

**UMC Energy Plc**

**Registered Number: 05331770**

**Interim Financial Results**

**For the six months ending 31 July 2007**

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## CORPORATE DIRECTORY

<b>Directors</b>	Robert Cleary (Chairman) Mike Smith (Chief Executive Officer) Kenneth Bates (Non-Executive Director) George Bujtor (Non-Executive Director) Chrisilios Kyriakou (Non -Executive Director) William McKnight (Non-Executive Director) Glen Whiddon (Non-Executive Director)
<b>Secretary</b>	Jonathan Reynolds
<b>Registered Office</b>	Ground Floor, 11 Albemarle Street London W1S 4HH
<b>Nominated Adviser</b>	Nabarro Wells & Co Limited Saddlers House Gutter Lane London EC2V 6HS
<b>Broker</b>	ODL Securities Limited The Northern & Shell Building 10 Lower Thames Street London EC3R 6AD
<b>Solicitors</b>	Beshoffs Solicitors 12 Walker Avenue, Stratford Office Village Wolverton Mill, Milton Keynes MK12 5TW
<b>Auditors</b>	Sawin & Edwards 15 Southampton Place London WC1A 2AJ
<b>Principal Bankers</b>	Coutts & Co 188 Fleet Street London EC2A 2HT
<b>Registrars</b>	Capita Registrars The Registry 34 Beckenham Road, Beckenham Kent, BR3 4TU

## UMC ENERGY PLC

### CHAIRMAN'S STATEMENT

*For the six months period ended 31 July 2007*

The Company, through its subsidiary Uramad SA, holds eight exploration permits covering approximately 9,994 km<sup>2</sup> located in the Morondava Basin, Madagascar.

The 2007 exploration program comprises both an airborne survey of some 19,000 line kilometres for the detection of uranium radiometric anomalies on the permits located in the Makay District and a 3,000 metre drilling program on the permits located in the Folakara District. Both the Makay District and the Folakara District are located in the Morondava Basin of Madagascar.

The drilling on the Folakara permit areas has been directed at verifying the presence of radiometric anomalies previously identified in the late 1950s by Cogema and others. This follows on from the encouraging uranium readings found in two of the six holes drilled in 2006, as reported previously.

To date 45 of the 60 holes planned for 2007 have been drilled. Drilling has been handicapped by unacceptably low core recoveries, as a result of the extremely friable porous sandstones in the uranium bearing zones. Remedial attention has been paid to this activity and specialized equipment, better suited to the recovery of very soft material, has been sourced. Regrettably, much of the drilling work may need to be repeated next dry season in order to obtain reliable data upon which to build improved geological knowledge of the uranium potential of the permit areas.

The airborne survey was completed in early October 2007. Results will be released as they become available.

R A Cleary  
Chairman

19 October 2007

# **INDEPENDENT REVIEW REPORT TO UMC ENERGY PLC**

## **Introduction**

We have been instructed by the Company to review the financial information for the six months ended 31 July 2007, set out on pages 4 to 17. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

## **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved, by the directors. The AIM Rules require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

The report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 "Review of interim financial information" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

## **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 July 2007 except for any adjustments that may be required in the event that the Company is not a going concern as referred to in note 1 to the financial information.

Sawin & Edwards  
Chartered Accountants  
15 Southampton Place  
WC1A 2AJ  
19 October 2007

**UMC ENERGY PLC**

**UNAUDITED CONSOLIDATED INCOME STATEMENT**

*For the six months period ended 31 July 2007*

	Note	Six months period ended 31 July 2007 (Unaudited) £	Six months period ended 31 July 2006 (Unaudited) £	Year ended 31 January 2007 (Audited) £
Administrative expenses		(740,318)	(184,797)	(913,425)
Exceptional expenses	3	-	(59,826)	(75,019)
Other operating income		9,862	-	9,392
<b>Loss from operations</b>		<b>(730,456)</b>	(244,623)	(979,052)
Investment income		128,210	50,493	95,584
Finance costs		(72,253)	-	(50,693)
<b>Loss before taxation</b>		<b>(674,499)</b>	(194,130)	(934,161)
Income tax expense	4	-	-	-
<b>Loss for the period</b>		<b>(674,499)</b>	(194,130)	(934,161)
<b>Attributable to:</b>				
<b>Equity holders of the parent</b>		<b>(689,969)</b>	(194,130)	(936,672)
<b>Minority interest</b>		<b>15,470</b>	-	2,511
		<b>(674,499)</b>	(194,130)	(934,161)
<b>Loss per share (pence)</b>	5	<b>(2.24)</b>	(1.05)	(4.73)
<b>Fully diluted loss per share (pence)</b>	5	<b>(1.98)</b>	(0.75)	(1.84)

The Group has no recognised gains or losses other than the results for the period as set out above.

**UMC ENERGY PLC**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**  
*31 July 2007*

	Note	As at 31 July 2007 (Unaudited) £	As at 31 July 2006 (Unaudited) £	As at 31 January 2007 (Audited) £
<b>ASSETS</b>				
<b>Non Current Assets</b>				
Intangible assets	6	4,346,111	-	3,775,407
Property, plant and equipment		22,541	-	21,282
Trade and other receivables		82,383	-	57,278
<b>Total non current assets</b>		<b>4,451,035</b>	-	<b>3,853,967</b>
<b>Current Assets</b>				
Trade and other receivables		210,625	43,415	12,275
Cash and cash equivalents		1,054,886	2,664,146	1,865,222
<b>Total current assets</b>		<b>1,265,511</b>	<b>2,707,561</b>	<b>1,877,497</b>
<b>Total Assets</b>		<b>5,716,546</b>	<b>2,707,561</b>	<b>5,731,464</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables		193,893	56,043	142,935
<b>Non current liabilities</b>				
Long term provision		122,945	-	50,693
<b>Total Liabilities</b>		<b>316,838</b>	<b>56,043</b>	<b>193,628</b>
<b>Equity and Reserves</b>				
Called up share capital	7	1,540,333	920,450	1,534,083
Share premium		4,478,453	2,422,213	4,447,203
Share based payments reserve		1,156,591	591,771	916,590
Translation reserve		751	-	(48)
Retained loss		(2,457,543)	(1,282,916)	(2,025,458)
Equity attributable to equity holders of the parent		4,718,585	2,651,518	4,872,370
Minority interest		681,123	-	665,466
<b>Total Equity</b>		<b>5,399,708</b>	<b>2,651,518</b>	<b>5,537,836</b>
<b>Total equity and liabilities</b>		<b>5,716,546</b>	<b>2,707,561</b>	<b>5,731,464</b>

These interim results were approved by the Board on 19 October 2007 and signed on their behalf by:

R Cleary, Chairman

**UMC ENERGY PLC**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
*for the six months period 31 July 2007*

	Share Capital £	Share Premium £	Share Based Payments Reserve £	Profit and Loss £	Trans- lation Reserve £	Total £
Balance at 1 February 2007	1,534,083	4,447,203	916,590	(2,025,458)	(48)	4,872,370
Share issue	6,250	31,250	-	-	-	37,500
Loss for the period	-	-	-	(689,969)	-	(689,969)
Share based payment	-	-	497,885	-	-	497,885
Share based payment transfer	-	-	(257,884)	257,884	-	-
Translation movement	-	-	-	-	799	799
<b>Balance at 31 July 2007</b>	<b>1,540,333</b>	<b>4,478,453</b>	<b>1,156,591</b>	<b>(2,457,543)</b>	<b>751</b>	<b>4,718,585</b>

  

	Share Capital £	Share Premium £	Share Based Payments Reserve £	Profit and Loss £	Trans- lation Reserve £	Total £
Balance at 1 February 2006	920,450	2,422,213	-	(497,015)	-	2,845,648
IFRS Transition adjustment	-	-	591,771	(591,771)	-	-
Restated balances	920,450	2,422,213	591,771	(1,088,786)	-	2,845,648
Loss for the period	-	-	-	(194,130)	-	(194,130)
<b>Balance at 31 July 2006</b>	<b>920,450</b>	<b>2,422,213</b>	<b>591,771</b>	<b>(1,282,916)</b>	<b>-</b>	<b>2,651,518</b>

  

	Share Capital £	Share Premium £	Share Based Payments Reserve £	Profit and Loss £	Trans- lation Reserve £	Total £
Balance at 1 February 2006	920,450	2,422,213	-	(497,015)	-	2,845,648
IFRS Transition adjustment	-	-	591,771	(591,771)	-	-
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 movement	-	-	-	-	(48)	(48)
<b>Balance at 31 January 2007</b>	<b>1,534,083</b>	<b>4,447,203</b>	<b>916,590</b>	<b>(2,025,458)</b>	<b>(48)</b>	<b>4,872,370</b>

**UMC ENERGY PLC**

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**

*for the six months period 31 July 2007*

	Six months period ended 31 July 2007 (Unaudited) £	Six months period ended 31 July 2006 (Unaudited) £	Year ended 31 January 2007 (Audited) £
<b>Cash flows from operating activities</b>			
Operating loss	(730,456)	(244,623)	(979,052)
(Increase)/decrease in trade & other receivables	(223,268)	583,363	557,752
Increase/(decrease) in trade and other payables	50,956	(116,495)	(29,603)
Depreciation	2,645	-	474
Translation reserve movement	799	-	(48)
Share based payment	497,885	-	324,819
<b>Net cash flow from operating activities</b>	<b>(401,439)</b>	<b>222,245</b>	<b>(125,658)</b>
<b>CASH FLOW STATEMENT</b>			
<b>Net cash flows from operating activities</b>	<b>(401,439)</b>	<b>222,245</b>	<b>(125,658)</b>
<b>Investing Activities</b>			
Investment income	128,210	50,493	95,584
Property, plant & equipment acquired	(3,904)	-	(21,756)
Intangibles assets	(570,704)	-	(474,356)
<b>Net cash flow from investing activities</b>	<b>(446,398)</b>	<b>50,493</b>	<b>(400,528)</b>
<b>Financing activities</b>			
Issue of equity share capital	37,501	-	-
<b>Net cash flow from financing activities</b>	<b>37,501</b>	<b>-</b>	<b>-</b>
<b>(Decrease)/increase in cash &amp; cash equivalents</b>	<b>(810,336)</b>	<b>272,738</b>	<b>(526,186)</b>
Cash and cash equivalents brought forward	1,865,222	2,391,408	2,391,408
<b>Cash and cash equivalents carried forward</b>	<b>1,054,886</b>	<b>2,664,146</b>	<b>1,865,222</b>

**UMC ENERGY PLC**  
**NOTES TO THE UNAUDITED INTERIM RESULTS**  
*For the six months period ended 31 July 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 an uranium exploration project in Madagascar.

The Group's principal activity is carried out in US dollars. The interim results 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 interim results on the date of the statement as set out on page 5.

**2. Accounting policies**

**Basis of accounting**

The interim results have been prepared in accordance with International Financial Reporting Standards (IFRSs). The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRSs are given in note 9.

The interim results have been prepared on the historical cost basis except that certain financial instruments are accounted for at fair values. The interim results are unaudited and do not constitute statutory accounts in accordance with Section 240 of the Companies Act 1985. The principal accounting policies adopted are set out below.

**Going Concern**

The interim results 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.

**UMC ENERGY PLC**  
**NOTES TO THE UNAUDITED INTERIM RESULTS**  
*For the six months period ended 31 July 2007*

**2. Accounting policies** *(continued)*

**Basis of consolidation**

The consolidated interim results incorporate the interim results of the Company and all Group undertakings. Control is achieved when 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 value of the identifiable net assets acquired (i.e. 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 period 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 interim results 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.

**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.

**UMC ENERGY PLC**  
**NOTES TO THE UNAUDITED INTERIM RESULTS**  
*For the six months period ended 31 July 2007*

**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 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.

**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 interim results 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.

**UMC ENERGY PLC**  
**NOTES TO THE UNAUDITED INTERIM RESULTS**  
*For the six months period ended 31 July 2007*

**2. Accounting policies** *(continued)*

**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.

**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%

**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.

**UMC ENERGY PLC**  
**NOTES TO THE UNAUDITED INTERIM RESULTS**  
*For the six months period ended 31 July 2007*

**2. Accounting policies** *(continued)*

**Cash and cash equivalents**

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

**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.

**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 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.

**UMC ENERGY PLC**  
**NOTES TO THE UNAUDITED INTERIM RESULTS**  
*For the six months period ended 31 July 2007*

**3. Exceptional items**

The Company had 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 in the previous periods were £59,826 (31 July 2006) and £75,019 (31 January 2007).

**4. Taxation**

No provision for corporation tax has been provided for, due to losses incurred in in the current and previous periods.

**5. Loss per share**

Loss per share has been calculated by dividing the loss for the period after taxation attributable to the equity holders of the parent company of £689,969 (2006: £194,130) by the weighted average number of shares in issue at the period end of 30,780,425 (2006: 18,409,001).

Diluted loss per share has been calculated using the weighted average number of shares in issue at the period end, diluted for the effect of share options and warrants in existence at the period end of 4,073,408 (2006: 7,574,500).

**UMC ENERGY PLC**  
**NOTES TO THE UNAUDITED INTERIM RESULTS**  
*For the six months period ended 31 July 2007*

**6. Intangible assets**

	As at 31 July 2007 (Unaudited) £	As at 31 July 2006 (Unaudited) £	As at 31 January 2007 (Audited) £
<b>Development expenditure</b>			
Balance brought forward	18,556	-	-
Additions	570,704	-	18,556
Balance carried forward	589,260	-	18,556
<b>Exploration licences at fair value</b>			
Balance brought forward	3,756,851	-	-
Additions	-	-	3,756,851
Balance carried forward	3,756,851	-	3,756,851
<b>Total</b>	<b>4,346,111</b>	<b>-</b>	<b>3,775,407</b>

The development expenditure relates to development of the uranium exploration 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.

**UMC ENERGY PLC**  
**NOTES TO THE UNAUDITED INTERIM RESULTS**  
*For the six months period ended 31 July 2007*

**7. Called up share capital**

	As at 31 July 2007 (Unaudited)	As at 31 July 2006 (Unaudited)	As at 31 January 2007 (Audited)
<b>Share capital</b>			
<b>Authorised</b>	No	No	No
Ordinary shares of 5p each	200,000,000	200,000,000	200,000,000
	£	£	£
Ordinary shares of 5p each	10,000,000	10,000,000	10,000,000
<b>Issued</b>	No	No	No
Ordinary shares of 5p each	30,806,668	18,409,001	30,681,668
	£	£	£
Ordinary shares of 5p each	1,540,333	920,450	1,534,083

**8. Post balance sheet events**

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company, in subsequent financial periods.

**UMC ENERGY PLC**  
**NOTES TO THE UNAUDITED INTERIM RESULTS**  
*For the six months period ended 31 July 2007*

**9. First time adoption of IFRS**

The financial statements for the year ended 31 January 2007 were 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.

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

**UMC ENERGY PLC**  
**NOTES TO THE UNAUDITED INTERIM RESULTS**  
*For the six months period ended 31 July 2007*

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

**BALANCE SHEET**

	31 January 2006	Reconciling	31 January 2006
	IFRS	Item	UK GAAP
	£	£	£
<b>ASSETS</b>			
<b>Current assets</b>			
Trade and other receivables	626,778		626,778
Cash and cash equivalents	2,391,408		2,391,408
<b>Total current assets</b>	<b>3,018,186</b>		<b>3,018,186</b>
<b>TOTAL ASSETS</b>	<b>3,018,186</b>		<b>3,018,186</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	172,538		172,538
<b>Total liabilities</b>	<b>172,538</b>		<b>172,538</b>
<b>Equity</b>			
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	(1,088,786)	(591,771)	(497,015)
<b>Total equity</b>	<b>2,845,648</b>		<b>2,845,648</b>
<b>Total equity and liabilities</b>	<b>3,018,186</b>		<b>3,018,186</b>

**Reconciling item**

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