

Neal Froneman, President & CEO, srx Uranium One Inc Building a New Major Uranium Producer

Introduction

Uranium One is a strategically managed company. Every year, our senior management breakaway for a strategic planning session which drives everything from our operational mine plans to our annual budgets to our organisational structure.

We believe that our strategic planning framework, and our ability to execute our strategic plans developed using our strategic planning framework, results in a competitive advantage that has allowed Uranium One to grow quickly from a marginal gold producer in South Africa in 2003 to today's position as a global, emerging senior uranium producer.

The strategic planning process

Figure 1 shows our strategic planning model/methodology. The strategic planning models, which follow from the methodology, entail a thorough understanding of your current performance as a company, the environment in which you currently find yourself operating and designing and implementing a strategy that will take the company to a new level of performance.

You can see that our strategic methodology and process models are highly structured. If your strategy is changing dramatically on a year-by-year basis, something is fundamentally flawed in your thinking. At most, modest refinements to your strategy are acceptable.

Strategic preparation is the key to developing a sound strategic plan. At Uranium One we start with identifying our Critical Issues, then categorise them according to a

Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis by examining the current environment that we find ourselves in. We assess different scenarios that could impact our performance and develop a Strategic Intent, which is where we expect Uranium One to be in 10 to 15 years time.

In our case, we believe in the fundamentals of uranium and its future. As a result, we are prepared to be aggressive in growing the company through internal and external growth avenues.

Simply put, the current environment for uranium demand is solid and we expect this to remain the case going forward. We believe that most assessments for uranium demand are conservative in nature and we expect that as countries realise the importance of the role that nuclear energy can play in meeting growing demand for electricity in an environmentally friendly manner, demand for uranium will accelerate over the coming years.

What this means is that the current and expected supply from primary (i.e. mines) and secondary sources will not meet the growing demand for uranium in the near future. This creates an opportunity for a new producer such as Uranium One to grow its business and take advantage of the current pricing environment for our product.

Let me be clear in stating that we are not building our company based on US\$100 uranium. Supply and demand will eventually come into balance as the current elevated pricing environment prompts development of new mines. However, the time required for the market to come into balance is greater than five years in our view, given the difficulties in permitting and building new uranium mines.

There are a lot of promises out there for new production that will not be kept, and, as a result, large and low-cost companies such as Uranium One are expected to reap the benefits of what we expect will be a prolonged period of robust uranium prices.

One of the outputs of our strategic planning sessions is our Vision Statement which is "to maximise shareholder returns by delivering on our projects and growing Uranium One into a low-cost, top five international uranium producer."

As you can see, our vision is not about owning pounds in the ground but is focused on production at high margins. We are also focused on developing a portfolio of low technical risk projects that will ensure security of supply for our customers and offer protection for our shareholders.



Figure 1: Strategic planning methodology

The Strategic Areas that we discuss in our planning sessions centre on where we want to grow our business and who will be held accountable for implementing our strategic plans.

Our strategy is to position Uranium One in the top five uranium resources jurisdictions. Figure 2 illustrates the Reasonably Assured Resources available under various uranium price assumptions in different jurisdictions. It is clear that in order to build a large, new uranium company you need to be focused in Australia, Kazakhstan, Canada, the United States and South Africa. A strategy focused on growth in these jurisdictions will by design result in a diversified operating base, which we have already mentioned is paramount to offering security of supply to our customers.

One of our key axioms is that "Structure follows Strategy". Once we had made the decision to grow Uranium One into an international uranium producer, we structured our organisation into regional businesses led by Executive Vice Presidents (EVPs). The EVPs for each region are focused on ensuring that the required capacity is in place to deliver on our operational objectives, and they are supported by global corporate capacity that includes functions such as business development, finance, government relations, investor relations and human resources.

Implementation of the strategic plan is critical - it is no use simply having a plan on paper. Our strategic planning process is intertwined with our detailed action plans at each individual asset and is linked into our annual budgeting process, and then progress is measured and accounted for on a monthly basis. We find that this method creates focus and ensures that all efforts are contributing to the execution of our strategy. We ensure that our people are empowered and are compensated adequately in line with that strategy. We find that this is the best way to allow our employees to get on with the job of execution and delivery.

First steps - transitioning to a focused uranium company

The current management team of what is today known as Uranium One first became involved with the Dominion Reefs Uranium Mine in 2003 through a reverse takeover of the Afrikaner Lease Company by New Kleinfontein Gold Mining Company. After completion of the transaction, the new management team took stock of the asset base of the combined company and recognized the potential of the Dominion uranium project as one of the world's largest uranium resources. A decision was taken to gradually transition the focus of the company from gold to development of its uranium assets.

Reflecting this new strategy and the need to make a gradual transition, the new company was renamed Alease Gold and Uranium Resources.

Alease Gold and Uranium Resources was not a typical South African mining company. Dominion is in fact a shallow, low technical risk operation which is more akin to projects that North American investors are used to seeing. During Phase I of the project, operations are not expected to go below 500 metres from surface.

Dominion is not a grassroots development project - it produced uranium in the 1950s and then again in the late 1970s. This fact is a key competitive advantage for the company since the previous operations provide a platform for accelerated development of the project due to the wealth of geological and drilling information and metallurgical testwork that has been incorporated into our plans.

Positioning for a premium valuation - selecting an exchange

However, it was clear that Dominion would require a significant amount of new capital to bring the project back into production. Gaining access to this quantity of capital required the company to consider re-domiciling and listing on an additional stock exchange.

For Uranium One, the Toronto Stock Exchange (TSX) was the right choice for a variety of reasons:

- The TSX hosts 58% of the world's listed mining companies.
- Deep access to North American investors - more financing raised for mining companies on the TSX than on any other exchange.
- Large peer group of mining companies in general, and uranium mining companies in particular, supported a large analyst community.

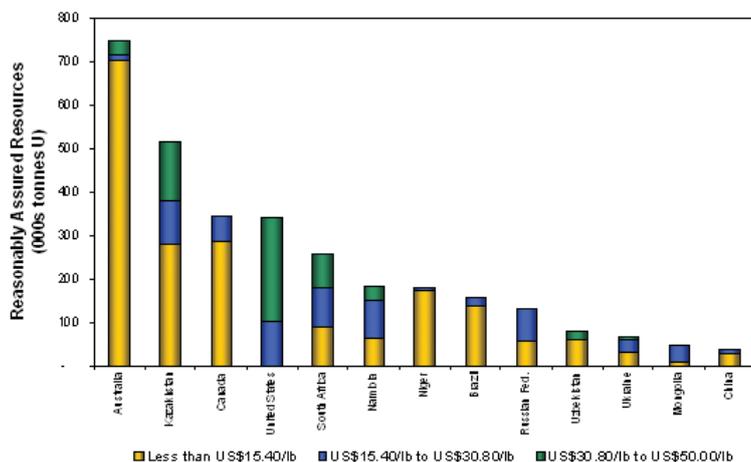


Figure 2. Reasonably assured uranium resources

Source: 2006 OECD-NEA Red Book

Once the preferred exchange had been selected, the Board evaluated two options which were available to the company to facilitate the re-domiciling. Firstly, Uranium One could proceed with a plain vanilla listing on the TSX which, to be most effective, would need to be completed with a concurrent fundraising.

Secondly, and this ultimately turned out to be the preferred route, Uranium One could acquire a company listed on the TSX involved in the uranium sector.

At that time, there were only three production visible uranium projects on the market's radar screen:

- Dominion (Alease Gold and Uranium Resources).
- Langer Heinrich (Paladin).
- Honeymoon (Southern Cross Resources).

Alease Gold and Uranium Resources initiated discussions with Southern Cross Resources and ultimately the two companies agreed to a combination which resulted in the creation of *sxr* Uranium One Inc at the end of 2005. Importantly, this transaction brought two of the world's production visible assets together within the same company and provided the access to capital required to develop Dominion.

A further step toward creating a focused uranium company took place at the beginning of 2006 when the gold assets of *sxr* Uranium One were merged into a separately traded company known as Sub Nigel Gold Mining Company to create Alease Gold Ltd. Uranium One continues to own 68% of Alease Gold which is developing its Modder East Gold Project in South Africa. Importantly, this transaction crystallised the value of the company's gold assets, with a market capitalization of approximately US\$170 million today. It also provided some funding flexibility for Uranium One and this was demonstrated in 2006 when Uranium One borrowed approximately US\$50 million against its investment in Alease Gold.

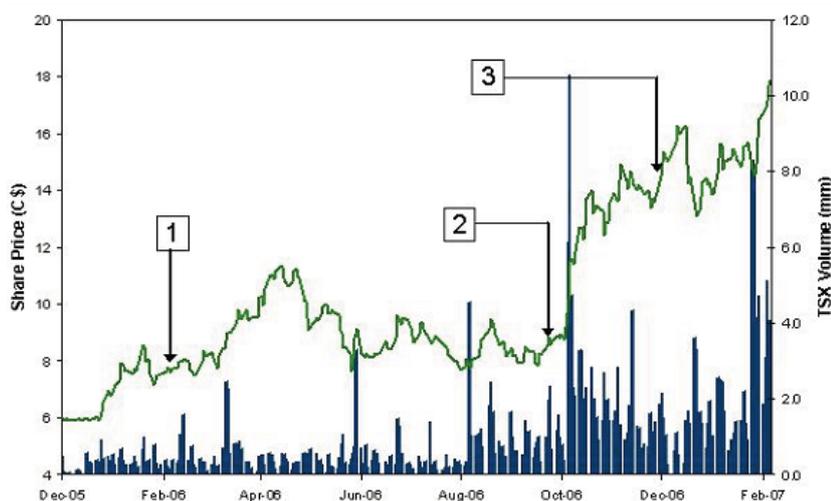


Figure 3. Financing history of Uranium One

Source: Bloomberg

Debt versus equity - the approach to financing

In order to minimise dilution, management of the company embarked upon a path of raising required capital in small amounts. Each successive fundraising was completed after tangible progress and operational delivery could be demonstrated at Dominion and Honeymoon.

Common financial theory tells us that, typically, the cost of debt is less than the cost of equity. However, in the uranium market environment that we found ourselves in late 2005 and early 2006, we did not believe that this was the case.

In order to raise project finance or a bank line, it would have been a requirement of our lenders for Uranium One to enter into sales contracts for our uranium production. The terms of uranium contracts at that time typically had market-related pricing with floor price protection, as well as caps. These caps were at prices much lower than where we believed the uranium price was headed.

In order to maintain complete exposure to further uranium price increases, Uranium One made a conscious decision to fund the development of its projects through the issue of new equity, rather than through debt which would have required entering into these early contracts that would have ultimately limited the upside for our investors.

Equity was raised in small quantities and only in amounts required to attain the next operational milestones. Figure 3 illustrates the increase in share price of Uranium One at each successive financing. In the figure, box 1 was an equity financing of C\$171 million through the issue of 22.3 million common shares at C\$7.65 per share. Box 2 was a further equity financing of C\$173 million through the issue of 20.8 million common shares at C\$8.30 per share. Box 3 was a convertible debenture issue with a conversion price of C\$20.00 per share which raised C\$155 million. This convertible debenture issue replaced a project finance facility that Uranium One had also been progressing. The terms of

the convertible debenture were determined to be more favourable than the terms being offered in the project finance facility.

The UrAsia Energy acquisition - creating a new senior uranium producer

Having identified Kazakhstan as an area that offered tremendous potential to develop low technical risk and high margin uranium projects, Uranium One entered into an agreement to acquire UrAsia Energy Ltd in February 2007, which had interests in the operating Akdala Uranium Mine, the South Inkai Uranium Project and the Kharasan

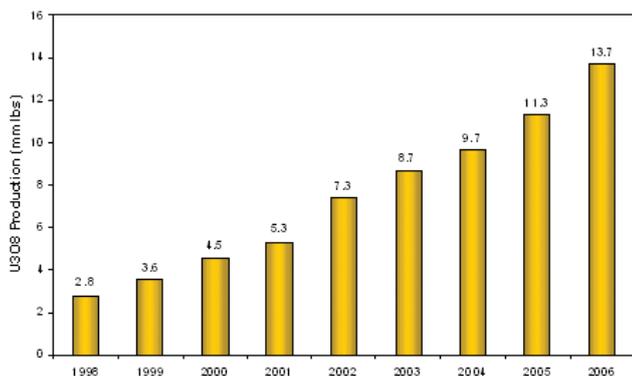


Figure 4. Uranium production in Kazakhstan

Source: World Nuclear Association

Uranium Project. In order to enter the Kazakh uranium sector, it was imperative that Uranium One had the right partners. With the acquisition of UrAsia, Uranium One entered into a partnership with Kazatomprom, the State-owned uranium mining company.

The transaction with UrAsia combined the high margin and low technical risk assets in Kazakhstan with the Dominion Uranium Project in South Africa and the Honeymoon Uranium Project in South Australia. It also combined a highly skilled conventional mining team with some of the world's best in situ recovery (ISR) mining expertise. Together, this team is able to assess any uranium opportunity in the world. It also diversified Uranium One's asset base and political risk profile and gave the combined company an unrivalled production growth profile.

Kazakhstan is endowed with some of the world's best uranium development opportunities. The government has embarked upon a process of developing its asset base with a goal of becoming the world's largest producer of uranium. Figure 4 illustrates the progress made thus far toward achieving that goal.

Much of the growth going forward for the Kazakh uranium industry comes from Uranium One's South Inkai and Kharasan Uranium Projects. These mines are expected to enter into production in Q4 2007 and Q1 2008 respectively, and Uranium One is confident that the production forecasts of Kazatomprom are ultimately achievable.

US uranium for US utilities

As Figure 2 shows, the United States is geologically prospective for uranium. There is also a strategic rationale for building a uranium business in the United States.

Firstly, according to the International Atomic Energy Agency, the United States has approximately one quarter of the world's nuclear generating capacity. This equates to annual demand of approximately 50 million pounds of U₃O₈.

Production of U₃O₈ from domestic sources is currently running at an annualised rate of just under 5 million pounds according to the Energy Information Administration (www.eia.doe.gov/cneaf/nuclear/dupr/qupd.html).

The gap between annual demand and annual domestic supply is being filled from foreign sources and from secondary sources which include the down-blending of Russian nuclear warhead material under the Highly Enriched Uranium Agreement (which expires in 2013).

Historically, the United States has been reliant on foreign sources of energy; however, we believe policy is now shifting toward facilitating development of domestic energy sources. Furthermore, the expansions in uranium production in Australia and Kazakhstan appear to be earmarked for delivery to Asian markets. This further reinforces our view that we will see a resurgence of uranium production led by projects in Texas, Wyoming and Utah.

On the demand side, for the first time in decades we are seeing applications being made to the Nuclear Regulatory Commission for permits to build new reactors in the United States. Figure 5 shows that the capacity utilization of the existing US reactor fleet has peaked at approximately 90%. In order to increase the generating capacity further, additional reactors will need to come online.

Uranium One believes that the need to produce US uranium for US utilities is clear. The focus for growth in the United States has been on acquiring conventional mills and ISR processing facilities that have existing permits in place. By having existing permits, these operations can be brought back into production several years earlier than if the permitting process had to be started from scratch.

The first step into the United States for Uranium One was the acquisition of US Energy's uranium assets located in Utah, Colorado, Wyoming and Arizona. The key asset acquired was the Shootaring Canyon Mill, which was the last conventional uranium mill to be built in the United States in

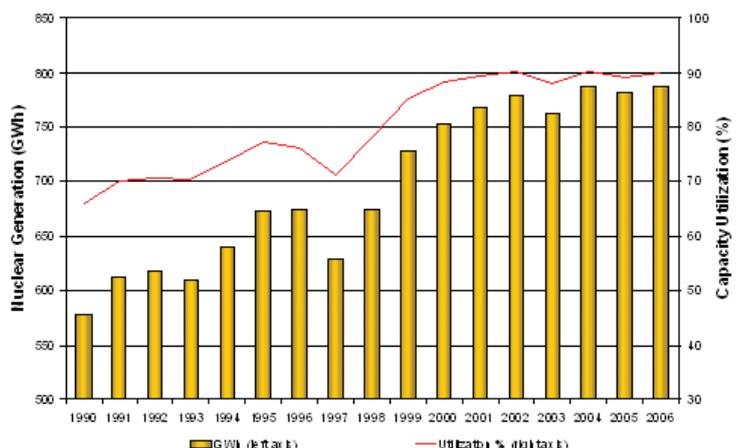


Figure 5. US nuclear generating statistics

Source: Nuclear Energy Institute

the early 1980's. Importantly, there is an existing permit for the Shootaring Canyon Mill, which is in the process of being amended from a reclamation status to an operational status.

The second and much larger entry into the United States for Uranium One was the acquisition of Energy Metals Corporation (EMC), which was completed last month. EMC has amassed one of the largest and best portfolios of uranium resources in the United States. They have also built a highly skilled ISR operating team in the United States which will continue to develop a portfolio of assets beginning with near-term production in Texas at the Hobson processing facility and in Wyoming in the Powder River Basin.

Uranium One will bring its conventional mining expertise to bear on the underground and open pit mining opportunities in the United States. The acquisition of EMC also brings two properties in close proximity to the Shootaring Canyon Mill into the Uranium One asset portfolio, offering the potential to realise synergies and put the Shootaring Canyon Mill back into production by 2010 with feed expected to be sourced from EMC's Velvet and Frank M properties.

Uranium One's competitive advantage - ISR mining

Having established a footprint in each of the world's five largest uranium resource jurisdictions, Uranium One is now delivering on its production growth forecasts. Uranium One is in a unique position whereby most of our forecasted production is expected to come from ISR mining techniques.

This is unique in the industry since, according to the OECD Nuclear Energy Agency's latest Red Book, ISR mining techniques on a global basis comprise approximately 20% of annual primary uranium production.

In our experience, ISR mining is an elegant way to mine for uranium since it:

- is environmentally friendly as it requires no movement of ore, overburden or waste rock and produces no tailings;
- requires less time for permitting and construction as compared to conventional mining and milling operations;
- tends to have lower cash operating costs and lower capital expenditure requirements as compared to conventional mining and milling operations;
- allows lower grade orebodies to be economically extracted.

However, ISR mining is only feasible under very specific geological settings. These geological settings tend to only be found in Kazakhstan, the United States and, to a lesser extent, in Australia.

Through strategic planning and implementation of our plans, Uranium One is now distinguished from other uranium mining companies in that approximately 71% of our production in 2012 is expected to come from ISR operations.

Conclusion

With a sound strategy that filters down into our day-to-day operating lives, Uranium One is well-positioned to grow into a senior uranium producer.

An environmental scan completed today would result in the same conclusion that we drew several years ago - that the underlying supply and demand fundamentals for uranium are favourable over the long-term.

Uranium One has acted quickly to take advantage of the favourable long-term fundamentals for our product. We believe that our strategy of an initial phase of rapid growth, followed by focused delivery on each of our assets, will translate into superior returns for our shareholders and fuel the resurgence of nuclear power globally.