized loss on sale of Gold One[1]	-	-	-	13,074	-	13,074
Realized loss on sale of Uranium One Africa (note 3.3)	-	-	-	234,533	-	234,533
Acquisition of Karatau (note 3.1)	293,229	-	-	-	-	293,229
Fair value adjustments on available for sale securities	-	-	-	102	-	102
Balance as at December 31, 2009	**3,823,297**	**133,478**	**46,480**	**16,392**	**(2,538,747)**	**1,480,900**

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

[1] Gold One International Limited (formerly Aflease Gold)

Uranium One Inc.

Consolidated Statements of Comprehensive Income / (Loss)

For the years ended December 31, 2009 and 2008
(in United States dollars)

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Unrealized gain / (loss) recognized on translation of self-sustaining foreign operations	16,391	(282,170)
Unrealized loss recognized on translation of self-sustaining foreign discontinued operations	-	(27,480)
Realized loss on sale of Gold One	13,074	10,163
Realized loss on sale of Uranium One Africa	234,533	-
Fair value adjustments on available for sale securities	102	(188)
Other comprehensive income / (loss) for the year	**264,100**	**(299,675)**
Net loss	(36,087)	(2,455,847)
Comprehensive income / (loss)	**228,013**	**(2,755,522)**

Consolidated Statements of Accumulated Other Comprehensive Income / (Loss)

As at December 31, 2009 and 2008
(in United States dollars)

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Accumulated other comprehensive (loss) / income at January 1	(247,708)	51,967
Other comprehensive income / (loss) for the year	264,100	(299,675)
	16,392	(247,708)
Deficit	(2,538,747)	(2,502,660)
Accumulated other comprehensive loss and deficit	**(2,522,355)**	**(2,750,368)**
Components of accumulated other comprehensive income / (loss) at the end of the year:		
Unrealized foreign exchange adjustment - continuing operations	16,290	(234,634)
Unrealized foreign exchange adjustment - discontinued operations	-	(13,074)
Available for sale marketable securities and investments	102	-
	16,392	**(247,708)**

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

Uranium One Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008
(in United States dollars)

	Notes	Year ended Dec 31, 2009 $'000	Dec 31, 2008 $'000
Net profit / (loss) from continuing operations		(38,078)	(2,333,587)
Items not affecting cash:			
- Fair value adjustment included in revenue	15	(7,227)	-
- Depreciation and depletion		46,383	22,566
- Impairment of mineral interest plant and equipment	8.1	265,456	3,306,001
- Gain / (loss) on available for sale securities		(193)	(4,345)
- Stock option and restricted share expense	17	7,502	15,423
- Interest accrued on loans and debentures		3,728	10,195
- Unrealized foreign exchange loss	19	(55,950)	1,339
- Future income tax recovery	14	(206,379)	(1,013,634)
- Other		497	(562)
Movement in non-cash working capital	20	(9,658)	32,730
Cash flows (used in) / from operating activities		**6,081**	**36,126**
Acquisition of mineral interests, plant and equipment		(68,208)	(216,757)
Pre-production revenue capitalized		2,587	-
Advance cash payments for other assets		(3,629)	(1,036)
Acquisition of Karatau, net of acquisition costs		(8,228)	-
Acquisition of SKZ-U, net of acquisition costs		1,290	-
Proceeds on sale of Honeymoon, net of costs		-	34,098
Cash advance for sulphuric acid plant investment		(5,385)	(5,959)
Advance cash receipts for sale of portion of Gold One		-	3,100
Proceeds on sale of Gold One		20,972	44,542
Proceeds on sale of available for sale securities		487	24,927
Cash proceeds from joint ventures		8,167	23,767
Proceeds on sale of mineral interests, plant and equipment		7,304	-
Deposit for purchase of Christensen Ranch	3.2	(8,750)	-
Short term loan repaid		1,093	-
Cash flows used in investing activities		**(52,300)**	**(93,318)**
Common shares issued, net of issue costs		1,230	7,732
Loans received by Kyzylkum		12,000	18,000
Draw-down on credit facility		-	60,467
Cash flows from financing activities		**13,230**	**86,199**
Effects of exchange rate changes on cash and cash equivalents		**5,229**	**(12,374)**
Net (decrease) / increase in cash and cash equivalents from continuing operations		**(27,760)**	**16,633**
Cash and cash equivalents at the beginning of the year		176,225	159,592
Cash and cash equivalents at the end of the year		**148,465**	**176,225**

Supplemental cash flow information (note 20)

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

(in United States dollars)

1 NATURE OF OPERATIONS

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation and principles of consolidation

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

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

The consolidated balance sheet, statement of operations, cash flow and certain comparative figures have been restated for discontinued operations.

The following are the Corporation's principal mineral properties as at December 31, 2009:

Operating mine:

Entity	Mineral property/Operation	Location	Ownership	Status
Betpak Dala LLP	Akdala Uranium Mine	Kazakhstan	70%	Proportionately consolidated
Betpak Dala LLP	South Inkai Uranium Mine[1]	Kazakhstan	70%	Proportionately consolidated
Karatau LLP	Karatau Uranium Mine[2]	Kazakhstan	50%	Proportionately consolidated

Advanced development projects:

Entity	Mineral property/Operation	Location	Ownership	Status
Kyzylkum LLP	Kharasan Uranium Project	Kazakhstan	30%	Proportionately consolidated

The Corporation is also developing the following mineral properties:

Entity	Mineral property/Operation	Location	Ownership	Status
Uranium One Americas, Inc.[3]	United States development projects	United States	100%	Consolidated
Honeymoon Uranium Project Joint Venture	Honeymoon Project	Australia	51%	Proportionately consolidated

The Corporation owns a 19% interest in the SKZ-U joint venture, which is constructing a sulphuric acid plant in Kazakhstan (note 6.1).

(1) The South Inkai Project commenced commercial operations on January 1, 2009
(2) The Karatau Uranium Mine was acquired on December 21, 2009. Refer to note 3.1
(3) Previously Energy Metals Corp (US)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of new standards

Goodwill and Intangible Assets

On January 1, 2009, the Corporation adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 – *"Goodwill and Intangible Assets"*, which replaces CICA Handbook Sections 3062 – *"Goodwill and Other Intangible Assets"* and 3450 – *"Research and Development Costs"*. The revised standard aligns Canadian GAAP for goodwill and intangible assets with IFRS. The new standard provides more comprehensive guidance on intangible assets, in particular for internally developed intangible assets. Standards concerning goodwill are unchanged from the standards included in Section 3062. On adoption of CICA Section 3064, Emerging Issues Committee Abstract 27 – *"Revenues and expenditures during the pre-operating period"* no longer applies to the Corporation. The adoption of this standard did not result in a material impact on the Corporation's consolidated financial statements

Credit risk and fair value of financial assets and financial liabilities

In January 2009, the CICA issued EIC Abstract 173 – *"Credit Risk and the Fair Value of Financial Assets and Financial Liabilities"* ("EIC-173"). EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable for the Corporation's consolidated financial statements for its fiscal year ended December 31, 2009, with retrospective application. The adoption of EIC-173 did not result in a material impact on the Corporation's consolidated financial statements.

Mining exploration costs

In March 2009, the CICA issued EIC Abstract 174 – *"Mining Exploration Costs"* ("EIC-174") which supersedes EIC Abstract 126 – *Accounting by Mining Enterprises for Exploration Costs*, to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs, when an assessment of impairment of these costs is required and conditions indicate impairment. EIC-174 is applicable for the Corporation's interim and annual consolidated financial statements for its fiscal year ended December 31, 2009, with retrospective application. The adoption of EIC-174 did not result in a material impact on the Corporation's consolidated financial statements.

Financial instruments - disclosures

In June 2009, the CICA amended Handbook Section 3862 – *"Financial Instruments – Disclosures"* to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises. The amendments have been incorporated into the Corporation's annual consolidated financial statements for its fiscal year ended December 31, 2009.

Financial instruments – recognition and measurement

During 2009, the Corporation adopted the amendments made by the CICA to Handbook Section 3855 – *"Financial Instruments – Recognition and Measurement"* ("Section 3855"). Section 3855 was amended to provide additional guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category, amend the definition of loans and receivables, amend the categories of financial assets into which debt instruments are required or permitted to be classified, amend the impairment guidance for held-to-maturity debt instruments and require reversal of impairment losses on available-for-sale debt instruments when conditions have changed. The additional guidance on assessment of embedded derivatives is applicable for reclassifications made on or after July 1, 2009. All other amendments are applicable as of January 1, 2009. The adoption of these amendments did not result in a material impact on the Corporation's consolidated financial statements.

2.3 Measurement and reporting currency

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2.4 Inventories

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

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

2.5 Mineral interests, plant and equipment

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

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

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

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

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

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

2.6 Impairment of long-lived assets

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Asset retirement obligations

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

2.8 Revenue recognition

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

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

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

2.9 Future income and mining taxes

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

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

2.10 Stock based compensation

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

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

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

Options

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted shares

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

2.11 Earnings / loss per share

Earnings / loss per share calculations are based on the weighted average number of common shares and common share equivalents issued and outstanding during the year. The calculation of diluted earnings per share assumes that outstanding options and warrants that are dilutive to earnings per share are exercised and the proceeds are used to repurchase shares of Uranium One at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted earnings per share. Dilution from convertible securities is calculated based on the number of shares to be issued after taking into account the reduction of the related after tax interest expense. The impact of outstanding share options, warrants and convertible debentures are excluded from the diluted share calculation for loss per share amounts, because it is anti-dilutive.

2.12 Financial Instruments

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

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

Financial assets and financial liabilities are recognized on the balance sheet when the Corporation has become party to the contractual provisions of the instruments. Financial instruments are initially measured at fair value, which includes transaction costs, except for financial instruments classified as held for sale, where the transaction cost is expensed through the statement of operations. Subsequent to initial recognition these instruments are measured as set out below:

Investments

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

Cash and cash equivalents

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

Financial assets

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

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

Impairment and uncollectability of financial assets

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

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

Financial liabilities

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

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

Accounts payable

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

Loans payable

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

Offset

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

Compound instruments

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

Embedded derivatives

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Equity instruments

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

2.14 Use of estimates

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

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

2.15 Non-controlling interest

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

2.16 Variable interest entities

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

2.17 Recent accounting pronouncements

Financial instruments – recognition and measurement

In June 2009, the CICA amended Section 3855 to clarify the application of the effective interest rate method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument at initial recognition for accounting purposes. The amendments are applicable for the Corporation's interim and annual financial statements for its fiscal year beginning January 1, 2011. Earlier adoption is permitted.

Business combinations

CICA Section 1582 – "*Business Combinations*", which replaces CICA Section 1581 – "*Business Combinations*", establishes standards for the accounting for a business combination. It is the Canadian GAAP equivalent to International Financial Reporting Standard ("IFRS") 3, "*Business Combinations*". This standard is effective for the Corporation's business combinations with acquisition dates on or after January 1, 2011. Early adoption is permitted. The Corporation will early adopt this standard effective January 1, 2010. The standard applies prospectively and may have a material impact on the accounting for business combinations concluded from 2010 onwards.

Consolidated financial statements and non-controlling interests

CICA Section 1601 – "*Consolidated Financial Statements*" ("Section 1601") and Section 1602 – "*Non-controlling Interests*" ("Section 1602") replaces CICA Handbook Section 1600 - "*Consolidated Financial Statements*". Sections 1601 and 1602 establish standards for preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. These standards are effective for the Corporation for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted. The Corporation will early adopt this standard effective January 1, 2010. The standard applies prospectively and may have a material impact on the Corporation's financial statements from 2010 onwards.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Corporation's reporting no later than in the first quarter of 2011, with restatement of comparative information presented.

3 ACQUISITIONS AND DISPOSALS

3.1 Acquisition of the Karatau Uranium Mine

Uranium One announced on June 15, 2009 the signing of a definitive purchase agreement to acquire a 50% joint venture interest in the Karatau Uranium Mine ("Karatau") in Kazakhstan from JSC Atomredmetzoloto ("ARMZ"), the Russian state-owned uranium mining company. The other 50% joint venture interest in Karatau is held by JSC NAC Kazatomprom, the Kazakh-state owned uranium mining company. The acquisition closed in escrow on December 14, 2009 and the consideration held in escrow was released on December 21, 2009, from which date the Corporation consolidates its interest using the proportional consolidation method.

The purchase price was paid by way of the issuance of 117 million common shares of Uranium One and a promissory note of $90 million. The promissory note was repaid on January 18, 2010. The purchase agreement also provides for contingent payments to ARMZ of up to $60 million, payable in three equal tranches over the period between 2010 and 2012 subject to certain, post-closing tax related, adjustments. The first payment of $20 million was made during January 2010. Due to uncertainty regarding the payment of the remaining $40 million, it was not recognized as a liability on acquisition.

As a result of the transaction, ARMZ holds an indirect 19.92% interest in Uranium One. ARMZ has agreed to a standstill covenant under which it may not (subject to certain exceptions), without Uranium One's prior consent, for a period of at least five years from closing increase their ownership to more than 19.95% of Uranium One's outstanding common shares. Subsequent to December 31, 2009, the Corporation agreed that ARMZ may temporarily exceed the 19.95% standstill covenant until January 29, 2011. This will allow ARMZ to settle certain option agreements that they entered into with third parties based on the expectation that the transaction with Japan Uranium Management Inc. (note 27), as originally structured, would have closed.

The value of the Uranium One shares issued was calculated using the weighted average share price of Uranium One shares two days before, the day of, and two days after the date of the announcement of the arrangement.

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

	$'000
Purchase price:	
Promissory note	90,000
Common shares	293,229
Contingent payment	20,000
Acquisition costs	8,751
	411,980
Net assets acquired:	
Cash and cash equivalents	523
Inventory	26,761
Other current assets	3,102
Mineral interests, plant and equipment	511,032
Other non-current assets	2,218
Accounts payable and accrued liabilities	(28,889)
Other current liabilities	(25,051)
Future income tax liabilities	(74,850)
Other non-current liabilities	(2,866)
	411,980

3 ACQUISITIONS AND DISPOSALS (continued)

3.2 Acquisition of Christensen Ranch and Irigaray

The Corporation entered into a definitive agreement on August 7, 2009 to acquire 100% of the MALCO Joint Venture ("MALCO") from wholly-owned subsidiaries of AREVA and Électricité de France for $35 million in cash. The assets of MALCO include the licensed and permitted Irigaray ISR central processing plant, the Christensen Ranch satellite ISR facility and associated U_3O_8 resources located in the Powder River Basin of Wyoming.

Pursuant to the acquisition agreement, the Corporation placed a deposit of $8.8 million in escrow to be applied against the purchase price. The acquisition closed on January 25, 2010.

3.3 Assets held for sale

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

The Corporation estimates it will receive cash proceeds of $38.5 million, net of costs related to the sale. The net carrying value of the investment of $285.0 million was impaired to the estimated proceeds of $38.5 million, resulting in an impairment of $246.5 million. The Corporation had an accumulated unrealized translation loss relating to Uranium One Africa of $234.5 million, previously recorded within other comprehensive income, which has been released through the statement of operations as a result of the reclassification of the Corporation's investment in Uranium One Africa to assets held for sale.

December 31, 2009	**Dominion $'000**
Total assets	51,460
Total liabilities	(12,944)
Net carrying value	**38,516**
Net carrying value before impairment	50,508
Accumulated translation losses	234,533
Carrying value before impairment	**285,041**
Impairment	(246,525)
Estimated recoverable amount, net of costs	**38,516**

3 ACQUISITIONS AND DISPOSALS (continued)

3.4 Disposals

During December 2009, the Corporation disposed of its Texas assets to Uranium Energy Corp ("UEC") for 2.5 million restricted common shares of UEC which had a market value of $8.5 million, net of closing costs of $0.2 million. In addition the Corporation disposed of certain other non-core assets during the year.

	Texas assets $'000	Other properties $'000	Total $'000
Assets and liabilities sold:			
Mineral interest, plant and equipment	22,051	3,580	25,631
Accounts receivables and other receivables	51	-	51
Other assets	2,327	-	2,327
Accounts payables and accrued liabilities	(59)	-	(59)
Other current liabilities	(90)	-	(90)
Asset retirement obligations	(962)	-	(962)
Other non-current liabilities	(74)	-	(74)
Carrying value of assets and liabilities sold	**23,244**	**3,580**	**26,824**
Proceeds on sales:			
Carrying value	23,244	3,580	26,824
Impairment	(14,767)	(3,239)	(18,006)
Proceeds, net of closing costs	**8,477**	**341**	**8,818**

4 CASH AND CASH EQUIVALENTS

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Cash	44,362	134,444
Money market instruments, including cashable guaranteed investment certificates, bearer deposit notes and commercial paper	104,103	41,781
	148,465	**176,225**

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

5 ACCOUNTS AND OTHER RECEIVABLES

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Trade receivables	25,825	26,194
Value added tax and general sales tax	9,004	5,886
Prepayments and advances	4,747	4,151
Other receivables	2,829	3,695
	42,405	**39,926**

6 JOINT VENTURES

6.1 Proportionate interests in joint ventures

The Corporation owns the following interests in joint ventures:

Betpak Dala	70%
Kyzylkum	30%
Karatau	50%
SKZ-U LLP	19%
Honeymoon	51%
Australia Exploration	51%

The Corporation acquired a 19% joint control interest in SKZ-U LLP ("SKZ-U") during 2009 to ensure long term sulphuric acid supply to Kyzylkum and other projects in the region. The SKZ-U joint venture was established to construct a sulphuric acid plant near Kharasan at Zhanakorgan.

The Corporation acquired a 50% joint control interest in Karatau during 2009 (note 3.1).

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

As at December 31, 2009	Betpak Dala	Kyzylkum	Karatau	SKZ-U	Honeymoon & Australia exploration	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash	3,062	871	160	412	5,163	9,668
Other current assets	77,871	274	18,930	5	1,388	98,468
Mineral interests, plant and equipment	658,509	205,293	510,494	3,537	78,039	1,455,872
Other assets	1,479	389	1,924	7,018	-	10,810
Current liabilities	(8,494)	(4,034)	(27,020)	(38)	(2,575)	(42,161)
Other liabilities (1) (2)	(1,479)	(48,781)	(16,687)	-	(34)	(66,981)
Future income tax liabilities	(55,844)	(12,223)	(74,637)	-	(4,074)	(146,778)
Asset retirement obligation	(8,170)	(1,356)	(2,847)	-	(705)	(13,078)
Net Assets	**666,934**	**140,433**	**410,317**	**10,934**	**77,202**	**1,305,820**

(1)In addition to the $35 million loan (note 6.2) from the Corporation, Kyzylkum negotiated unsecured bank loan facilities totaling $160 million in prior periods. One facility, in the amount of $70 million, was obtained from the Japan Bank for International Cooperation ("JBIC") and the other facility, in the amount of $90 million, was obtained from Citibank. These facilities were fully drawn down as at December 31, 2009, and the Corporation's share of these facilities is $48 million.

(2)Karatau negotiated a secured short term bank loan totaling $10 million with Citibank and the Corporation's share of this loan is $5 million.

As at December 31, 2008	Betpak Dala	Kyzylkum	Honeymoon & Australia exploration	Total
	$'000	$'000	$'000	$'000
Cash	725	92	-	817
Other current assets	8,641	656	16	9,313
Mineral interests, plant and equipment	700,006	193,018	38,619	931,643
Other assets	703	4,005	-	4,708
Current liabilities	(18,098)	(3,084)	(653)	(21,835)
Other liabilities (1)	(1,636)	(36,009)	(11)	(37,656)
Future income tax liabilities	(270,411)	(72,019)	(3,271)	(345,701)
Asset retirement obligation	(4,609)	(117)	(223)	(4,949)
Net Assets	**415,321**	**86,542**	**34,477**	**536,340**

(1)In addition to the $46.7 million loan (note 6.2) from the Corporation, Kyzylkum negotiated unsecured bank loan facilities totaling $100 million in 2007 and another $60 million in 2008. One facility, in the amount of $70 million, was obtained from the Japan Bank for International Cooperation ("JBIC") and the other facility, in the amount of $90 million, was obtained from Citibank. Total draw downs against these facilities amounted to $120 million as at December 31, 2008, of which the Corporation's share was $36 million.

6 JOINT VENTURES (CONTINUED)

6.1 Proportionate interests in joint ventures (continued)

The Corporation's proportionate share of revenue, expenses, net earnings / (loss) and cash flows for the years ended December 31, 2009 and 2008 are as follows:

Year ended December 31, 2009

	Betpak Dala	Kyzylkum	Karatau	SKZ-U	Honeymoon & Australia exploration	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	138,473	-	10,710	-	-	149,183
Expenses and other income	(86,394)	(455)	(10,684)	5	(769)	(98,297)
Foreign exchange gain / (loss)	59,153	11,497	(358)	56	-	70,348
Earnings / (loss) before income taxes	**111,232**	**11,042**	**(332)**	**61**	**(769)**	**121,234**
Current income tax expense	(16,567)	-	(1,228)	(1)	-	(17,796)
Future income tax recovery / (expense)	164,561	46,403	(103)	-	(36)	210,825
Earnings / (loss)	**259,226**	**57,445**	**(1,663)**	**60**	**(805)**	**314,263**
Cash flows (used in) / from operating activities	21,487	-	499	-	-	21,986
Cash flows used in investing activities	(19,150)	(11,221)	(339)	(4,973)	(24,281)	(59,964)
Cash flows from financing activities	-	12,000	-	5,385	29,444	46,829
Net increase / (decrease) in cash	**2,337**	**779**	**160**	**412**	**5,163**	**8,851**

Year ended December 31, 2008

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

6 JOINT VENTURES (continued)

6.2 Loans to joint ventures

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Current portion		
Kyzylkum	-	19,158
	-	**19,158**
Long term portion		
SKZ-U	3,552	-
Kyzylkum	25,698	14,000
	29,250	**14,000**
Total	**29,250**	**33,158**

Kyzylkum loan

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

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Balance at January 1	46,666	73,333
Repaid during the year	(11,666)	(26,667)
	35,000	**46,666**
Interest accrued	1,711	702
Balance at December 31	**36,711**	**47,368**
Less: elimination of proportionate share – 30%	(11,013)	(14,210)
	25,698	**33,158**
Less: current portion	-	(19,158)
Long term portion	**25,698**	**14,000**

The loans to Kyzylkum are unsecured.

Kyzylkum has suspended scheduled payments of principal and interest to the Corporation pending receipt of additional financing currently being arranged by the Corporation and its partners in the Kyzylkum joint venture. The repayments of the $35 million due from Kyzylkum are likely to be deferred as part of the financing of Kyzylkum's activities. The Corporation therefore classified the amount outstanding on the loan to Kyzylkum as non-current.

7 INVENTORIES

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Finished uranium concentrates	41,055	5,401
Solutions and concentrates in process	24,871	2,584
Product inventory	**65,926**	**7,985**
Materials and supplies	5,708	9,405
	71,634	**17,390**

All operating expenses and depreciation and depletion are processed to inventory and expensed when the product is sold.

Finished uranium concentrates includes a fair value adjustment of $8.9 million that was processed on acquisition of Karatau, to increase the carrying value to fair market value. The fair value adjustment will be recognised as non-cash depreciation and depletion with the subsequent sale of the inventory.

8 MINERAL INTERESTS, PLANT AND EQUIPMENT

December 31, 2009	Cost $'000	Accumulated amortization $'000	Net carrying Amount $'000
Mineral interests	1,485,968	(82,852)	1,403,116
Plant and equipment	385,621	(40,453)	345,168
	1,871,589	**(123,305)**	**1,748,284**

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

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

December 31, 2009		Mineral interests				
	Country	Depletable $'000	Non-depletable $'000	Total $'000	Plant and equipment $'000	Total $'000
Akdala Mine	Kazakhstan	77,199	74,358	151,557	28,149	179,706
South Inkai Mine	Kazakhstan	194,753	181,068	375,821	102,598	478,419
Karatau Mine	Kazakhstan	141,052	312,575	453,627	56,867	510,494
Kharasan Project	Kazakhstan	-	140,078	140,078	68,752	208,830
United States development projects	United States	-	94,653	94,653	26,873	121,526
United States exploration projects	United States	-	114,905	114,905	493	115,398
United States conventional mining projects	United States	-	38,896	38,896	1,014	39,910
Honeymoon Project	Australia	-	31,830	31,830	46,209	78,039
Corporate and other		-	1,749	1,749	14,213	15,962
Total		**413,004**	**990,112**	**1,403,116**	**345,168**	**1,748,284**

8 MINERAL INTERESTS, PLANT AND EQUIPMENT (continued)

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

8.1 Impairment of mineral interests, plant and equipment

December 31, 2009	Impairment and closure costs $'000	Future income tax adjustment $'000	Net impairment $'000
United States exploration projects	789	268	521
Corporate and other	136	-	136
Mineral interests, plant and equipment	**925**	**268**	**657**
Dominion Project (note 3.3)	246,525	-	246,525
Assets held for sale	**246,525**	**-**	**246,525**
Texas assets (note 3.4)	14,767	(5,422)	20,189
Other assets (note 3.4)	3,239	1,070	2,169
Disposals during the year	**18,006**	**(4,352)**	**22,358**
Total	**265,456**	**(4,084)**	**269,540**

December 31, 2008	Impairment and closure costs $'000	Future income tax adjustment $'000	Net impairment $'000
Dominion Project	1,805,452	474,735	1,330,717
United States development projects	204,289	68,679	135,610
United States exploration projects	936,556	331,619	604,937
Hobson Facility and La Palangana Project	83,409	19,024	64,385
United States conventional mining projects	65,310	4,070	61,240
Honeymoon Project	195,358	59,196	136,162
Corporate and other assets	31,848	5,701	26,147
	3,322,222	**963,024**	**2,359,198**

9 OTHER ASSETS

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Current		
Purchased uranium concentrates	-	9,743
Borrowed uranium concentrates	8,900	-
Future income tax assets	1,070	1,206
Deposit for acquisition of Christensen Ranch and Irigaray (note 3.2)	8,750	-
Deferred business development expenditure	5,174	-
Other	578	1,094
	24,472	**12,043**
Non-current		
Asset retirement fund	13,500	19,939
Advances for future services	-	10,054
Borrowed uranium concentrates	-	8,621
Advances for investment in sulphuric acid plant	-	5,959
Advances for plant and equipment	7,487	3,938
Long term deposits and guarantees	347	2,489
Long term inventory	1,244	-
Available for sale securities	9,287	593
Deferred business development expenditure	-	503
Discontinued operations	-	9,024
Other	1,272	1,856
	33,137	**62,976**

Uranium concentrates loans

The Corporation entered into a uranium concentrates borrowing agreement to mitigate the risk of delivery delays, enabling the Corporation to meet its contractual obligations in terms of current uranium sales contracts. The asset represents the borrowed uranium concentrates, which are held at a conversion facility in the Corporation's account. The asset is recorded at its fair value. The corresponding financial liability of $8.9 million, which was classified as held for trading, is also carried at fair value and is included in uranium concentrates loans in current liabilities (note 15).

Discontinued operations

The Corporation disposed of its remaining shareholding in Gold One during the year ended December 31, 2009, realizing a gain of $2.0 million from the sale of 186.8 million shares for proceeds of $24.3 million, of which $3.1 million was received in 2008.

Available for sale securities

During the year the Corporation received 2.5 million UEC shares for the sale of the Texas properties. The fair value of the UEC shares were $8.7 million as at December 31, 2009 (note 3.4). The Corporation holds further available for sale securities with a fair value of $0.6 million.

10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Trade payables	22,325	18,222
Accruals	18,661	19,874
Advances received	19,938	-
Commodity and other taxes payable	4,378	4,148
Deposit received for sale of Gold One shares	-	3,100
Other	606	2,079
	65,908	**47,423**

11 LONG TERM DEBT

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Opening balance	61,275	-
Drawn down during the year	-	65,000
Financing fees	-	(3,876)
Amortized financing fees	2,371	-
Interest paid	(1,210)	(386)
Interest accrued	1,143	537
Closing balance	**63,579**	**61,275**
Current portion	63,579	-
Long term portion	-	61,275
	63,579	**61,275**

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

Draw downs under the facility can be made at interest rates based on either the US dollar LIBOR rate or the Bank of Montreal base rate for US dollar denominated loans. Undrawn amounts are subject to a commitment fee currently at 0.50% per annum. Letters of credit can be issued under the facility at a fee of between 1.25% and 2.00% per annum.

The Corporation has made a drawdown of $65 million under the credit facility on October 20, 2008. The loan currently bears interest at 2.2% per year. Letters of credit in the amount of $9.1 million were issued under the credit facility as at December 31, 2009.

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

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

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

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

12 CONVERTIBLE DEBENTURES

The Corporation has outstanding convertible unsecured subordinated debentures maturing December 31, 2011 (the "debentures") with a face value of Cdn $155.3 million ($147.9 million). The debentures were originally issued at Cdn $1,000 per debenture and bear interest at an annual rate of 4.25%, payable semi-annually in arrears on June 30 and December 31 of each year. The conversion price is Cdn $20 per share, which is equivalent to 50 common shares for each Cdn $1,000 principal amount of debentures.

The table below indicates the breakdown of the liability:

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Opening balance	118,042	136,548
Interest incurred	8,739	15,075
Coupon payment	(6,049)	(5,989)
Foreign exchange movement	20,130	(27,592)
Liability as at the end of the year	**140,862**	**118,042**

13 ASSET RETIREMENT OBLIGATIONS

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Opening balance	12,999	13,927
Revision of estimates	-	(68)
Accretion expense	1,291	1,407
Settled	(959)	-
Incurred	6,555	-
Sale of 49% interest in Honeymoon	-	(307)
Karatau business combination	2,841	-
Reallocated to assets held for sale	(7,211)	-
Other	-	(727)
Foreign exchange movement	584	(1,233)
Closing balance	**16,100**	**12,999**

	Dec 31, 2009	Dec 31, 2008
Undiscounted and uninflated amount of estimated cash flows ($'000)	**23,801**	**24,864**
Payable in years	8 - 44	7 - 45
Inflation rate	2.69% - 7.00%	2.69% - 8.50%
Discount rate	8.40% - 12.52%	8.50% - 15.90%

Security of $13.5 million (2008: $19.9 million) for reclamation obligations has been provided in the form required by the relevant country's authorities (note 9).

14 INCOME TAXES

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Current income tax expense	20,915	44,191
Future income tax recovery	(206,379)	(1,013,634)
	(185,464)	**(969,443)**

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

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Loss before income taxes	(223,542)	(3,303,030)
Canadian federal and provincial income tax rates	30.00%	31.00%
Expected income tax recovery	(67,063)	(1,023,939)
Permanent differences, including share based compensation and foreign exchange	(9,606)	6,075
Effect of tax rate changes	(202,201)	1,150
Change in valuation allowance	92,798	143,661
Differences in tax rates in foreign jurisdictions	(478)	(101,439)
Other	1,086	5,049
	(185,464)	**(969,443)**

Future income tax

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

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Future income tax assets		
Mineral interests, plant & equipment	137,003	151,815
Other	85,642	12,105
Non-capital losses	90,090	69,080
Future income tax assets before valuation allowance	312,735	233,000
Valuation allowance	(256,403)	(163,827)
Future income tax assets, net of valuation allowance	**56,332**	**69,173**
Future income tax liabilities		
Mineral interests, plant & equipment	235,949	435,096
Other	-	8,164
Future income tax liabilities	**235,949**	**443,260**
Net current portion of future income tax assets	1,070	1,206
Net long term portion of future income tax liabilities	(180,687)	(375,293)
Net future income tax liability	**(179,617)**	**(374,087)**

14 INCOME TAXES (continued)

Tax loss carry-forwards

Canada and provincial tax jurisdictions
At December 31, 2009, the Corporation had Canadian federal and provincial net operating loss carry-forwards totaling $94.5 million with a tax value of $24.6 million that expire from 2010 through 2030. A valuation allowance of $24.6 million has been applied against the future tax asset representing these losses.

United States federal and state tax jurisdictions
At December 31, 2009, the Corporation had United States federal and state net operating loss carry-forwards totaling $65.3 million with a tax value of $23.6 million that expire from 2020 through 2030. A valuation allowance of $nil million has been applied against the future tax asset representing these losses.

South Africa tax jurisdictions
At December 31, 2009, the Corporation had South Africa net operating loss carry-forwards totaling $95.1 million with a tax value of $33.3 million with no expiry. A valuation allowance of $33.3 million has been applied against future tax asset representing these losses.

Kazakhstan tax jurisdictions
At December 31, 2009, the Corporation had Kazakhstan net operating loss carry-forwards totaling $21.2 million with a tax value of $3.2 million that expire from 2010 through 2012. A valuation allowance of $3.2 million has been applied against the future tax asset representing these losses.

Australia tax jurisdictions
At December 31, 2009, the Corporation had Australian net operating loss carry-forwards totaling $18.3 million with a tax value of $5.5 million with no expiry. A valuation allowance of $nil has been applied against the future tax asset representing these losses.

15 OTHER LIABILITIES

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Current		
Promissory note (note 3.1)	90,211	-
Contingent payment (note 3.1)	20,000	-
Unfavorable contracts	11,655	-
Uranium concentrates loan	8,900	-
Short term loan (note 3.1)	5,000	-
Other	1,277	-
	137,043	**-**
Non-current		
Uranium concentrates loan	-	10,692
Kyzylkum external loan facility (note 6)	47,574	35,453
Due to the Republic of Kazakhstan	1,696	2,138
Other	181	641
	49,451	**48,924**

Uranium concentrates loan

On September 22, 2008, the Corporation entered into a loan agreement to borrow 200,000 pounds of U_3O_8 to be repaid on September 30, 2010. Under the loan agreement, loan fees of 3.5% per annum are payable based on the value of the borrowed U_3O_8. The Corporation recognized the borrowed uranium as an Other asset (note 9). The loan which was classified as a financial liability held for trading, and the other asset are carried at fair value.

Unfavourable contract

The Corporation acquired an unfavorable contract as part of the Karatau acquisition which is carried at fair value (note 3.1). The fair value will be realized as part of revenue when the finished uranium concentrates are delivered into the contract.

Promissory note

The Corporation issued a $90 million promissory note as part of the consideration for the purchase of Karatau (note 3.1). The promissory note was due not later than 12 months from closing and was repaid on January 18, 2010.

16 SHARE CAPITAL

Issued and outstanding common shares	Number of shares	Value of shares $'000
Common shares on January 1, 2008	**467,173,423**	**3,496,884**
Exercise of warrants	1,190,000	15,791
Exercise of stock options	1,043,016	7,358
Exercise of restricted shares	206,517	2,791
Common shares on December 31, 2008	**469,612,956**	**3,522,824**
Exercise of warrants		
Exercise of stock options	600,184	6,599
Exercise of restricted shares	44,836	257
Contingent shares issued	165,600	388
Karatau acquisition share issued	117,000,000	293,229
Issued and outstanding common shares at December 31, 2009	**587,423,576**	**3,823,297**

17 CONTRIBUTED SURPLUS

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

	Warrants $'000	Restricted shares $'000	Options $'000	Total $'000
As at January 1, 2008	**25,372**	**3,119**	**105,896**	**134,387**
Stock options issued and vested	-	-	14,145	14,145
Stock options exercised	-	-	(3,957)	(3,957)
Restricted shares vested	-	1,278	-	1,278
Restricted shares exercised	-	(2,791)	-	(2,791)
Warrants exercised	(11,460)	-	-	(11,460)
As at December 31, 2008	**13,912**	**1,606**	**116,084**	**131,602**
Stock options issued and vested	-	-	7,027	7,027
Stock options exercised	-	-	(5,369)	(5,369)
Restricted shares issued and vested	-	475	-	475
Restricted shares exercised	-	(257)	-	(257)
As at December 31, 2009	**13,912**	**1,824**	**117,742**	**133,478**

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

	December 31, 2009	December 31, 2008
Risk free interest rate	1.7% - 2.82%	2.52% - 3.60%
Expected dividend yield	0%	0%
Expected volatility of the Uranium One's share price	98% - 115%	66% - 120%
Expected life	5 years	5 years

Warrants
The Corporation has no outstanding warrants at December 31, 2009 (2008: nil).

(in United States dollars)

17 CONTRIBUTED SURPLUS (continued)

Stock options

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

	Number of options	Weighted average exercise price Cdn $
Outstanding options as at January 1, 2008	**20,824,788**	**8.55**
Granted options	2,559,948	3.56
Exercised options	(1,043,016)	3.74
Forfeitures of stock options	(6,483,203)	9.12
Outstanding options as at December 31, 2008	**15,858,517**	**7.82**
Granted options	6,292,351	2.23
Exercised options	(600,184)	2.25
Forfeitures of stock options	(2,986,524)	6.89
Outstanding options as at December 31, 2009	**18,564,160**	**6.26**

The stock option compensation expense for the year ended December 31, 2009 was $7.0 million and for the year ended December 31, 2008 it was $14.1 million. As at December 31, 2009, the aggregate unexpensed fair value of unvested stock options granted amounted to $5.0 million. The fair value of options granted during the year amounts to $8.2 million ($1.31 per option) (2008: $5.5 million, $2.15 per option).

The following table summarizes stock options outstanding at December 31, 2009:

	Options outstanding			Options exercisable		
Range of exercise prices Cdn $	**Number outstanding as at December 31, 2009**	**Weighted average remaining life** (years)	**Weighted average exercise price** Cdn $	**Number exercisable as at December 31, 2009**	**Weighted average remaining life** (years)	**Weighted average exercise price** Cdn $
0.78 to 2.74	6,068,700	3.98	2.18	254,814	1.30	1.49
2.75 to 4.76	3,821,199	3.00	3.86	2,701,192	2.98	3.93
4.77 to 7.79	2,161,319	2.44	6.96	2,097,715	2.41	7.02
7.80 to 9.90	3,065,950	5.63	8.44	3,047,036	5.65	8.44
9.91 to 12.93	1,827,175	2.60	12.13	1,787,510	2.60	12.13
12.94 to 15.63	613,900	2.17	13.90	555,780	2.14	13.94
15.64 to 16.59	1,005,917	2.18	16.52	707,927	2.19	16.48
	18,564,160	**3.58**	**6.26**	**11,151,974**	**3.41**	**8.30**

(in United States dollars)

17 CONTRIBUTED SURPLUS (continued)

Restricted share rights

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

	Number of restricted shares
Balance at January 1, 2008	**295,532**
Granted	609,000
Exercised during the year	(206,517)
Expired	(74,520)
Balance at December 31, 2008	**623,495**
Exercised during the year	(44,836)
Expired	(127,500)
Balance at December 31, 2009	**451,159**

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

	Number of restricted shares	
	Dec 31, 2009	**Dec 31, 2008**
Grant date		
June 7, 2006	72,083	72,083
December 8, 2006	4,576	9,245
July 1, 2007	-	6,667
April 7, 2008	374,500	510,500
April 28, 2008	-	25,000
Balance at the end of the year	**451,159**	**623,495**

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

The restricted share rights expense for the year ended December 31, 2009 was $0.5 million and for the year ended December 31, 2008 was $1.3 million. As at December 31, 2009 the aggregate unexpensed fair value of unvested restricted share rights granted amounted to $0.6 million (2008: $1.6 million). No restricted shares were granted during the year. The fair value of the restricted shares granted during 2008 was $2.4 million.

Contingently issuable shares
Under the terms of the acquisition agreement for the Kyzylkum JV interest, Uranium One is obligated to issue 6,964,200 common shares of Uranium One upon commencement of commercial production from Kyzylkum.

The Corporation assumed all of the obligations of Uranium One Americas, Inc. (previously Energy Metals Corporation Inc.) and its subsidiaries arising under certain option and joint venture agreements with third parties. At December 31, 2009 Uranium One has reserved a total of 57,500 common shares for issuance pursuant to the assumed obligations under contingent share rights agreements. 165,600 contingent shares were issued during the year due to the performance conditions being met. 184,000 contingent share rights have lapsed during the year.

18 INTEREST AND OTHER

	Year ended	
	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Interest income	4,885	10,315
Interest paid	(1,155)	(505)
Convertible debenture interest (note 12)	(8,739)	(15,075)
Credit facility charges	(3,720)	(1,677)
Interest and costs incurred on uranium concentrates loan	(351)	(224)
Costs incurred in relation to letters of credit	(65)	(210)
	(9,145)	**(7,376)**

19 FOREIGN EXCHANGE LOSS

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

	Year ended	
	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Unrealized foreign exchange gain on future income tax liabilities	63,771	1,340
Unrealized foreign exchange loss on other items	(7,821)	(2,679)
Realized foreign exchange gain / (loss) on other items	3,077	(10,370)
	59,027	**(11,709)**

The National bank of Kazakhstan announced on February 4, 2009 that it has ceased to maintain the Kazakhstan tenge ("tenge") within the previous range of 117-123 tenge to the US dollar and suggested the rate be set within a range of 145-155 tenge to the US dollar. The tenge closed at 148.36 tenge to the US dollar on December 31, 2009. The resulting devaluation affected the translated values of monetary assets and liabilities, resulting in a $63.8 million gain on future income tax liabilities.

20 CASH FLOW INFORMATION

	Year ended	
	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Changes in non-cash working capital excluding business combinations:		
Decrease accounts and other receivables	6,613	28,818
Decrease in prepaid expenses and other	10,379	2,651
Increase in inventories	(9,486)	(910)
Decrease in accounts payable and accrued liabilities	(7,949)	(6,279)
(Decrease) / increase in income taxes payable	(9,215)	8,450
	(9,658)	**32,730**
Supplemental cash flow information		
Cash interest paid	8,399	7,288
Cash tax paid	30,310	35,740

21 BASIC AND DILUTED WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING

	Year ended	
	Dec 31, 2009	**Dec 31, 2008**
Basic weighted-average number of shares outstanding ('000)	475,583	468,424
Effect of dilutive securities:		
-stock options	-	-
-warrants	-	-
Diluted weighted-average number of shares outstanding	**475,583**	**468,424**

For the years ended December 31, 2009 and 2008, convertible debentures, stock options, warrants and restricted shares were not included in the dilutive weighted average number of shares outstanding as they were anti-dilutive.

22 CAPITAL DISCLOSURES

The Corporation's objectives when managing capital are to:

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

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

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

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

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

For years ended

	Dec 31, 2009 $'000	**Dec 31, 2008 $'000**
Total liabilities (excluding future income tax liabilities)	487,520	301,302
Net liabilities (total liabilities less cash, receivables, and current portion of loans to joint ventures)	296,650	65,993
Total capitalization (total shareholders' equity)	1,480,900	950,538
Total liabilities as a percentage of shareholders' equity	33%	32%
Net liabilities as a percentage of shareholders' equity	20%	7%
Credit facility:		
EBITDA (rolling 4 quarters)	49,550	69,755
Interest coverage ratio	7.1	10.5

23 FINANCIAL INSTRUMENTS

Convertible debentures	**Dec 31, 2009 $'000**	**Dec 31, 2008 $'000**
Liability component	140,862	118,042
Equity component	46,480	46,480
	187,342	**164,522**
Fair value of convertible debentures	**131,668**	**86,222**

The Corporation's activities expose it to a variety of financial risks, including the effects of changes in debt and prices of equity instruments held, foreign currency exchange rates, interest rates, and commodity prices.

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

(i) Designation and valuation of financial instruments

The following table summarizes the designation and fair value hierarchy under which the Corporation's financial instruments are valued, other than trade and other receivables and payables.

- Level 1 of the fair value hierarchy includes unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 of the hierarchy includes inputs that are observable for the asset or liability, either directly or indirectly; and
- Level 3 includes inputs for the asset or liability that are not based on observable market data. The Corporation does not have any financial instruments included in Level 3.

		As at December 31, 2009		
Designation of financial assets	**Notes**	**Loans and receivables $'000**	**Available for sale securities $'000**	**Total $'000**
Cash and cash equivalents	4	148,465	-	148,465
Shares - available for sale	9	-	9,287	9,287
Total		**148,465**	**9,287**	**157,752**

		As at December 31, 2009		
Designation of financial liabilities	**Notes**	**Held at fair value through profit and loss $'000**	**Financial liabilities at amortized cost $'000**	**Total $'000**
Long term debt	11	-	63,579	63,579
Kyzylkum external loan facility	15	-	47,574	47,574
Convertible debenture	12	-	140,862	140,862
Uranium concentrates loan	15	8,900	-	8,900
Promissory note	15	-	90,211	90,211
Contingent payment	15	-	20,000	20,000
Unfavorable contracts	15	-	11,655	11,655
Short term loan	15	-	5,000	5,000
Due to the Republic of Kazakhstan	15	-	1,696	1,696
Other	15	-	1,458	1,458
Total		**8,900**	**382,035**	**390,935**

	As at December 31, 2009			
Fair value hierarchy of financial assets and liabilities measured at fair value	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Available for sale securities – UEC shares	8,740	-	8,740	-
Available for sale securities - other	547	547	-	-
Uranium concentrates loan	(8,900)	-	(8,900)	-
Total	**387**	**547**	**(160)**	**-**

23FINANCIAL INSTRUMENTS (continued)

(ii) Foreign exchange risk

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

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

	Financial assets and liabilities				Non-financial assets and liabilities	
December 31, 2009	**Cash and cash equivalents $'000**	**Accounts receivable $'000**	**Accounts payable and accrued liabilities $'000**	**Convertible debentures $'000**	**Mineral interests plant and equipment [1] $'000**	**Future income tax liabilities $'000**
Canadian dollar	170	2,539	6,186	140,862	-	-
Australian dollar	22,071	1,571	4,369	-	78,039	4,074
Kazakhstan tenge	3,496	28,981	37,761	-	-	142,704
Euro	41	-	9	-	-	-
South African Rand	674	-	-	-	-	-
	26,452	**33,091**	**48,325**	**140,862**	**78,039**	**146,778**

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

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

The following table shows the effect on earnings and other comprehensive income after tax as at December 31, 2009 of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above-mentioned financial and non-financial assets and liabilities of the Corporation.

	Other comprehensive income	**Net Earnings**
A 10% appreciation in all foreign currencies against the US dollar, with all other variables held constant.	**(3,295)**	**18,057**

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

(iii) Credit risk

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

The Corporation closely monitors its financial assets and does not have any significant concentration of credit risk. The Corporation sells its products exclusively to organizations with strong credit ratings. Cash and cash equivalents are held through large international financial institutions. Cash and cash equivalents are comprised of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These investments mature at various dates.

23 FINANCIAL INSTRUMENTS (continued)

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

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
Cash, cash equivalents and restricted cash	148,465	176,225
Accounts receivable	42,405	39,926
Available for sale securities	9,287	593
	200,157	**216,744**

(iv) Liquidity risk

The Corporation has a cash forecast and budgeting process in place to assist with the determination of funds required to support the Corporation's operating requirements on an ongoing basis and its expansion plans. The Corporation manages liquidity risk through the management of its capital structure and financial leverage as outlined in note 22.

The Corporation has established a credit facility (note 11) as part of its liquidity risk management process. The Corporation has made its first draw down against the facility in the amount of $65 million on October 20, 2008. The following table summarizes the contractual maturities of the Corporation's significant financial liabilities and capital commitments, including contractual obligations:

	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years	Total
Lease obligations	793	906	804	1,571	4,074
Kyzylkum long term debt	6,720	30,720	10,560	-	48,000
Capital commitments	15,538	1,548	221	-	17,307
Asset retirement obligations	508	6	3,038	14,562	18,114
Accounts payable and accrued liabilities	65,908	-	-	-	65,908
Credit facility repayments	65,000	-	-	-	65,000
Short term loan	5,000	-	-	-	5,000
Uranium concentrates loan (note 15)	8,900	-	-	-	8,900
Convertible debentures	-	147,894	-	-	147,894
Other	305	596	596	1,065	2,562
	168,672	**181,670**	**15,219**	**17,198**	**382,759**

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

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

On January 19, 2009, in connection with the construction of a sulphuric acid plant by SKZ-U, in which the Corporation subsequently acquired a 19% joint venture interest, the Corporation provided a guarantee to a third party in respect of 19% of the construction cost of the plant, limited to a maximum amount of $7.6 million (Euro 5.5 million).

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

23 FINANCIAL INSTRUMENTS (continued)

A 10% change in commodity prices, should the Corporation be exposed, would impact the Corporation's liquidity risk due to the uranium concentrates loan (note 15), as follows:

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
A 10% appreciation in commodity prices, with all other variables held constant:		
- current	-	198
- maximum exposure	890	1,060

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

(v) Interest rate risk

The Corporation is exposed to interest rate risk on its outstanding borrowings and short-term investments. The only outstanding interest-bearing borrowings as at December 31, 2009 are the loan facility obtained by Kyzylkum (note 6.1) which bears interest at floating rates, the drawn-down amount on the credit facility which bears interest at floating rates (note 11), and the convertible debentures, with a fixed interest rate.

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

	Dec 31, 2009 $'000	Dec 31, 2008 $'000
A 100 basis point appreciation in interest rates, with all other variables held constant	1,659	811

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

(vi) Commodity price risk

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

The Corporation is exposed to price risk from fluctuating commodity prices with respect to outstanding uranium concentrates loans if the borrowed uranium has been utilized to make a delivery. As the market value of the liability to deliver the uranium concentrates fluctuates, based on commodity prices, so will the market value of the uranium concentrates borrowed by the Corporation. The effect that market fluctuations in the uranium price have on the borrowed uranium asset and uranium concentrates liability will offset, except in circumstances where the borrowed uranium has been utilized to make a delivery into a contract. In these circumstances, the Corporation will recognize a net fair market value adjustment in the statement of operations.

24 SEGMENTED INFORMATION

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

For the year ended December 31, 2009: (in $'000)

	Country	Revenues $'000	Operating expenses $'000	Depreciation and depletion $'000	Exploration expense $'000	Net earnings/ (loss) from continuing operations $'000	Capital expenditure $'000
Akdala Mine	Kazakhstan	74,085	(19,113)	(16,699)	-	47,228	2,345
South Inkai Mine	Kazakhstan	67,197	(28,778)	(22,131)	-	183,440	17,165
Karatau Mine	Kazakhstan	10,710	(3,130)	(7,553)	-	(1,663)	-
Kharasan Project	Kazakhstan	-	-	-	-	55,960	10,745
United States development projects	United States	-	-	-	-	(8,651)	11,780
United States exploration projects	United States	-	-	-	(6,749)	(23,205)	-
United States conventional mining projects	United States	-	-	-	-	(923)	84
Honeymoon Project	Australia	-	-	-	(880)	(798)	25,447
Corporate and other		-	-	-	(1,201)	(289,466)	642
Total		**151,992**	**(51,021)**	**(46,383)**	**(8,830)**	**(38,078)**	**68,208**

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

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

24 SEGMENTED INFORMATION (continued)

As at December 31, 2009: (in $'000)

	Country	Mineral interest plant and equipment $'000	Total assets $'000	Future income tax liabilities $'000	Total liabilities $'000
Akdala Mine	Kazakhstan	179,706	214,121	18,231	24,004
South Inkai Mine	Kazakhstan	478,419	522,574	37,613	49,017
Karatau Mine	Kazakhstan	510,494	531,508	74,637	141,192
Kharasan Project	Kazakhstan	208,830	217,800	12,223	66,433
United States development projects	United States	121,526	122,040	-	154
United States exploration projects	United States	115,398	116,148	28,711	28,742
United States conventional mining projects	United States	39,910	47,324	5,198	8,226
Honeymoon Project	Australia	78,039	85,380	4,074	7,389
Corporate and other		15,962	240,752	-	330,106
Total (1)		**1,748,284**	**2,097,647**	**180,687**	**655,263**

(1) Excludes assets held for sale

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

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

(1) Excludes assets held for sale and discontinued operations

25 CONTINGENT SALE OF AN INTEREST IN THE DOMINION PROJECT

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

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

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

Uranium One Africa's shareholders approved the Micawber transaction in September 2005, following which the South African Department of Minerals and Energy granted a "new order" mining right to the Corporation for the Dominion Project in October 2006. The Micawber 397 transaction will be accounted for in Uranium One's consolidated financial statements when the risks and rewards of the transaction are deemed to have passed to Micawber 397. Management has determined that this event will occur on the day that Micawber 397 elects to pay at least 20% of the purchase price, prompting the determination of the purchase price. As at December 31, 2009, Micawber 397 has not paid any part of the purchase price.

26 CONTINGENCIES

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

Betpak Dala acquisition

As part of the original acquisition of the interest in Betpak Dala on November 7, 2005, it was agreed that the Corporation is liable for a bonus payment payable in cash based on uranium reserves discovered on the South Inkai property in excess of 66,000 tonnes. The payment is based on the Corporation's share of U_3O_8 in excess of 66,000 tonnes times the average spot price of U_3O_8 times 6.25%. This payment is to be calculated at the end of 2011 and each year thereafter, and paid 60 days after the end of the year in which a payment is due. No payment was due at December 31, 2009 (December 31, 2008 - $Nil).

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

Kyzylkum acquisition

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

An additional bonus payment of 30% of 12.5% (being an effective 3.75%) of the weighted average spot price of U_3O_8 will be paid on incremental reserves in excess of 55,000 tonnes of U_3O_8 discovered during each fiscal year with payment beginning within 60 days of the end of the 2008 calendar year. No payment was due at December 31, 2009 (December 31, 2008 - $Nil).

Karatau acquisition

Contingencies relating to the Karatau acquisition are described in note 3.1.

26 CONTINGENCIES (continued)

Uranium One Americas, Inc. (previously Energy Metals Corporation) acquisition

Contingencies relates to the Uranium One Americas, Inc (previously Energy Metals Corporation) are described in note 17.

27 SUBSEQUENT EVENTS

Issuance of convertible debenture to Japanese Consortium

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

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

Under the revised terms, on January 14, 2010, the Corporation issued to JUMI C$269,100,000 aggregate principal amount of 3% unsecured convertible debentures maturing ten years from the date of issue. The debentures will automatically convert into 117,000,000 Uranium One common shares on receipt of required Kazakh regulatory approval, which is expected during 2010. If such approval is not received, the holder may, on 12 months' notice, cause the debentures to be redeemed at par plus accrued and unpaid interest. Such redemption may not occur before the second anniversary of the closing in January 2012.

Upon conversion of the debenture (and after giving effect to the shares to be issued to ARMZ in connection with the Karatau Uranium Mine transaction), JUMI will have a 16.6% equity stake in Uranium One. The agreement also contains a standstill provision under which the Consortium has agreed, subject to certain exceptions, not to acquire without Uranium One's prior approval more than 19.95% of Uranium One's issued common shares.

C$250 million bought deal financing of convertible unsecured subordinated debentures

The Corporation announced on February 18, 2010 that it has entered into an agreement for a bought deal financing with a syndicate of underwriters for C$250,000,000 aggregate principal amount of convertible unsecured subordinated debentures (the "2010 Debentures") together with an over-allotment option of up to C$37,500,000 exercisable at any time up to the closing.

The 2010 Debentures have a March 13, 2015 maturity date, with interest payable at a rate of 5.0% per annum, payable semi-annually from the date of receipt of all necessary Kazakh approvals for the conversion of the 2010 Debentures, or at a rate of 7.5% per annum, payable semi-annually before the receipt of the necessary Kazakh approvals. The 2010 Debentures will be convertible into common shares of the Corporation after receipt of all necessary Kazakh approvals, at a rate of 250 common shares per C$1,000 principle and will have a conversion price of C$4.00 per common share, representing a premium of approximately 25.8% based on a reference price of C$3.18, being the closing price on February 17, 2010.

The offering is scheduled to close on or about March 12, 2010, and is subject to the satisfaction of customary closing conditions, including approval of the Toronto Stock Exchange and the Securities regulatory authorities.

Other

Other material transactions occurring subsequent to December 31, 2009 are also described in notes 3.1 and 3.2.