

# Yellowcake Plc

**Annual Report and Financial Statements**  
For the year ended 30 June 2008

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## Chairman's Statement

### Highlights:

- Uranium spot price down 56.6% in the period
- A second resurgence foreseen in the future for the uranium mining industry
- Strong progress at the Grease River project, Athabasca Basin, Canada

At the commencement of the period under review, the market spot price for uranium ("U3O8"), which had been US\$7.20 in December 2002, reached an all-time high of US\$136 per pound on 1 July 2007. The main factors behind this near-vertiginous rise in market prices were reactions of utility buyers to the production problems encountered during 2007 coupled with the arrival of uranium investment funds whose buying exacerbated supply shortages.

By the end of the period under review, the market price had reacted to US\$59 per pound on 30 June 2008, a diminution of 56.6%. During the year, world production stabilised, the funds sold part of their uranium stocks and, with inventories rebuilt, Utilities restrained their buying of Spot material to more normal levels.

Additionally, from mid-August 2007, the world credit crunch began to adversely affect the share prices of all commodity stocks as institutional investors and especially hedge funds sold down stocks indiscriminately in the hunt for liquidity.

The investment climate for uranium mining companies in which Yellowcake was invested, based on the highly visible spot price, thus deteriorated during the period under review.

Yellowcake modified its portfolio structure during these difficult conditions to mitigate the effect of these market forces, reducing the percentage of exploration and development companies in the portfolio in favour of producers who have revenue and cash-flow. By the end of the period producing and near-producing companies comprised 28.8% of the portfolio (2007: 16.7%).

The net result has been that the aggregate market value of Yellowcake's portfolio was reduced by 32% during the year under review compared with the reduction of 56.6% in the Spot Price. A pre-tax loss of £69,719 was made compared with £192,169 pre-tax profit in the previous year.

Uranium is an essential commodity; nuclear power stations cannot be run without fuel. At the end of August 2008, according to The World Nuclear Association, a total of 36 new nuclear stations were under construction in addition to the 439 operating stations globally, with 99 new reactors planned with funding and 232 proposed. These figures include the six new reactors announced by the UK Government upon the acquisition of British Energy by EDF in September 2008.

The International Energy Agency (IEA) released its 2008 World Energy Outlook (WEO) on 13 November 2008. The WEO projects that limiting the global temperature rise to 2°C will require large increases in nuclear power in addition to contributions from various other energy sources. This will necessitate an increase of world nuclear generation capacity by a factor of 1.8 from 368GW in 2006 to 680GW by 2030.

The leading authority on the uranium market, Ux Consulting, estimates that instead of the projected increase in production of uranium in 2007, last year's world availability of uranium including secondary sources at 159,000 pounds was less than in 2006. In September 2008, when commenting on current supply conditions, Ux stated "On the supply side, Cameco's announcement that McArthur River/Key Lake production may be about 1 million pounds under the 18.7 million pound U3O8 target for 2008 is certainly not positive news". On 22 October 2008, Uranium One announced that its Dominion uranium mine in South Africa, expected to produce 1m lbs in 2009, would now be put on a care and maintenance status. Faced with further supply shortages, the Spot Price, which had fallen to a low of US\$44 a pound by 20 October, has subsequently reacted upwards to US\$55.

With the ending of the USA-Russia agreement for the supply of down-blended uranium from 2013, severe shortages are forecast for the period thereafter. According to a Deutsche Bank forecast, the biggest impediment to achieving the IEA targets is not global legislation change but the potential inability of global supply to respond to increased demand from 2015.

In the US, which with 104 operating stations is the world's largest generator of nuclear-powered electricity, approvals and permits are now under way for both new stations and new mines. Following the 2005 Energy Policy Act, nuclear power operators are now also applying for part of the US\$18.5 billion in allocated government loan guarantees for new nuclear station construction. On 17 September, in a vote of confidence in the US nuclear industry, legendary investor Warren Buffett's energy holding company bought Constellation Energy, the country's biggest wholesale power seller which generates 60% of its power from nuclear energy and is among those generators applying for more stations.

We therefore foresee a "second coming" of the world nuclear resurgence which commenced in 2003.

#### **Direct exploration in the Athabasca Basin, Saskatchewan, Canada**

Our investment in our direct project in Grease River has continued to make exciting progress. In September and November 2007, our Canadian partners CanAlaska Uranium reported on the initial exploration work as part of the 2007 season programme. 250 anomalies for ground prospecting were identified as a result of the 6,900 line-km airborne survey carried out in July 2007. Ground prospecting in July-September 2007 identified 13 target zones for follow-up work and in March 2008 CanAlaska reported assay results showing high concentrations of uranium mineralisation up to 3.53% uranium at surface.

Yellowcake retains a 9% interest in an Option over the project, along with Uranium Prospects plc (51%) and CanAlaska Uranium (40%). The parties are enthusiastic about prospects for the 2008 summer field season programme, designed to further geologically investigate each target anomaly in order to evaluate its potential as a drill target. The significance of the anomalous values of some Rare Earth Elements reported within the Project area will also form part of this programme. Further results are pending.

#### **Post Balance-sheet Strategy developments**

As a result of the increasingly oversold market for uranium shares and the promising results expected to be achieved at Grease River, the Board decided to liquidate its shares portfolio in August 2008 and use the proceeds to bolster the funds available to Uranium Prospects plc which is responsible for the funding of the Grease River exploration. This sale raised cash of £199,952, resulting in a loss of £37,571 against the book value of these stocks as at 30 June 2008. As a result Yellowcake now holds £231,500 in Loan Agreements from Uranium Prospects.

Robert Wallace stepped down as CEO in July 2008 and has been acting as an advisor to Yellowcake on the uranium market on a short term agreement which expired 30 November 2008. The Company is currently in discussions with Robert with a view to extending this arrangement. The Board would like to pay tribute to Robert's invaluable contribution made whilst a Director of the Company.

**Mark Watson-Mitchell**  
**Chairman**

## Directors and Advisors

DIRECTORS	Mark Watson-Mitchell - Executive Chairman Robert Wallace – Chief executive (resigned 31 July 2008) Frans Timmermans – Finance Director Albert Collins – Non-executive Director
SECRETARY	Albert Collins
REGISTERED OFFICE	1 Carthusian Street London EC1M 6DZ
AUDITORS	Saffery Champness Chartered Accountants Lion House Red Lion Street London WC1R 4GB
CORPORATE ADVISOR	St Helen's Capital Plc 15 St Helen's Place London EC3A 6DE
SOLICITORS	Marriott Harrison Staple Court 11 Staple Inn Buildings London WC1V 7QH
BANKERS	National Westminster Bank Plc 134 Aldersgate Street London EC1A 4LD
REGISTRARS	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN
COMPANY'S REGISTERED NUMBER	5370820

## Directors' Report

The Directors present their report and the audited financial statements for the year ended 30 June 2008.

### Activities

The principal activity of the Company is to invest in uranium projects worldwide. It is intended that the Company's interest in any of these selected projects may range from a minority holding to a fully owned stake.

The Company's investments may be in quoted or unquoted companies and could also be in uranium holding funds, partnerships or by way of joint ventures. The investment criteria will include projects that are exploring for, developing or producing uranium.

### Review of business and future developments

The review of the business is covered by the Chairman's Statement.

### Key performance indicators

The Board monitors the activities and performance of the company on a regular basis. The primary performance indicator applicable for the company is net asset value. This saw a reduction at the balance sheet date to £427,669 from £490,654 at 30 June 2007, due to the general deterioration in the market prices of uranium stocks.

### Results for the period and dividends

The loss for the year after taxation was £72,557 (2007 profit: £178,028).

The Directors do not recommend the payment of a dividend for the year.

As at 30 June 2008, the Company had an unrecognised gain in respect of its fixed asset investments of £201,586 (2007: £350,026), as detailed in note 8 to the accounts.

### Post balance sheet event

During the year the Company sold 51% of its 60% interest in the Grease River Project to Uranium Prospects Plc, and under the terms of this agreement, Uranium Prospects took over the obligation to fund the development costs on this project. The Yellowcake Board decided to make a loan of £160,000 to Uranium Prospects as a contribution to its fundraising efforts. These funds were raised by disposing of a substantial part of the Company's investment portfolio (further details provided in note 21).

### Directors and their interests

The Directors who served during the year and their interests in the share capital of the Company as at 30 June 2008 were as follows:

Mark Watson-Mitchell  
Robert Wallace (retired 31 July 2008)  
Frans Timmermans (appointed 1 January 2008)  
Albert Collins

	Ordinary Shares of 0.25p each 2008	Warrants 2008	Ordinary Shares of 0.25p each 2007	Warrants 2007
M Watson-Mitchell (see note below)	2,600,000	1,000,000	2,600,000	1,000,000
R Wallace	8,000,000	4,000,000	8,000,000	4,000,000
A Collins	400,000	200,000	400,000	200,000

Note: Addworth plc held 17,319,225 ordinary shares of 0.25 pence each at 30 June 2008 (30 June 2007: 17,319,225). M Watson-Mitchell and family interests hold 19.43% (30 June 2007: 20.26%) of the issued share capital of Addworth Plc.

The exercise price of the warrants is 2p per ordinary share and they may be exercised at any time from the second anniversary of the Company's admission to PLUS Markets, on 29 July 2005, until the fifth anniversary of this date.

During the year, the Company's share price fluctuated between 1.62p and 3.38p (2007: 1.875p and 4.125p). The share price was 1.75p at 30 June 2008 (30 June 2007: 3.00p)

### Substantial shareholdings

As at 30 June 2008, the Company has had disclosed to it the following substantial share interests exceeding 3% of the issued ordinary share capital:

	Ordinary shares of 0.25p each	%	Warrants
Addworth plc	17,319,225	29.48	4,600,000
B Rowan	13,250,000	22.55	5,000,000
R Wallace	8,000,000	13.62	4,000,000
M Watson-Mitchell	2,600,000	4.42	1,000,000

The exercise price of the warrants is 2p per ordinary share and they may be exercised at any time from the second anniversary of the Company's admission to PLUS Markets, on 29 July 2005, until the fifth anniversary of this date.

### Creditor payment policy

The Company does not follow a code or standard on payment practice. Payment terms are normally agreed with individual suppliers at the time of order placement and are honoured, provided that goods or services are supplied within the contractual conditions.

At the year end, the Company had creditor days of 15 (2007: 6.5).

### Employees

The company's policy is to provide employees with regular information on matters of concern to them and to consult them regularly, as far as is practicable, so that their views can be taken into account when decisions are taken which could affect them.

It continues to be the company's policy to give full and fair consideration to disabled persons applying for employment, having full regard to their particular aptitudes and abilities. The company's policy is to provide equal opportunities to its entire staff on the basis of objective criteria and personal merit.

### Risk Management

#### Financial market risk

As the Company mainly invests in publicly listed companies, the use made of these could be adversely affected by a downturn in financial market conditions.

#### Operational risks

The company's operational targets are subject to the completion of planned operational goals on time and within set budgets. Any failure to meet these goals in particular through the disruption of the supply of Information and Communications Technology to the Company could have an adverse effect on financial performance.

#### Dependence on key personnel

Whilst the company has entered into contractual arrangements with the aim of securing the services of its executive Directors and senior employees, the retention of their services cannot be guaranteed.

#### Financial Risk

The major assets and liabilities subject to financial risk and the financial risks to which these are exposed and the controls in place to minimise these risks are disclosed in Note 19. The principal assets of the business are cash or investments that can be converted into cash within a short period of time. Therefore the principal financial instruments employed by the Company are cash or cash equivalents and the Directors ensure that the business maintains surplus cash reserves to minimise liquidity risk. Conversion of fixed asset investments into cash in accordance with the contractual arrangements is closely monitored. Fixed asset investments are subject to a price risk as a result of movement in market values. The Directors monitor movements in market values closely and take appropriate action, if required, as a result of these movements.

The Board considers and reviews these risks on a strategic and day-to-day basis in order to minimise any potential exposure.

### **Internal Control**

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' investment and company' assets. The Directors monitor the operation of internal controls. The objective of the system is to safeguard company assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Any such system of internal control can only provide reasonable, but not absolute assurance against material mis-statement or loss.

Internal financial control procedures undertaken by the Board Include:

- Review of monthly financial reports and monitoring performance.
- Prior approval of all significant expenditure including all major investment decisions.
- Review and debate of treasury policy.

The Board has reviewed the operation and effectiveness of the Company's system of internal control for the financial period and the period up to the date of approval of the financial statements.

### **Corporate governance**

The Directors intend, in so far as is practicable given the Company's size and the constitution of the Board, to comply with the main provisions of the Combined Code: Principles of Corporate Governance and Code of Best Practice which is consistent with the recommendations on Corporate Governance of the Quoted Companies Alliance.

The Directors intend to comply with rule 29 of the PLUS rules relating to Directors' dealings as applicable to PLUS companies and will also take all reasonable steps to ensure compliance with Rule 46 by the Company' s relevant employees.

### **Disclosure of information to the auditors**

Each director of the Company has confirmed that, in fulfilling their duties as a director, they have:

- Taken all the necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information; and
- So far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

### **Auditors**

Saffery Champness were appointed as auditors to the Company in accordance with section 385 of the Companies Act 1985 and have expressed their willingness to remain in office.

Approved by the board of Directors  
And signed on behalf of the board

**F Timmermans**  
Director

Date: 6 January 2009

## **Statement of Directors' Responsibilities in respect of the Accounts**

Company law requires the Directors to prepare accounts 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. In preparing those accounts, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the accounts; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 accounts comply with the Companies Act 1985. 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.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and other information included in the annual reports may differ from legislation in other jurisdictions.

## Independent Auditors' Report to the members

We have audited the company financial statements on pages 10 to 21. These financial statements have been prepared in accordance with the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether, in our opinion, the information given in the directors' report is consistent with the financial statements. The information given in the directors' report includes that specific information presented in the Chairman's Report that is cross referred from the Business Review section of the directors' report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Chairman's Statement, and Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### 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.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 30 June 2008 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

### Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 22 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £72,557 during the year ended 30 June 2008. These conditions, along with other matters explained in note 22 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

### Saffery Champness

Chartered Accountants  
Registered Auditors

6 January 2009  
Lion House  
Red Lion Street  
London  
WC1R 4GB

## Profit and Loss Account

For the year ended 30 June 2008

	Notes	2008 £	2007 £
<b>Turnover</b>	1,2	29,709	131
Administration expenses	3,5	<u>(150,948)</u>	<u>(121,694)</u>
Operating loss		(121,239)	(121,563)
Profit on disposal of fixed asset investments		165,835	288,375
Amounts written (off)/back on fixed asset investments		(116,816)	24,787
Interest receivable	6	2,501	570
		<u>                    </u>	<u>                    </u>
<b>Profit/(loss) on ordinary activities before taxation</b>		(69,719)	192,169
Tax on (loss)/profit on ordinary activities	7	<u>(2,838)</u>	<u>(14,141)</u>
<b>(Loss)/profit for the financial year after tax</b>	14	<u><b>(72,557)</b></u>	<u><b>178,028</b></u>
<b>Earnings per share</b>	18		
Basic earnings per share		(0.12)p	0.3p
Fully diluted earnings per share		(0.12)p	0.2p

All of the Company's operations are classed as continuing. There were no gains or losses in the year other than those included in the above profit and loss account.

The notes on pages 13 to 21 form part of these financial statements.

## Balance Sheet

As at 30 June 2008

	Notes	2008 £	2007 £
<b>Fixed assets</b>			
Investments	8	363,987	395,951
<b>Current assets</b>			
Current asset investments	8	10,436	120,634
Cash at bank	17	951	6,735
Debtors and prepayments	9	<u>73,397</u>	<u>4,084</u>
Total current assets		<u>84,784</u>	<u>131,453</u>
<b>Total assets</b>		448,771	527,404
<b>Creditors:</b> amounts falling due within one year	10	<u>(21,102)</u>	<u>(36,750)</u>
<b>Net assets</b>		<b><u>427,669</u></b>	<b><u>490,654</u></b>
<b>Capital and reserves</b>			
Called up share capital	11	146,889	145,625
Share premium account	13	<u>280,510</u>	<u>272,924</u>
Total equity		427,399	418,549
Reserves			
Share based payment reserve	13	18,180	17,458
Profit and loss account	13	<u>(17,910)</u>	<u>54,647</u>
Total reserves		<u>270</u>	<u>72,105</u>
<b>Total equity and reserves</b>	14	<b><u>427,669</u></b>	<b><u>490,654</u></b>

The notes on pages 13 to 21 form part of these financial statements.

The accounts were approved by the Board of Directors on 6 January 2008 and were signed on its behalf by:

M Watson-Mitchell  
*Chairman*

## Cashflow Statement

For the year ended 30 June 2008

	Notes	2008 £	2007 £
<b>Net cash outflow from operating activities</b>	15	(205,478)	(121,219)
<b>Returns on investment and servicing of finance</b>			
Interest received	6	2,501	570
<b>Taxation</b>			
Taxation paid		(2,838)	(28)
<b>Capital expenditure and financial investment</b>			
Decrease/(increase) in fixed asset investments		(76,002)	(68,745)
Proceeds on disposal of fixed asset investments		<u>165,835</u>	<u>288,375</u>
<b>Net cashflow</b>		(115,982)	98,953
<b>Management of liquid resources and financing</b>			
(Increase)/decrease in current asset investment		<u>110,198</u>	<u>(97,613)</u>
Movement in cash		(5,784)	1,340
Cash at bank at the start of the year		<u>6,735</u>	<u>5,395</u>
<b>Cash at bank at the end of the year</b>	16	<u><b>951</b></u>	<u><b>6,735</b></u>

The notes on pages 13 to 21 form part of these financial statements.

## Notes to the Accounts

For the year ended 30 June 2008

### 1. Accounting policies

The accounts have been prepared in accordance with applicable accounting standards (UK Generally Accepted Accounting Practice). A summary of the more important accounting policies adopted are set out below.

#### Basis of accounting

The accounts have been prepared under the historical cost convention.

#### Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment. Net realisable value is determined from published price quotations for listed investments. For non listed investments net realisable value is determined via a review of the relevant company's financial position and future prospects.

#### Current asset investments

Current asset investments consist of short term cash deposits held at the Company's share broker.

#### Deferred taxation

Deferred taxation is provided for on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that they are recoverable, that is, on the basis of all available evidence it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### Turnover

Turnover represents amounts receivable in respect of consultancy fees charged to third parties and investment income earned during the period from the Company's fixed asset investments. Turnover excludes VAT.

#### Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the profit and loss account.

#### Restatement of comparatives

Proceeds from the disposal of fixed asset investments have been restated out of operating profit due to the non-operating nature of the investments disposed of.

#### Share warrants

In accordance with FRS 20: Share-based payments, the Company reflects the economic cost of awarding share warrants in exchange for services provided to the Company, recording an expense in the profit and loss account equal to the fair value of the benefit awarded, which has been calculated by reference to the Black-Scholes method. Where the share warrants granted do not vest immediately but after a specified period of time, the fair value is expensed to the profit and loss account over the vesting period.

### 2. Segmental reporting

	2008 £	2007 £
Turnover can be analysed as follows:		
Fee income	26,090	-
Investment income	3,619	131
	<u>29,709</u>	<u>131</u>

The Company's activities are carried out in the United Kingdom.

### 3. Directors' emoluments

	<u>2008</u> £	<u>2007</u> £
All directors:		
Aggregate emoluments	53,188	36,640

The highest paid director received emoluments of £30,000 during the period covered by these financial statements.

### 4. Employee information

The average number of persons, including directors, employed by the Company during the year was as follows:

	<u>2008</u> Number	<u>2007</u> Number
Administration	2	2
	£	£
Staff costs for the above persons were:		
Wages and salaries	19,500	20,667
Social security costs	1,188	973
	<u>20,688</u>	<u>21,640</u>

### 5. Operating (loss)/profit is stated after charging:

	<u>2008</u> £	<u>2007</u> £
Auditors' remuneration: *		
In respect of audit work	6,000	10,599
Fees for other work: taxation	1,650	1,250
Cost of outstanding share warrants (see note 13)	722	9,090

\* note: the amounts shown against audit fees are stated net of VAT.

### 6. Interest receivable

	<u>2008</u> £	<u>2007</u> £
Bank interest	2,501	570

## 7. Taxation

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Tax reconciliation</b>		
(Loss)/profit on ordinary activities before tax	(72,557)	192,169
(Loss)/profit on ordinary activities multiplied by small companies rate corporation tax of 20%	(14,512)	38,434
Tax effects of:		
Expenses not deductible for tax purposes	-	283
Trading losses carried forward/Prior year trading losses utilised	14,512	(24,576)
Current tax charge	-	14,141

The Company has a deferred tax asset of £14,512, which is not recognised in the Financial Statements due to uncertainties regarding its recoverability.

## 8. Fixed and current asset investments

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Fixed assets: listed investments at lower of cost and net realisable value	363,987	395,951
Current assets: Cash deposits held at broker for long term investment purposes	10,436	120,634
Total fixed and current asset investments	374,423	516,585

Listed investments analysed by functional category comprise:

	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>Lower of cost or net realisable value</b>	<b>Market value</b>	<b>Lower of cost or net realisable value</b>	<b>Market value</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Exploration and development	58,737	68,613	249,850	523,607
Direct exploration	178,792	330,170	89,766	98,077
Near production	50,019	60,325	4,893	11,011
Production	76,439	106,465	51,442	113,282
	<u>363,987</u>	<u>565,573</u>	<u>395,951</u>	<u>745,977</u>

As at 30 June 2008 the aggregate market value of listed investments was £565,573 (30 June 2007: £745,977) making total investments, including cash deposits, of £576,009 (2007: £866,611), resulting in an unrecognised gain of £201,586 as at 30 June 2008 (30 June 2007: £350,026). If this gain were to be realised this would result in a potential tax charge, subject to available tax losses, of £60,476 (2007: £105,008) being incurred by the Company, based on a corporation tax rate of 30%. Market value is based on published price quotations where applicable.

## Reconciliation of fixed asset investments

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Opening balance	395,951	289,919
Additions	474,162	343,707
Disposals	(389,310)	(262,462)
Investment impairment	(116,816)	24,787
Closing balance	<u>363,987</u>	<u>395,951</u>

## Reconciliation of current asset investments

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Opening balance	120,634	22,548
Additions	886,233	772,303
Disposals	(996,431)	(674,217)
Investment impairment	-	-
Closing balance	<u>10,436</u>	<u>120,634</u>

## 9. Debtors

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Trade debtor	20,000	-
Loan to related party (see note 20)	49,000	-
Prepayments and accrued income	4,397	4,084
	<u>73,397</u>	<u>4,084</u>

## 10. Creditors: amounts falling due within one year

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Trade creditors	3,556	9,156
Taxation and social security	1,392	14,650
Other creditors	4,500	-
Accruals	11,654	12,944
	<u>21,102</u>	<u>36,750</u>

## 11. Share capital

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Authorised 400,000,000 ordinary shares of 0.25p each	1,000,000	1,000,000
Allotted, called up and fully paid 58,755,714 (2007: 58,250,000) ordinary shares of 0.25p each	146,889	145,625

On 28 March 2008, pursuant to an option agreement with CanAlaska in respect of the Grease River Project, the Company issued 505,714 ordinary shares of 0.25p each to CanAlaska at the then market price of 1.75p per share. The premium on issue amounting to £7,589 has been credited to the share premium account (see note 13).

## 12. Share warrants

The following warrants were issued by the Company on 20 June 2005 to the Directors and certain other investors and remain outstanding at 30 June 2008:

	<u>No. of Warrants</u>	<u>Equivalent shares</u>	<u>Exercise Price</u>
M Watson-Mitchell	1,000,000	1,000,000	2.0p
R Wallace	4,000,000	4,000,000	2.0p
A Collins	200,000	200,000	2.0p
R Abeyesinhe	200,000	200,000	2.0p
B Rowan	5,000,000	5,000,000	2.0p
Addworth plc	<u>4,600,000</u>	<u>4,600,000</u>	2.0p
	<u>15,000,000</u>	<u>15,000,000</u>	

### Reconciliation of share warrants outstanding

	<u>2008</u>	<u>2007</u>
Outstanding at start of the year	15,000,000	15,000,000
Granted in the period	-	-
Forfeited in the period	-	-
Exercised in the period	-	-
Expired in the period	-	-
	<u>15,000,000</u>	<u>15,000,000</u>

In compliance with FRS 20 the Company has attributed a fair value to the issue of the warrants and has used the Black-Scholes calculation method to calculate this fair value. The fair value of these warrants is being charged to the profit and loss account over the vesting period.

There are no vesting conditions attached to these warrants save that the holder can exercise the warrants, in whole or in part, at any time from the second anniversary of the Company's admission to PLUS, on 29 July 2005, and until the fifth anniversary of that date.

The following assumptions were made in the calculation of the fair value:

Risk free rate	4.50%
Exercise price	2.0p
Volatility (based on the Company's share price during the period 29 July 2005 to 30 June 2007)	25%
Dividend yield	0%
Share price on date of issue	2.0p
Exercise date	29 July 2007
Vesting period	2 years

On the basis of the above the Company has calculated the fair value of the warrants to be £18,180, which has been charged to the profit and loss account over the two year vesting period. During the year to 30 June 2008 the total amount charged to the profit and loss account was £722 (2007: £9,090), (see also note 13).

### 13. Share premium and reserves

	Share premium	Share based payment reserve	Profit and loss account
	2008 £	2008 £	2008 £
At 1 July 2007	272,924	17,458	54,647
(Loss) for the year	-	-	(72,557)
Cost of share warrants vested	-	722	-
Premium on shares issued and placed	7,586	-	-
Share issue costs	-	-	-
At 30 June 2008	<u>280,510</u>	<u>18,180</u>	<u>(17,910)</u>
	Share premium	Share based payment reserve	Profit and loss account
	2007 £	2007 £	2007 £
At 1 July 2006	261,674	8,368	(123,381)
Profit for the year	-	-	178,028
Cost of share warrants vested	-	9,090	-
Premium on shares issued and placed	11,250	-	-
Share issue costs	-	-	-
At 30 June 2007	<u>272,924</u>	<u>17,458</u>	<u>54,647</u>

### 14. Reconciliation of movements in equity shareholders' funds

	2008 £	2007 £
(Loss)/profit for the financial year	(72,557)	178,028
Cost of share warrants vested	722	9,090
Shares issued during the period net of expenses	<u>8,850</u>	<u>12,500</u>
Net addition/(reduction) to shareholders' funds	(62,985)	199,618
Opening shareholders' funds	<u>490,654</u>	<u>291,036</u>
Closing shareholders' funds	<u>427,669</u>	<u>490,654</u>

### 15. Reconciliation of operating loss to net cashflow from operating activities

	2008 £	2007 £
Operating loss	(121,239)	(121,563)
Cost of outstanding warrants	722	9,090
(Increase) in debtors	(69,313)	(4,084)
(Decrease)/increase in creditors	<u>(15,648)</u>	<u>(4,662)</u>
Net cash outflow from operating activities	<u>(205,478)</u>	<u>(121,219)</u>

## 16. Reconciliation of net cash flow to movement in net funds

	<u>2008</u> £	<u>2007</u> £
(Decrease)/increase in cash for the year	(5,784)	1,340
Net funds at 1 July 2007	<u>6,735</u>	<u>5,395</u>
Net funds at 30 June 2008	<u><u>951</u></u>	<u><u>6,735</u></u>

## 17. Analysis of net funds

	<u>At 1 July</u> <u>2007</u> £	<u>Cash flow</u> £	<u>At 30</u> <u>June 2008</u> £
Cash at bank	<u>6,735</u>	<u>(5,784)</u>	<u>951</u>

  

	<u>At 1 July</u> <u>2006</u> £	<u>Cash flow</u> £	<u>At 30</u> <u>June 2007</u> £
Cash at bank	<u>5,395</u>	<u>1,340</u>	<u>6,735</u>

## 18. Earnings per share

The basic loss per share is based upon a loss of £72,557 (2007: profit of £178,028) and the weighted average number of shares of 58,381,265 (2006: 57,813,014) in issue during the year. Given the Company's reported loss for the year, outstanding share options and warrants are not taken into account when determining the weighted average number of ordinary shares in issue during the year, and therefore the basic and diluted earnings per share are the same.

## 19. Financial instruments

The Company's financial instruments comprise of cash, debtors, fixed and current asset investments and trade creditors that arise directly from its trading operations. The main purpose of these financial instruments is to provide working capital to the Company. The Company's policy is to obtain the highest rate of return on its cash balances, subject to having sufficient resources to manage the business on a day to day basis and not expose the Company to unnecessary risk of default.

As permitted by FRS 13, short term creditors have been excluded from the disclosures.

### Interest rate risk – financial assets

Financial assets comprise cash at bank, which are primarily held in sterling. Modest foreign currency accounts are maintained in Australian and Canadian Dollars to facilitate the Company's investment activities. At 30 June 2008 sterling deposits at the bank attracted interest at the rate of 4.13% per annum and the Canadian Dollar account attracted interest at the rate of 3.50% per annum.

### Currency risk

The functional currency of the Company's operations is sterling, which is also the reporting currency. Current asset investments are held in sterling, Australian and Canadian dollars. The Company seeks to minimise its exposure to currency risk by closely monitoring exchange rates.

The Company's cash holdings in foreign currencies at the balance sheet date were as follows:

	<b>30 June 2008 £</b>	<b>30 June 2007 £</b>
Canadian dollars	<u>780</u>	<u>120,627</u>
Total	<u><u>780</u></u>	<u><u>120,627</u></u>

#### **Fair values of financial assets and financial liabilities**

Note 8 sets out a comparison of book value and fair value of the Company's current asset investments. All other book values disclosed in respect of the Company's financial assets and financial liabilities are deemed to reflect fair value.

## **20. Related party transactions**

During the year the Company was charged a consultancy fee of £17,625 by Addworth Plc (2007: £17,625). The Company also paid Addworth facility fees totalling £7,050 during the year (2007: £3,525) in respect of its offices at 1 Carthusian Street. Addworth plc is a related party by virtue of its 29.48% (2007: 29.73%) shareholding in the Company, as disclosed in the Directors' Report, and Mark Watson-Mitchell and Albert Collins are also directors of Addworth.

On 27 June 2008, Addworth provided the Company with a short term loan of £4,500. This remained outstanding at the balance sheet date, but was repaid during July 2008.

During the year The Wallace Connection Limited charged the Company £6,000 (2007: £6,000) in respect of office expenses and £30,000 in respect of director's fees for R Wallace (2007: £18,750). As at 30 June 2008 the Company owed £nil (2007: £1,750) to The Wallace Connection Limited. R Wallace is a director of The Wallace Connection Limited.

During the year Acomptare Limited charged the Company £2,500 (2007: £nil) in respect of directors' fees for Frans Timmermans. As at 30 June 2008 the Company owed £417 (2007: £nil) to Acomptare Limited which is included under creditors. F Timmermans is a director of Acomptare Limited.

During the year the Company provided loans to Uranium Prospects Plc totalling £94,000, of which £45,000 was repaid, leaving a balance outstanding of £49,000 at the balance sheet date. The Company also charged consultancy fees totalling £20,000 to Uranium Prospects during the year, which remains outstanding as at the balance sheet. Uranium Prospects is a related party by virtue of the fact that the Company owns a 13.43% holding in that company, and that Mark Watson-Mitchell is a director.

## **21. Post balance sheet events**

R Wallace resigned his position as a Director of the Company with effect from 31 July 2008. He was retained by the Company as a consultant on the uranium market on a short term agreement which expired on 30 November 2008. The Company is currently in discussions with Mr Wallace with a view to extending this arrangement.

During the year the Company sold 51% of its 60% interest in the Grease River Project to Uranium Prospects Plc ("UP"), and under the terms of this agreement, UP took over the obligation to fund the development costs on this project. Recognising the difficulties UP was experiencing in raising sufficient funds, and in order to protect the Company's interests in both the Grease River project and its holding in UP, the Board decided to make a loan of £160,000 to UP. These funds were raised in late August 2008, by disposing of a substantial part of the Company's investment portfolio, representing 58% of its market value at the time. The cash realised from these disposals amounted to £199,952, resulting in a £37,571 loss against the book value of these stocks as at 30 June 2008.

The Company entered into a new loan agreement with UP dated 31 October 2008, consolidating all its loans and receivables. The total amount due from UP, including accrued interest, amounted to £231,500 at that date. The new loan carries interest at 9% per annum, and has a final repayment date of 31 December 2009.

## 22. Going concern

As described in the Directors' report on pages 5 to 7 the current economic environment is challenging and the company has reported an operating loss for the year; furthermore post year end results have shown significant losses on disposal of investments as described in note 21. Whilst the directors have instituted measures to preserve cash, these circumstances create material uncertainties over future trading results and cash flows.

The directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern. Nevertheless after making enquiries, and considering the matters described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

## Notice of Annual General Meeting

for the year ended 30 June 2008

Notice is hereby given that the Annual General Meeting of Yellowcake Plc ("the Company") will be held at its registered office situated at 1 Carthusian Street, London EC1M 6DZ on Friday 30 January 2009 at 11.30 am to transact the following business:

### ORDINARY BUSINESS

To consider and, if thought fit, to pass the following resolutions which will be proposed as **ordinary resolutions**:

1. To receive and adopt the reports of the directors and auditors and the audited accounts of the Company for the year ended 30 June 2008.
2. To re-elect Albert Collins as a director of the Company, who retires by rotation under Article 88 of the Articles of Association of the Company.
3. To re-appoint Saffery Champness as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which financial statements are laid before the Company and to authorise the directors to determine their remuneration.
4. That, in substitution for all existing authorities the directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to a maximum amount equal to the nominal amount of the authorised but unissued share capital for the time being provided that this authority shall expire at the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, 15 months from the date of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

To consider, and if thought fit, to pass the following resolution which will be proposed as a special resolution:

5. That subject to the passing of the previous resolution the directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot securities (within the meaning of section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of section 89 of the said Act did not apply to any such allotment provided that this power shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution, or if earlier, 15 months from the date of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

By order of the board, Albert Collins, Company Secretary  
Registered Office: 1 Carthusian Street, London EC1M 6D

6 January 2009

#### Notes:

1. Any member of the Company entitled to attend and vote at the Annual General Meeting convened by the above notice may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and voting at the meeting in person instead of by proxy.
2. A Form of Proxy is enclosed. To be effective, it must reach the Company's registrars, Share Registrars Limited, Craven House, West Street, Farnham, Surrey GU9 7EN by 11.30 am 28 January 2009 so as to be received not later than 48 hours before the time and date appointed for holding the Annual General Meeting.
3. Copies of all the directors' service contracts and the register of directors interests in the shares of the Company will be made available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.
4. None of the executive directors has a service contract for more than one year's duration. Non-executive directors are appointed for a period of three years or less.
5. The Company, pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001, specifies that only those shareholders entered on the register of members of the Company at 11.30 am on Wednesday 28 January 2009 shall be entitled to vote at the meeting in respect of shares registered in their names at that time. Changes to entries on the relevant register of members after 11.30 am on Wednesday 28 January 2009 shall be disregarded in determining the rights of any person to attend or vote at the meeting. If the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time and date fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.

# Yellowcake Plc

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