

## **Yellowcake PLC (“Yellowcake” or “The Company”)**

21/03/2007

### **INTERIM STATEMENT FOR THE SIX MONTHS TO 31 DECEMBER 2006 AND TRADING UPDATE**

#### **Highlights:**

Uranium spot price now US\$ 91 per pound (US\$72 at 31 December 2006)

Uranium spot price up by 167% since commencing investment in September 2005 (112% at 31 December 2006)

Yellowcake portfolio value up 260% in the same time frame (112% at 21 December 2006).

#### **Chairman’s Statement**

We are pleased to report that the Company continues to outperform the increase in the uranium price, and that our outperformance is gathering momentum. This clearly demonstrates the value of thorough research and focus into industry trends and individual company performances by our Chief Executive in selecting our investment targets.

Increasing international attention has been afforded to global warming and climate control both in and since the period under review. This culminated in the report of the meeting of the Intergovernmental Panel on Climate Change (IPCC) in Paris in early February, the work of 1200 climate experts from 40 countries who have spent six years reviewing all the available climate research. This definitive report was approved by officials from 113 countries.

Before the industrial revolution, the atmospheric concentration of carbon dioxide – the main greenhouse gas – was about 280 parts per million (ppm). Thanks largely to the burning of fossil fuels and changes in land use, atmospheric concentration of carbon dioxide reached 379 ppm in 2005, says the IPCC. Action must be taken now to keep the level below 450ppm.

The report concluded that global average temperature rises of 2°C to 6.4°C above 1750 pre-industrial temperatures will lead to “sharply increasing risk of intolerable impacts”. Temperature rises by 2100 could, in the most extreme scenarios, range from 1.1°C and 5.4°C over 1990 levels. The most likely range is 1.8°C to 4.0°C with the report predicting that 4°C is most likely if the world continues to burn fossil fuels at the same rate as today. Another prediction if that

sea level rises could range from 18cm up to 59 cm there is intensive use of fossil fuels in the future.

The IPCC reported a very high confidence that human activities including the burning of fossil fuels, are responsible for most of the warming seen since 1950.

It is worth noting this subject in detail as it is central to the prospects for nuclear power demand and therefore the continued business climate in which our company operates. The IPCC is to issue more reports in forthcoming months.

Veteran leading environmental campaigner James Lovelock, one of the founders of Greenpeace, was the first researcher to provide evidence of the damage done to the ozone layer of fluorochlorohydrocarbons and they were eventually universally banned. He is unequivocal that “green romanticism” will not save the earth and that a massive expansion of nuclear energy worldwide is the only viable solution.

The world is aware that China and India for example are embarking on large-scale programmes to build new nuclear energy plants. But the same policies are also beginning to be applied to the developed nations on a large scale. Russia will cease supplying the rest of the world with uranium downblended from nuclear weapons from 2013 because it is investing \$25bn in new domestic nuclear power plants.

Meanwhile, in the United States, Congress is considering a bill to cap carbon dioxide emissions from coal power plants and charge coal power stations with carbon-emission penalty charges

A recent Standard and Poors report concluded that the next constructed wave of zero-emission nuclear power stations should be able to produce electricity at \$55 per megawatt hour, compared with \$50 from coal-powered plants, each one of which discharges 7m tonnes of pollution annually per one-megawatt plant. The first new application to build a new US nuclear plant since 1976 has just been sanctioned.

A JP Morgan investment bank report issued on 12 March predicts that Shell, BP and the rest of Big Oil will have to go nuclear if they want to remain “supermajor” leaders of the global energy industry. Apart from nuclear’s clear advantages in replacing oil and gas in an age of climate change, it is the only carbon dioxide-free solution to mass-producing the hydrogen needed for fuel cells.

All these considerations underscore the rationale for Yellowcake being founded two years ago and validate our policy of investing solely in the uranium mining industry. Some commentators are beginning to question the veracity of the commodities “supercycle”. Yet the prospects for the uranium industry bull market

and for Yellowcake's investments in it are so strong as to lead us to conclude that this is not "the beginning of the end" but just "the end of the beginning".

### **Chief Executive's report**

During the period under review for the six months to 31 December 2006, our overheads continued to be minimised and the value of our portfolio continued to progress. The prices of uranium shares were adversely affected by a general reduction of investor sentiment towards the natural resource sector in the summer of 2006 with but recovered strongly in the autumn.

In part this was stimulated by the flood in October at the Cigar Lake mine in Canada, majority-owned by world-leading producers Cameco and Areva, which threatened the projected 17 million pounds of uranium production annually scheduled from this mine. However the merger of IUC and Denison Mines, announced in September 2006, also contributed to the expected recovery of uranium shares in demonstrating the onset of mergers and acquisition activity in the industry.

### **Update for 2007**

Since January this year, the level of prices of uranium company shares continued to rise, driven by the increasing awareness of the compelling investment case by a wider audience. Prices reached peak valuation in late February before suffering substantial cuts in the world markets turmoil which then occurred.

We took the view that the medium-term case for investment in uranium should not be prejudiced by short-term market fluctuations and have seen, as expected, a partial recovery since. By the close of business on 16 March, our portfolio had registered an overall gain of 260% since we commenced investing in September 2005.

Contributing to this performance has been a shift away from investing in traditional producers towards the near-term prospective producers who can most quickly meet the serious world shortage of uranium. The table below gives details of our ten largest holdings and their performance to date:

Yellowcake plc				
<b>Top Ten Holdings by Value at the close of business on 16 March 2007</b>				
Company	Area of operations	% of Portfolio	Year purchased	% gain since first purchase
Uramin Inc	Africa, Canada	29.24	2005	519.88
Summit Resources	Australia	6.37	2005	421.84
Uranerz Energy	USA	5.50	2006	285.14
Strateco Resources	Canada	4.85	2006	154.79
Denison Mines	Canada, USA, Africa, Mongolia	4.40	2005	75.73
Cue Capital Corp	Paraguay	4.26	2007	14.84
Pitchstone Exploration	Canada, Africa	4.25	2005	425.76
Paladin Resources	Namibia, Malawi, Australia	4.16	2005	280.75
CanAlaska Uranium	Canada	3.56	2006	80.20
SXR Uranium One	S Africa, Canada, Australia	3.18	2005	226.91
Overall portfolio				260.00
Uranium spot price				167.65

Gains stated are before brokerage charges and currency translation.

Only one of these companies (Denison Mines) is a traditional producer. UraMin remains the largest constituent of our portfolio with its group of promising development properties in Africa and Canada and attraction as a candidate in the mergers and acquisition activity now evident in the industry. Summit Resources is currently resisting a hostile takeover bid from Paladin Resources for ownership of 100% of the Mt Ida uranium reserves in Queensland, Australia.

### **Market outlook**

Cameco has recently announced that remedial work at Cigar Lake is progressing satisfactorily and production there should now commence in 2010. In the meantime another flood at ERA's Ranger mine in Northern Territory in Australia

due to a tropical storm in February has deprived the market of at least 4 million pounds of uranium (some 4% of world annual production). The world produced less uranium in 2006 than in 2005 and these accidents emphasise the fragility of uranium supply and the excellent prospects for developers and explorers for the mineral.

Paladin Resources and SXR Uranium One both commenced production this month in Namibia and South Africa respectively. With 103 reactors, the world's highest total, US utilities consume 20 times the annual US production of uranium and we have identified and taken stakes in several US junior companies who are aggressively developing production in that country.

With the background of further world endorsement of the zero-emission attractions of nuclear power, coupled with the uranium industry's current ability to supply only some 100 million pounds of the 180 million pounds\* of annual demand, we expect further upside breakouts in our portfolio companies to bring increasing rewards for our shareholders across 2007 and beyond.

### **Direct investment in uranium properties**

Yellowcake has continued to investigate the acquisition of suitable direct projects to acquire and has every intention of securing a first one in forthcoming months.

\* *Source: Ux Consulting January 2007.*

**YELLOWCAKE PLC**

Interim financial statements for the six months ended 31 December 2006.

**Profit & Loss Account**

	6 months ended 31 December 2006	10 months ended 31 December 2005
	GBP'000	GBP'000
Turnover	100	21
Cost of Sales	<u>(65)</u>	<u>(25)</u>
Gross Profit/( Loss)	35	(4)
Administration Costs	<u>(51)</u>	<u>(45)</u>
Loss before Taxation	(16)	(49)
Taxation	<u>0</u>	<u>0</u>
Loss after Taxation	<u>(16)</u>	<u>(49)</u>
Earnings per share	(0.03)p	(0.09)p

**YELLOWCAKE PLC**

Interim financial statements for the six months ended 31 December 2006.

**Balance Sheet as at 31 December 2006**

	31.12.2006	31.12.2005
	GBP'000	GBP'000
<b>Current Assets</b>		
Investments (see note 5)	284	326
Prepayments & Accrued Income	17	7
Cash at bank	<u>20</u>	<u>31</u>
Total Current Assets	321	364
Creditors: amounts falling due within one year	<u>(45)</u>	<u>(2)</u>
Net Current Assets	276	362
Creditors: amounts falling due after one year	<u>0</u>	<u>0</u>
Total Assets less Current Liabilities	<u>276</u>	<u>362</u>
<b>Capital &amp; Reserves</b>		
Share Capital	144	144
Share Premium	262	267
Profit & Loss Current Year	<u>(130)</u>	<u>(49)</u>
	<u>276</u>	<u>362</u>

**Current asset investments**

	2006 GBP
Listed investments at lower of cost and net realisable value	286,594
Cash deposits held as investments	663
	287,257

Listed investments, analysed by functional category, comprise:	Lower of cost and net realisable value GBP	Market value GBP
Exploration and development	214,284	483,748
Near Production	23,760	66,472
Production	48,550	81,036
	286,594	631,255
At 31 December 2006 the aggregate market value of listed investments was GBP631,255, resulting in an unrecognised gain of GBP344,661 as at 31 December 2006. If this gain were to be realised this would result in a potential tax charge, subject to available tax losses, of GBP103,398 being incurred by the Company, based on a corporation tax rate of 30%. Market value is based on published price quotations where applicable.		

#### Notes

1. The Company was admitted to PLUS on 29 July 2005.
2. The Company did not trade during the period from incorporation on 21 February 2005 to 29 July 2005.
3. The financial information contained in this statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. These statements, which are unaudited, have been prepared under the historical cost convention. The financial information has not been reviewed by the Company's auditor.
4. A provision for taxation has not been made as the Company made a loss for the period.
5. Investments are stated at the lower of cost and net realisable value.
6. The loss per share is based on a loss of £15,506 and on 57,750,000 of weighted average ordinary shares in issue since admission to PLUS.
7. Copies of the statement will be despatched to shareholders.

#### Notes to Editors

Nuclear Energy is currently undergoing a resurgence, following twenty years of

"nuclear winter" in which the world relied on secondary supplies, the price of uranium stagnated and little exploration for new mined sources of the mineral was made. Since 2002, new nuclear stations have begun to be constructed. Currently there are 28 new stations under construction and a further 222 planned to add to the existing 442 in 39 countries which provide 16% of the world's electricity. Nuclear stations produce highly competitive energy with zero atmospheric pollution.

Consequently, demand for mined uranium oxide is rising fast. Annual demand is now some 180 m/t but the world's producers only mine some 105 m/t. The uranium spot price has witnessed substantial growth which is projected to continue in the years ahead as the world increases its demand for electricity and the advantages of nuclear power generation become more widely recognised.

Yellowcake was launched in July 2005 to offer investors a professionally managed portfolio of selected uranium stocks in order to capture the growth which it foresaw in the uranium mining, development and exploration industries. It also intends to invest in directly owned uranium deposits.

The Directors of the Issuer accept responsibility for this announcement.

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