



**Report and unaudited financial statements  
for the half year ended 31<sup>st</sup> December 2009**

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## Directory

### Directors

Kelvin Williams (Chairman)  
Peter Bonney  
Anthony Pickford  
William Scott  
Michael Travis

### Chief Executive Officer

Anthony Pickford

### Chief Financial Officer

David Preston

### Registered Office

Anson Court  
La Route Des Camps  
St Martin  
Guernsey

### Administrator

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

### Secretary

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

### Legal Advisers in relation to Canadian Law

Stikeman Elliott LLP  
Dauntsey House  
4B Frederick's Place  
London

### Legal Advisers in relation to English Law

Simmons & Simmons  
CityPoint  
One Ropemaker Street  
London

### Legal Advisers in relation to Guernsey Law

Ozannes  
1 Le Marchant Street  
St Peter Port  
Guernsey

### Nominated Adviser & Broker

Canaccord Adams  
Cardinal Place  
7th Floor  
80 Victoria Street  
London

### Independent Auditors

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

## Chairman's statement

On 11<sup>th</sup> January 2010, the board of Uranium Limited ("UL") and the board of Uranium Participation Corporation ("UPC") announced that they had reached agreement on the terms of a recommended all-share offer to be made by UPC for the entire issued share capital of UL, through a scheme of arrangement of our company under Part VIII of the Companies Law (the "Scheme") (together the "Transaction"). Shareholders will be asked to vote in favour of the Scheme at a Court Meeting and at an Extraordinary General Meeting of the Company, each to be held during March 2010.

The terms of the offer, and all related details pertaining to the offer will be contained in a circular to be posted to all shareholders on 8<sup>th</sup> February 2010.

UL's shares have, since July 2008, been trading at a discount to the NAV per share of the Company. The Board has considered alternatives to achieve a reduction in the discount to this NAV per share, primarily by improving liquidity and trading volumes. In an effort to improve liquidity and achieve share price appreciation, UL on 30<sup>th</sup> December 2008 listed its shares on the TSX. This listing has largely failed to improve the liquidity of UL's shares and trading volumes have remained low throughout 2009.

The share price discount to NAV has prevented UL from raising funds by the issue of further equity capital, as this is both commercially unattractive to its existing shareholders, and UL's articles of incorporation do not permit UL to issue share capital at a discount to its prevailing NAV.

The UL Board recognises that UPC shares have consistently exhibited better liquidity and greater trading volume than UL shares. As a result, UPC's shares, in contrast to UL shares, have historically not suffered from trading at a persistent large discount to NAV. The Board believes that the Transaction will enable UL shareholders to benefit from the better liquidity offered by UPC's shares, as well as their greater valuation relative to NAV.

Based on UPC's history of successful financings that have broadened their shareholder base and improved liquidity, the UL Board also believes that UPC will be in a better position to raise finance through the issue of equity capital, and therefore are better able to take advantage of future opportunities in the uranium market.

The UL Board believes that the Transaction will enable UL shareholders to benefit from improved trading liquidity, a better relation of the share price to NAV, and long term capital appreciation as envisaged by current forecasts for uranium prices. Under the Transaction, UL shareholders will receive shares in a company with comparable investment objectives and strategy to UL, thereby ensuring that they will retain a similar market exposure and risk profile to that delivered by their current holding in UL.

Kelvin Williams  
Chairman

3<sup>rd</sup> February 2010

## Report of the Directors

The directors of Uranium Limited ("the Company") are pleased to submit their report and unaudited financial statements for the half year ended 31<sup>st</sup> December 2009.

### The Company

The Company is a closed-ended investment company registered in Guernsey on 28<sup>th</sup> June 2006 under The Companies (Guernsey) Law, 1994. The Company was admitted to the AIM market of the London Stock Exchange ("AIM") on 21<sup>st</sup> July 2006 and on the Toronto Stock Exchange ("TSX") on 30<sup>th</sup> December 2008. With effect from 1<sup>st</sup> July 2008, Guernsey has adopted a new company law and the Company has complied with those parts that are beneficial to it in accordance with that law.

### Results and Dividend

The results for the period are shown on page 9. The directors do not recommend the payment of a dividend for the financial period.

### Significant Shareholdings

As at 31<sup>st</sup> December 2009, 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
QVT Financial L.P.	11,837,535	28.70%
Wellington Management Company LLP	4,265,966	10.34%
Neutron Fund SICAV	3,349,768	8.12%
Nufcor International Limited	3,300,000	8.00%
Metage Capital Management	2,622,500	6.36%
New City Investment Managers Limited	2,308,300	5.60%
Hedgehog Capital	1,979,310	4.80%
Credit Suisse Securities	1,839,468	4.46%

### Corporate Governance

#### *Introduction*

As a closed-ended investment company registered in Guernsey and as a company admitted for trading on the AIM market, 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 an Administrator under a service agreement, to assist them in discharging these responsibilities, namely Mercator Trust Company Limited (the "Administrator").

## Report of the Directors (continued)

### Corporate Governance (continued)

#### *The Board*

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

Kelvin Williams (non-executive Chairman) (South Africa)  
Anthony Pickford (Chief Executive Officer) (Guernsey)  
William Scott (non-executive) (Guernsey)  
Michael Travis (non-executive) (UK)  
Peter Bonney (non-executive) (United States)

Mr Williams was a director of Nufcor International Limited until his resignation in December 2007, 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.

Mr Pickford was the Chairman of Mercator Trust Company Limited; a Guernsey based fiduciary company until his resignation in March 2008. He was also a partner of Grant Thornton Chartered Accountants in Guernsey until March 2008. Mr Pickford is a Chartered Accountant.

Mr Scott has over 25 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 Chartered Institute for Securities & Investment.

Mr Travis has 19 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 Bonney is a partner and portfolio manager of QVT Financial LP, where he manages investments in commodities, closed-end funds, and other areas. While at QVT, Mr Bonney has been actively involved in managing QVT's uranium-related investments, including trading of physical Uranium and Uranium derivatives as well as investments in Uranium-related equities. Prior to the formation of QVT Financial LP, Mr Bonney was employed at Deutsche Bank as part of the QVT Group within DB Advisors. Prior to joining the QVT Group in 2002, he worked as a Consultant specializing in risk management at ERisk LLC and Oliver, Wyman & Company, LLC. Mr Bonney has an A.B. in Applied Mathematics from Harvard College.

Throughout the period, Mr Pickford served as the Chief Executive Officer and Mr David Preston as Chief Financial Officer. Mr Preston is the Managing Director of the Administrator which has prepared the Company's financial and net asset statements since the Company's admission to AIM.

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

#### *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.

## Report of the Directors (continued)

### Corporate Governance (continued)

#### *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 function of the Committee is to undertake an annual review of the performance of the Adviser and to review and to agree 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 as appropriate. The Committee will also consider the terms of appointment of any replacement Adviser or Custodian as appropriate.

As a result of the termination on 24<sup>th</sup> June 2009 of the Advisory Services Agreement with Nufcor Capital Limited, the Company currently has no Adviser.

#### *Independent Review Committee*

The Independent Review Committee comprises Messrs Scott, Travis and Bonney, is chaired by Mr Scott and meets at least twice a year.

The Independent Review Committee was established to conform with the Toronto Stock Exchange listing rules following the Company's listing on 30<sup>th</sup> December 2008. NI 81-107 requires all publicly offered investment funds, such as the Company, to establish an Independent Review Committee to whom the Adviser must refer all conflicts of interest matters for review or approval.

The Independent Review Committee has adopted a mandate establishing protocols dictating that it must provide a recommendation or approval of transactions in which there is a conflict of interest between the Company and its Adviser and as between the Company and any individual members of the Board of Directors as contemplated in NI 81-107. The Independent Review Committee must also prepare a report at least annually of its activities for shareholders that will be available on the Company's website or at the shareholders' request at no cost, by contacting the Company at [enquiries@uraniumlimited.com](mailto:enquiries@uraniumlimited.com). All fees and expenses of the Independent Review Committee are paid by the Company.

#### *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 Registrar, reflect those of the respective service providers.

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 Company's broker maintains 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.

## Report of the Directors (continued)

### 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, 2008. 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.

The directors confirm that this set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7 and 4.2.8.

### Change of Company Name

In accordance with the termination provisions of the Advisory Services Agreement, the Company was contractually obliged to use all reasonable endeavours to change its corporate name to a name that does not include the name "Nufcor" and is not intended or is not reasonably likely to be confused with it. Following the Company's AGM on 17<sup>th</sup> September 2009, Shareholders voted in favour of a special resolution to change the Company's name to Uranium Limited.

### Offer for the Company

On 11<sup>th</sup> January 2010, the Company and Uranium Participation Corporation ("UPC") announced that they had signed an Implementation Agreement pursuant to which UPC will make an offer to acquire all of the issued ordinary share capital of the Company (the "Transaction").

Under the terms of the Transaction, if accepted by Shareholders at an Extraordinary General Meeting expected to be held in March 2010, holders of the Company's shares will receive 0.50 of one common share of UPC for each Company share held on the closing date of the Transaction which is expected to be in March 2010.

The Transaction provides the Company's Shareholders with a significant premium to the pre-offer price of the Company's shares and with ownership in a uranium investment vehicle with better liquidity.

Anson Court  
La Route Des Camps  
St Martin  
Guernsey

3<sup>rd</sup> February 2010

.....  
A C Pickford  
Director

.....  
W Scott  
Director

**Income statement**  
**For the half year ended 31<sup>st</sup> December 2009**

	Note	1 <sup>st</sup> July 2009 to 31 <sup>st</sup> December 2009 US\$	1 <sup>st</sup> July 2008 to 31 <sup>st</sup> December 2008 US\$
<b>Income</b>			
Bank interest		-	79,739
Uranium loan fees	2	1,300,054	1,561,051
		<u>1,300,054</u>	<u>1,640,790</u>
<b>Expenses</b>			
Investment advisory fees	2	-	894,148
Audit fees		62,621	21,929
Directors' fees		128,031	129,518
Listing expenses		-	716,246
Other administrative expenses		1,514,561	468,156
		<u>1,705,213</u>	<u>2,229,997</u>
Loss on sale of uranium assets		-	(506,625)
Decrease in fair value of uranium holdings	3	(20,521,000)	(23,292,365)
		<u>(20,926,159)</u>	<u>(24,388,197)</u>
<b>Loss for the financial period attributable to equity shareholders</b>			
		<u>(20,926,159)</u>	<u>(24,388,197)</u>
<b>Basic loss per share</b>	7	<u>US\$(0.507)</u>	<u>US\$(0.591)</u>
<b>Diluted loss per share</b>	7	<u>US\$(0.507)</u>	<u>US\$(0.591)</u>

The notes on pages 12 to 20 form part of these financial statements.

**Balance sheet**  
**At 31<sup>st</sup> December 2009**

	Note	31 <sup>st</sup> December 2009 US\$	30 <sup>th</sup> June 2009 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Other assets – Uranium holdings	3	125,790,500	146,311,500
		<u>125,790,500</u>	<u>146,311,500</u>
<b>Current assets</b>			
Trade and other receivables	4	699,635	1,218,358
Cash and cash equivalents		1,636,712	1,498,745
		<u>2,336,347</u>	<u>2,717,103</u>
<b>TOTAL ASSETS</b>		<u><u>128,126,847</u></u>	<u><u>149,028,603</u></u>
<b>EQUITY</b>			
Share capital	5	412,500	412,500
Share premium account		-	-
Capital reserve		(51,200,365)	(30,679,365)
Distributable reserve	2	180,990,188	180,990,188
Accumulated losses		(2,646,536)	(2,241,377)
<b>Total equity</b>		<u>127,555,787</u>	<u>148,481,946</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	571,060	546,657
<b>Total liabilities</b>		<u>571,060</u>	<u>546,657</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>128,126,847</u></u>	<u><u>149,028,603</u></u>

The notes on pages 12 to 20 form part of these financial statements.

The financial statements were authorised for issue by the board of directors on 3<sup>rd</sup> February 2010 and signed on its behalf by:

A C Pickford  
 Director

W Scott  
 Director

**Statement of changes in equity**  
**For the half year ended 31<sup>st</sup> December 2009**

	Note	Ordinary shares US\$	Share premium US\$	Distributable reserve US\$	Capital reserve US\$	Retained earnings US\$	Total US\$
Balance at 1 <sup>st</sup> July 2009		412,500	-	180,990,188	(30,679,365)	(2,241,377)	148,481,946
Loss for the period		-	-	-	-	(20,926,159)	(20,926,159)
Transfer of unrealised loss in the period to capital reserve	2	-	-	-	(20,521,000)	20,521,000	-
Balance at 31 <sup>st</sup> December 2009		<u>412,500</u>	<u>-</u>	<u>180,990,188</u>	<u>(51,200,365)</u>	<u>(2,646,536)</u>	<u>127,555,787</u>

	Note	Ordinary shares US\$	Share premium US\$	Distributable reserve US\$	Capital reserve US\$	Retained earnings US\$	Total US\$
Balance at 1 <sup>st</sup> July 2008		412,500	-	180,990,188	(4,426,000)	(2,219,998)	174,756,690
Loss for the period		-	-	-	-	(24,388,197)	(24,388,197)
Transfer of unrealised loss in the period to capital reserve	2	-	-	-	(23,292,365)	23,292,365	-
Balance at 31 <sup>st</sup> December 2008		<u>412,500</u>	<u>-</u>	<u>180,990,188</u>	<u>(27,718,365)</u>	<u>(3,315,830)</u>	<u>150,368,493</u>

The notes on pages 12 to 20 form part of these financial statements.

**Cash flow statement**  
**For the half year ended 31<sup>st</sup> December 2009**

	1 <sup>st</sup> July 2009 to 31 <sup>st</sup> December 2009 US\$	1 <sup>st</sup> July 2008 to 31 <sup>st</sup> December 2008 US\$
NET CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from operations	(20,926,159)	(24,388,197)
Decrease / (increase) in receivables	518,723	(7,240)
Increase / (decrease) in payables	24,403	(612,538)
Loss on sale of uranium assets	-	506,625
Decrease in fair value of uranium holdings	20,521,000	23,292,365
Purchase cost of uranium holdings	-	(38,883,990)
Disposal proceeds of uranium holdings	-	34,012,500
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	<u>137,967</u>	<u>(6,080,475)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	137,967	(6,080,475)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,498,745	8,182,291
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>1,636,712</u>	<u>2,101,816</u>

The notes on pages 12 to 20 form part of these financial statements.

## Notes to the financial statements

### For the half year ended 31<sup>st</sup> December 2009

#### 1. GENERAL INFORMATION

Uranium Limited (the "Company") was incorporated in Guernsey on 28<sup>th</sup> 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 21<sup>st</sup> July 2006 and on the Toronto Stock Exchange ("TSX") on 30<sup>th</sup> December 2008.

#### Activities

The Company's activities include holding and lending uranium oxide concentrates ("U<sub>3</sub>O<sub>8</sub>") and uranium hexafluoride ("UF<sub>6</sub>"), 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 IAS 34 "Interim Financial Reporting" and with Section 243 of The Companies (Guernsey) Law, 2008 applicable to companies reporting under IFRS. The interim financial information should be read in conjunction with the annual financial statements for the year ended 30<sup>th</sup> June 2009, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). A summary of the more important accounting policies is set out below.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30<sup>th</sup> June 2009, as described in those annual financial statements.

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) Published standards and interpretations to existing standards effective in 2009 but not currently relevant

- IFRS 1 (Amendment), First time adoption of IFRS and IAS 27, Consolidated and Separate Financial Statements – effective from 1<sup>st</sup> January 2009
- IFRS 3 (Revised), Business Combinations – effective from 1<sup>st</sup> January 2009
- IFRS 8, Operating Segments – effective from 1<sup>st</sup> January 2009
- IAS 23 (Amendment), Borrowing Costs – effective from 1<sup>st</sup> January 2009
- IAS 27 (Revised), Consolidated and Separate Financial Statements – effective from 1<sup>st</sup> July 2009
- IFRIC 15, Agreements for Construction of Real Estates – effective from 1<sup>st</sup> January 2009

##### (b) Standards and interpretations to existing standards in issue, relevant for the Company's operations but not yet effective

A number of new Standards, amendments to Standards and Interpretations in issue are not yet effective for periods ended 31<sup>st</sup> December 2009 and have not been applied in preparing these financial statements. Of these pronouncements, the following will potentially have an impact on the operations of the Company and it is planned to adopt these pronouncements when they become effective:

- IAS 1 (Amendment), Presentation of Financial Statements – effective 1<sup>st</sup> January 2010
- IAS 32 (Amendment), Financial Instruments: Presentation – effective 1<sup>st</sup> February 2010
- IFRS 9, Financial Instruments – effective 1<sup>st</sup> January 2013

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**Notes to the financial statements**  
**For the half year ended 31<sup>st</sup> December 2009****SIGNIFICANT ACCOUNTING POLICIES (continued)****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 U<sub>3</sub>O<sub>8</sub> and UF<sub>6</sub> 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 translated into US Dollars 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 period 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 business segment, the holding and lending of uranium with the primary investment objective of achieving capital appreciation in the value of its uranium holdings, and one main geographic segment, the global uranium market.

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.

**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<sub>3</sub>O<sub>8</sub> and UF<sub>6</sub> is recognised at the time of delivery.

**Uranium loan fees**

Fees from loans of U<sub>3</sub>O<sub>8</sub> and UF<sub>6</sub> to third parties are recognised in the income statement on an effective yield basis. The fees are generally based on a loan rate and are calculated on the market value of the loaned uranium on a quarterly basis. However, loan fee mechanisms can vary from loan to loan as some loan contracts have also been based on fixed fees.

**Formation and listing expenses recognised directly in equity**

Formation and listing expenses which are directly attributable to the issue of shares are charged against share premium as they are incurred.

**Expenses**

All operating expenses are recognised in the income statement on an accruals basis.

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**Notes to the financial statements**  
**For the half year ended 31<sup>st</sup> December 2009****SIGNIFICANT ACCOUNTING POLICIES (continued)****Holdings of U<sub>3</sub>O<sub>8</sub> and UF<sub>6</sub>**

Holdings of U<sub>3</sub>O<sub>8</sub> and UF<sub>6</sub> are designated at fair value through profit or loss. All uranium holdings are initially measured at fair value. Gains and losses arising on the change in fair value of uranium holdings are recognised in the income statement when they arise.

U<sub>3</sub>O<sub>8</sub> and UF<sub>6</sub> 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<sub>3</sub>O<sub>8</sub> and UF<sub>6</sub> 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.

**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.

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**Notes to the financial statements**  
**For the half year ended 31<sup>st</sup> December 2009****SIGNIFICANT ACCOUNTING POLICIES (continued)****Taxation**

The Company is incorporated in Guernsey and is taxed at a rate of zero percent under the current tax system. The Company is liable to deduct tax at source from any distribution or deemed distribution to Guernsey resident shareholders. A de minimus has been enacted so that this will apply only to Guernsey residents holding 1% or more of the issued share capital.

**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.

**Distributable reserve**

On 12<sup>th</sup> October 2007, the Company was granted approval for a capital reduction by way of cancellation of the amount standing to the credit of its share premium account on that date. The amount cancelled was transferred to distributable reserves.

**Capital reserve**

Following the Company's change in accounting policy for the carrying value of its uranium assets with effect from 1<sup>st</sup> July 2008, the unrealised gain or loss on the change in fair value of its uranium assets is transferred from the income statement to the capital reserve at each financial year end.

**Share-based payments**

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

The Company has 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 and liquidity risk.

*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.

**Notes to the financial statements**  
**For the half year ended 31<sup>st</sup> December 2009**

**SIGNIFICANT ACCOUNTING POLICIES (continued)**

The following table details the sensitivity of the Company's published net asset value attributable to holders of ordinary shares (NAV) to a 10% increase and decrease in the market price of uranium, with all other variables held constant.

	31 <sup>st</sup> December 2009 US\$	31 <sup>st</sup> December 2009 US	30 <sup>th</sup> June 2009 US\$	30 <sup>th</sup> June 2009 US\$
	Change in NAV (US\$)	Change in NAV (%)	Change in NAV (US\$)	Change in NAV (%)
<b>10% increase</b> in uranium market price	12,579,050	+9.9%	14,631,150	+9.9%
<b>10% decrease</b> in uranium market price	(12,579,050)	-9.9%	(14,631,150)	-9.9%

*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 conversion and enrichment facilities ("facilities"), the ultimate custodians of the Company's uranium. 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 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.

**Notes to the financial statements**  
**For the half year ended 31<sup>st</sup> December 2009**

**3. URANIUM HOLDINGS**

	31 <sup>st</sup> December 2009 <i>US\$</i>	31 <sup>st</sup> December 2009 <i>US\$</i>
	Cost	Market value
1,725,000 lbs of U <sub>3</sub> O <sub>8</sub>	81,274,300	76,762,500
412,000 kgU of UF <sub>6</sub>	95,716,565	49,028,000
	<u>176,990,865</u>	<u>125,790,500</u>
	30 <sup>th</sup> June 2009 <i>US\$</i>	30 <sup>th</sup> June 2009 <i>US\$</i>
	Cost	Market value
1,725,000 lbs of U <sub>3</sub> O <sub>8</sub>	81,274,300	88,837,500
412,000 kgU of UF <sub>6</sub>	95,716,565	57,474,000
	<u>176,990,865</u>	<u>146,311,500</u>

The market value of U<sub>3</sub>O<sub>8</sub> is taken as the average of (i) the month end UxC U<sub>3</sub>O<sub>8</sub> spot price indicator (as published by Ux Consulting Company, LLC in its Ux weekly publication) and (ii) the month end TradeTech U<sub>3</sub>O<sub>8</sub> exchange value (as published by TradeTech, LLC in the Nuclear Market Review), ("the Average U<sub>3</sub>O<sub>8</sub> Published Price"), and that of UF<sub>6</sub> is taken as the average of (i) the month end UxC UF<sub>6</sub> spot NA price and (ii) the month end TradeTech UF<sub>6</sub> value, ("the Average UF<sub>6</sub> Published Price").

At 31<sup>st</sup> December 2009, 520,000 lbs of U<sub>3</sub>O<sub>8</sub> with a cost of US\$24,500,079 and a market value of US\$23,140,000 (30<sup>th</sup> June 2009: 1,317,440 lbs of U<sub>3</sub>O<sub>8</sub> with a cost of US\$62,070,007 and a market value of US\$67,846,100) as well as nil kgU of UF<sub>6</sub> (30<sup>th</sup> June 2009: 200,000 kgU of UF<sub>6</sub> with a cost of US\$46,464,352 and a market value of US\$27,900,000) was on loan to third parties. The uranium on loan was collateralised to its replacement value either by way of a guarantee issued to the Company by the parent company of the borrower or by a standby letter of credit issued by a major international bank.

**4. TRADE AND OTHER RECEIVABLES**

	31 <sup>st</sup> December 2009 <i>US\$</i>	30 <sup>th</sup> June 2009 <i>US\$</i>
Accrued loan fee	627,747	1,207,653
Prepayments	71,888	10,705
	<u>699,635</u>	<u>1,218,358</u>

**Notes to the financial statements**  
**For the half year ended 31<sup>st</sup> December 2009**

**5. SHARE CAPITAL**

	31 <sup>st</sup> December 2009 <i>US\$</i>	30 <sup>th</sup> June 2009 <i>US\$</i>
<b>Authorised</b>		
85,000,000 Ordinary Shares of US\$0.01 each	<u>850,000</u>	<u>850,000</u>
<b>Issued and fully paid</b>		
41,250,000 Ordinary Shares of US\$0.01 each	<u>412,500</u>	<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 former Custodian (Nufcor International Limited) 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 former 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 21<sup>st</sup> July 2008 and ending on 21<sup>st</sup> July 2011. The exercise price of the option is fixed at GBP2.05 per share.

	Options	Weighted average exercise price <i>US\$</i>
Outstanding at the beginning of the period	2,475,000	3.79
Granted during the period	-	-
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	-	-

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 U<sub>3</sub>O<sub>8</sub>, 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.

**Notes to the financial statements**  
**For the half year ended 31<sup>st</sup> December 2009**

**7. EARNINGS PER SHARE**

	1 <sup>st</sup> July 2009 to 31 <sup>st</sup> December 2009 <i>US\$</i>	1 <sup>st</sup> July 2008 to 31 <sup>st</sup> December 2008 <i>US\$</i>
<b>Earnings</b>		
Loss for the purposes of basic and diluted earnings per share	<u>(20,926,159)</u>	<u>(24,388,197)</u>
	1 <sup>st</sup> July 2009 to 31 <sup>st</sup> December 2009 <i>US\$</i>	1 <sup>st</sup> July 2008 to 31 <sup>st</sup> December 2008 <i>US\$</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	41,250,000	41,250,000
Effect of dilutive potential ordinary shares: share options	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>41,250,000</u>	<u>41,250,000</u>
Basic loss per share	<u>US\$(0.507)</u>	<u>US\$(0.591)</u>
Diluted loss per share	<u>US\$(0.507)</u>	<u>US\$(0.591)</u>

**8. TRADE AND OTHER PAYABLES**

	31 <sup>st</sup> December 2009 <i>US\$</i>	30 <sup>th</sup> June 2009 <i>US\$</i>
Advisory fee payable	-	97,541
Other accrued expenses	571,060	449,116
	<u>571,060</u>	<u>546,657</u>

## Notes to the financial statements For the half year ended 31<sup>st</sup> December 2009

### 9. RELATED PARTY TRANSACTIONS

The following are related parties to the Company:

A C Pickford – Director / Chief Executive Officer  
K H Williams – Non-executive Director  
W Scott – Non-executive Director  
M S Travis – Non-executive Director  
P K Bonney – Non-executive Director  
D E Preston – Chief Financial Officer  
QVT Financial LP – Significant Shareholder

Directors are entitled to fees totalling GBP142,500 (2008: GBP132,500) per annum with effect from 1<sup>st</sup> January 2009. The highest paid Director receives a fee of GBP50,000 per annum. In addition, the Chief Financial Officer is entitled to a fee of GBP12,500 per annum. During the period fees totalling US\$128,031 (2008: US\$129,518) were charged.

Mr A C Pickford, the Chief Executive Officer, holds 22,095 shares (0.05%) (2008: 22,095 shares (0.05%)) in the Company.

Mr D E Preston, the Chief Financial Officer, is also Managing Director of Mercator Trust Company Limited (“Mercator”), the Company’s administrator. Mercator is entitled to an annual administration fee. During the period administration fees totalling US\$195,557 (2008: US\$69,833) were charged and the sum of US\$ nil was outstanding as at 31<sup>st</sup> December 2009 (30<sup>th</sup> June 2009: US\$55,513). Included within the administration fees in the period are additional fees of US\$42,792 (2008: nil) charged by Mercator in connection with the Transaction as defined in note 10.

At 31<sup>st</sup> December 2009, QVT Financial LP, of which Mr P K Bonney is a partner and portfolio manager, held 11,837,535 shares (29% of issued shares) (30<sup>th</sup> June 2009: 11,837,535 shares (29% of issued shares)) in the Company.

### 10. POST BALANCE SHEET EVENTS

On 11<sup>th</sup> January 2010, the Company and Uranium Participation Corporation (“UPC”) announced that they had signed an Implementation Agreement pursuant to which UPC will make an offer to acquire all of the issued ordinary share capital of the Company (the “Transaction”).

Under the terms of the Transaction, if accepted by Shareholders at an Extraordinary General Meeting expected to be held in March 2010, holders of the Company’s shares will receive 0.50 of one common share of UPC for each Company share held on the closing date of the Transaction which is expected to be in March 2010.

The Transaction provides the Company’s Shareholders with a significant premium to the pre-offer price of the Company’s shares and with ownership in a uranium investment vehicle with better liquidity.

The Company will have a number of significant costs to settle which are contingent on the completion of the Transaction, the largest of which is due to the Company’s Financial Adviser and Broker, Canaccord Adams who are due GBP700,000 plus expenses. The Company will also need to pay legal costs, insurance run off costs and termination costs to its Administrator and Directors on finalisation of the deal.