



UMC ENERGY PLC

UMC Energy Plc

Registered Number 05331770

Financial Statements

For the year ended 31 January 2007

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CORPORATE DIRECTORY

Directors Robert Cleary (Chairman)
Michael Smith (Chief Executive Officer)
Kenneth Bates (Non-Executive Director)
George Bujtor (Non-Executive Director)
Chrisilios Kyriakou (Non-Executive Director)
William McKnight (Non-Executive Director)
Glenn Whiddon (Non-Executive Director)

Secretary Jonathan Reynolds

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London
W1S 4HH

Nominated Adviser Nabarro Wells & Co Limited
Saddlers House
Gutter Lane
London
EC2V 6HS

Broker ODL Securities Limited
The Northern & Shell Building
10 Lower Thames Street
London
EC3R 6AD

Solicitors Beshoffs Solicitors
12 Walker Avenue
Stratford Office Village
Wolverton Mill
Milton Keynes
MK12 5TW

Auditors Sawin & Edwards
15 Southampton Place
London
WC1A 2AJ

Principal Bankers Coutts & Co
188 Fleet Street
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Registrars Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
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CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2007

The Company was originally established to earn a 75% interest in potentially economic uranium bearing blocks in the Labrador Trough in Canada. Following receipt of the results of airborne magnetic, radiometric and ground gravity programs and following analysis of those results by the Company's independent consulting geologist, the Directors resolved on 31 March 2006 not to pursue this option. During the year under review, the Company also examined a number of energy-related projects in Kazakhstan, none of which have come to fruition.

In September 2006, the Company entered into a conditional agreement to acquire from Cline Mining Corporation (Cline) of Canada all of the shares in Uramad UK Ltd and thereby an 80% interest in Uramad SA (Uramad) of Madagascar. All conditions relating to the acquisition were fulfilled by 22 December 2006 and the transaction closed on that date. As a result Uramad UK Ltd and Uramad became subsidiaries of the Company on that date; the Company allotted 12,272,667 fully paid ordinary shares to Cline being the consideration for the acquisition; and the Company acquired the loan amounts due from Uramad to Cline for consideration of US\$339,938.

Uramad is owned 80% by Uramad UK Ltd and 20% by OMNIS, the Malagasy state mining body. Uramad holds eight exploration permits issued by the government of Madagascar covering approximately 9,994 km². The permits, which have been granted for 10 years, expiring 2015 and 2016, are located in the Morondava Basin, which is infilled and layered with sediments, most notably the Karoo formation that hosts uranium mineralisation. The areas were previously identified and explored during the uranium cycles of 1956 to 1963 and 1979 to 1982 by the United Nations (PUND) and OMNIS respectively. Later, the French uranium company Cogema took on large permits and continued regional exploration that terminated in the late 1990s with the down turn in uranium prices and demand. Uramad owns the data base for the Morondava Basin that includes the results of earlier airborne geophysical/radiometric surveys, drill logs for 790 drill holes (approximately 83,000 metres of drilling) with indicated uranium values and visible uranium mineralization associated with targets picked from 7,000 radioactive anomalies, recorded and plotted.

The Company has entered into a shareholders agreement with OMNIS whereby OMNIS has obtained a 'free carry' of 20% in Uramad and the Company has agreed to finance the exploration phase up to US\$1 million.

In June 2007, the Company was able to report the receipt of the first assay results from its Folokara District exploration leases in the Morondava basin. These are preliminary values from the initial batch of 36 samples which were submitted, in mid-May 2007, to Activation Laboratories in Canada for analysis. Final values are awaited. The samples were prepared from the diamond drill cores obtained from two, of a total of six, initial vertical scout holes drilled just before the onset of the Madagascan rainy season, during which these leases are inaccessible. Samples were selected using radiometric scanning of core material. The holes were drilled as an exploratory measure to verify the presence of uranium mineralisation indicated in the historical exploration database which was acquired by the Company in late 2006 and as an indication of the type of ground conditions that could be expected for the 2007 drilling programme. Hole FOL06-1 intersected 4.26m @ 0.019% U₃O₈ below 13.70m, and 3.42m @ 0.036% U₃O₈ below 17.43m. Core recovery was over 88%. Hole FOL06-2, located 100m north of FOL06-1, intersected 7.60m @ 0.039% U₃O₈ below 23.70m, including 1.10m @ 0.251% U₃O₈ below 27.70m. The latter zone contained visible secondary uranium minerals in an oxidised sandstone, and core recovery was over 99%.

CHAIRMAN'S STATEMENT *(continued)*

The Company's 2007 exploration program entails an airborne survey of 19,000 line km for the detection of uranium, thorium and potassium radioactive anomalies on the Company's exploration permits located in the Makay District and a 3,000 m drilling program on the Company's exploration permits located in the Folakara District. Both the Makay District and the Folakara District are located in the Morondava Basin of Madagascar. Both these programs are underway at present and results will be released as they become available.

Uramad's accounting reference date is, as required by Malagasy law, 31 December. In order to bring the entire Group's reporting timetable into congruency, the Directors have resolved to change the Company's accounting reference date to 31 December with the result that the Company will be presenting its next interim financial statements for the period ended 30 June 2007 and its next annual financial statements for the period ended 31 December 2007.

RA Cleary
23 July 2007

REPORT OF THE DIRECTORS

for the year ended 31 January 2007

The directors present their report with the audited Group financial statements for the year ended 31 January 2007.

Principal activities and review of business

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

During the year the Company successfully acquired an 80% interest in Uramad SA, which company holds uranium exploration permits covering approximately 9,994 km². The permits, which have been granted for 10 years, expiring 2015 and 2016, are located in the Morondava Basin of Madagascar, which is infilled and layered with sediments, most notably the Karoo formation that hosts uranium mineralisation.

Further details are set out in the Chairman's Statement.

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 are as follows:

- The 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.
- Some or all of the exploration licences issued in respect of the projects 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.

Results and dividends

The loss for the year on ordinary activities before tax amounted to £934,161 (2006 revised loss: £1,088,786). The directors do not recommend the payment of a dividend.

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 January 2007

Share capital

Details of the share capital are given in note 20 to the financial statements.

Events since the balance sheet date

In February 2007, the Company granted options over 1.5 million shares to a director of the Company. 500,000 of the options are exercisable at 30p each; 500,000 at 60p each and 500,000 at 90p each. The options expire on 28 February 2010. In June 2007, the Company granted options over 50,000 shares to a consultant of the Company. The options have an exercise price of 90p each and expire on 31 December 2010.

In March 2007, the Company raised £37,500 and allotted 125,000 new ordinary shares following the exercise of options with an exercise price of 30p each.

Risk management

See note 30 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:

			5p Ordinary shares	
	Appointed	Resigned	At 31 January 2007	At date of appointment/ 1 February 2006
R Cleary			-	-
G Bujtor			-	-
C Kyriakou*			3,800,000	2,900,000
M Roberts		10 October 2006	100,000	100,000
J Schoonbrood		23 August 2006	-	-
M Smith	30 October 2006		-	-
K Bates	22 December 2006		-	-
W McKnight	22 December 2006		-	-

* C Kyriakou is a director of Investika Ltd (a substantial shareholder). C Kyriakou's family trust holds shares and executive share options in Investika Ltd. The shares owned by Investika Ltd in the Company's share capital have been included in C Kyriakou's interests.

During the year the following options were granted to the directors:

	Date Granted	Number	Exercise Price	Expiry Date
M Smith	1 November 2006	300,000	50p	31 August 2011*
R Cleary	1 November 2006	200,000	30p	31 August 2011*
W McKnight	14 December 2006	200,000	30p	30 October 2011*
K Bates	14 December 2006	300,000	30p	30 October 2011*

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 January 2007

Options held by directors at 31 January 2007 are as follows:

	Number	Exercise Price	Expiry Date
R Cleary	300,000	30p	2 August 2010*
R Cleary	200,000	50p	31 August 2011*
G Bujtor	300,000	30p	2 August 2010*
C Kyriakou	300,000	30p	2 August 2010*
K Bates	300,000	30p	31 August 2011*
W McKnight	200,000	30p	31 August 2011*
M Smith	300,000	30p	31 August 2011*

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

Warrants held by directors at 31 January 2007 are as follows:

	Number	Exercise Price	Expiry Date
C Kyriakou* (Investika Ltd)	600,000	30p	2 February 2007

Substantial shareholdings

On 31 January 2007 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	40.00%
Investika Limited	3,600,000	11.73%
Fitel Nominees Limited	3,585,500	11.68%
Pershing Keen Nominees Limited	3,569,348	11.63%
HSBC Global Custody Nominee (UK) Limited	1,020,000	3.32%
Securities Services Nominees	1,600,000	5.21%
W B Nominees Limited	1,066,800	3.28%
BBHISL Nominees Limited	1,000,000	3.25%
Credit Suisse First Client Nominees Limited	1,000,000	3.25%

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 period and these are summarised below.

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 January 2007

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 meets frequently and 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 directors. 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.

Remuneration Committee

The Company has established a remuneration committee comprised of the non-executive directors. 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.

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 January 2007

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 70 days (2006: 40 days).

Political and charitable donations

No political or charitable donations were made during the period.

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 Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

By order of the Board.

J Reynolds
Company Secretary
23 July 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 January 2007

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently
- b) make judgements and 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 financial statements
- d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and 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 234ZA of the Companies Act 1985) 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

for the year ended 31 January 2007

We have audited the Group and parent Company financial statements of UMC Energy Plc for the year ended 31 January 2007 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes numbered 1 to 33. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all of the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

UMC ENERGY PLC *(continued)*

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group and the Company's affairs as at 31 January 2007 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

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 £934,161 during the year ended 31 January 2007. As explained in note 2 the Company will require to raise additional capital in the next 12 months in order to meet its projected exploration 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.

Sawin & Edwards
Chartered Accountants
& Registered Auditors

15 Southampton Place
London
WC1A 2AJ

23 July 2007

CONSOLIDATED INCOME STATEMENT

for the year ended 31 January 2007

	Notes	Year Ended 31 January 2007 £	Period 13 January 2005 to 31 January 2006 £
Administrative expenses		(913,425)	(954,649)
Exceptional costs	4	(75,019)	(191,880)
Other operating income		<u>9,392</u>	<u>-</u>
Loss from operations	5	(979,052)	(1,146,529)
Investment income	6	95,584	57,743
Finance costs	7	<u>(50,693)</u>	<u>-</u>
Loss before taxation		(934,161)	(1,088,786)
Income tax expense	8	<u>-</u>	<u>-</u>
Loss for the year/period		<u>(934,161)</u>	<u>(1,088,786)</u>
Attributable to:			
Equity holders of the parent		(936,672)	(1,088,786)
Minority interest		<u>2,511</u>	<u>-</u>
		<u>934,161</u>	<u>(1,088,786)</u>
Loss per share (pence)			
Basic	10	(4.73)	(8.24)
Diluted	10	(1.84)	(5.16)

The Company has taken advantage of section 230 of the Companies Act 1985 not to publish its own income statement account.

CONSOLIDATED BALANCE SHEET

as at 31 January 2007

	Notes	31 January 2007 £	31 January 2006 £
ASSETS			
Non-current assets			
Intangible assets	11	3,775,407	-
Property, plant and equipment	12	21,282	-
Trade and other receivables	15	<u>57,278</u>	<u>-</u>
Total non-current assets		<u>3,853,967</u>	<u>-</u>
Current assets			
Trade and other receivables	16	12,275	626,778
Cash and cash equivalents	17	<u>1,865,222</u>	<u>2,391,408</u>
Total current assets		<u>1,877,497</u>	<u>3,018,186</u>
TOTAL ASSETS		<u>5,731,464</u>	<u>3,018,186</u>
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	18	<u>142,935</u>	<u>172,538</u>
Total current liabilities		<u>142,935</u>	<u>172,538</u>
Non-current liabilities			
Long term provision	19	<u>50,693</u>	<u>-</u>
Total non-current liabilities		<u>50,693</u>	<u>-</u>
Total liabilities		<u>193,628</u>	<u>172,538</u>
Equity			
Share capital	20	1,534,083	920,450
Share premium account	21	4,447,203	2,422,213
Share based payments reserve	22	916,590	591,771
Translation reserve	23	(48)	-
Retained loss		<u>(2,025,458)</u>	<u>(1,088,786)</u>
Equity attributable to equity holders of the parent		4,872,370	2,845,648
Minority Interest	32	<u>665,466</u>	<u>-</u>
Total equity		<u>5,537,836</u>	<u>2,845,648</u>
TOTAL EQUITY AND LIABILITIES		<u>5,731,464</u>	<u>3,018,186</u>

The financial statements were approved by the Board of directors on 23 July 2007 and signed on their behalf by:

RA Cleary
Chairman

COMPANY BALANCE SHEET

as at 31 January 2007

	Notes	31 January 2007 £	31 January 2006 £
ASSETS			
Non-current assets			
Investments in group undertakings	13	2,651,818	-
Loan and receivables	14	<u>506,934</u>	<u>-</u>
Total non-current assets		<u>3,158,752</u>	<u>-</u>
Current assets			
Trade and other receivables	16	2,586	626,778
Cash and cash equivalents	17	<u>1,842,377</u>	<u>2,391,408</u>
Total current assets		<u>1,844,963</u>	<u>3,018,186</u>
TOTAL ASSETS		<u>5,003,715</u>	<u>3,018,186</u>
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	18	<u>90,696</u>	<u>172,538</u>
Total current liabilities		<u>90,696</u>	<u>172,538</u>
Non-current liabilities			
Long term provision	19	<u>50,693</u>	<u>-</u>
Total non-current liabilities		<u>50,693</u>	<u>-</u>
Total liabilities		<u>141,389</u>	<u>172,538</u>
Equity			
Share capital	20	1,534,083	920,450
Share premium account	21	4,447,203	2,422,213
Share based payments reserve	22	916,590	591,771
Retained loss		<u>(2,035,550)</u>	<u>(1,088,786)</u>
Equity attributable to equity holders of the parent		<u>4,862,326</u>	<u>2,845,648</u>
Total equity		<u>4,862,326</u>	<u>2,845,648</u>
TOTAL EQUITY AND LIABILITIES		<u>5,003,715</u>	<u>3,018,186</u>

The financial statements were approved by the Board of directors on 23 July 2007 and signed on their behalf by:

RA Cleary
Chairman

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 January 2007

Group	Share Capital £	Share Premium £	Share based Payment Reserve £	Retained Loss £	Translation Reserve	Total £
Balance at 1 February 2006	920,450	2,422,213	-	(497,015)	-	2,845,648
IFRS Transition adjustment to comply with IFRS 2	-	-	<u>591,771</u>	<u>(591,771)</u>	-	-
Restated balances	920,450	2,422,213	591,771	(1,088,786)	-	2,845,648
Share issue	613,633	2,024,990	-	-	-	2,638,623
Loss for the period	-	-	-	(936,672)	-	(936,672)
Share based payment	-	-	324,819	-	-	324,819
Translation loss on consolidation	-	-	-	-	(48)	(48)
Balance at 31 January 2007	<u>1,534,083</u>	<u>4,447,203</u>	<u>916,590</u>	<u>(2,025,458)</u>	<u>(48)</u>	<u>4,872,370</u>

Company	Share Capital £	Share Premium £	Share based Payment Reserve £	Retained Loss £	Total £
Balance at 1 February 2006	920,450	2,422,213	-	(497,015)	2,845,648
IFRS Transition adjustment to comply with IFRS	-	-	<u>591,771</u>	<u>(591,771)</u>	-
Restated balances	920,450	2,422,213	591,771	(1,088,786)	2,845,648
Share issue	613,633	2,024,990	-	-	2,638,623
Loss for the period	-	-	-	(946,764)	(946,764)
Share based payment	-	-	<u>324,819</u>	-	<u>324,819</u>
Balance at 31 January 2007	<u>1,534,083</u>	<u>4,447,203</u>	<u>916,590</u>	<u>(2,035,550)</u>	<u>4,862,326</u>

Company	Share Capital £	Share Premium £	Retained Loss £	Total £
Balance at 13 January 2005	-	-	-	-
Share issue	920,450	2,422,213	-	3,342,663
Loss for the period	-	-	<u>(497,015)</u>	<u>(497,015)</u>
Balance at 31 January 2006	<u>920,450</u>	<u>2,422,213</u>	<u>(497,015)</u>	<u>2,845,648</u>

CONSOLIDATED CASHFLOW STATEMENT

for the year ended 31 January 2007

	Notes	Year ended 31 January 2007 £	Period 13 January 2005 to 31 January 2006 £
Net cash outflow from operating activities	24	(125,658)	(922,717)
Investing activities			
Investment income		95,584	57,743
Intangible assets		(474,356)	(86,281)
Property, plant and equipment acquired		<u>(21,756)</u>	-
Net cash outflow from investing activities		<u>(400,528)</u>	<u>(28,538)</u>
Financing activities			
Issue of equity share capital	25	<u>-</u>	<u>3,342,663</u>
Net cash inflow from operating activities		<u>-</u>	<u>3,342,663</u>
Net cash (decrease) / increase in cash and cash equivalents		(526,186)	2,391,408
Cash and cash equivalents at beginning of year/period		<u>2,391,408</u>	-
Cash and cash equivalents at end of year/period	17	<u>1,865,222</u>	<u>2,391,408</u>

COMPANY CASHFLOW STATEMENT

for the year ended 31 January 2007

	Notes	Year ended 31 January 2007 £	Period 13 January 2005 to 31 January 2006 £
Net cash outflow from operating activities	24	(111,162)	(922,717)
Investing activities			
Investment income		82,260	57,743
Subsidiary undertaking acquired	25	-	-
Loan investments		(506,934)	-
Intangible assets acquired		<u>-</u>	<u>(86,281)</u>
Net cash outflow from investing activities		<u>(424,674)</u>	<u>(28,538)</u>
Financing activities			
Issue of equity share capital	25	-	3,342,663
Stamp duty	25	<u>(13,195)</u>	<u>-</u>
Net cash inflow from operating activities		<u>(13,195)</u>	<u>3,342,663</u>
Net cash (decrease) / increase in cash and cash equivalents		(549,031)	2,391,408
Cash and cash equivalents at beginning of year/period		<u>2,391,408</u>	<u>-</u>
Cash and cash equivalents at end of year/period	17	<u>1,842,377</u>	<u>2,391,408</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 January 2007

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 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) from which the Group operates.

The Board of directors has authorised the issue of these financial statements on the date of the statement as set out on page 13.

2. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 33.

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.

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 capital raisings when required. The directors are of the opinion that the proposed 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 12 months.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

2. Accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all Group undertakings. Control is achieved when the Company has the power to govern the financial and operating policies on 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 value of the identifiable net assets acquired (ie discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess the minority interest are allocated against the interests of the parent.

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

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.

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.

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 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 the rates prevailing at the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss 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.

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 January 2007

2. Accounting policies *(continued)*

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 for 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.

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.

Non-current intangible assets

Non-current intangible assets are shown at cost less any provisions made in respect of impairment.

Asset impairments

Non-current intangible assets are reviewed for impairments if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review is conducted, the recoverable amount 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

2. Accounting policies *(continued)*

Property, plant and equipment

Office 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%

Furniture 25%

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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

2. Accounting policies *(continued)*

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 the 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.

The Company has issued equity in consideration for the acquisition of the subsidiary undertaking, Uramad UK Ltd.

The Company recognises the cost of these transactions at the fair value of the instruments issued less any cash consideration subscribed.

3. Segmental analysis

The Group's operational activities are wholly focused in Madagascar. The Company's registered office is in London, UK.

Turnover

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

	Year ended 31 January 2007		
	UK	Madagascar	Total
	£	£	£
(Loss)/profit for the year	<u>(946,716)</u>	<u>12,555</u>	<u>(934,161)</u>
Net assets segmental analysis			
Total non-current assets	-	3,853,967	3,853,967
Total current assets	1,844,963	32,534	1,877,497
Total current liabilities	90,696	52,239	142,935
Total non-current liabilities	<u>50,693</u>	<u>-</u>	<u>50,693</u>
	<u>1,703,574</u>	<u>3,834,262</u>	<u>5,537,836</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

3. Segmental analysis *(continued)*

	Period 13 January 2005 to 31 January 2006		
	UK	Madagascar	Total
	£	£	£
Revised loss for the period	<u>(1,088,786)</u>	-	<u>(1,088,786)</u>
Net assets segmental analysis			
Total non-current assets	-	-	-
Total current assets	3,018,186	-	3,018,186
Total current liabilities	172,538	-	172,538
Total non-current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>2,845,648</u></u>	<u><u>-</u></u>	<u><u>2,845,648</u></u>

4. Exceptional items

The Company was originally established to earn a 75% interest in potentially economic uranium bearing blocks in the Labrador Trough in Canada. Following receipt of the results of airborne magnetic, radiometric and ground gravity programs and following analysis of those results by the Company's independent consulting geologist, the Directors resolved on 31 March 2006 not to pursue this project. The cost of this project was £100,780 in 2006.

The Company also examined opportunities to acquire uranium and oil/gas projects in Kazakhstan. Following extensive negotiations, the Company was unable to conclude any acquisitions. The total cost incurred in relation to these activities was £75,019 (2006: £91,100).

5. Net loss from operations

Net loss before taxation is stated after charging:

	Year ended 31 January 2007	Period 13 January 2005 to 31 January 2006
	£	£
Auditors remuneration:		
• as auditors	26,000	21,000
• as reporting accountants	27,896	10,655
• tax compliance	1,500	-
Impairment write down	-	86,281
Depreciation	<u>474</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

6. Investment income

	Year ended 31 January 2007		Period 13 January 2005 to 31 January 2006	
	Group 2007	Company 2007	Group 2006	Company 2006
	£	£	£	£
Interest on bank deposits	<u>95,584</u>	<u>82,260</u>	<u>57,743</u>	<u>57,743</u>

**7. Finance costs
Company and Group**

	Year ended 31 January 2007		Period 13 January 2005 to 31 January 2006	
	£	£	£	£
Withholding tax		<u>50,693</u>		<u>—</u>

Under Madagascan law there is a 10% withholding tax on remittances abroad and a provision has been provided for this tax on the amount owing to the Company from Uramad SA.

8. Income tax expense

	Year ended 31 January 2007		Period 13 January 2005 to 31 January 2006	
	£	£	£	£
Taxation charge		<u>—</u>		<u>—</u>

Due to the taxable losses arising there is no charge to UK corporation tax

Current tax reconciliation

Loss for the year/period before taxation	<u>(934,161)</u>	<u>(1,088,786)</u>
Loss for the year/period multiplied by standard rate of UK corporation tax 19%	(177,491)	(206,869)
Effects of:		
Expenses not deductible for tax purposes	62,959	114,398
Overseas profits	(2,384)	-
Increase in potential tax credits	<u>116,916</u>	<u>92,471</u>
Tax charge	<u>—</u>	<u>—</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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

9. Particulars of employees and directors

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

The Group employed 6 (2006: 5) directors during the year with aggregate emoluments in respect of qualifying services as follows:

	Year ended 31 January 2007	Period 13 January 2005 to 31 January 2006
	£	£
Directors' fees	26,112	9,250
Amounts paid to third parties for the provision of services	<u>123,233</u>	<u>82,958</u>
	<u>149,345</u>	<u>92,208</u>

10. 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 £936,672 (2006: £1,088,786) by the weighted average number of shares in issue at the year end of 19,787,575 (2006: 13,201,074).

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 31,185,150 (2006: 7,874,500).

The loss and diluted loss per share for 2006 have been restated following IFRS transition adjustment in relation to the recognition of share based payments of £591,771 as follows:

	2006 restated Pence	2006 Pence
Loss per share	8.24	3.76
Diluted loss per share	5.16	2.36

11. Intangible assets

Company

	2007 £	2006 £
Exploration expenditure cost		
Balance brought forward	-	-
Additions – contract option payment	-	86,281
Write down	<u>-</u>	<u>(86,281)</u>
Balance carried forward	<u><u>-</u></u>	<u><u>-</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

11. Intangible assets *(continued)*

Group

	2007	2006
	£	£
Development expenditure		
Balance brought forward	-	-
Additions	<u>18,556</u>	<u>-</u>
Balance carried forward	<u>18,556</u>	<u>-</u>

Group

	2007	2006
	£	£
Exploration licences at fair value		
Balance brought forward	-	-
Additions	<u>3,756,851</u>	<u>-</u>
Balance carried forward	<u>3,756,851</u>	<u>-</u>
Total	<u>3,775,407</u>	<u>-</u>

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

The licences relate to uranium exploration licences over approximately 10,000 square kilometres in the Morondava basin of Madagascar.

12. Property, plant and equipment

Group

	Office equipment & furniture
	£
Cost	
Balance at 1 February 2006	-
Additions	<u>22,763</u>
Balance at 31 January 2007	<u>22,763</u>
Depreciation	
Balance at 1 February 2006	-
Charge for the year	<u>1,481</u>
Balance at 31 January 2007	<u>1,481</u>
Net book value	
31 January 2007	<u>21,282</u>
31 January 2006	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

13. Investment in group undertakings
Company

	Subsidiary undertakings
	£
Balance at 1 February 2006	-
Additions	<u>2,651,818</u>
Balance at 31 January 2007	<u>2,651,818</u>

Subsidiary Undertaking	Country of incorporation	Holding	Proportion of voting shares held	Nature of Business
Uramad UK Ltd	UK	Ordinary shares	100%	Holding company
Uramad SA	Madagascar	Ordinary shares	80%	Uranium exploration and mining

During the year the Company acquired 100% of the issued share capital of Uramad UK Limited. Uramad UK Limited holds 80% of the issued share capital of Uramad SA, a Malagasy company which owns uranium exploration licences in Madagascar.

14. Loan investment
Company

	£
Balance at 1 February 2006	-
Amounts advanced	<u>506,934</u>
Balance at 31 January 2007	<u>506,934</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 11) 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.

15. Trade and other receivables – non-current
Group

	2007	2006
	£	£
Value added tax – Madagascar	<u>57,278</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

16. Trade and other receivables – current

	Group	Company	Group	Company
	2007	2007	2006	2006
	£	£	£	£
Value added tax	2,586	2,586	-	-
Other receivables	9,689	-	5,000	5,000
Called up share capital not paid	-	-	609,000	609,000
Prepayments and accrued income	-	-	<u>12,778</u>	<u>12,778</u>
	<u>12,275</u>	<u>2,586</u>	<u>626,778</u>	<u>626,778</u>

17. Cash and cash equivalents

	Group	Company	Group	Company
	2007	2007	2006	2006
	£	£	£	£
Cash at bank and in hand	<u>1,865,222</u>	<u>1,842,377</u>	<u>2,391,408</u>	<u>2,391,408</u>

The carrying amount of these approximates to their fair values.

18. Trade and other payables

	Group	Company	Group	Company
	2007	2007	2006	2006
	£	£	£	£
Trade payables	42,161	12,853	127,188	127,188
Taxation	25	-	-	-
Value added tax	22,906	-	-	-
Accruals	<u>77,843</u>	<u>77,843</u>	<u>45,350</u>	<u>45,350</u>
	<u>142,935</u>	<u>90,696</u>	<u>172,538</u>	<u>172,538</u>

19. Provisions

	Group	Company	Group	Company
	2007	2007	2006	2006
	£	£	£	£
Withholding tax	<u>50,693</u>	<u>50,693</u>	---	---

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 (see note 14).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

20. Called up share capital

Authorised	Number	£	Number	£
	2007	2007	2006	2006
Ordinary shares of 5p each	<u>200,000,000</u>	<u>10,000,000</u>	<u>200,000,000</u>	<u>10,000,000</u>
Allotted and fully paid	<u>30,681,668</u>	<u>1,534,083</u>	<u>18,409,001</u>	<u>920,450</u>

In December 2006 the Company issued 12,272,667 ordinary 5p shares at a price of 21.5p per share, the consideration being the acquisition of 100% of the issued share capital of Uramad UK Limited, and hence of 80% of Uramad SA.

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

Share options and warrants over ordinary shares in existence at 31 January 2007 are as follows:

	Number	Exercise price	Expiry date
Warrants	8,749,167	30p per share	2 February 2007
Options	125,000	30p per share	11 March 2007
	1,100,000	30p per share	2 August 2010*
	100,000	30p per share	2 August 2010
	970,000	30p per share	31 August 2011*
	200,000	50p per share	31 August 2011*
	153,408	30p per share	22 December 2011

In February 2007 the Company issued further options as follows:

500,000	30p per share	28 February 2010*
500,000	60p per share	28 February 2010*
500,000	90p per share	28 February 2010*

In June 2007 the Company issued further options as follows:

50,000	90p per share	31 December 2010*
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* or 90 days after the option holder ceases to be engaged by the Company if earlier.

21. Share premium account
Company and Group

	2007	2006
	£	£
Balance brought forward	2,422,213	-
Premium arising on issue of equity shares	<u>2,024,990</u>	<u>2,422,213</u>
Balance carried forwards	<u>4,447,203</u>	<u>2,422,213</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

22. Share based payments reserve

Company and Group

	£
Balance at 1 February 2006	-
IFRS transition adjustment – IFRS 2	
Options previously issued to directors/professional advisors and charged to the income statement	591,771
Revised balance at 1 February 2006	<u>591,771</u>
Options issued to directors/professional advisors and charged to the income statement	<u>324,819</u>
Balance at 31 January 2007	<u><u>916,590</u></u>

23. Translation reserve

Group

	£
Balance at 1 February 2006	-
Translation difference arising on consolidation	(48)
Balance at 31 January 2007	<u>(48)</u>

24. Cash flows from operating activities

Group	2007	2006
	£	£
Net loss before taxation	(979,052)	(1,146,529)
Adjustments for:		
Decrease/(increase) in trade and other receivables	557,752	(626,778)
(Decrease)/increase in trade and other payables	(29,603)	172,538
Write down of non-current investment	-	86,281
Share based payments	324,819	591,771
Translation movement	(48)	-
Depreciation	<u>474</u>	<u>-</u>
Net cash outflow from operating activities	<u>(125,658)</u>	<u>(922,717)</u>

Company	2007	2006
	£	£
Net loss before taxation	(978,331)	(1,146,529)
Adjustments for:		
Decrease/(increase) in trade and other receivables	624,192	(626,778)
(Decrease)/increase in trade and other payables	(81,842)	172,538
Write down of non-current investment	-	86,281
Share based payments	<u>324,819</u>	<u>591,771</u>
Net cash outflow from operating activities	<u>(111,162)</u>	<u>(922,717)</u>

25. Non cash transaction

Of the purchase consideration of the subsidiary undertaking £2,651,818, £2,638,623 was settled by the issue of ordinary shares in the Company, the remainder being stamp duty of £13,195 was settled in cash. (See note 31 for acquisition of subsidiary undertakings).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

26. Controlling party

There is no ultimate controlling party of the Company.

27. Related party transactions

R Cleary and C Kyriakou are directors of Investika Ltd, an Australian company and a shareholder in UMC Energy Plc.

Investika Ltd paid expenses and provided management services to the Company at a cost of £2,512 (2006: £16,531) of which £nil (2006: £6,491) is outstanding at the year end. Included in the £2,512 (2006: £16,531) is £nil (2006: £5,515) for the provision of the consultancy services of R Cleary.

G Bujtor, R Cleary and C Kyriakou are directors of Toledo Mining Corporation Plc. Toledo Mining Corporation Plc provided support services and staff to the Company at a cost of £74,730 (2006: £58,397) of which £6,084 (2006: £16,193) is outstanding at the year end. The Company provided support services and staff to Toledo Mining Corporation Plc for £4,696 (2006: £nil)

Capma Pty Limited paid expenses and provided management services to the Company at a cost of £66,468 (2006: £45,396) of which £nil (2006: £31,397) is outstanding at the year end. Included in the £66,468 (2006: £45,396) is £nil (2006: £14,000) for the provision of consultancy services of C Kyriakou.

Resource Capital Partners Inc invoiced the Company £39,000 (2006: £4,000) for the provision of the consultancy services of C Kyriakou of which £nil (2006: £4,000) is outstanding at the year end.

The Company was charged £35,602 (2006: £8,093) by Accomplishments Pty Limited for the provision of the services of R Cleary of which £18,000 (2006: £6,413) was for services as director and £17,602 (2006: £1,680) was for consultancy services.

The Company was charged £8,000 (2006: £6,000) by Match Number Limited for the provision of services of M Roberts as director, of which £nil (2006: £3,000) is outstanding at the year end.

The Company was charged £30,500 (2006: £35,000) by Sarita Investments Services Corporation Limited for the provision of consultancy services of J Schoonbrood.

The Company was charged £10,031 (2006: £10,350) by Resource & Project Commercialisation Pty Limited for the provision of consultancy services of G Bujtor of which £nil (2006: £10,350) is outstanding at the year end.

G Bujtor, C Kyriakou and M Smith are directors of Belitung Zinc Corporation Plc. Belitung Zinc Corporation Plc provided support services and staff to the Company at a cost of £2,348 (2006: £nil). The Company provided support staff and services to Belitung Zinc Corporation Plc for £2,348 (2006: £nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

27. Related party transactions *(continued)*

R Cleary, C Kyriakou and M Smith are directors of Tarquin Resources plc. Tarquin Resources Plc provided support services and staff to the Company at a cost of £8,277. The Company provided support services and staff to Tarquin Resources Plc for £2,348 (2006: £nil).

M Smith charged the Company £26,112 (2006: £nil) for the provision of consultancy services.

The Company made advances to and acquired a debt owed by its subsidiary Uramad SA such that at the year end there was an amount owing to the Company of £506,934 (See note 14).

The Company issued share options to directors. The fair value of these options, £286,993 has been charged to the income statement and is also included reflected in the share based payments reserve in the balance sheet.

28. Commitments

The Company has undertaken to fund at least US\$1 million of exploration expenditure on the permit areas held by Uramad SA.

29. Post balance sheet events

In February 2007, the Company granted options over 1.5 million shares to a director of the Company. 500,000 of the options are exercisable at 30p each; 500,000 at 60p each and 500,000 at 90p each. The options expire on 28 February 2010. In June 2007, the Company granted options over 50,000 shares to a consultant of the Company. The options have an exercise price of 90p each and expire on 31 December 2010.

In March 2007, the Company raised £37,500 and allotted 125,000 new ordinary shares following the exercise of options with an exercise price of 30p each.

30. Financial assets and liabilities

The Group's financial instruments comprise cash and cash equivalents, intangible assets, 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:

Foreign currency risk – The Group undertakes transactions principally in Sterling 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 is in relation to the US Dollar loan investments which are repayable in US Dollars.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

30 Financial assets and liabilities *(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.

Liquidity risk – The Group's policy throughout the period has been to ensure that it has adequate liquidity by careful management of its working capital.

Credit risk – The Group's credit risk is primarily attributable to its loan investments. The amounts presented in the balance sheet are considered by the Group's management to be recoverable in full.

Extent and nature of financial instruments

The Group held the following financial assets at the year end:

	2007 £	2006 £
Intangible assets	3,775,407	-
Tangible assets	21,282	-
Trade and other receivables	69,553	626,778
Short-term deposits	1,800,000	2,375,000
Cash at bank and in hand	<u>65,222</u>	<u>16,408</u>
Total	<u>5,731,464</u>	<u>3,018,186</u>

Short-term deposits are held on Call Money Market accounts. The weighted average rate of interest earned on these deposits was 4%. No funds are held on fixed rate terms.

The Company held the following financial liabilities at the year end:

	2007 £	2006 £
Trade and other payables	120,004	172,538
Tax liabilities	27,932	-
Long term provision	<u>50,693</u>	-
	<u>198,629</u>	<u>172,538</u>

31. Acquisition of subsidiary undertakings

Under a share purchase agreement the Company acquired from Cline Mining Corporation the entire issued share capital of Uramad UK Limited which owns 80% of the issued share capital of Uramad SA, a company incorporated in Madagascar and which owns uranium exploration permits in Madagascar.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

31. Acquisition of subsidiary undertakings *(continued)*

The consideration for the acquisition was settled by the issue of 12,272,667 ordinary 5p shares in the Company to Cline Mining Corporation at a price of 21.5p per share for a total consideration of £2,638,623.

Assets and liabilities acquired at fair value	£
Property, plant and equipment	22,162
Intangible assets	3,756,851
Trade and other receivables	49,692
Cash and cash equivalents	<u>709</u>
	<u>3,829,414</u>
Liabilities	
Trade and other payables	153,146
Loan advances payable	<u>361,495</u>
	<u>514,641</u>
Net assets	<u>3,314,773</u>
80% acquired	<u>2,651,818</u>
Consideration	
Issue of ordinary shares	2,638,623
Stamp duty	<u>13,195</u>
	<u>2,651,818</u>

32. Minority Interest

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

	£
Share of tangible assets	3,038
Share of intangible assets	<u>662,428</u>
	<u>665,466</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

33. First time adoption of IFRS

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

A reconciliation between the 2006 Income Statement and Balance Sheet as shown under UK GAAP and IFRSs is shown below.

INCOME STATEMENT

	Period 13 January 2005 to 31 January 2006 IFRS £	Reconciling Item £	Period 13 January 2005 to 31 January 2006 UK GAAP £
Administration expenses	(954,649)	(591,771)	(362,878)
Exceptional costs	<u>(191,880)</u>		<u>(191,880)</u>
Loss from operations	(1,146,529)		(554,758)
Bank interest	57,743		57,743
Loss before taxation	(1,088,786)		(497,015)
Income tax expense	<u>—</u>		<u>—</u>
Loss for the period	<u>(1,088,786)</u>		<u>(497,015)</u>

BALANCE SHEET

	31 January 2007 IFRS £	Reconciling Item £	31 January 2006 UK GAAP £
ASSETS			
Current assets			
Trade and other receivables	626,778		626,778
Cash and cash equivalents	<u>2,391,408</u>		<u>2,391,408</u>
Total current assets	<u>3,018,186</u>		<u>3,018,186</u>
TOTAL ASSETS	<u>3,018,186</u>		<u>3,018,186</u>

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 January 2007

33. First time adoption of IFRS *(continued)*

	31 January 2007 IFRS £	Reconciling Item £	31 January 2006 UK GAAP £
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	<u>172,538</u>		<u>172,538</u>
Total current liabilities	<u>172,538</u>		<u>172,538</u>
Total liabilities	<u>172,538</u>		<u>172,538</u>
Equity			
Share capital	920,450		920,450
Share premium account	2,422,213		2,422,213
Share based payments reserve	591,771	591,771	-
Retained loss	<u>(1,088,786)</u>	(591,771)	<u>(497,015)</u>
Total equity	<u>2,845,648</u>		<u>2,845,648</u>
Total equity and liabilities	<u>3,018,186</u>		<u>3,018,186</u>

Reconciling item

The reconciling item of £591,771 relates to the recognition of share based payments as required under IFRS 2.

