

UMC Energy Plc

Registered Number: 05331770

Financial Statements

For the year ended 31 December 2010

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CORPORATE DIRECTORY

Directors	Chrisilios Kyriakou (Chairman) Jonathan Reynolds (Chief Financial Officer) Roger Shakesby (Non-Executive Director)
Secretary	Jonathan Reynolds
Registered Office	Ground Floor, 11 Albemarle Street London W1S 4HH
Nominated Adviser	Strand Hanson Limited 26 Mount Row London W1K 3SQ
Broker	ODL Securities Limited The Northern & Shell Building 10 Lower Thames Street London EC3R 6AD
Solicitors	Beshoffs Solicitors 2 Holly Court Tring Road Wendover, Buckinghamshire HP22 6PE
Auditors	Sawin & Edwards 15 Southampton Place London WC1A 2AJ
Principal Bankers	Coutts & Co 188 Fleet Street London EC2A 2HT
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

Madagascar continues to experience a period of political upheaval and uncertainty. Despite the fact that the Company has not, in any way, been negatively affected by these events, it has resolved to take a cautious approach to exploration and accordingly has not conducted exploration activities during the 2010 financial year. The Company continues to monitor the situation. Given these circumstances, the Directors have resolved that it is appropriate to recognise an impairment adjustment of £2,417,034 against the carrying value of the intangible asset and £229,640 against the non-current taxation receivable related asset.

The Company remains dependent on loan funds being made available to it by Natasa Mining Ltd to meet its working capital and other requirements.

In April 2011, the Company entered a twelve month option to acquire the entire issued share capital of a Papua New Guinea (PNG) incorporated company which, if exercised, would result in the issue of 240 million new ordinary shares in the Company. The PNG company presently has a number of Petroleum Prospecting Licences in PNG and is in the process of applying for additional licences in that country. No consideration was paid by the Company for the option. Further details will be provided to shareholders in due course, should the option be exercised.

C Kyriakou
Chairman
19 April 2011

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report with the audited Group financial statements for the year ended 31 December 2010.

Principal activities and review of business

The principal activity of the Group is investment directly and indirectly in, and operation of, resource exploration and development projects.

During the year the Group's main undertaking was the continuing development of the Morondava uranium exploration project, based in Madagascar, in which the Company has an 80% interest. Over the year, the Group expended £83,121 (31 December 2009: £60,205) on project related activities.

Key performance indicators

	Year ended 31 December 2010	Period ended 31 December 2009
Operating loss	£3,037,247	£543,699
Loss per share	0.89 pence	0.87 pence

Future developments

The directors anticipate the Company's major future developments will revolve around further investment in and development of the Morondava uranium project.

Principal risks and Uncertainties facing the Group

The principal risks faced by the Company and Group are as follows:

- The ability to raise sufficient funds to pursue the exploration of its exploration permits.
- The exploration permits are located in remote parts of Madagascar where power and communications infrastructure is rudimentary.
- The operations of the Group are in foreign jurisdictions where there may be a number of associated risks over which it will have no control. These may include economic, social or political instability or change, terrorism, hyperinflation, currency non-convertibility or instability, changes of laws affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, and exploration licensing.
- Madagascar may have less developed legal systems than more established economies.
- The exploration licences may be subject to conditions which, if not satisfied, may lead to the revocation of such licences.
- The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties, which are explored, are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and grades of minerals disclosed will be available to extract. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any mineralisation will be discovered or if discovered that it will prove to be economic.

REPORT OF THE DIRECTORS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2010

Results and dividends

The loss for the year on ordinary activities before tax amounted to £2,778,629 (31 December 2009: £686,097). The directors do not recommend the payment of a dividend.

Share capital

Details of the share capital are given in note 19 to the financial statements.

Events since the balance sheet date

Since 1 January 2011, the Company has advanced a further US\$198,667 (£124,181) to Uramad SA, for use on uranium exploration project development activities.

Since 1 January 2011, the Company has borrowed a further A\$306,619 (£194,585) from Natasa Mining Ltd, for working capital.

In April 2011, the Company entered a twelve month option to acquire the entire issued share capital of a Papua New Guinea (PNG) incorporated company which, if exercised, would result in the issue of 240 million new ordinary shares in the Company. The PNG company presently has a number of Petroleum Prospecting Licences in PNG and is in the process of applying for additional licences in that country. No consideration was paid by the Company for the option.

Financial assets and liabilities

See note 28 to the financial statements.

Directors and their interests

The directors who served during the year and their interests in the Company's Ordinary Shares were as follows:

	£0.005p ordinary shares At 31 December 2010	£0.005p ordinary shares At 1 January 2010
C Kyriakou*	204,306,879	204,306,879
R Shakesby	-	-
J Reynolds	-	-

* C Kyriakou is a director of Natasa Mining Ltd, the parent undertaking of the Company. Entities associated with C Kyriakou hold shares in Natasa Mining Ltd. The shares owned by Natasa Mining Ltd in the Company's share capital have been included in C Kyriakou's interests.

Options held by directors at 31 December 2009 and which lapsed or were cancelled during the year were as follows:

	Number	Exercise Price
C Kyriakou	300,000	30p
J Reynolds	125,000	30p

No options were exercised by the directors during the year and no options are held by the directors at 31 December 2010.

REPORT OF THE DIRECTORS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2010

Substantial shareholdings

On 31 December 2010 the following shareholders held 3% or more of the issued share capital of the Company:

	Number of Ordinary Shares	Percentage issued Ordinary Shares
Cline Mining Corporation	12,272,667	5.02%
Natasa Mining Ltd	204,106,879	83.50%

Corporate Governance

As UMC Energy Plc is not a fully listed company, it is not required to comply with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance (“the Combined Code”). However, the directors do place a high degree of importance on ensuring that high standards of corporate governance are maintained. As a result, most of the relevant principles set out in the Combined Code have been adopted during the year and these are summarised below.

Directors

The Company supports the concept of an effective Board leading and controlling the Company. The Board is responsible for approving the Company’s policies and strategies. It receives and reviews on a timely basis financial and operating information appropriate to being able to discharge its duties. Directors are free to seek any further information they consider necessary. All directors submit themselves for re-election every three years by rotation in accordance with the Articles of Association. Given the size of the Company it is not considered appropriate that there should be a separate nomination committee. It is the view of the Board that the appointment of new directors should be a matter for consideration by the Board as a whole. All appointments to the Board are subject to confirmation by shareholders at the following AGM.

Relations with Shareholders

The Company values the views of its shareholders and recognises their interest in the Company’s strategy and performance. The Board is available to discuss current events with its institutional and private shareholders and positively encourages attendance at General Meetings.

Audit Committee

The Company has established an audit committee comprised of the non-executive director and the Chairman. It is responsible for making recommendations to the Board on the appointment of auditors and the audit fee, is responsible for ensuring that the financial performance of the Company is properly monitored and reported on and receives and reviews reports from management and the auditors relating to the interim report, the annual report and accounts and the internal control systems of the Company.

REPORT OF THE DIRECTORS *(continued)*
FOR THE YEAR ENDED 31 DECEMBER 2010

Remuneration Committee

The Company has established a remuneration committee comprised of the non-executive director and the Chairman. It is responsible for the review and recommendation of the scale and structure of remuneration for key management personnel, including any bonus arrangements or the award of share options. Details of the directors' emoluments are set out in the financial statements. However, there is no separate Report of the Remuneration Committee. It is the Company's policy that the remuneration of directors should be commensurate with services provided by them to the Company.

Internal Financial Control and Risk Management

The directors are responsible for the Company's system of internal financial control and also for identifying the major business risks faced by the Company. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss. In fulfilling these responsibilities, the Board has reviewed the effectiveness of the system of internal financial control. The directors have established procedures for planning, budgeting and for monitoring, on a regular basis, the performance of the Company and for determining the appropriate course of action to manage any major business risks. The Board has considered the need for an internal audit function but has decided the size of the Company does not justify it at present. This decision will be reviewed annually.

Supplier Payment Policy

It is the Company's policy to agree terms of payment with all suppliers at the time of the transaction and to pay suppliers as and when they fall due for payment or alternatively to agree revised terms of payment. No distinction is made between different classes of suppliers. At the year end trade creditors amounted to 2 days (31 December 2009: 23 days).

Political and charitable donations

No political or charitable donations were made during the year.

Auditors

Sawin & Edwards have indicated their willingness to continue in office. A resolution to reappoint Sawin & Edwards for the ensuing year will be proposed at the 2011 Annual General Meeting.

By order of the board.

J Reynolds
Company Secretary
19 April 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2010

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law the directors have elected to prepare the Group and parent Company financial statements in accordance with International Financial Reporting Standards and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently
- b) make judgements and accounting estimates that are reasonable and prudent
- c) state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements
- d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and parent Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that so far as they are aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UMC ENERGY PLC

We have audited the financial statements of UMC Energy plc for the period ended 31 December 2010 which comprise the Group Statement of Comprehensive Income, the Group and parent Company Statements of Financial Position, the Group and parent Company Statements of Cash Flows, the Group and parent Company Statements of Changes in Equity and the related notes numbered 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibility Statement set out on page 7 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2010 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

UMC ENERGY PLC (*continued*)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all of the information and explanations we require for our audit.

Emphasis of matter

Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Company's ability to continue as a going concern. The Group incurred a net loss of £2,778,629 during the year ended 31 December 2010 of which £591,405 is attributable to minority interests. As explained in note 2 the Company will require to raise additional funds through further debt or equity raisings in the next twelve months in order to meet its projected exploration and other expenditure. This indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Significant uncertainty

Without qualifying our opinion we also draw attention to the final paragraph of Note 9 to the financial statements. The Company's main activities are carried out by its major operating subsidiary Uramad SA which is located in Madagascar. This territory is currently experiencing political and economic uncertainty the ultimate outcome of which cannot be predicted. The Company's main activity is therefore at risk while this significant uncertainty exists.

Witold Sawin (Senior Statutory Auditor)
For and on behalf of
Sawin & Edwards
Statutory Auditor

19 April 2011

15 Southampton Place
London
WC1A 2AJ

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Administrative expenses		(390,573)	(543,699)
Impairment charge	9 / 13	(2,646,674)	-
Loss from operations	4	<u>(3,037,247)</u>	<u>(543,699)</u>
Finance costs	5	<u>258,618</u>	<u>(142,398)</u>
Loss before taxation		(2,778,629)	(686,097)
Income tax expense	7	<u>-</u>	<u>-</u>
Loss for the year		<u>(2,778,629)</u>	<u>(686,097)</u>
Attributable to:			
Equity holders of the parent		(2,187,224)	(651,557)
Minority interest		(591,405)	(34,540)
		<u>(2,778,629)</u>	<u>(686,097)</u>
Loss per share (pence)			
Basic	8	(0.89)	(0.87)
Diluted	8	(0.89)	(0.85)

The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own income statement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Loss for the year	<u>(2,778,629)</u>	<u>(686,097)</u>
Foreign currency translation differences for foreign operations	(284,856)	(421,005)
Other comprehensive expense for the year	<u>(284,856)</u>	<u>(421,005)</u>
Total comprehensive expense for the year	<u>(3,063,485)</u>	<u>(1,107,102)</u>
Attributable to:		
Equity holders of the parent	(2,478,188)	(1,079,425)
Minority interest	(585,297)	(27,677)
Total comprehensive expense for the year	<u>(3,063,485)</u>	<u>(1,107,102)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	31 December 2010	31 December 2009
ASSETS		£	£
Non-current assets			
Intangible assets	9	1,925,000	4,562,613
Property, plant and equipment	10	2,143	10,372
Taxation receivable	13	<u>-</u>	<u>249,995</u>
Total non-current assets		<u><u>1,927,143</u></u>	<u><u>4,822,980</u></u>
Current assets			
Taxation receivable	14	610	5,865
Trade and other receivables	15	29,209	30,780
Cash and cash equivalents	16	<u>23,372</u>	<u>18,733</u>
Total current assets		<u><u>53,191</u></u>	<u><u>55,378</u></u>
TOTAL ASSETS		<u><u>1,980,334</u></u>	<u><u>4,878,358</u></u>
EQUITY AND LIABILITIES			
Current liabilities			
Loans	17	945,339	402,620
Trade and other payables	18	<u>84,270</u>	<u>149,793</u>
Total current liabilities		<u><u>1,029,609</u></u>	<u><u>552,413</u></u>
Non-current liabilities			
Long term provision	12	<u>-</u>	<u>311,735</u>
Total non-current liabilities		<u><u>-</u></u>	<u><u>311,735</u></u>
Total liabilities		<u><u>1,029,609</u></u>	<u><u>864,148</u></u>
Equity			
Share capital	19	1,222,223	1,222,223
Share premium account	20	4,756,183	4,756,183
Share based payments reserve	21	104,028	385,270
Translation reserve	22	155,131	446,095
Accumulated loss		<u>(5,286,840)</u>	<u>(3,380,858)</u>
Equity attributable to equity holders of the parent		950,725	3,428,913
Minority Interest	23	<u>-</u>	<u>585,297</u>
Total equity		<u><u>950,725</u></u>	<u><u>4,014,210</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,980,334</u></u>	<u><u>4,878,358</u></u>

The financial statements were approved by the Board of directors on 19 April 2011 and signed on its behalf by:

C Kyriakou
Chairman

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	31 December 2010	31 December 2009
		£	£
ASSETS			
Non-current assets			
Property, plant and equipment	10	-	-
Investments in group undertakings	11	1,890,898	2,651,818
Loan and receivables	12	<u>-</u>	<u>1,096,997</u>
Total non-current assets		<u>1,890,898</u>	<u>3,748,815</u>
Current assets			
Taxation receivable	14	610	5,865
Trade and other receivables	15	26,277	28,069
Cash and cash equivalents	16	<u>21,818</u>	<u>17,057</u>
Total current assets		<u>48,705</u>	<u>50,991</u>
TOTAL ASSETS		<u>1,939,603</u>	<u>3,799,806</u>
EQUITY AND LIABILITIES			
Current liabilities			
Loans	17	945,339	402,620
Trade and other payables	18	43,539	61,470
Total current liabilities		<u>988,878</u>	<u>464,090</u>
Total liabilities		<u>988,878</u>	<u>464,090</u>
Equity			
Share capital	19	1,222,223	1,222,223
Share premium account	20	4,756,183	4,756,183
Share based payments reserve	21	104,028	385,270
Accumulated loss		<u>(5,131,709)</u>	<u>(3,027,960)</u>
Equity attributable to equity holders of the parent		<u>950,725</u>	<u>3,335,716</u>
Total equity		<u>950,725</u>	<u>3,335,716</u>
TOTAL EQUITY AND LIABILITIES		<u>1,939,603</u>	<u>3,799,806</u>

The financial statements were approved by the Board of directors on 19 April 2011 and signed on its behalf by:

C Kyriakou
Chairman

Company registration number: 05331770

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share Capital £	Share Premium £	Share Based Payment Reserve £	Accumu- lated Loss £	Foreign Currency Translation Reserve £	Minority Interest £	Total £
1 January 2010	<u>1,222,223</u>	<u>4,756,183</u>	<u>385,270</u>	<u>(3,380,858)</u>	<u>446,095</u>	<u>585,297</u>	<u>4,014,210</u>
Total comprehensive expense for the year:							
Loss	-	-	-	(2,187,224)	-	(591,405)	(2,778,629)
Total other comprehensive income / (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(290,964)</u>	<u>6,108</u>	<u>(284,856)</u>
Total comprehensive expense for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,187,224)</u>	<u>(290,964)</u>	<u>(585,297)</u>	<u>(3,063,485)</u>
Reserve transfer	<u>-</u>	<u>-</u>	<u>(281,242)</u>	<u>281,242</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2010	<u>1,222,223</u>	<u>4,756,183</u>	<u>104,028</u>	<u>(5,286,840)</u>	<u>155,131</u>	<u>-</u>	<u>950,725</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share Capital £	Share Premium £	Share Based Payment Reserve £	Accumu- lated Loss £	Foreign Currency Translation Reserve £	Minority Interest £	Total £
1 January 2009	<u>154,033</u>	<u>4,478,453</u>	<u>385,270</u>	<u>(2,729,301)</u>	<u>873,963</u>	<u>612,974</u>	<u>3,775,392</u>
Total comprehensive expense for the year:							
Loss	-	-	-	(651,557)	-	(34,540)	(686,097)
Total other comprehensive income / (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(427,868)</u>	<u>6,863</u>	<u>(421,005)</u>
Total comprehensive expense for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(651,557)</u>	<u>(427,868)</u>	<u>(27,677)</u>	<u>(1,107,102)</u>
Transactions with owners: Share issue on capitalisation of loan	<u>1,068,190</u>	<u>277,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,345,920</u>
Total transactions with owners	<u>1,068,190</u>	<u>277,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,345,920</u>
31 December 2009	<u>1,222,223</u>	<u>4,756,183</u>	<u>385,270</u>	<u>(3,380,858)</u>	<u>446,095</u>	<u>585,297</u>	<u>4,014,210</u>

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share Capital £	Share Premium £	Share Based Payment Reserve £	Accumu- lated Loss £	Total £
1 January 2010	<u>1,222,223</u>	<u>4,756,183</u>	<u>385,270</u>	<u>(3,027,960)</u>	<u>3,335,716</u>
Total comprehensive expense for the year:					
Loss for the year	_____ -	_____ -	_____ -	<u>(2,384,991)</u>	<u>(2,384,991)</u>
Total comprehensive expense for the year	===== -	===== -	===== -	<u>(2,384,991)</u>	<u>(2,384,991)</u>
Reserve transfer	===== -	===== -	<u>(281,242)</u>	<u>281,242</u>	===== -
31 December 2010	<u>1,222,223</u>	<u>4,756,183</u>	<u>104,028</u>	<u>(5,131,709)</u>	<u>950,725</u>

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share Capital £	Share Premium £	Share Based Payment Reserve £	Accumu- lated Loss £	Total £
1 January 2009	<u>154,033</u>	<u>4,478,453</u>	<u>385,270</u>	<u>(2,257,864)</u>	<u>2,759,892</u>
Total comprehensive expense for the year:					
Loss for the year	-	-	-	<u>(770,096)</u>	<u>(770,096)</u>
Total comprehensive expense for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(770,096)</u>	<u>(770,096)</u>
Transactions with owners:					
Share issue on capitalisation of loan	1,068,190	277,730	-	-	1,345,920
Total transactions with owners	<u>1,068,190</u>	<u>277,730</u>	<u>-</u>	<u>-</u>	<u>1,345,920</u>
31 December 2009	<u>1,222,223</u>	<u>4,756,183</u>	<u>385,270</u>	<u>(3,027,960)</u>	<u>3,335,716</u>

CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Net cash outflow from operating activities	24	<u>(276,055)</u>	<u>(276,776)</u>
Investing activities			
Intangible assets additions		(83,121)	(60,205)
Net cash outflow from investing activities		<u>(83,121)</u>	<u>(60,205)</u>
Financing activities			
Issue of equity share capital	24	-	-
Loans		426,625	466,999
Loan interest & charges		(62,810)	(135,256)
Net cash inflow from financing activities		<u>363,815</u>	<u>331,743</u>
Net cash increase / (decrease) in cash and cash equivalents		4,639	(5,238)
Cash and cash equivalents at beginning of year		<u>18,733</u>	<u>23,971</u>
Cash and cash equivalents at end of year	16	<u>23,372</u>	<u>18,733</u>

COMPANY CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Year Ended 31 December 2010 £	Year Ended 31 December 2009 £
Net cash outflow from operating activities	24	<u>(266,090)</u>	<u>(264,654)</u>
Investing activities			
Loan investments		<u>(92,964)</u>	<u>(71,422)</u>
Net cash outflow from investing activities		<u>(92,964)</u>	<u>(71,422)</u>
Financing activities			
Issue of equity share capital	24	-	-
Loans		426,625	466,999
Loan interest & charges		<u>(62,810)</u>	<u>(135,256)</u>
Net cash inflow from financing activities		<u>363,815</u>	<u>331,743</u>
Net cash increase / (decrease) in cash and cash equivalents		4,761	(4,333)
Cash and cash equivalents at beginning of year		<u>17,057</u>	<u>21,390</u>
Cash and cash equivalents at end of year	16	<u>21,818</u>	<u>17,057</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1. General information

UMC Energy Plc is a company incorporated in England and Wales under the Companies Act 1985. The Company's registered office is 11 Albemarle Street, London, W1S 4HH. The registration number of the Company is 05331770.

The principal activity of the Group is the investment in, and exploration and development of uranium mining projects, specifically in a uranium exploration project in Madagascar.

The Group's principal activity is carried out in US dollars. The financial statements are presented in pounds sterling as this is the currency of the country (the UK) where the Company is incorporated and its ordinary shares admitted for trading.

The Board of directors has authorised the issue of these financial statements on the date of the statement as set out on page 12.

2. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements have been prepared on the historical cost basis except that certain financial instruments are accounted for at fair values. The principal accounting policies adopted are set out below.

Standards applied

During the year the Group has adopted the following relevant standards:

	Effective date
IFRS 2 (amended) Share-based payment	1 January 2010
IFRS 3 (revised) Business combinations	1 July 2009
IFRS 8 (amended) Operating segments	1 January 2010
IAS 1 (amended) Presentation of financial statements	1 January 2010
IAS 7 (amended) Statement of cash flows	1 January 2010
IAS 17 (amended) Leases	1 January 2010
IAS 36 (amended) Impairment of assets	1 January 2010
IAS 38 (amended) Intangible assets	1 July 2009
IAS 39 (amended) Financial instruments- recognition and measurement	1 January 2010

The adoption of these standards did not have a material impact on the Group and Company's financial position or performance.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

2. Accounting policies *(continued)*

Standards applied *(continued)*

New standards not applied

The IASB has issued the following relevant standards which are not effective and have not been early adopted for these financial statements:

	Effective date
IFRS 3 (amended) Business combinations	1 July 2010
IFRS 7 (amended) Disclosures	1 January 2011
IFRS 9 Financial Instruments	1 January 2013
IAS 1 (amended) Presentation of financial statements	1 January 2011
IAS 12 (amended) Income taxes	1 January 2012
IAS 24 (revised) Related party disclosure	1 January 2011
IAS 27 (amended) Consolidated and separate financial statements	1 July 2010
IAS 32 (amended) Financial instruments	1 February 2010
IAS 34 (amended) Interim financial reporting	1 January 2011

The directors do not anticipate that adoption of these standards will have a material impact on the Group and Company's financial position.

Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Directors believe that it is appropriate to prepare the financial report on a going concern basis as they are confident that the Company will be able to raise additional funds through further debt or equity raisings when required. The Directors are of the opinion that the proposed debt or equity raising measures and the existing cash resources will provide sufficient funds to enable the Company to continue its operations for at least the next twelve months.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

2. Accounting policies *(continued)*

Basis of consolidation *(continued)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiary's identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to minority interest in a subsidiary exceed the minority interests in the equity of that subsidiary, in which case, the losses are absorbed by the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other operating income represents the amounts receivable for the provision of consultancy, management and office services provided in the normal course of business, net of VAT.

Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial informational is available.

Segment results that are reported to the Board of Directors include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

Long term provision

A provision is recognised for future withholding tax payable on any remittances made from Madagascar on the loan investments made to the subsidiary Uramad SA.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

2. Accounting policies *(continued)*

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the individual transactions. For practical reasons, a rate that approximates to the actual rate at the date of the transaction is often used. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities that are denominated in foreign currencies are retranslated at historical rates. Gains and losses arising on retranslation are included in the income statement for the period. On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement, because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the original recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

No recognition has been made of the deferred tax asset arising in respect of current losses as the directors are of the opinion that this may not be realisable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

2. Accounting policies *(continued)*

Non-current intangible assets

Non-current intangible assets have a finite life and are shown at cost less any provisions made in respect of impairment.

Costs relating to the acquisition, exploration and development of mining projects are capitalised under intangible assets. When it is determined that such costs will be recouped through successful development and exploitation or alternatively by sale of such interests acquired, the expenditure will be transferred to tangible assets and depreciated over the expected productive life of the asset. Whenever a project is considered no longer viable, the associated exploration expenditure is written off to the income statement.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated, in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value, if higher. If an asset is impaired, a provision is made to reduce the carrying amount to its estimated recoverable amount. An impairment loss is recognised as an expense immediately.

Non-current asset investments

Loan investments are shown at cost less provision for any permanent diminution in value. Loan investments are recognised as an asset when sums are advanced.

Property, plant and equipment

Equipment and furniture are shown at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight line method on the following basis:

Equipment 25% - 100%

Furniture 25% - 100%

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

2. Accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash held at bank and on short term deposits.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Borrowing costs

Borrowing costs on loans payable are recognised in the income statement in the period in which they are incurred.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received except where those proceeds appear to be less than the fair value of the equity instruments issued, in which case the equity instruments are recorded at fair value. The difference between the proceeds received and the fair value is reflected in the share based payments reserve.

The costs of issuing new equity are charged against the share premium account.

Share based payments

The Group has applied the requirements of IFRS 2 Share-based Payments.

The Group issues equity-settled based payments to Directors and certain professional advisors of the Group. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

2. Accounting policies *(continued)*

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the Company's accounting policies above, management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a significant impact to the financial statements. The most critical of these accounting judgement and estimation areas are as follows:

Exploration and evaluation expenditure has been incurred in respect of the Morondava uranium exploration project which has yet to reach a stage of development where a determination of the technical feasibility and commercial viability of the project can be assessed on a comprehensive basis. In these circumstances, the directors have used their experience to determine whether there is any indication that the asset has been impaired and have concluded that an impairment adjustment is required in the Group accounts of £2,417,034 (31 December 2009: £nil) in relation to intangible assets and of £229,640 (31 December 2009: £nil) in relation to taxation receivable; and in the Company accounts of £760,920 (31 December 2009: £nil) in relation to the investment in group undertakings and £1,299,772 (31 December 2009: £nil) in relation to loan investments.

3. Segmental analysis

The Group has one reportable segment which is that of the investment directly and indirectly in, and operation of, resource exploration and development projects. The Group's operational activities are wholly focused in Madagascar. The Company's registered office is in London, UK. The Board of Directors reviews internal management reports at least monthly.

The Group has not yet commenced commercial mining production and has no turnover in the year.

Information regarding the results of the reportable segments is shown below. Performance is measured based on the segment profit before income tax as included in the internal management reports that are reviewed by the Board of Directors. There is no inter-segment pricing.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

3. Segmental analysis *(continued)*

Reportable segment

	Year Ended 31 December 2010	Year Ended 31 December 2009
	£	£
External revenue	-	-
Financial income	-	-
Financial expenses	(258,618)	142,398
Depreciation and amortisation	7,406	11,238
Reportable segment loss	2,778,629	686,097
Segmental assets	1,980,334	4,878,358
Segmental liabilities	1,029,609	864,148
Additions to non-current assets	<u>83,121</u>	<u>60,205</u>

Geographical segments

In presenting information on the basis of geographical segments, segment assets are based on the geographical location of the assets.

	Year Ended 31 December 2010	Year Ended 31 December 2009
	£	£
Non-current assets		
Madagascar	<u>1,927,143</u>	<u>4,822,980</u>

The Group did not generate any revenue during the financial year ended 31 December 2010 (31 December 2009: £nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

4. Net loss from operations

Net loss from operations is stated after charging:

	Year ended 31 December 2010	Year ended 31 December 2009
	£	£
Auditors remuneration:		
as auditors	25,930	23,726
as reporting accountants	9,570	10,974
tax compliance	500	500
Audit fee – other auditors	5,830	7,930
Foreign exchange losses	115,538	245,447
Depreciation	<u>7,406</u>	<u>11,238</u>

5. Finance costs

	Year ended 31 December 2010	Year ended 31 December 2009
	£	£
Withholding tax	9,297	7,142
Reversal of withholding tax	(330,729)	-
Loan charges and interest	62,814	135,256
	<u>(258,618)</u>	<u>142,398</u>

6. Particulars of employees and directors

The Group has no employees during the year or previous year.

The Group had 3 (31 December 2009: 3) directors during the year with aggregate emoluments in respect of qualifying services as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
	£	£
Amounts paid to third parties for the provision of services	<u>97,598</u>	<u>93,514</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

7. Income tax expense

Group	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Current tax:		
UK Corporation tax	-	-
Foreign tax	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Due to the tax allowable losses arising there is no charge to corporation tax.		
Total tax reconciliation		
Loss for the year before taxation	<u>(2,778,629)</u>	<u>(686,097)</u>
Loss for the year multiplied by standard rate of UK corporation tax 28% (31 December 2009: 28%)	(778,016)	(192,107)
Effects of:		
Income / expenses not taxable / deductible for tax purposes	598,790	(70,560)
Overseas losses	88,599	48,356
Increase in potential UK tax credits	<u>90,627</u>	<u>214,311</u>
Tax charge	<u>-</u>	<u>-</u>
Potential UK tax credits available multiplied by standard UK corporation tax 28% (31 December 2009: 28%)	<u>807,466</u>	<u>716,839</u>

No recognition has been made of the deferred tax asset in respect of the losses shown above as the directors are of the opinion that this may not be realisable in the foreseeable future.

8. Loss per share

Loss per share has been calculated by dividing the loss for the year after taxation attributable to the equity holders of the parent company of £2,187,224 (31 December 2009: £651,557) by the weighted average number of shares in issue at the year end of 244,444,763 (31 December 2009: 75,290,217).

Diluted loss per share has been calculated using the weighted average number of shares in issue at the year end, diluted for the effect of share options and warrants in existence at the year end of 245,136,237 (31 December 2009: 77,006,691).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

9. Intangible assets -Group

	31 December 2010	31 December 2009
	£	£
Development expenditure		
Cost		
Balance brought forward	1,578,889	1,551,844
Additions	<u>17,457</u>	<u>27,045</u>
Balance carried forward	<u>1,596,346</u>	<u>1,578,889</u>
 Exploration licences		
Balance brought forward (at fair value)	4,046,362	4,013,202
Additions at cost	<u>65,664</u>	<u>33,160</u>
Balance carried forward	<u>4,112,026</u>	<u>4,046,362</u>
 Impairment		
Balance brought forward	1,366,338	1,366,338
Charge in year	<u>2,417,034</u>	<u>-</u>
Balance carried forward	<u>3,783,372</u>	<u>1,366,338</u>
 Exchange movements		
Balance brought forward	303,700	725,618
Movement in year	<u>(303,700)</u>	<u>(421,918)</u>
Balance carried forward	<u>-</u>	<u>303,700</u>
 Total	 <u>1,925,000</u>	 <u>4,562,613</u>

The development expenditure relates to development of the uranium exploration project in the Morondava basin of Madagascar.

The licences relate to uranium exploration licences in the Morondava basin of Madagascar.

Following an impairment review, an impairment adjustment of £2,417,034 was recognised in the year in relation to the Morondava uranium project.

The project has yet to reach a stage of development where a determination of the technical feasibility or commercial viability can be assessed. In addition, as Madagascar is presently experiencing a period of political upheaval and uncertainty, the Company has resolved to take a cautious approach to exploration and accordingly has not conducted exploration activities during the current financial year. In these circumstances, whether there is any indication that the asset has been impaired is a matter of judgement, as is the determination of the quantum of any required impairment adjustment. The Directors have used their experience to conclude that an impairment adjustment of £2,417,034 is required in the current year (31 December 2009: £nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

10. Property, plant and equipment

Equipment and furniture	Group	Company	Group	Company
	31 December	31 December	31 December	31 December
	2010	2010	2009	2009
	£	£	£	£
Cost				
Balance brought forward	40,514	1,903	53,590	1,903
Disposals	-	-	(5,903)	-
Exchange movement	(3,058)	-	(7,173)	-
Balance carried forward	<u>37,456</u>	<u>1,903</u>	<u>40,514</u>	<u>1,903</u>
Depreciation				
Balance brought forward	30,142	1,903	23,233	317
Charge for the year	7,406	-	11,238	1,586
Disposals	-	-	(1,148)	-
Exchange movement	(2,235)	-	(3,181)	-
Balance carried forward	<u>35,313</u>	<u>1,903</u>	<u>30,142</u>	<u>1,903</u>
Net book value	<u>2,143</u>	<u>-</u>	<u>10,372</u>	<u>-</u>

11. Investment in group undertakings

Company		
Subsidiary undertakings	31 December 2010	31 December 2009
	£	£
Cost		
Balance brought forward	<u>2,651,818</u>	<u>2,651,818</u>
Balance carried forward	<u>2,651,818</u>	<u>2,651,818</u>
Impairment		
Balance brought forward	-	-
Charge for the year	<u>760,920</u>	-
Balance carried forward	<u>760,920</u>	-
Net book value	<u>1,890,898</u>	<u>2,651,818</u>

Following the impairment write down of the intangible assets (see note 9) the investment in group undertakings has been impaired by £760,920.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

11. Investment in group undertakings (continued)

Company

Subsidiary Undertaking	Country of incorporation	Holding	Proportion of voting shares held	Nature of Business
Uramad SA	Madagascar	Ordinary shares	80%	Uranium exploration and mining

Uramad UK Limited was dissolved during the current year. This company was previously the intermediate holding company of 80% of the issued share capital of Uramad SA, a Malagasy company which holds uranium exploration licences in Madagascar. This holding is now held directly by the Company.

12. Loan investment-Company

	31 December 2010	31 December 2009
	£	£
Cost		
Balance brought forward	2,775,070	2,837,716
Amounts advanced	92,964	71,422
Exchange movement	(201,924)	(134,068)
Balance carried forward	<u>2,666,110</u>	<u>2,775,070</u>
Impairment		
Balance brought forward	1,366,338	1,366,338
Charge in year	<u>1,299,772</u>	-
Balance carried forward	<u>2,666,110</u>	<u>1,366,338</u>
Withholding tax provision		
Balance brought forward	311,735	335,206
Charge	9,297	7,142
Reversal of charges	(330,729)	
Exchange movement	<u>9,697</u>	<u>(30,613)</u>
Balance carried forward	<u>-</u>	<u>311,735</u>
Net book value	<u>-</u>	<u>1,096,997</u>

The loan investment relates to amounts advanced to Uramad SA, an 80% subsidiary of the Company. The loan is interest free, unsecured and has no fixed terms of repayment. The Directors have considered whether an adjustment is required to reflect the fair value of this receivable by discounting likely future cash flows. As the repayments are linked to successful commercial exploitation of the licences held (see note 9) the directors are of the opinion that it would be impractical to predict when these events might occur. The receivable is therefore shown at historical cost.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

12. Loan investment-Company (continued)

The provision relates to a 10% withholding tax which is chargeable on remittances made abroad from Madagascar. The provision relates to the withholding tax that will be payable on repayment by Uramad SA of the loan amount advanced to it by the Company.

Following the impairment write down of the intangible assets (see note 9) the loan investment to Uramad SA has been impaired in full.

13. Taxation receivable – non-current

Group	31 December 2010	31 December 2009
	£	£
Value added tax – Madagascar	229,640	249,995
Impairment	<u>(229,640)</u>	-
Net book value	<u>-</u>	<u>249,995</u>

The value added tax is recoverable upon commencement of production of the mining project in Madagascar.

Following the impairment write down of the intangible assets (see note 9) the receivable has been impaired in full.

14. Taxation receivable – current

	Group	Company	Group	Company
	31 December	31 December	31 December	31 December
	2010	2010	2009	2009
	£	£	£	£
Value added tax – UK	<u>610</u>	<u>610</u>	<u>5,865</u>	<u>5,865</u>

15. Trade and other receivables – current

	Group	Company	Group	Company
	31 December	31 December	31 December	31 December
	2010	2010	2009	2009
	£	£	£	£
Other receivables	2,932	-	2,711	-
Prepayments and accrued income	<u>26,277</u>	<u>26,277</u>	<u>28,069</u>	<u>28,069</u>
	<u>29,209</u>	<u>26,277</u>	<u>30,780</u>	<u>28,069</u>

16. Cash and cash equivalents

	Group	Company	Group	Company
	31 December	31 December	31 December	31 December
	2010	2010	2009	2009
	£	£	£	£
Cash at bank and in hand	<u>23,372</u>	<u>21,818</u>	<u>18,733</u>	<u>17,057</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

17. Loans

Company and Group	31 December 2010	31 December 2009
	£	£
Balance brought forward	402,620	1,035,626
Amounts advanced	374,800	331,743
Loan interest and charges	51,825	135,256
Capitalisation of loan	-	(1,345,920)
Exchange movement	116,094	245,915
	<u>945,339</u>	<u>402,620</u>

In February 2008 the Company secured an A\$0.5 million (£224,000 as translated at 1 February 2008) loan facility from Natasa Mining Ltd (Natasa). The loan bears interest at 15% per annum on funds drawn, is unsecured and was repayable in August 2008 or immediately upon UMC Energy Plc raising further debt or equity funding. The facility bears a facility fee of A\$15,000 (£6,729). The loan was not repaid in August 2008 and with the forbearance of Natasa is repayable under the same terms as the March 2008 loan.

In March 2008 the Company secured a further loan facility from Natasa for an unspecified amount to be used in meeting the Company's working capital requirements, including funds to be expended on the Morondava uranium project. The loan bears interest at 15% per annum on funds drawn, is secured by a negative pledge over the Company's equity interest in Uramad SA and is repayable within 60 days following a demand by Natasa. The facility bears a draw down fee of 3% of funds drawn.

In October 2009, the Company repaid A\$2,400,000 (£1,345,920) of the loan amount through the issue of 213,638,095 ordinary £0.005 shares at a premium of £0.0013 per share to Natasa.

18. Trade and other payables

	Group 31 December 2010	Company 31 December 2010	Group 31 December 2009	Company 31 December 2009
	£	£	£	£
Trade payables	4,600	2,365	24,313	22,779
Other payables	38,496	-	86,789	-
Accruals	41,174	41,174	38,691	38,691
	<u>84,270</u>	<u>43,539</u>	<u>149,793</u>	<u>61,470</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

19. Called up share capital
Company and Group
Authorised

	31 December 2010 Number	31 December 2010 £	31 December 2009 Number	31 December 2009 £
Ordinary shares of £0.005 (2009: £0.005) each	<u>1,722,739,998</u>	<u>8,613,670</u>	<u>1,722,739,998</u>	<u>8,613,670</u>
Allotted and fully paid	<u>244,444,763</u>	<u>1,222,223</u>	<u>244,444,763</u>	<u>1,222,223</u>

In October 2009, the Company issued 213,638,095 ordinary £0.005 shares at a premium of £0.0013 per share in respect of the capitalisation of A\$2,400,000 (£1,345,920) of the loan amount from Natasa Mining Ltd.

The Company has one class of ordinary shares which carry no right to fixed income.

Share options over ordinary shares in existence at 31 December 2009 are as follows:

Number	Exercise price	Expiry date
30,000	30p per share	31 August 2011*
200,000	50p per share	31 August 2011*
153,408	30p per share	22 December 2011
308,066	3.88p per share	31 October 2013

* Or 90 days after the option holder ceases to be engaged by the Company if earlier.

20. Share premium account
Company and Group

	31 December 2010 £	31 December 2009 £
Balance brought forward	4,756,183	4,478,453
Premium arising on issue of equity shares	-	277,730
Balance carried forward	<u>4,756,183</u>	<u>4,756,183</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

**21. Share based payment reserve
Company and Group**

	31 December 2010	31 December 2009
	£	£
Balance brought forward	385,270	385,270
Transfer to accumulated loss	<u>(281,242)</u>	<u>-</u>
Balance carried forward	<u>104,028</u>	<u>385,270</u>

The share based payment reserve relates to share options granted to directors, staff and certain professional advisors.

The share options vested on grant and are capable of being exercised at any time between the date of grant and the expiry date, subject to that, unless exercised, these share options expire 90 days following the grantee ceasing to be an executive / consultant of the Company.

Movement on share options was as follows:

	31 December 2010	31 December 2009
	No of options	No of options
Options at beginning of year	1,716,474	1,716,474
Options lapsed	(1,025,000)	-
Options at end of year	<u>691,474</u>	<u>1,716,474</u>
Options exercisable at year	<u>691,474</u>	<u>1,716,474</u>

Weighted average exercise prices were as follows:

	31 December 2010	31 December 2009
Options at beginning of year	28p	28p
Options lapsed	30p	-
Options at end of year	24p	28p
Options exercisable at year end	<u>24p</u>	<u>28p</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

21. Share based payment reserve *(continued)*

	31 December 2010	31 December 2009
Weighted average remaining contracted life of options outstanding at the year end	<u>1.7 years</u>	<u>1.5 years</u>
	31 December 2010	31 December 2009
Exercise prices of options outstanding at the year end		
Exercise price per share	No of options	No of options
3.88p	308,066	308,066
30p	183,408	1,208,408
50p	200,000	200,000
	<u>691,474</u>	<u>1,716,474</u>

The option pricing model used in calculating the fair value of options granted was the Black Scholes model.

22. Translation reserve

Group	31 December 2010	31 December 2009
	£	£
Balance brought forward	446,095	873,963
Translation difference arising on consolidation	<u>(290,964)</u>	<u>(427,868)</u>
Balance carried forward	<u>155,131</u>	<u>446,095</u>

23. Minority interest

The minority interest is in relation to a 20% share in Uramad SA.

	31 December 2010	31 December 2009
	£	£
Share of net assets in Uramad SA	<u>-</u>	<u>585,297</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

24. Cash flows from operating activities

Group	31 December 2010	31 December 2009
	£	£
Net loss from operations	(3,037,247)	(543,699)
Adjustments for:		
Impairments	2,646,674	-
Translation and currency movements	145,454	220,207
Depreciation	7,406	11,238
Loss on disposal of fixed assets	-	4,755
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(237,713)	(307,499)
Decrease in trade and other receivables	27,181	39,283
Decrease in trade and other payables	<u>(65,523)</u>	<u>(8,560)</u>
Net cash outflow from operating activities	<u>(276,055)</u>	<u>(276,776)</u>

Company	31 December 2010	31 December 2009
	£	£
Net loss from operations	(2,643,608)	(627,698)
Adjustments for:		
Impairment	2,060,692	-
Translation and currency movements	327,711	349,370
Depreciation	-	1,586
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(255,205)	(276,742)
Decrease in trade and other receivables	7,049	1,035
(Decrease) / increase in trade and other payables	<u>(17,934)</u>	<u>11,053</u>
Net cash outflow from operating activities	<u>(266,090)</u>	<u>(264,654)</u>

Non cash transaction

On 16 October 2009, the Company and Natasa Mining Ltd agreed to capitalise A\$2.4 million (£1,345,920) of the loan amount drawn. This was done by allotting 213,638,095 new £0.005 ordinary shares at a price of £0.063 per share to Natasa Mining Ltd.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

25. Controlling party

The Company is a subsidiary of Natasa Mining Ltd, a Cayman Islands company which owns 83.5% of the Company. There is no ultimate controlling party of Natasa Mining Ltd which is the ultimate parent company of the Company.

26. Related party transactions

C Kyriakou and J Reynolds are directors of Natasa Mining Ltd (Natasa) which became the parent company of UMC Energy Plc on 16 October 2009.

In February 2008 the Company secured an A\$0.5 million (£224,000 as translated at 1 February 2008) loan facility from Natasa. The loan bears interest at 15% per annum on funds drawn, is unsecured and was repayable in August 2008 or immediately upon UMC Energy Plc raising further debt or equity funding. The facility bears a facility fee of A\$15,000 (£6,729). The loan was not repaid in August 2008 and with the forbearance of Natasa is repayable under the same terms as the March 2008 loan.

In March 2008 the Company secured a further loan facility from Natasa for an unspecified amount to be used in meeting the Company's working capital requirements, including funds to be expended on the Morondava uranium project. The loan bears interest at 15% per annum on funds drawn, is secured by a negative pledge over the Company's equity interest in Uramad SA and is repayable within 60 days following a demand by Natasa. The facility bears a draw down fee of 3% of funds drawn.

On 16 October 2009, the Company and Natasa agreed to capitalise A\$2,400,000 (£1,345,920) of the amount drawn under these facilities. This was done by allotting 213,638,095 new ordinary £0.005 shares at a price of £0.063 per share. On that date the Company became a subsidiary of Natasa.

As at 31 December 2010, the Company had, net of the capitalised amount, borrowed A\$1,439,311 (£945,339) (2009: A\$718,195 (£402,620)) under these facilities. This amount includes interest and charges of A\$625,120 (£302,966) (2009: A\$520,262 (£240,157)).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

26. Related party transactions *(continued)*

At present, the Company is entirely dependent on funding from Natasa for its continuing operation.

Capma Pty Limited, a company in which C Kyriakou has an interest, paid expenses on behalf of the Company amounting to £630 (31 December 2009: £1,792).

The Company was charged £36,000 (31 December 2009: £36,000) by Resource Capital Partners Inc for the provision of the consultancy services of C Kyriakou.

The Company was charged £49,598 (31 December 2009: £43,722) by J Reynolds for the provision of accounting and administration services of which £nil (31 December 2009: £3,929) is outstanding at the year end.

The Company was charged £12,000 (31 December 2009: £12,000) by Shakesby Investments Pty Limited for the provision of the services of R Shakesby as director.

The parent company of the group is UMC Energy Plc and details of its subsidiaries are set out in note 11.

During the year the Company made additional advances to its subsidiary Uramad SA of £92,964 (31 December 2009: £71,422) and at the year end Uramad SA owed the Company £2,666,110 (31 December 2009: £2,775,070). The amount owing to the Company has been fully impaired against as at 31 December 2010 (see note 12).

The Company provided support services and staff to Uramad SA for £7,753 (31 December 2009: £7,680).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

27. Post balance sheet events

Since 1 January 2011, the Company has advanced a further US\$198,667 (£124,181) to Uramad SA, for use on uranium exploration project development activities.

Since 1 January 2011, the Company has borrowed a further A\$306,619 (£194,585) from Natasa Mining Ltd, for working capital.

In April 2011, the Company entered a twelve month option to acquire the entire issued share capital of a Papua New Guinea (PNG) incorporated company which, if exercised, would result in the issue of 240 million new ordinary shares in the Company. The PNG company presently has a number of Petroleum Prospecting Licences in PNG and is in the process of applying for additional licences in that country. No consideration was paid by the Company for the option.

28. Financial instruments

The Company and Group's financial instruments comprise cash and cash equivalents, loans payable, loan investments and financial assets and various items such as trade receivables, trade payables, accruals and prepayments that arise directly from its operations.

The main purpose of these financial instruments is to finance the Group's operations.

The Board regularly reviews and agrees policies for managing the level of risk arising from the Group's financial instruments. These are summarised below:

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company and Group, and arises principally from the consolidated entity's taxation receivables from government agencies which, except for impairment adjustments recognised, is considered by the directors to be recoverable in full. For the Company it arises mainly from receivables due from its subsidiary Uramad SA which, except for impairment adjustments recognised, is considered by the directors to be recoverable in full.

The carrying amounts of the financial assets recognised in the balance sheet best represents the Company and Group's maximum exposure to credit risk at the reporting date. In respect of these financial assets and the credit risk embodied within them, the Company and Group holds no collateral as security and there are no other significant credit enhancements in respect of these assets. The credit quality of all financial assets that are neither past due nor impaired is appropriate and is consistently monitored in order to identify any potential adverse changes in credit quality. There are no financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

28. Financial instruments *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's policy throughout the year has been to ensure that it has adequate liquidity to meet its liabilities when due by careful management of its working capital.

The following are the contractual maturities of financial liabilities:

Group	Carrying	Cash	3 months	Greater than
31 December 2010	amount	flows	or less	one year
	£	£	£	£
Trade and other payables	84,270	84,270	84,270	-
Loans payable	<u>945,339</u>	<u>945,339</u>	<u>945,339</u>	-
	<u>1,029,609</u>	<u>1,029,609</u>	<u>1,029,609</u>	<u>-</u>

Group	Carrying	Cash	3 months	Greater than
31 December 2009	amount	flows	or less	one year
	£	£	£	£
Trade and other payables	149,793	149,793	149,793	-
Loans payable	402,620	402,620	402,620	-
Withholding tax provision	<u>311,735</u>	<u>311,735</u>	-	<u>311,735</u>
	<u>864,148</u>	<u>864,148</u>	<u>552,413</u>	<u>311,735</u>

Company	Carrying	Cash	3 months	Greater than
31 December 2010	amount	flows	or less	one year
	£	£	£	£
Trade and other payables	43,539	43,539	43,539	-
Loans payable	<u>945,339</u>	<u>945,339</u>	<u>945,339</u>	-
	<u>988,878</u>	<u>988,878</u>	<u>988,878</u>	<u>-</u>

Company	Carrying	Cash	3 months	Greater than
31 December 2009	amount	flows	or less	one year
	£	£	£	£
Trade and other payables	61,470	61,470	61,470	-
Loans payable	<u>402,620</u>	<u>402,620</u>	<u>402,620</u>	-
	<u>464,090</u>	<u>464,090</u>	<u>464,090</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

28. Financial instruments *(continued)*

Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices will affect the Company's and Group's income or value of its holdings in financial instruments.

Commodity price risk

The principal activity of the Company and the Group is the development of a uranium mining property in Madagascar and the principal market risk facing the Group is an adverse movement in the commodity price of uranium.

Any long term adverse movement in this price would affect the commercial viability of the project and hence the value of the loan investments in the Company and of the Group as a whole.

Foreign currency risk – The Group undertakes transactions principally in Sterling, Australian Dollars and US Dollars. While the Group continually monitors its exposure to movements in currency rates, it does not utilise hedging instruments to protect against currency risks. The main currency exposure risk to the Company in relation to its financial assets is to its US Dollar loan investments made to its subsidiary and which are repayable in US Dollars. The main currency exposure risk to the Group in relation to its financial liabilities is to its Australian Dollar loan payables which are repayable in Australian Dollars.

Sensitivity analysis for foreign exchange risk to Group

The following analysis illustrates the effect that specific changes could have had on the Group's income and equity for Australian Dollar to Sterling exchange movements. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation. Actual results in the future may differ materially from these results due to developments in the global financial markets which may cause fluctuations in interest and exchange rates to vary from the hypothetical amounts disclosed in the following table, which therefore should not be considered a projection of likely future events and losses.

	Group 10% weakening of GBP		Group 10% strengthening of GBP	
	<u>Impact on Equity</u> £	<u>Impact on Income /Reserves</u> £	<u>Impact on Equity</u> £	<u>Impact on Income /Reserves</u> £
At 31.12.2010				
Australian Dollar	<u>(94,534)</u>	<u>(94,534)</u>	<u>94,534</u>	<u>94,534</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

28. Financial instruments *(continued)*

Interest rate risk – The Group utilises cash deposits at variable rates of interest for a variety of short term periods, depending on cash requirements. The rates are reviewed regularly and the best rate obtained in the context of the Group’s needs.

Extent and nature of financial instruments

The financial assets and liabilities held by the Company and Group at the year end are shown below. The directors consider that the carrying amounts approximates to their fair value.

Group	31 December 2010	31 December 2010	31 December 2009	31 December 2009
	£	£	£	£
Assets	Carrying amount	Net fair value	Carrying amount	Net fair value
Taxation receivable	610	610	255,860	255,860
Trade and other receivables	29,209	29,209	30,780	30,780
Cash at bank and in hand	<u>23,372</u>	<u>23,372</u>	<u>18,733</u>	<u>18,733</u>
Total	<u>53,191</u>	<u>53,191</u>	<u>305,373</u>	<u>305,373</u>
	31 December 2010	31 December 2010	31 December 2009	31 December 2009
	£	£	£	£
Liabilities	Carrying amount	Net fair value	Carrying amount	Net fair Value
Trade and other payables	84,270	84,270	149,793	149,793
Loans payable	945,339	945,339	402,620	402,620
Withholding tax provision	-	-	<u>311,735</u>	<u>311,735</u>
	<u>1,029,609</u>	<u>1,029,609</u>	<u>864,148</u>	<u>864,148</u>
	31 December 2010	31 December 2010	31 December 2009	31 December 2009
	£	£	£	£
Company	Carrying amount	Net fair value	Carrying amount	Net fair Value
Loan investments	-	-	1,096,997	1,096,997
Taxation receivable	610	610	5,865	5,865
Trade and other receivables	26,277	26,277	28,069	28,069
Cash at bank and in hand	<u>21,818</u>	<u>21,818</u>	<u>17,057</u>	<u>17,057</u>
Total	<u>48,705</u>	<u>48,705</u>	<u>1,147,988</u>	<u>1,147,988</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2010

28. Financial instruments *(continued)*

Extent and nature of financial instruments *(continued)*

	31 December 2010 £ Carrying amount	31 December 2010 £ Net fair value	31 December 2009 £ Carrying amount	31 December 2009 £ Net fair value
Trade and other payables	43,539	43,539	61,470	61,470
Loans payable	945,339	945,339	402,620	402,620
	<u>988,878</u>	<u>988,878</u>	<u>464,090</u>	<u>464,090</u>

Collateral

The loans payable of £945,339 are secured by a negative pledge over the Company's equity interest in Uramad SA and are repayable within 60 days following a demand by Natasa Mining Ltd (see note 17).

Capital Management

The Company's capital consists wholly of ordinary shares. There are no other categories of shares in issue and the Company does not use any other financial instruments as capital substitutes or quasi capital. The Company manages its issued capital by considering future capital requirements of the Group which are largely dictated by the exploration programme of its subsidiary, Uramad SA, operating in Madagascar and the head office overhead costs of the Company in London. The Company's board of directors as a whole manages the capital by considering the need to raise further capital to meet the above costs on a rolling 12 month basis so as to enable the accounts to be prepared on a going concern basis but without unnecessary dilution of existing shareholder interests. The Board always places a priority on maximising the return to existing shareholders before raising further capital.

There are no externally imposed capital requirements on the Company.

Details of the ordinary share capital are set out in note 19.