

Nufcor URANIUM LIMITED

**Report and audited financial statements
for the period ended 30th June 2007**

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Directory

Directors

Michael Travis (Chairman)
Anthony Pickford
William Scott
Kelvin Williams

Registered Office

Anson Court
La Route Des Camps
St Martin
Guernsey

Adviser

Nufcor Capital Limited
Two London Bridge
London

Administrator

Mercator Trust Company Limited
Anson Court
La Route Des Camps
St Martin
Guernsey

Custodian

Nufcor International Limited
Two London Bridge
London

Secretary

Mercator Secretaries Limited
Anson Court
La Route Des Camps
St Martin
Guernsey

Nominated Adviser

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London

Legal Advisers in relation to English Law

Simmons & Simmons
CityPoint
One Ropemaker Street
London

Independent Auditors

PricewaterhouseCoopers CI LLP
National Westminster House
Le Truchot
St Peter Port
Guernsey

Legal Advisers in relation to Guernsey Law

Ozannes
1 Le Marchant Street
St Peter Port
Guernsey

Chairman's statement

Since Admission on 21st July 2006, the Company has raised US\$189m, and has successfully met its investment objective of investing at least 90% of the net proceeds of the subscription for the Company's shares in uranium. As at 30th June 2007, the Company owned 2.3 Mlbs uranium oxide in concentrates ("U₃O₈") and 200,000 kgU in uranium hexafluoride ("UF₆").

Through the year ending June 2007, the price of uranium has risen significantly, leading to a rise in the Company's adjusted NAV per share from GBP1.89 (US\$3.51) as at 21st July 2006 to GBP4.73 (US\$9.50) on 30th June 2007, a gain of 150%.

In early February 2007, the directors proposed two changes to the Company's Investment Guidelines which we believed would further enhance the Company's prospects. The approval of Shareholders at an Extraordinary General Meeting for these changes was received on 26th March 2007. The approved changes allowed the Company to invest in UF₆, as well as in U₃O₈, and also removed the restriction on the proportion of the Company's uranium which may be lent to third parties.

Subsequent to the change in the Investment Guidelines, in early May 2007, the Company successfully completed a private placing of 8.25m shares at GBP4.20 per share, raising a gross amount of US\$69m, of which US\$64.3m was used to purchase 200,000 kgU in UF₆.

During the financial year, the Company has also undertaken U₃O₈ loan transactions which have generated revenue of US\$1.6m that has been used to meet some of the Company's operating expenses. The directors believe that there are other potential opportunities to lend uranium and will be seeking to develop these further.

The Company's first Annual General Meeting will be held on 28th September 2007 and the Board will be seeking the authority by special resolution to purchase up to 15% of the shares in issue.

After four years of continuous increase in the spot price of uranium, there has been a softening since July 2007. However, in the long-term, the directors continue to believe in the robust fundamentals underpinning the global uranium fuel market.

Michael Travis
Chairman

20th August 2007

Report of the Directors

The directors of Nufcor Uranium Limited (“the Company”) are pleased to submit their report and financial statements for the period from 28th June 2006 (date of incorporation) to 30th June 2007.

The Company

The Company is an investment company registered in Guernsey on 28th June 2006 under The Companies (Guernsey) Law, 1994. The Company is eligible for exemption from Guernsey tax under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is only liable to a fixed fee of GBP600 per annum.

Results and Dividend

The results for the year are shown on page 10. The directors do not recommend the payment of a dividend for the financial period.

Significant Shareholdings

As at 30th June 2007, the Board had been notified, or was otherwise aware of, the following shareholdings exceeding 3% of the issued share capital:

	Number of shares	Percentage of issued share capital
Deutsche Bank	7,561,055	18.33%
Pendragon Capital L.L.P.	4,129,800	10.01%
Nufcor International Limited	3,300,000	8.00%
Lehman Brothers	2,864,181	6.94%
Credit Suisse	2,268,418	5.50%
ING	1,920,800	4.66%
HSBC Investment Bank	1,744,000	4.23%
Geiger Counter Limited	1,700,000	4.12%
GLG Partners L.P.	1,509,163	3.66%
Bear Stearns	1,436,628	3.48%
QVT Financial L.P.	1,347,958	3.27%
Morgan Stanley	1,288,274	3.12%

Corporate Governance

Introduction

As a closed-ended investment company registered in Guernsey, the Company is eligible for exemption from the requirements of the Combined Code (the “Code”) which sets out the principles of good governance and a code of best practice and is issued by the UK Listing Authority. The Board has, however, put in place a framework for corporate governance which it believes is suitable for an investment company and which enables the Company to voluntarily comply with the main requirements of the Code.

The Board considers that the Company has complied with the provisions contained in Section 1 of the Code throughout this accounting period. The following statement describes how the relevant principles of governance are applied to the Company.

Operation of the Board

The Board is responsible for the proper management of the Company, and, in discharging that responsibility, has delegated specific authority to the Audit Committee and the Adviser Appointment Committee as described more fully below.

The directors are responsible for the determination of the Company’s investment strategy and have overall responsibility for the Company’s day-to-day activities. The directors have appointed key advisers under service agreements, to assist them in discharging these responsibilities, namely Nufcor Capital Limited (the “Adviser”), Nufcor International Limited (the “Custodian”) and Mercator Trust Company Limited (the “Administrator”).

The Adviser, the Custodian and the Company have entered into an Advisory Services Agreement under which the Adviser has agreed to provide certain advisory services to the Company in relation to the acquisition, sale, lending and storage of uranium, subject to the overriding supervision of the directors.

Report of the Directors (continued)

Corporate Governance (continued)

The Board

The directors of the Company, who served throughout the period, were as follows:

Michael Travis (non-executive Chairman) (UK)
Anthony Pickford (non-executive) (Guernsey)
William Scott (non-executive) (Guernsey)
Kelvin Williams (non-executive) (South Africa)

Mr Travis has 18 years experience in the uranium industry and is the former managing director of Rio Tinto Mineral Services Limited, the uranium marketing arm of the Rio Tinto group. Mr Travis was a member of the board of the World Nuclear Association from 2001 to 2003 and was a member of the bureau of the Euratom Supply Agency Advisory Committee from 2003 to 2005. Mr Travis has an MA from Oxford University and an MBA from INSEAD.

Mr Pickford is the Chairman of Mercator Trust Company Limited, a Guernsey based fiduciary company, and has been a partner of RSM Robson Rhodes Chartered Accountants in Guernsey since 2001. Mr Pickford is a qualified Chartered Accountant and a UK licensed insolvency practitioner.

Mr Scott has over 20 years experience of the investment funds industry, is a former senior vice president of FRM Investment Management Limited and a former director of Close Bank Guernsey Limited. Mr Scott is a Chartered Accountant and is a member of the Securities & Investment Institute.

Mr Williams is a director of the Custodian, Nufcor International Limited, and was an executive director of AngloGold Ashanti Limited from its establishment in 1998 until May 2006. Mr Williams is a past director of the World Gold Council.

The Board meets quarterly in Guernsey and holds other meetings as often as necessary.

During the period ended 30th June 2007, seventeen Board meetings have been held, three of which were scheduled quarterly meetings. All of the directors have attended all of the scheduled quarterly meetings. Of the fourteen unscheduled meetings Mr Travis has attended ten, Mr Pickford twelve, Mr Scott thirteen and Mr Williams eleven.

Audit Committee

The Audit Committee comprises Messrs Pickford, Scott, and Travis and is chaired by Mr Scott. The committee meets at least twice a year at appropriate times in the reporting cycle and otherwise as required.

The Audit Committee examines the effectiveness of the Company's internal control systems, reviews the annual report and financial statements and interim report, and agrees the auditors' remuneration and terms of engagement.

Adviser Appointment Committee

The Adviser Appointment Committee comprises Messrs Pickford, Scott and Travis and is chaired by Mr Travis. The committee meets at least twice a year.

The Adviser Appointment Committee undertakes an annual review of the performance of the Adviser and reviews and agrees any changes to be made to the fees payable to the Adviser. The Committee also monitors and reviews the effectiveness of the procedures established by the Company with the Adviser and the Custodian to manage conflicts of interest arising out of the provision of services under the Advisory Services Agreement and the Custody Agreement and makes recommendations to the Board and Adviser where appropriate.

Internal Controls

The Board is responsible for the Company's system of internal control and for reviewing their effectiveness.

Those services provided to the Company by the Administrator, such as administration services, accounting services and company secretarial duties reflect the system of internal controls of the Administrator. The relevant control regime for other services, such as the Adviser, Custodian and Registrar, reflect those of the respective service providers.

In order for the directors to review their effectiveness insofar as they are relevant to the Company's business, an annual review will take place of all out-sourced functions and their performance will be monitored against obligations specified in the relevant contracts.

Report of the Directors (continued)

Corporate Governance (continued)

The compliance department of the Administrator reports annually on the design and effectiveness of internal controls operating over the functions provided by the Administrator. This report is reviewed by the Audit Committee and any material findings are considered by the Board of Directors as a whole.

Going Concern

The directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the financial statements and, after due consideration, the directors consider that the Company is able to continue as a going concern in the foreseeable future.

Relations with Shareholders

The Adviser and the Company's broker maintain a regular dialogue with institutional shareholders, the feedback from which is reported to the Board. In addition, Board members attend shareholder presentations and will be available to respond to shareholders' questions at the Annual General Meeting.

Auditor Objectivity and Independence

During the year PricewaterhouseCoopers LLP have been engaged as the reporting accountants to the Company in respect of its admission to AIM. PricewaterhouseCoopers CI LLP, the Company's auditors, have confirmed they are satisfied that they have complied with their independence requirements. The Directors agree with this assessment.

Statement of Directors' Responsibilities

The directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period and are in accordance with applicable laws. In preparing those financial statements the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 1994. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Annual General Meeting

The Company's first Annual General Meeting ("AGM") will be held on 28th September 2007 and the Board will be seeking the authority by special resolutions:

- to approve a share capital reduction by cancellation of the Company's share premium account and credit to a distributable reserve;
- to purchase up to 15% of the shares in issue;
- to authorise the holding of treasury shares; and
- to adopt new Articles of Association to permit the holding of treasury shares.

The special resolutions are set out in full in the AGM notice and the proposed new Articles of Association are available for inspection on the Company's website at www.nufcoruranium.com

Reappointment of Auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers CI LLP, will be proposed at the AGM.

Anson Court
La Route Des Camps
St Martin
Guernsey

20th August 2007

.....
M Travis
Director

.....
W Scott
Director

**Report of the Adviser
For the period ended 30th June 2007**

The uranium market supply and demand fundamentals remained strong during the financial period ended 30th June 2007. During this period the industry average spot price (TradeTech and UxC) of U₃O₈ has risen almost 200% from US\$45.75/lb as at 30th June 2006 to US\$135.50/lb as at 30th June 2007. The average UF₆ value over this same period rose from US\$130.90/kgU to US\$359.00/kgU.

The U₃O₈ price has risen consistently during the period, exacerbated by flooding at the Cigar Lake mine in Saskatchewan, Canada, in October 2006 resulting in the loss of about 22 Mlbs of anticipated supply in the near term through the pushing back of the mine's development by at least two years. In February 2007, the Ranger mine in Australia, owned by ERA, encountered production problems due to water in its open pit stemming from cyclones Monica and George, causing Ranger to claim *force majeure* on some of its supply contracts. These events underscore the reality that the uranium fuel cycle remains very vulnerable to major supply side disruptions.

On a positive note, the price rise is encouraging mine project development and exploration albeit at a slow pace. The McArthur River mine in Canada is awaiting regulatory approval to be expanded by about 12% within the next year or so and there is potential for Australia's Olympic Dam, the world's largest uranium resource, to increase its output to around 33 Mlbs per annum within the next decade. Furthermore, in-situ leach mine development in Kazakhstan continues at an aggressive pace with the country's annual production expected to increase from an anticipated 18 Mlbs in 2007 to as much as 40 Mlbs by 2010.

The supply of uranium into the fuel market from above ground stocks remains a relative uncertainty. While utilities' inventory volumes have generally increased over the last few years, government inventories are expected to continue entering the market at relatively modest levels, the most significant component of which will be from the Russian Highly Enriched Uranium programme with the US which continues through 2013.

On the demand side, the world long term demand outlook for uranium has been supported by the announced large nuclear programmes of the Peoples Republic of China, Russia, and India. In general, security of energy supply remains an important strategic imperative for governments and this, coupled with a growing worldwide recognition of the economic and environmental potential offered by nuclear power, continues to support the favourable long term outlook for the nuclear fuel market.

There has been a marked increase in the pace of price rises in the uranium market since February 2007. The rapid appreciation in the price of uranium since then has been primarily driven by significant speculative activity in an environment of modest short-term demand but highly constrained supply. However, the liberation of uranium supplies and coincident removal of demand in June 2007 have resulted in a softening of uranium prices since early July 2007. Notwithstanding, the long-term supply and demand fundamentals underpinning the market have not changed materially and prospects for nuclear energy's continued renaissance continue to look encouraging.

Nufcor Capital Limited
Two London Bridge
London
SE1 9RA

20th August 2007

**Independent Auditors' report
To the Members of Nufcor Uranium Limited**

We have audited the financial statements of Nufcor Uranium Limited for the period ended 30th June 2007 which comprise the Income Statement, Balance Sheet, Statement of changes in equity, Cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards 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). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 64 of The Companies (Guernsey) Law, 1994 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 (Guernsey) Law, 1994. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the Report of the Adviser and the Reconciliation of net asset value to published net asset value.

We also, at the request of the directors (because the Company applies the Financial Services Authority Listing Rules as if it were a UK Listed Company), review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does. We are not required to consider whether the directors' statements on internal controls cover all risks and controls or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

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 examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Independent Auditors' report (Continued)
To the Members of Nufcor Uranium Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Company's affairs as at 30th June 2007 and of its loss and cash flows for the period then ended;
- the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 1994; and
- the information given in the Report of the Directors is consistent with the financial statements.

.....
PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands

20th August 2007

Income statement
For the period ended 30th June 2007

	Note	28 th June 2006 to 30 th June 2007 US\$
Income		
Bank interest		1,119,923
Uranium loan fees	2	1,586,428
		<u>2,706,351</u>
Expenses		
Investment advisory fees	2	1,917,077
Audit fees		54,543
Directors fees		222,227
Other administrative expenses		1,031,400
		<u>3,225,247</u>
Loss for the financial period attributable to equity shareholders		<u>(518,896)</u>
Basic and diluted loss per share	7	<u>US\$0.015</u>

The notes on pages 14 to 21 form part of these financial statements.

Balance sheet
At 30th June 2007

	Note	2007 US\$
ASSETS		
Non-current assets		
Other assets – Uranium holdings	3	172,626,000
		<u>172,626,000</u>
Current assets		
Trade and other receivables	4	1,308,021
Cash and cash equivalents		7,447,215
		<u>8,755,236</u>
TOTAL ASSETS		<u><u>181,381,236</u></u>
EQUITY		
Share capital	5	412,500
Share premium account		180,990,188
Retained earnings		(518,896)
Total Equity		<u>180,883,792</u>
LIABILITIES		
Current liabilities		
Trade and other payables	8	497,444
Total liabilities		<u>497,444</u>
TOTAL EQUITY AND LIABILITIES		<u><u>181,381,236</u></u>

The notes on pages 14 to 21 form part of these financial statements.

The financial statements were authorised for issue by the board of directors on 20th August 2007 and signed on its behalf by:

.....
M Travis
Director

.....
W Scott
Director

Statement of changes in equity
For the period ended 30th June 2007

	Note	Ordinary shares US\$	Share premium US\$	Retained Earnings US	Total US\$
Balance at 28 th June 2006		-	-	-	-
Issue of shares		412,500	188,610,338	-	189,022,838
Loss for the period		-	-	(518,896)	(518,896)
Fair value of equity-settled share-option granted	6	-	2,215,868	-	2,215,868
Formation and listing expense recognised directly in equity in relation to the services of the Custodian at admission	2	-	(2,215,868)	-	(2,215,868)
Other formation and listing expenses recognised directly in equity	2	-	(7,620,150)	-	(7,620,150)
Balance at 30 th June 2007		<u>412,500</u>	<u>180,990,188</u>	<u>(518,896)</u>	<u>180,883,792</u>

The notes on pages 14 to 21 form part of these financial statements.

Cash flow statement
For the period ended 30th June 2007

	28 th June 2006 to 30 th June 2007 <i>US\$</i>
NET CASH FLOWS FROM OPERATING ACTIVITIES	
Loss from operations	(518,896)
Increase in receivables	(1,308,021)
Increase in payables	497,444
Purchase of uranium holdings	(172,626,000)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(173,955,473)</u>
FINANCING ACTIVITIES	
Proceeds from issue of ordinary shares	189,022,838
Formation and listing expenses recognised directly in equity	(7,620,150)
CASH FROM FINANCING ACTIVITIES	<u>181,402,688</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,447,215
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>7,447,215</u></u>

The notes on pages 14 to 21 form part of these financial statements.

Notes to the financial statements For the period ended 30th June 2007

1. GENERAL INFORMATION

Nufcor Uranium Limited (the "Company") was incorporated in Guernsey on 28th June 2006 and is a closed ended investment company.

The Company was admitted to the Alternative Investment Market of the London Stock Exchange ("AIM") on 21st July 2006.

Activities

The Company's activities include holding and lending uranium oxide concentrates ("U₃O₈ ") and uranium hexafluoride ("UF₆"), with the primary investment objective of achieving capital appreciation in the value of its uranium holdings.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations as adopted by the European Union (EU) and with Section 64 of The Companies (Guernsey) Law, 1994 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. A summary of the more important accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

(a) Standards that are not yet effective and have not been early adopted

IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective for year ends beginning on or after 1st January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The directors have assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Company will apply IFRS 7 and the amendment to IAS 1 from 1st July 2007.

Notes to the financial statements

For the period ended 30th June 2007

SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st January 2006 but are not relevant to the Company's operations:

- IAS 19 (Amendment), Employee Benefits;
- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards;
- IFRIC 4, Determining whether an Arrangement contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

(c) Interpretations to existing standards that are not yet effective and not relevant for the Company's operations

The following interpretations are mandatory for the Company's accounting period beginning on 28th June 2006 or later periods but are not relevant for the Company's operations:

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1st March 2006);
- IFRIC 8, Scope of IFRS 2 (effective from 1st May 2006);
- IFRIC 9, Reassessment of the Embedded Derivatives (effective from 1st June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective 1st November 2006);
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective from 1st March 2007); and
- IFRIC 12, Service Concession Agreements (effective from 1st January 2008).

Foreign currency translation

(a) Functional and presentation currency

The functional currency of the Company is US Dollars. The Company's investors are mainly from the United Kingdom and North America. The primary activity of the Company is to invest in U₃O₈ and UF₆ which are valued in US Dollars. The performance of the Company is measured and reported to the investors in both Sterling and US Dollars.

The Board of Directors considers the US Dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in US Dollars which is the Company's functional and presentation currency.

(b) Transactions and balances

Transactions in foreign currencies are accounted for at the rates of exchange ruling at the dates of those transactions. Income statement items in foreign currencies are translated into US Dollars at transaction date. Foreign currency balances at year end are translated at the approximate rates of exchange ruling at that date. Gains and losses arising on the settlement of transactions and the translation at period end exchange rates of monetary assets and liabilities balances denominated in foreign currencies are recognised in the income statement.

Segmental reporting

The Company has one main business segment and one main geographic segment.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating on other economic environments.

Notes to the financial statements
For the period ended 30th June 2007**SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenue recognition**

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the company and the amount of revenue can be measured reliably.

Revenue on the sale of U_3O_8 and UF_6 is recognised at the time of delivery.

Uranium loan fees

Fees from loans of U_3O_8 and UF_6 to third parties are recognised in the income statement on an effective yield basis. The fees are based on a loan rate and are calculated on the market value of the loaned uranium on a quarterly basis.

Formation and listing expenses recognised directly in equity

Formation and listing expenses are expensed against share premium as they are incurred.

Expenses

All operating expenses, including investment advisory fees, are recognised in the income statement on an accruals basis.

Holdings of U_3O_8 and UF_6

Holdings of U_3O_8 and UF_6 are valued at cost less impairment. Any impairment is recognised in the income statement.

U_3O_8 and UF_6 on loan to counterparties remain on the balance sheet as the Company retains substantially all of the risks and rewards of ownership.

Forward contracts

From time to time, the Company may enter into contracts for the future delivery of U_3O_8 and UF_6 at a fixed price. Such contracts are "executory contracts" in that both parties are still to perform, to an equal degree, the actions required of them by the contract until the day of final delivery under the contract. Executory contracts are not recognised in the balance sheet of the Company, but are noted as a future financial commitment.

Financial instruments

Financial assets and liabilities carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, gains and losses relating to a financial instrument classified as an asset or liability are reported as an expense or income. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Trade receivables

Trade receivables are measured on initial recognition at fair value and subsequently measured at amortised cost less provision for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. Any allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition of the asset.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and deposits with original maturities of three months or less.

**Notes to the financial statements
For the period ended 30th June 2007****SIGNIFICANT ACCOUNTING POLICIES (continued)****Provisions and contingent liabilities**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities are disclosed if the future obligation is probable or the amount cannot be reasonably estimated.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Trade payables are carried at the fair value of the consideration to be paid in future for services that have been received or supplied and invoiced or formally agreed with the supplier.

Impairment of other assets

Other assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount (that is, the higher of the asset's net selling price and value in use). For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Taxation

The Company is incorporated in Guernsey and has exempt status under the Income Tax (Exempt Bodies) Guernsey Ordinance, 1989. The Company applies for the exemption annually and a fixed fee of GBP600 is payable to obtain the exemption.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax, and are disclosed in the statement of changes in equity.

Share-based payments

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

The Company issued equity share options which represent equity-settled share-based payments in connection with the admission of the Company to AIM. 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 payment is deemed to be an incremental cost directly attributable to the issue of the shares at admission and as such is deducted from equity.

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

See Note 6 for further description of the equity-settled share option granted.

Risk management

The Company attempts to mitigate risks that may affect its performance through a process of identifying, assessing, reporting and managing material risks. The principal risks to which the Company is exposed are uranium price risk, counterparty credit risk, custodian credit risk, physical uranium loss risk and liquidity risk.

Notes to the financial statements
For the period ended 30th June 2007

SIGNIFICANT ACCOUNTING POLICIES (continued)

Uranium price risk

As an investor in uranium, the Company holds significant positions in uranium that are exposed to changes in market price. In addition, the Company may enter into fixed price forward purchase and sales contracts. The price of uranium is volatile and is influenced by numerous factors beyond the Company's control, such as demand and supply fundamentals and geopolitical events.

The objective of the Company is capital appreciation, which it intends to achieve through a policy of acquiring uranium and a strategy of holding such uranium for the long-term and not actively speculating or trading with regard to short-term changes in the price of uranium. Accordingly, the Company does not hedge or otherwise protect against movements in uranium price.

Counterparty credit risk

The Company's purchase, sale and lending of uranium expose the Company to the risk of non-payment or non-performance. The directors review credit issues associated with each and every transaction and consideration is given to credit worthiness and credit concentration issues, the provision of appropriate security, and other risk mitigation measures.

Custodian credit risk

The Company is exposed to the credit risk of the Custodian, Nufcor International Limited, and that of the conversion and enrichment facilities ("facilities"), the ultimate custodian of the Company's uranium. The Custodian is required to give the Company immediate notice of any material adverse change in its financial condition and has an obligation to notify the Company of any material adverse change in the financial position of the facilities at which its uranium is held. The directors periodically review and manage the Company's exposure to the credit risk of facilities that hold its material by diversifying its uranium holdings across several facilities.

Physical uranium loss risk

The uranium owned by the Company could suffer damage or destruction by fire, chemical accident, leakage or other incidents beyond the Company's control. This may result in losses which are not compensated for either by the Custodian (through its contractual arrangements with the conversion and enrichment facilities) or by insurance proceeds. The directors periodically review and manage the Company's risk of uranium loss by diversifying its uranium holding across several conversion and enrichment facilities, considering the availability of indemnities from the facilities and/or the availability of external insurance cover.

Liquidity risk

The Company funds ongoing expenses from interest income, uranium loan fees, and from cash held on demand and on deposit. The Company could be exposed to significant liquidity risk if it were to fully invest its cash balances and if income from uranium loan fees were to reduce, and other sources of funding were to become unavailable. The directors review rolling forecasts of the Company's cash requirements on an ongoing basis and the Company currently maintains a cash balance adequate to meet expected cash requirements for the forward 12 month period.

3. URANIUM HOLDINGS

	30 th June 2007 <i>US\$</i>	30 th June 2007 <i>US\$</i>
	Cost	Market value
2,300,000 lbs of U ₃ O ₈	108,366,000	311,650,000
200,000 kgU of UF ₆	64,260,000	71,800,000
	<u>172,626,000</u>	<u>383,450,000</u>

Notes to the financial statements
For the period ended 30th June 2007

URANIUM HOLDINGS (continued)

The market value of U₃O₈ is taken as the average of (i) the month end UxC U₃O₈ spot price indicator (as published by Ux Consulting Company, LLC in its Ux weekly publication) and (ii) the month end TradeTech U₃O₈ exchange value (as published by TradeTech, LLC in the Nuclear Market Review), ("the Average U₃O₈ Published Price"), and that of UF₆ is taken as the average of (i) the month end UxC UF₆ spot NA price and (ii) the month end TradeTech UF₆ value, ("the Average UF₆ Published Price").

At 30th June 2007, 642,000 lbs of U₃O₈ (US\$32,853,000 at cost; US\$86,991,000 at market value) was on loan to third parties. The uranium on loan was collateralised to its replacement value by a guarantee issued to the Company by the parent company of the borrower.

4. TRADE AND OTHER RECEIVABLES

	30 th June 2007 US\$
Accrued loan fee	1,308,021
	<u>1,308,021</u>

5. SHARE CAPITAL

	30 th June 2007 US\$
Authorised	
85,000,000 Ordinary Shares of US\$0.01 each	<u>850,000</u>
Issued and fully paid	
41,250,000 Ordinary Shares of US\$0.01 each	<u>412,500</u>

Rights of shareholders

The Ordinary Shares carry the right to vote, the right to receive all dividends declared by the Company and on a winding up will have the right to share pro rata in the surplus assets of the Company. The shares carry no right to fixed income.

6. SHARE-BASED PAYMENTS

Equity-settled share option

The Company issued the Custodian an option over shares representing 2,475,000 of the Company's issued ordinary share capital at the time of admission to AIM. The option was granted to reward the Custodian for its services in relation to the Company issuing shares and obtaining admission to AIM.

The grant of the option was conditional upon the Company's admission to AIM and vested on the date of admission. The option may be exercised at any time (or times) during the period commencing on 21st July 2008 and ending on 21st July 2011. The exercise price of the option is fixed at GBP2.05 per share.

	Options	Weighted average exercise price US\$
Outstanding at beginning of period	-	-
Granted during the period	2,475,000	3.79
Forfeited during the period	-	-
Exercised during the period	-	-
Expired during the period	-	-
Outstanding at the end of the period	2,475,000	3.79
Exercisable at the end of the period	-	-

Notes to the financial statements
For the period ended 30th June 2007

SHARE BASED PAYMENTS (continued)

The inputs into the Black-Scholes model are as follows:

Weighted average share price	US\$3.79
Weighted average exercise price	US\$3.79
Expected volatility	11.56%
Expected life	5 years
Risk free rate	4.84%
Expected dividends	nil

Expected volatility was determined by calculating the historical volatility of U₃O₈, the underlying asset in which the Company is invested, over the past 3 years. The expected life used in the model was based on management's expectation that the option will be exercised at the end of the life of the option.

The Company recognised total expenses of US\$2,215,868 representing the equity-settled share-based payment to the Custodian for its services in relation to the Company issuing shares and obtaining admission to AIM during the period. The expense has been recognised directly in equity along with other admission expenses.

7. EARNINGS PER SHARE

	28 th June 2006 to 30 th June 2007 US\$
Earnings	
Loss for the purposes of basic and diluted earnings per share	<u>(518,896)</u>
Number of shares	
Weighted average number of ordinary shares for the purposes of basic earnings per share	34,423,973
Effect of dilutive potential ordinary shares: share options	921,161
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>35,345,134</u>
Basic loss per share	<u>US\$0.015</u>
Diluted loss per share	<u>US\$0.015</u>

8. TRADE AND OTHER PAYABLES

	30 th June 2007 US\$
Advisory fee payable	319,542
Accrued expenses	177,902
	<u>497,444</u>

Notes to the financial statements For the period ended 30th June 2007

9. RELATED PARTY TRANSACTIONS

The following are related parties to the Company:

A C Pickford – Non-executive Director
W Scott – Non-executive Director
M S Travis – Non-executive Director
K H Williams – Non-executive Director
Nufcor International Limited – Custodian
Nufcor Capital Limited - Adviser

On 21st July 2006, Nufcor International Limited, the Custodian, subscribed for 32,999,998 shares in the Company for the consideration of US\$120,038,153. At the same date the Company granted an option to the Custodian to acquire 2,475,000 shares in the Company at GBP2.05 per share as further described in Note 6. At 30th June 2007, the Custodian held 3,300,000 shares (8% of issued shares) in the Company and the option to acquire a further 2,475,000 shares as described above.

During the period the Company purchased 2,100,000 lbs U₃O₈ from the Custodian for the consideration of US\$97,766,000. The purchases were contracted under arms length terms. The company also paid the Custodian a fee of US\$313,882 in respect of services performed in connection with the cash placement of shares on 2nd May 2007.

During the period the Company entered into a location swap agreement with Nuclear Fuel Corporation of South Africa (Pty) Limited (“Nufcor SA”), a party related to the Custodian, to swap 995,000 lbs U₃O₈ held by the Company at one facility in exchange for an equal quantity of U₃O₈ held by Nufcor SA at a different facility. The location swap was performed for mutual benefit and for no monetary consideration. As at 30th June 2007, the Company had swapped 639,000 lbs U₃O₈ under the agreement.

During the period the Company entered into a location swap agreement with the Custodian, to swap 152,000 lbs U₃O₈ held by the Company in the Custodian’s account at one facility in exchange for an equal quantity of U₃O₈ held by the Custodian at a different facility. The location swap was performed for mutual benefit and for no monetary consideration.

Mr K H Williams, a director of the Company, is also a director of the Custodian. The Adviser is, in turn, a wholly owned subsidiary of the Custodian. The Company has an Advisory Services Agreement with the Adviser and the Custodian pursuant to which the Adviser advises on regulated investment activities, provides market information to the Board and, on the instruction of the Board, identifies opportunities to acquire, sell and lend uranium.

The Adviser provides advisory services to the Company, having received authorisation to undertake regulated activities from the United Kingdom Financial Services Authority and replaced Blueprint Capital Management LLP as Adviser on 24th May 2007. The Company pays the Adviser a monthly fee in arrears equal to one twelfth of 1% of the total market value of the uranium owned by the Company. Advisory fees charged in the period totalled US\$1,917,077 (of which US\$624,972 was charged by Nufcor Capital Limited), and the sum of US\$319,542 was outstanding as at 30th June 2007.

Non-executive directors are entitled to fees totalling GBP117,000 per annum. The highest paid non-executive Director receives a fee of GBP40,000 per annum. During the period the non-executive directors were paid additional fees totalling US\$46,088 in respect of services performed in connection with the cash placement of shares on 2nd May 2007.

Mr A C Pickford, a director of the Company, is Chairman of Mercator Trust Company Limited, the Administrator. The Administrator is entitled to an annual administration fee. During the period fees totalling US\$125,022 were charged, and the Administrator was paid an additional fee of US\$26,042 in respect of services performed in connection with the cash placement of shares on 2nd May 2007. The sum of US\$50,000 was outstanding as at 30th June 2007. Mr A C Pickford holds 12,195 shares (0.03%) in the Company.

**Reconciliation of net asset value to published net asset value (“NAV”)
For the period ended 30th June 2007**

	30 th June 2007 <i>US\$</i>	Per Share <i>US\$</i>
Total NAV per financial statements	180,883,792	4.39
Market value adjustment for U ₃ O ₈ and UF ₆ holdings	210,824,000	5.11
	<u>391,707,792</u>	<u>9.50</u>
Converted to Sterling at US\$2.0064 / GBP1.00		<u>GBP4.73</u>
Diluted adjusted NAV		
Number of shares in issue	41,250,000	
Exercise of options at GBP2.05	2,475,000	10,179,972
	<u>401,887,764</u>	<u>9.19</u>
Converted to Sterling at US\$2.0064 / GBP1.00		<u>GBP4.58</u>

The market value of U₃O₈ is taken as the Average U₃O₈ Published Price, and that of UF₆ as the Average UF₆ Published Price.