UMC ENERGY PLC

UMC Energy Plc

Registered Number 05331770

Financial Statements

For the year ended 31 December 2008

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CORPORATE DIRECTORY

Directors	Chrisilios Kyriakou	(Chairman)
	Jonathan Reynolds	(Chief Financial Officer)
	Roger Shakesby	(Non-Executive Director)
Secretary	Jonathan Reynolds	
Registered Office	Ground Floor, 11 Albemarle Street London W1S 4HH	
Nominated Adviser	Strand Partners Limited 26 Mount Row London W1K 3SQ	
Broker	ODL Securities Limited The Northern & Shell Building 10 Lower Thames Street London EC3R 6AD	
Solicitors	Beshoffs Solicitors 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 London EC2A 2HT	
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

The original exploration plan for 2008 had involved a drilling programme designed to validate the CEA indicated resource at Folakara. However, following a review of strategic priorities, it was decided to suspend this programme in favour of a more comprehensive programme of fieldwork designed to evaluate the full range of drill targets/opportunities in the total tenement package.

An airborne spectrometric survey had been flown over the entire Makay tenements (~9,400 sq km) at a 400m spacing and 80m elevation using the Medusa spectrometric airborne system with a total of over 23,000 line kms in 2007.

The processing and analysis of the Medusa airborne radiometric data for both the Folakara and Makay tenements began in late 2007 and continued in 2008. The base line data was reprocessed to produce colour images of the uranium channel and stacked profiles of the uranium and uranium / thorium ratio. From this data, a total of 29 anomalies at Folakara and 21 anomalies in the Makay tenements were identified as being of interest for field investigation.

Two periods of helicopter supported field work were undertaken in August and October 2008 when conditions were best suited to this work. This programme involved conducting initial ground radiometrics and spot surface sampling on the identified anomalies at Folakara and Makay that were identified from the airborne data.

The programme at Folakara was successful in locating 28 (of the 29) identified targets. Ground traversing with a spectrometer was undertaken in the vicinity of the anomaly, indicative assays taken with the spectrometer and in several cases grab surface samples collected. Outcomes of this work include:

- Several additional sites of potential mineralisation have been located. These sites warrant further testing.
- The mineralisation is more widespread than previously understood.
- The assays (spectrometer and laboratory) of the areas of interest highlight a strong correlation with vanadium and low levels of thorium which is characteristic of uranium deposits.
- The work supports the earlier thesis of mineralisation (deposits) at a grade of several hundred ppm U_3O_8.

The programme at Makay was successful in locating 16 (of the 21) identified targets, as a mechanical failure with the helicopter required the premature cessation of the programme. The same process as undertaken at Folakara was carried out at Makay. Outcomes of this work include:

- A large area of potential mineralisation is indicated by 5 sites in the north-east of the tenements over an area measuring approximately 50km x 10km. Each of these sites has the potential to host small/medium sized uranium deposits.

- The presence of low thorium and high vanadium levels suggest that the potential mineralization is of the right type and supports the concept of being in close proximity to a uranium deposit.

The 2008 field work was used as the basis for determining the boundaries of tenement retention in 2009. With these criteria, approximately 50% of the Folakara tenement (~200sq kms) and 25% of the Makay tenements (~750 sq kms) are being retained for 2009.

As has been widely reported in the press, Madagascar is presently experiencing a period of political upheaval and uncertainty. Although the Company has not, in any way, been negatively affected by these events, it has resolved to take a cautious approach to exploration and accordingly does not expect to undertake any material exploration activities in Madagascar during this period of uncertainty.

Chris Kyriakou
Chairman
29 April 2009

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report with the audited Group financial statements for the year ended 31 December 2008.

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 Group's main undertaking was the continuing development of the Morondava uranium exploration project, based in Madagascar, in which the Company has an 80% interest. Over the year, the Group expended £301,340 (31 December 2007: £1,488,299) on project related activities.

Key performance indicators

	Year ended 31 December 2008	**Period ended 31 December 2007**
Operating loss	£643,706	£2,304,054
Loss per share	2.36 pence	7.81 pence

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

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

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

REPORT OF THE DIRECTORS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2008

Results and dividends

The loss for the year on ordinary activities before tax amounted to £805,194 (31 December 2007: £2,385,184). The directors do not recommend the payment of a dividend.

Share capital

Details of the share capital are given in note 24 to the financial statements.

Events since the balance sheet date

Since 1 January 2009, the Company has advanced a further US$15,548 (£10,687) to Uramad SA, for use on uranium exploration activities.

Since 1 January 2009, the Company has borrowed a further A$180,557 (£83,025) from Natasa Mining Limited, for working capital.

Financial assets and liabilities

See note 33 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:

	Appointed	Resigned	£0.005p ordinary shares At 31 December 2008	£0.05p ordinary shares At date of appointment/ 1 January 2008
R Cleary		29 July 2008	-	-
G Bujtor		29 July 2008	-	-
C Kyriakou*			6,541,800	6,485,000
M Smith		20 March 2008	-	-
K Bates		29 July 2008	-	-
W McKnight		29 July 2008	-	-
G Whiddon		23 September 2008	-	-
A Taylor		2 June 2008	-	10,000
R Shakesby	23 September 2008		-	-
J Reynolds	29 July 2008		-	-

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

Options held by directors at 31 December 2008 are as follows:

	Number	Exercise Price	Expiry Date
C Kyriakou	300,000	30p	2 August 2010*
J Reynolds	125,000	30p	31 August 2011*

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

No options were exercised by the directors during the year.

Substantial shareholdings

On 31 December 2008 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	39.84%
Natasa Mining Limited	6,341,800	20.58%
Rab Energy Fund 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 year and these are summarised below.

Directors

The Company supports the concept of an effective Board leading and controlling the Company. The Board is responsible for approving the Company's policies and strategies. It 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 director and the Chairman. It is responsible for making recommendations to the Board on the appointment of auditors and the audit fee, is responsible for ensuring that the financial performance of the Company is properly monitored and reported on and receives and reviews reports from management and the auditors relating to the interim report, the annual report and accounts and the internal control systems of the Company.

Remuneration Committee

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

Internal Financial Control and Risk Management

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

Supplier Payment Policy

It is the Company's policy to agree terms of payment with all suppliers at the time of the transaction and to pay suppliers as and when they fall due for payment or alternatively to agree revised terms of payment. No distinction is made between different classes of suppliers. At the year end trade creditors amounted to 5 days (31 December 2007: 46 days).

Political and charitable donations
No political or charitable donations were made during the year.

Indemnity provision
Directors and officers insurance is in place to indemnify the directors against liabilities arising from the discharge of their duties as directors of the Company.

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 2009 Annual General Meeting.

By order of the board.

J Reynolds
Company Secretary
29 April 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2008

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

We have audited the Group and parent Company financial statements of UMC Energy Plc for the year ended 31 December 2008 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

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

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 other transactions 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.

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 Group and Company's circumstances, consistently applied and adequately disclosed.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

UMC ENERGY PLC *(continued)*

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 parent Company's affairs as at 31 December 2008 and of the Group's loss for the year then ended; and
- the financial statements 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 £805,194 during the year ended 31 December 2008 of which £78,885 is attributable to minority interests. As explained in note 2 the Company will require to raise additional funds through further debt or equity raisings in the next twelve months in order to meet its projected exploration 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

30 April 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Year Ended 31 December 2008 £	Period 1 February 2007 to 31 December 2007 £
Administrative expenses		(652,535)	(957,458)
Exceptional costs	5	-	(1,366,338)
Other operating income	6	8,829	19,742
Loss from operations	7	(643,706)	(2,304,054)
Investment income	8	1,966	55,504
Finance costs	9	(163,454)	(136,634)
Loss before taxation		(805,194)	(2,385,184)
Income tax expense	11	-	-
Loss for the year / period		(805,194)	(2,385,184)
Attributable to:			
Equity holders of the parent		(726,309)	(2,404,028)
Minority interest		(78,885)	18,844
		(805,194)	(2,385,184)
Loss per share (pence)			
Basic	12	(2.36)	(7.81)
Diluted	12	(2.23)	(6.90)

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	31 December 2008	31 December 2007
ASSETS		**£**	**£**
Non-current assets			
Intangible assets	13	4,924,326	3,949,669
Property, plant and equipment	14	30,357	20,795
Taxation receivable	17	290,243	233,483
Total non-current assets		5,244,926	4,203,947
Current assets			
Taxation receivable	18	6,936	5,587
Trade and other receivables	19	28,744	17,590
Cash and cash equivalents	20	23,971	259,276
Total current assets		59,651	282,453
TOTAL ASSETS		5,304,577	4,486,400
EQUITY AND LIABILITIES			
Current liabilities			
Short term borrowings	21	-	3,630
Loans	22	1,035,626	-
Trade and other payables	23	158,353	451,744
Total current liabilities		1,193,979	455,374
Non-current liabilities			
Long term provision	16	335,206	187,327
Total non-current liabilities		335,206	187,327
Total liabilities		1,529,185	642,701
Equity			
Share capital	24	154,033	1,540,333
Share premium account	25	4,478,453	4,478,453
Share based payments reserve	26	385,270	1,156,591
Translation reserve	27	873,963	155,301
Accumulated loss		(2,729,301)	(4,171,602)
Equity attributable to equity holders of the parent		3,162,418	3,159,076
Minority Interest	28	612,974	684,623
Total equity		3,775,392	3,843,699
TOTAL EQUITY AND LIABILITIES		5,304,577	4,486,400

The financial statements were approved by the Board of directors on 29 April 2009 and signed on its behalf by:

C Kyriakou
Chairman

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	31 December 2008 £	31 December 2007 £
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,586	-
Investments in group undertakings	15	2,651,818	2,651,818
Loan and receivables	16	1,136,172	319,607
Total non-current assets		3,789,576	2,971,425
Current assets			
Taxation receivable	18	6,936	5,587
Trade and other receivables	19	28,033	8,025
Cash and cash equivalents	20	21,390	258,752
Total current assets		56,359	272,364
TOTAL ASSETS		3,845,935	3,243,789
EQUITY AND LIABILITIES			
Current liabilities			
Loans	22	1,035,626	-
Trade and other payables	23	50,417	181,062
Total current liabilities		1,086,043	181,062
Total liabilities		1,086,043	181,062
Equity			
Share capital	24	154,033	1,540,333
Share premium account	25	4,478,453	4,478,453
Share based payments reserve	26	385,270	1,156,591
Accumulated loss		(2,257,864)	(4,112,650)
Equity attributable to equity holders of the parent		2,759,892	3,062,727
Total equity		2,759,892	3,062,727
TOTAL EQUITY AND LIABILITIES		3,845,935	3,243,789

The financial statements were approved by the Board of directors on 29 April 2009 and signed on its behalf by:

C Kyriakou
Chairman

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share Capital £	Share Premium £	Share Based Payment Reserve £	Accumu-lated Loss £	Foreign Currency Translation Reserve £	Minority Interest £	Total £
Group							
1 January 2008	1,540,333	4,478,453	1,156,591	(4,171,602)	155,301	684,623	3,843,699
Share capital reduction	(1,386,300)	-	-	1,386,300	-	-	-
Loss for the year	-	-	-	(726,309)	-	(78,885)	(805,194)
Share based payment	-	-	10,989	-	-	-	10,989
Reserve transfer	-	-	(782,310)	782,310	-	-	-
Movement on currency reserve	-	-	-	-	718,662	7,236	725,898
31 December 2008	154,033	4,478,453	385,270	(2,729,301)	873,963	612,974	3,775,392

	Share Capital £	Share Premium £	Share Based Payment Reserve £	Accumu-lated Loss £	Foreign Currency Translation Reserve £	Minority Interest £	Total £
Group							
1 February 2007	1,534,083	4,447,203	916,590	(2,025,458)	(48)	665,466	5,537,836
Share issue	6,250	31,250	-	-	-	-	37,500
(Loss) / profit for the period	-	-	-	(2,404,028)	-	18,844	(2,385,184)
Share based payment	-	-	497,885	-	-	-	497,885
Reserve transfer	-	-	(257,884)	257,884	-	-	-
Movement on currency reserve	-	-	-	-	155,349	313	155,662
31 December 2007	1,540,333	4,478,453	1,156,591	(4,171,602)	155,301	684,623	3,843,699

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share Capital £	Share Premium £	Share Based Payment Reserve £	Accumulated Loss £	Total £
Company					
1 January 2008	1,540,333	4,478,453	1,156,591	(4,112,650)	3,062,727
Share capital reduction	(1,386,300)	-	-	1,386,300	-
Loss for the year	-	-	-	(313,824)	(313,824)
Share based payment	-	-	10,989	-	10,989
Reserve transfer	-	-	(782,310)	782,310	-
31 December 2008	154,033	4,478,453	385,270	(2,257,864)	2,759,892

	Share Capital £	Share Premium £	Share Based Payment Reserve £	Accumulated Loss £	Total £
Company					
1 February 2007	1,534,083	4,447,203	916,590	(2,035,550)	4,862,326
Share issue	6,250	31,250	-	-	37,500
Loss for the period	-	-	-	(2,334,984)	(2,334,984)
Share based payment	-	-	497,885	-	497,885
Reserve transfer	-	-	(257,884)	257,884	-
31 December 2007	1,540,333	4,478,453	1,156,591	(4,112,650)	3,062,727

CONSOLIDATED CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Year Ended 31 December 2008 £	Period 1 February 2007 to 31 December 2007 £
Net cash outflow from operating activities	29	(789,956)	(210,638)
Investing activities			
Investment income		1,966	55,504
Intangible assets additions		(301,340)	(1,488,299)
Property, plant and equipment acquired		(15,463)	(3,643)
Net cash outflow from investing activities		(314,837)	(1,436,438)
Financing activities			
Issue of equity share capital	24	-	37,500
Loans		978,019	-
Loan interest & charges		(104,901)	-
(Decrease) / increase in bank overdraft		(3,630)	3,630
Net cash inflow from financing activities		869,488	41,130
Net cash decrease in cash and cash equivalents		(235,305)	(1,605,946)
Cash and cash equivalents at beginning of year/period		259,276	1,865,222
Cash and cash equivalents at end of year /period	20	23,971	259,276

COMPANY CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Year Ended 31 December 2008 £	Period 1 February 2007 to 31 December 2007 £
Net cash outflow from operating activities	29	(525,000)	(310,256)
Investing activities			
Investment income		1,966	55,469
Property, plant and equipment acquired		(1,903)	-
Loan investments		(585,543)	(1,366,338)
Net cash outflow from investing activities		(585,480)	(1,310,869)
Financing activities			
Issue of equity share capital	24	-	37,500
Loans		978,019	-
Loan interest & charges		(104,901)	-
Net cash inflow from financing activities		873,118	37,500
Net cash decrease in cash and cash equivalents		(237,362)	(1,583,625)
Cash and cash equivalents at beginning of year / period		258,752	1,842,377
Cash and cash equivalents at end of year/ period	20	21,390	258,752

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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) where the Company is incorporated and its ordinary shares admitted for trading.

The Board of directors has authorised the issue of these financial statements on the date of the statement as set out on pages 13 and 14.

2. Accounting policies

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

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

In the previous period the financial year end of the Company has been changed from 31 January 2007 to 31 December 2007 to ensure a co-terminus year end date with its subsidiary undertaking Uramad SA and as such the comparative figures as shown in the financial statements are not comparable with the current period figures.

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

	Effective date
IFRS 2 (amended) Share-Based Payment	1 January 2009
IFRS 8 Operating segments	1 January 2009
IAS 1 (revised) Presentation of Financial Statements	1 January 2009
IAS 16 (amended) Property, plant and equipment	1 January 2009
IAS 19 (amended) Employee benefits	1 January 2009
IAS 23 (revised) Borrowing costs	1 January 2009
IAS 27 (amended) Consolidated and separate financial statements	1 January 2009
IAS 38 (amended) Intangible Assets	1 January 2009

The directors do not anticipate that adoption of these standards will have a material impact on the Group and Company's financial position or performance although IAS 1 (revised) will change the manner in which the statements are presented.

2. Accounting policies *(continued)*

Going Concern

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

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

Basis of consolidation

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

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

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

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.

2. Accounting policies *(continued)*

Minority interests

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

Revenue recognition

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

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

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.

2. Accounting policies *(continued)*

Taxation

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

Deferred taxation

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

No recognition has been made 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.

Non-current intangible assets

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

Non-current intangible assets – Exploration expenditure

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

2. Accounting policies *(continued)*

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

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

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

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

Equipment 25% -100%
Furniture 25% - 100%

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

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.

2. Accounting policies *(continued)*

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

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

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

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

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

The Group issues equity-settled based payments to directors and certain professional advisors of the Group. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of 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.

3. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 31 December 2008	11 months ended 31 December 2007
	£	£
Other operating income	8,829	19,742
Investment income	1,966	55,504
	10,795	75,246

4. Segmental analysis

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

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

Segmental information on a geographical basis is set out below:

	Year ended 31 December 2008		
	UK	Madagascar	Total
	£	£	£
Loss for the year	(313,824)	(491,370)	(805,194)
Depreciation	317	12,362	12,679
Total assets	57,945	5,246,632	5,304,577
Total liabilities	1,086,043	443,142	1,529,185
Intangible assets – additions	-	301,340	301,340
Tangible assets – additions	1,903	13,560	15,463

4. Segmental analysis *(continued)*

	11 months ended 31 December 2007		
	UK	**Madagascar**	**Total**
	£	**£**	**£**
Loss for the period	(968,646)	(1,416,538)	(2,385,184)
Depreciation	-	6,326	6,326
Impairment to intangible fixed assets	-	1,366,338	1,366,338
Total assets	272,364	4,214,036	4,486,400
Total liabilities	368,389	274,312	642,701
Intangible assets – additions	-	1,488,299	1,488,299
Tangible assets – additions	-	3,643	3,643

5. Exceptional items

	Year ended 31 December 2008 £	11 months ended 31 December 2007 £
Project costs – write downs	-	1,366,338

Following an impairment review, an impairment adjustment of £nil (31 December 2007: £1,366,338) was recognised in relation to the Morondava uranium project.

6. Other operating income

	Year ended 31 December 2008 £	11 months ended 31 December 2007 £
Provision of administration services	8,829	19,742

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2008

7. Net loss from operations

Net loss from operations is stated after charging:

	Year ended 31 December 2008 £	11 months ended 31 December 2007 £
Auditors remuneration:		
as auditors	30,415	23,000
as reporting accountants	10,625	8,970
tax compliance	500	500
Audit fee – other auditors	5,617	3,610
Impairment to intangible fixed assets	-	1,366,338
Foreign exchange losses	43,519	13,865
Depreciation	12,679	6,326

8. Investment income

	Year ended 31 December 2008 £	11 months ended 31 December 2007 £
Interest on bank deposits	1,966	55,504

9. Finance costs

	Year ended 31 December 2008 £	11 months ended 31 December 2007 £
Withholding tax	58,553	136,634
Loan charges and interest	104,901	-
	163,454	136,634

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.

10. Particulars of employees and directors

The Group has no employees during the year or previous period.
The Group had 10 (31 December 2007: 8) directors during the year with aggregate emoluments in respect of qualifying services as follows:

	Year ended 31 December 2008 £	11 months ended 31 December 2007 £
Directors' fees	48,822	11,000
Amounts paid to third parties for the provision of services	115,469	190,348
Share based payments	-	484,945
	164,291	686,293

11. Income tax expense

Group	Year ended 31 December 2008 £	11 months ended 31 December 2007 £
Current tax:		
UK Corporation tax	-	-
Foreign tax	-	-
	-	-

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

Current tax reconciliation		
Loss for the year / period before taxation	(805,194)	(2,385,184)
Loss for the year / period multiplied by standard rate of UK corporation tax 28% (31 December 2007: 30%)	(225,454)	(715,555)
Effects of:		
Expenses not deductible for tax purposes	51,724	604,394
Accelerated capital allowances	(533)	-
Overseas losses /(profits)	110,438	(28,266)
Increase in potential tax credits	63,825	139,427
Tax charge	-	-
Potential UK tax credits available multiplied by standard UK corporation tax 28% (31 December 2007: 30%)	502,528	470,038

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2008

11. Income tax expense *(continued)*

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.

12. Loss per share

Loss per share has been calculated by dividing the loss for the year/period after taxation attributable to the equity holders of the parent company of £726,309 (31 December 2007: £2,404,028) by the weighted average number of shares in issue at the year end of 30,806,668 (31 December 2007: 30,792,821).

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 32,523,142 (31 December 2007: 34,866,229).

13. Intangible assets -Group

	31 December 2008	31 December 2007
Development expenditure	**£**	**£**
Cost		
Balance brought forward	1,398,681	18,556
Additions	205,464	1,327,824
Exchange movement	673,317	52,301
Balance carried forward	2,277,462	1,398,681
Impairment		
Balance brought forward	1,366,338	-
Additions	-	1,366,338
Balance carried forward	1,366,338	1,366,338
Net book value	911,124	32,343

Following an impairment review, an impairment adjustment of £nil (31 December 2007: £1,366,338) was recognised in relation to the Morondava uranium project.

Exploration licences		
Balance brought forward (at fair value)	3,917,326	3,756,851
Additions at cost	95,876	160,475
Balance carried forward	4,013,202	3,917,326
Total	4,924,326	3,949,669

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

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

14. Property, plant and equipment

Equipment and furniture	Group 31 December 2008 £	Company 31 December 2008 £	Group 31 December 2007 £	Company 31 December 2007 £
Cost				
Balance brought forward	28,754	-	22,763	-
Additions	15,463	1,903	3,643	-
Exchange movement	9,373	-	2,348	-
Balance carried forward	53,590	1,903	28,754	-
Depreciation				
Balance brought forward	7,959	-	1,481	-
Charge for the year	12,679	317	6,326	-
Exchange movement	2,595	-	152	-
Balance carried forward	23,233	317	7,959	-
Net book value	30,357	1,586	20,795	-

15. Investment in group undertakings

Company

Subsidiary undertakings	31 December 2008 £	31 December 2007 £
Balance brought forward	2,651,818	2,651,818
Balance carried forward	2,651,818	2,651,818

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

Uramad UK Limited holds 80% of the issued share capital of Uramad SA, a Malagasy company which holds uranium exploration licences in Madagascar.

16. Loan investment

Company

	31 December 2008	31 December 2007
	£	£
Cost		
Balance brought forward	1,873,272	506,934
Amounts advanced	585,543	1,366,338
Exchange movement	378,901	-
Balance carried forward	2,837,716	1,873,272
Impairment		
Balance brought forward	1,366,338	-
Charge	-	1,366,338
Balance carried forward	1,366,338	1,366,338
Withholding tax provision		
Balance brought forward	187,327	50,693
Charge	58,553	136,634
Exchange movement	89,326	-
Balance carried forward	335,206	187,327
Net book value	1,136,172	319,607

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 13) 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. Following an impairment review, an impairment adjustment of £nil (31 December 2007: £1,366,338) was recognised.

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.

17. Taxation receivable – non-current

Group	31 December 2008	31 December 2007
	£	£
Value added tax – Madagascar	290,243	233,483

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

18. Taxation receivable – current

	Group 31 December 2008 £	Company 31 December 2008 £	Group 31 December 2007 £	Company 31 December 2007 £
Value added tax – UK	6,936	6,936	5,587	5,587

19. Trade and other receivables – current

	Group 31 December 2008 £	Company 31 December 2008 £	Group 31 December 2007 £	Company 31 December 2007 £
Other receivables	711	-	9,564	-
Prepayments and accrued income	28,033	28,033	8,026	8,025
	28,744	28,033	17,590	8,025

20. Cash and cash equivalents

	Group 31 December 2008 £	Company 31 December 2008 £	Group 31 December 2007 £	Company 31 December 2007 £
Cash at bank and in hand	23,971	21,390	259,276	258,752

The carrying amount of these approximates to their fair values.

21. Short term borrowings

	Group 31 December 2008 £	Company 31 December 2008 £	Group 31 December 2007 £	Company 31 December 2007 £
Bank overdraft	-	-	3,630	-

The bank overdraft is payable on demand.

22. Loans

Company and Group	31 December 2008 £	31 December 2007 £
Balance brought forward	-	-
Amounts advanced	873,118	-
Loan interest and charges	104,901	-
Exchange movement	57,607	
Balance carried forward	1,035,626	-

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

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

23. Trade and other payables

	Group 31 December 2008 £	Company 31 December 2008 £	Group 31 December 2007 £	Company 31 December 2007 £
Trade payables	12,651	10,750	346,043	78,567
Other payables	99,666	-	5	-
Accruals	46,036	39,667	105,696	102,495
	158,353	50,417	451,744	181,062

24. Called up share capital

Company and Group

Authorised

	31 December 2008 Number	31 December 2008 £	31 December 2007 Number	31 December 2007 £
Ordinary shares of £0.005 (2007: £0.05) each	1,722,739,998	8,613,670	200,000,000	10,000,000
Allotted and fully paid	30,806,668	154,033	30,806,668	1,540,333

In July 2008, the Company's capital was restructured by way of capital reduction in the amount of £1,386,300. The Company's par value was reduced from 5p per share to 0.5p per share. Following the reduction, the authorised share capital of the Company was £8,613,670 divided into 1,722,739,998 Ordinary Shares of £0.005. As a result of the capital reduction retained loss brought forward has been reduced by £1,386,300.

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

Share options over ordinary shares in existence at 31 December 2008 are as follows:

Number	Exercise price	Expiry date
800,000	30p per share	2 August 2010*
100,000	30p per share	2 August 2010
155,000	30p per share	31 August 2011*
200,000	50p per share	31 August 2011*
153,408	30p per share	22 December 2011
308,066	3.88p per share	31 October 2013

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

25. Share premium account

Company and Group	31 December 2008 £	31 December 2007 £
Balance brought forward	4,478,453	4,447,203
Premium arising on issue of equity shares	-	31,250
Balance carried forward	4,478,453	4,478,453

26. Share based payment reserve

Company and Group

	31 December 2008 £	31 December 2007 £
Balance brought forward	1,156,591	916,590
Options issued to directors / professional advisors and charged to the income statement	10,989	497,885
Transfer to accumulated loss	(782,310)	(257,884)
Balance carried forward	385,270	1,156,591

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

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

Movement on share options was as follows:

	31 December 2008 No of options	31 December 2007 No of options
Options at beginning of year / period	4,073,408	2,648,408
Options granted	308,066	1,550,000
Options lapsed	(2,665,000)	-
Options exercised	-	(125,000)
Options at end of year / period	1,716,474	4,073,408
Options exercisable at year / period end	1,716,474	4,073,408

Weighted average exercise prices were as follows:	31 December 2008	31 December 2007
Options at beginning of year / period	43p	32p
Options granted	4p	61p
Options lapsed	48p	-
Options exercised	-	30p
Options at end of year/ period	28p	43p
Options exercisable at year / period end	28p	43p

26. Share based payment reserve *(continued)*

	31 December 2008	**31 December 2007**
Weighted average share price at date of exercise for options exercised during the year / period	-	40p

	31 December 2008	**31 December 2007**
Weighted average remaining contracted life of options outstanding at the year / period end	2.5 years	2.8 years

	31 December 2008	**31 December 2007**
Exercise prices of options outstanding at the year/ period end		
Exercise price per share	**No of options**	**No of options**
3.88p	308,066	-
30p	1,208,408	2,823,408
50p	200,000	200,000
60p	-	500,000
90p	-	550,000
	1,716,474	4,073,408

	31 December 2008	**31 December 2007**
Weighted average fair value of options granted in year / period	4p	32p

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

Inputs in the model for share options granted during the year / period were as follows:

Weighted average share price	4p	41p
Weighted average exercise price	4p	61p
Average expected volatility	151%	148%
Average option life	5 years	3.1 years
Average risk free rate	4.5%	5.25%
Expected dividends	Nil	Nil

Expected volatility was determined by calculating the actual volatility of the Company's share price over the period from December 2006 up to the grant date of the option.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2008

27. Translation reserve

Group	31 December 2008 £	31 December 2007 £
Balance brought forward	155,301	(48)
Translation difference arising on consolidation	718,662	155,349
Balance carried forward	873,963	155,301

28. Minority Interest

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

	31 December 2008 £	31 December 2007 £
Share of net assets in Uramad SA	612,974	684,623

29. Cash flows from operating activities

Group	31 December 2008 £	31 December 2007 £
Net loss from operations	(643,706)	(2,304,054)
Adjustments for:		
Share based payments	10,989	497,885
Impairment to intangible fixed assets	-	1,366,338
Translation and currency movements	192,736	101,165
Depreciation	12,679	6,326
Operating cash flows before movements in working capital	(427,302)	(332,340)
Increase in trade and other receivables	(69,263)	(187,106)
(Decrease) / increase in trade and other payables	(293,391)	308,808
Net cash outflow from operating activities	(789,956)	(210,638)

29. Cash flows from operating activities *(continued)*

Company	**31 December 2008 £**	**31 December 2007 £**
Net loss from operations	(152,337)	(2,253,819)
Adjustments for:		
Share based payments	10,989	497,885
Loan investment impairment	-	1,366,338
Translation and currency movements	(231,967)	-
Depreciation	317	-
Operating cash flows before movements in working capital	(372,998)	(389,596)
Increase in trade and other receivables	(21,357)	(11,026)
(Decrease) / increase in trade and other payables	(130,645)	90,366
Net cash outflow from operating activities	(525,000)	(310,256)

30. Controlling party

There is no ultimate controlling party of the Company.

31. Related party transactions

R Cleary, C Kyriakou and J Reynolds are directors of Natasa Mining Limited (formerly Investika Limited), an Australian company and a shareholder in UMC Energy Plc.

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

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

As at 31 December 2008, the Company had borrowed A$2,170,033 (£1,035,626) under these facilities. This amount includes interest of A$230,116 (£104,901).

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

31. Related party transactions *(continued)*

G Bujtor, R Cleary, C Kyriakou and R Shakesby were directors of Toledo Mining Corporation Plc. Toledo Mining Corporation Plc provided support services and staff to the Company at a cost of £49,052 (31 December 2007: £56,944) of which £nil (31 December 2007: £6,082) is outstanding at the year end. The Company provided support services and staff to Toledo Mining Corporation Plc for £nil (31 December 2007: £11,145).

C Kyriakou and J Reynolds are directors of Belitung Zinc Corporation Plc. Belitung Zinc Corporation Plc provided support services and staff to the Company at a cost of £nil (31 December 2007: £4,932). The Company provided support staff and services to Belitung Zinc Corporation Plc for £4,000 (31 December 2007: £4,299).

C Kyriakou is, and R Shakesby was, a director of Tarquin Resources plc. Tarquin Resources Plc provided support services and staff to the Company at a cost of £5,903 (31 December 2007: £3,699). The Company provided support services and staff to Tarquin Resources Plc for £nil (31 December 2007: £4,299).

Capma Pty Limited, a company in which C Kyriakou has an interest, paid expenses on behalf of the Company amounting to £7,129 (31 December 2007: £72,173) of which £1,126 (31 December 2007: £21,413) is outstanding at the year end.

The Company was charged £36,000 (31 December 2007: £33,000) by Resource Capital Partners Inc for the provision of the consultancy services of C Kyriakou.

The Company was charged £12,925 (31 December 2007: £39,998) by Accomplishments Pty Limited for the provision of the services of R Cleary of which £11,667 (31 December 2007: £18,333) was for services as director and £1,257 (31 December 2007: £21,655) was for consultancy services. At the year end the Company owed £nil (31 December 2007: £14,000) to Accomplishments Pty Limited.

The Company was charged £49,415 (31 December 2007: £75,014) by Sedgefield Pty Ltd for the provision of consultancy services of M Smith, of which £nil (31 December 2007: £46,495) is outstanding at the year end.

31. Related party transactions *(continued)*

The Company was charged £nil (31 December 2007:£11,000) by Avventura Commercial Corporation for the provision of services of K Bates as director of which £nil (31 December 2007: £12,000) is outstanding at the year end. Director's fees of £7,000 (31 December 2007: £nil) has been accrued for in relation to K Bates.

The Company was charged £7,000 (31 December 2007: £11,000) by W McKnight for the provision of services as director.

The Company was charged £nil (31 December 2007: £31,336) by S C P Lagral, £nil (31 December 2007: £24,000) for the provision of consultancy services of G Whiddon and £nil (31 December 2007: £7,336) for reimbursed expenses.

The Company was charged £16,330 (31 December 2007: £nil) by G Whiddon, £2,036 for the provision of services as director, £10,003 for the provision of consulting fees and £4,291 for reimbursed expenses.

The Company was charged £25,492 (31 December 2007: £nil) by J Reynolds for the provision of accounting and administration services of which £3,114 is outstanding at the year end.

The Company was charged £3,000 (31 December 2007: £nil) by Shakesby Investments Pty Limited for the provision of the services of R Shakesby as director.

The parent company of the group is UMC Energy Plc and details of its subsidiaries are set out in note 15.

During the year the Company made additional advances to its subsidiary Uramad SA of £585,543 (31 December 2007: £1,366,338) and at the year end Uramad SA owed the Company £2,837,715 (31 December 2007: £1,873,272). Following an impairment review, an impairment adjustment of £nil (31 December 2007: £1,366,338) was recognised. (See note 16).

The Company provided support services and staff to Uramad SA for £1,328 (31 December 2007: £nil).

The Company issued share options to directors. The fair value of these options, £nil (31 December 2007:£484,945) has been charged to the income statement and is also reflected in the share based payments reserve in the balance sheet.

31. Related party transactions *(continued)*

Bernard Furth was a director of Uramad SA and a shareholder in the following companies: Assistance Et Logistique Miniere (ALM Sarl), Zircon Mining Corporation (ZMC Sarl) and Forex Sarl. During the year Uramad SA was charged £53,914 (31 December 2007: £867,649) by ALM Sarl for services rendered and at the year end owed £nil (31 December 2007: £190,232). At 31 December 2008 ZMC Sarl owed Uramad SA £nil (31 December 2007: £5,706) in respect of a payment made on its behalf by Uramad SA. During the year Uramad SA was charged £1,375 (31 December 2007: £260,067) by Forex Sarl for services rendered and at the year end owed £nil (31 December 2007: £9,034).

32. Post balance sheet events

Since 1 January 2009, the Company has advanced a further US$15,548 (£10,687) to Uramad SA, for use on uranium exploration activities.

Since 1 January 2009, the Company has borrowed a further A$180,557 (£83,025) from Natasa Mining Limited, for working capital.

33. Financial instruments

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

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

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

Credit risk

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

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

33. Financial instruments *(continued)*

Liquidity risk

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

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

The following are the contractual maturities of financial liabilities:

Group **31 December 2008**	**Carrying amount** **£**	**Cash flows** **£**	**3 months or less** **£**	**Greater than one year** **£**
Trade and other payables	158,353	158,353	158,353	-
Loans payable	1,035,626	1,035,626	1,035,626	-
Withholding tax provision	335,206	335,206	-	335,206
	1,529,185	1,529,185	1,193,979	335,206

Group **31 December 2007**	**Carrying amount** **£**	**Cash flows** **£**	**3 months or less** **£**	**Greater than one year** **£**
Trade and other payables	451,744	451,744	451,744	-
Short term borrowings	3,630	3,630	3,630	-
Withholding tax provision	187,327	187,327	-	187,327
	642,701	642,701	455,374	187,327

Company **31 December 2008**	**Carrying amount** **£**	**Cash flows** **£**	**3 months or less** **£**	**Greater than one year** **£**
Trade and other payables	50,417	50,417	50,417	-
Loans payable	1,035,626	1,035,626	1,035,626	-
	1,086,043	1,086,043	1,086,043	-

Company **31 December 2007**	**Carrying amount** **£**	**Cash flows** **£**	**3 months or less** **£**	**Greater than one year** **£**
Trade and other payables	181,062	181,062	181,062	-

33. Financial instruments *(continued)*

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

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

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

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

Sensitivity analysis for foreign exchange risk to Group

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

	Group 10% weakening of GBP		**Group 10% strengthening of GBP**	
	Impact on Equity £	Impact on Income /Reserves £	Impact on Equity £	Impact on Income /Reserves £
At 31.12.2008				
Australian Dollar	(103,562)	(103,562)	103,562	103,562

33. Financial instruments *(continued)*

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

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

Group	**31 December 2008 £**	**31 December 2008 £**	**31 December 2007 £**	**31 December 2007 £**
Assets	**Carrying amount**	**Net fair value**	**Carrying amount**	**Net fair value**
Taxation receivable	297,179	297,179	239,070	239,070
Trade and other receivables	28,744	28,744	17,590	17,590
Short-term deposits	-	-	200,000	200,000
Cash at bank and in hand	23,971	23,971	59,276	59,276
Total	349,894	349,894	515,936	515,936

	31 December 2008 £	**31 December 2008 £**	**31 December 2007 £**	**31 December 2007 £**
Liabilities	**Carrying amount**	**Net fair value**	**Carrying amount**	**Net fair Value**
Trade and other payables	158,353	158,353	451,744	451,744
Short term borrowings	-	-	3,630	3,630
Loans payable	1,035,626	1,035,626	-	-
Withholding tax provision	335,206	335,206	187,327	187,327
	1,529,185	1,529,185	642,701	642,701

Company	**31 December 2008 £**	**31 December 2008 £**	**31 December 2007 £**	**31 December 2007 £**
Assets	**Carrying amount**	**Net fair value**	**Carrying amount**	**Net fair Value**
Loan investments	1,136,172	1,136,172	319,607	319,607
Taxation receivable	6,936	6,936	5,587	5,587
Trade and other receivables	28,033	28,033	8,025	8,025
Short-term deposits	-	-	200,000	200,000
Cash at bank and in hand	21,390	21,390	58,752	58,752
Total	1,192,531	1,192,531	591.971	591,971

33. Financial instruments *(continued)*

Extent and nature of financial instruments *(continued)*

Liabilities	31 December 2008 £ Carrying amount	31 December 2008 £ Net fair value	31 December 2007 £ Carrying amount	31 December 2007 £ Net fair value
Trade and other payables	50,417	50,417	181,062	181,062
Loans payable	1,035,626	1,035,626	-	-
	1,086,043	1,086,043	181,062	181,062

Collateral
The loans payable of £1,035,626 are secured by a negative pledge over the Company's equity interest in Uramad UK Limited and are repayable within 60 days following a demand by Natasa Mining Limited (see note 22).

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

There are no externally imposed capital requirements on the Company.

Details of the ordinary share capital are set out in note 24.

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