

Company Number: 05329401 (England & Wales)

**Uranium Resources plc**

**Group Annual Report and Financial Statements**

**for the year ended 30 June 2017**

## Contents

Directors, Secretary and Advisers	4
Managing Director's Statement	5 – 7
Strategic Report	8 – 10
Directors' Report	11 – 13
Independent Auditors' Report	14 – 18
Consolidated Statement of Comprehensive Income	19
Consolidated Statement of Financial Position	20
Company Statement of Financial Position	21
Consolidated Statement of Changes in Equity	22
Company Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Company Statement of Cash Flows	25
Notes to the Financial Statements	26 – 37

## Directors, Secretary and Advisers

<b>Directors</b>	Alexei Vladimirovich Gostevskikh (Managing Director, Executive Chairman) James Douglas Ryston Pratt (Non-Executive Director) Andrew Mark Lewis (Non-Executive Director) Viacheslav Mikhailovich Medvedev (Non-Executive Director) Sergey Yurievich Alekhin (Non-Executive Director)
<b>Company Secretary</b>	Ben Harber
<b>Registered Office</b>	6 <sup>th</sup> Floor 60 Gracechurch Street London EC3V 0HR
<b>Company Number</b>	05329401
<b>Nominated Advisor and Broker</b>	Northland Capital Partners Limited 60 Gresham Street London EC2V 7BB
<b>Solicitors</b>	Watson, Farley & Williams 15 Appold Street London EC2A 2HB
<b>Group Auditors</b>	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
<b>Share Registrar</b>	Computershare Services plc P.O. Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
<b>Bankers</b>	Barclays Bank plc Level 27 1 Churchill Place London E14 5HP

## Managing Director's Statement for the year ended 30 June 2017

On 4 December 2017, the Company announced that it had agreed conditionally to dispose of the Mtonya Project ("Mtonya") to its majority shareholder Estes Limited (the "Disposal") and to the subsequent reorganisation and recapitalisation of the Company which will become an AIM Rule 15 cash shell. As part of the Proposals, the Company is raising £900,000 in new equity (the "Placing") and a number of key board changes are taking place.

The Disposal and the Placing are included in a set of proposals (the "Proposals") that are set out in a circular ("Circular") which has been sent to shareholders. The Circular also sets out why the Existing Directors recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting which is to be held at the offices of Shakespeare Martineau LLP, 6th Floor, 60 Gracechurch Street, London EC3V 0HR, at 12.00 p.m. on 20 December 2017.

### Disposal

Subject to shareholder approval, the Company will dispose of Mtonya to Estes Limited ("Estes"), in partial settlement of the outstanding loans from Estes to the Company (approximately \$2.07 million as at the date of signing these financial statements). The partial settlement is in the amount of US\$1.2 million, a valuation which is 25 per cent higher than the top of the fair market range provided by independent consultants for Mtonya. In addition, it is proposed that Estes will capitalise the remaining debt owed to it by the Company of US\$870,000 at a price of 0.5p per share.

The Disposal constitutes a fundamental change of business in accordance with the AIM Rules and is therefore subject to shareholder approval. Alex Gostevskikh, Andrew Lewis and James Pratt (the "Independent Directors") are supportive of the Disposal on the basis that Estes has informed the Company that it is no longer willing to provide financial support to it and the Disposal provides a return to the Company significantly higher than the third party valuation of the Mtonya Project. The Independent Directors also believe that significant funds would be required to undertake a meaningful drilling programme at Mtonya and that such early stage exploration projects are difficult to fund, especially as the market for uranium remains depressed. The Independent Directors intend to vote in favour of the resolutions as a whole.

### Share Capital Reorganisation and Placing

The Company is proposing to undertake a Share Capital Reorganisation which will result in 59,788,833 New Ordinary Shares being in issue following the Disposal and capitalisation of the Estes loan balance. Following the Share Capital Reorganisation 7,777,778 New Ordinary will be issued to pursuant to the Director Capitalisations resulting in 67,566 611 New Ordinary Shares being in issue immediately prior to the Placing.

Within the proposal, pending shareholder approval, the Company has conditionally raised £900,000 at 0.45p, via the placing of 200,000,000 New Ordinary Shares through Peterhouse Corporate Finance Limited, together with a 1 for 2 attaching warrant (the "Placing Warrants"). The Placing Warrants are exercisable at 0.9p per New Ordinary Share, three months from the date of grant and for a period of 12 months from the date of grant or until the Company completes a transaction which constitutes a reverse takeover in accordance with AIM Rule 14 (the "Final Exercise Date") whichever is earlier.

Subject to Shareholder approval, admission of the New Ordinary Shares to trading on AIM is expected on or around 21 December 2017 and the Company's name will change to URA Holdings plc (the TIDM will remain URA). Under the Proposals the Enlarged Share Capital will comprise 267,566,611 New Ordinary Shares of 0.15p each.

In order to provide existing shareholders with some ability to subscribe should they so choose on the same terms as the Placing Warrants, the Board proposes, subject to regulatory prohibitions relating to marketing securities in certain jurisdictions, to issue new warrants to existing shareholders on the record date on a pro rata basis of one Bonus Warrant for every two New Ordinary Shares held (the "Bonus Warrant Issue") at an exercise price of 0.9p per share.

## Managing Director's Statement – *continued*

### Board Changes

Conditional on the passing of the Resolutions, it is proposed that the Existing Directors, with the exception of Alex Gostevskikh, step down from the Board and that Peter Redmond and Melissa Sturgess are appointed directors (the "Proposed Directors"). Peter and Melissa have many years of experience as directors of AIM companies and intend that the new strategy of the Company will be to acquire a substantial business that is seeking an AIM quoted platform. Peter has been involved in the restructuring of a number of AIM quoted companies and Melissa most recently spearheaded the recapitalisation of Messaging International plc and subsequent creation of SigmaRoc plc.

### Background to the Proposals

The Company was incorporated on 11 January 2005 and its shares were admitted to trading on AIM on 18 February 2005. The Company's strategy was to make investments in the mining and minerals sectors and specifically in the uranium sector.

On 3 April 2012, Uranium Resources announced it had raised £3.93 million (gross) through a Placing of 163,750,000 new ordinary shares of 0.1 pence each in the Company at a price of 2.4 pence per ordinary share. The funds raised were used to support the development of the Mtonya Project located 100 kilometres east of Songea in southern Tanzania. As a consequence of the placing, the Company's major shareholder, Estes, increased its holding in the Company to 56 per cent of the issued share capital. At this time the Company was not subject to the UK Takeover Code.

On 26 March 2013 the Company entered into a US\$1 million loan agreement with Estes to fund working capital requirements pending the publication of its maiden mineral resource estimate at Mtonya.

On 3 May 2013 the Company announced that it had completed a maiden CIM-compliant Mineral Resource estimate for Mtonya. The Mineral Resource Estimate was prepared by Roscoe Postle Associates Inc. of Toronto, Ontario. The CIM Inferred Resource estimate was 3.6 million tonnes at 255 ppm U<sub>3</sub>O<sub>8</sub> containing 2.0 Mlb U<sub>3</sub>O<sub>8</sub>. The resource estimate was based on 159 diamond drillholes (38,591m) completed by the Company in 2010 to 2012. Only assays of drill core samples were used in the resource estimate. The Directors expect that the resource will be amenable ISR, the most-cost effective and environmentally-acceptable method of uranium extraction.

The market for uranium has been depressed since the Fukushima disaster in Japan in 2011 following which many countries reassessed or cancelled their nuclear power programmes. The market has remained subdued and the Directors do not believe the price of uranium will return to higher levels in the near term.

Notwithstanding this, the Directors believed the potential low-cost extraction of uranium at Mtonya via ISR would mean that the project could be developed economically should the market for U<sub>3</sub>O<sub>8</sub> improve. However, given the state of the uranium market, no further drilling activity was undertaken at Mtonya and the Company focused on evaluating the existing exploration work and also began discussions with a potential strategic partner with a uranium exploration project in Tanzania. In order to fund the Company's ongoing working capital requirements, and avoid dilution for Shareholders, the Company entered into a series of loans with Estes which continued to support the Company financially.

On 5 July 2017, the Company announced that Estes, which currently holds 55.1 per cent of the issued share capital, remained supportive of the Company and would fund ongoing working capital requirements while the Company reviewed alternative financial arrangements.

The Directors believe that the Mtonya licence requires significant additional funds to undertake further exploration drilling to increase the size of the resource and consider that such a drilling programme cannot be justified given the current depressed uranium market. In addition, the Directors do not believe that such a significant equity fundraise would be achievable without offering a large discount to the current share price. Estes has also informed the Board that it is unwilling to continue lending the Company funds for working capital purposes. However it has indicated that it would be willing to acquire Mtonya in partial settlement of the debt owed to Estes by the Company. The partial settlement will be in the amount of US\$1.2 million. In addition, Estes is also willing to capitalise the remaining debt owed to it by the Company of US\$870,000 at a price of 0.5p per Share.

The Board is therefore faced with a situation where it could propose to seek cancellation of the Company's admission to AIM, but then there would effectively be no market in the Existing Ordinary Shares, and without financial support from Estes, the Directors would have to consider placing the Company into administration or, and as

proposed in this Circular, the Board could dispose of Mtonya, introduce new funds, appoint new directors, and look to adopt a new strategy.

Having considered these alternatives at length with a number of its advisers, the Board has concluded that the best available option is to dispose of Mtonya to Estes, recapitalise the Company and introduce new directors.

## **Financial Results**

Uranium Resources is not producing revenue and as such the Company is reporting a loss of US\$1,598,000 for the year ended 30 June 2017 mainly due to the impairment of the Exploration and evaluation assets (2016: loss US\$15,447,000).

## **Funding and going concern**

In March 2013, March 2014, February 2015 (with Supplementary agreement dated April 19, 2016), January 2017 (with Supplementary agreements dated July 7, 2017, November 1, 2017) the Company entered into a US\$1million, US\$300,000, US\$500,000 and US\$210,000 loan facility agreements ('the Loans') respectively with its major shareholder and strategic investor Estes Limited ('Estes'). The Loans are unsecured and bear interest at LIBOR.

At 30 June 2017, the Company had drawn down US\$1,872,212 (excluding interest) against these facilities.

Estes has informed the Board that it is unwilling to continue lending the Company funds for working capital purposes. However it has indicated that it would be willing to acquire Mtonya in partial settlement of the debt owed to Estes by the Company. The partial settlement will be the amount of US\$1,200,000.

In June 2017, the Company commissioned a report from Micon to estimate the current fair-market value of the Mtonya Project. The independent appraiser determined the value of uranium resources within the range US\$240,000 to US\$960,000.

Considering the depressed uranium market, no further drilling activity has been undertaken in Mtonya since 2013, given the uncertainty in actual uranium mineral resources being held in Mtonya, the Board decided to impair the exploration and evaluations assets to the highest of the fair value and value in use, which is US\$1,200,000.

As a result the impairment was recognised as of 30 June 2017 at the total amount of US\$1,584,000. In addition, Estes is also willing to capitalise the remaining debt owed to it by the Company at a price of 0.5p per Share.

Directors of the Company have agreed to write off a large proportion of the fees owed to them such that the Company will owe them GBP 35,000.

## **Outlook**

Following completion of the disposal of Mtonya to Estes, the Company will be regarded as an AIM Rule 15 cash shell. New investors are going to invest GBP 900,000 (gross) in the Company and the new directors will pursue a strategy focusing on an acquisition that can create significant value for shareholders in the form of capital growth and/or dividends.

### **Alex Gostevskikh**

*Managing Director*

19 December 2017

## Strategic Report for the year ended 30 June 2017

The Directors present their Strategic Report for the year ended 30 June 2017.

### Principal Activities

The principal activity of the Company in the period under review was mineral exploration and development with a primary focus on Tanzanian uranium projects. The Group operates through its parent and subsidiary companies, details of which are set out in note 10 to these financial statements.

The Group's Strategy was to:

- Generate substantial shareholder value by generating and developing mineral projects;
- Manage the exploration portfolio proactively and make informed and sound technical and business decisions;
- Manage risk to minimize the Group's and shareholders' value risk exposure;
- Exit projects at the point of highest value for investors;
- Maintain principal focus on African uranium but not to be limited in its commodity scope and geography.

### Review of Business and Development in the Year

The Group results for the year and the financial position at 30 June 2017 are considered satisfactory by the Directors. A review of the year's activities and future prospects is contained in the Managing Director's Statement.

The Group's management is based in Vancouver, Canada, London, United Kingdom and Dar es Salaam, Tanzania while its principal exploration operations take place in Tanzania. The corporate structure of the Group reflects the historical pattern of acquisition by the Group and tenement management requirements. The Tanzanian exploration activities are executed principally through the Group's wholly-owned Tanzanian subsidiaries: Western Metals Tanzania Ltd, URA (St Henri) Limited, and Deep Yellow Tanzania Ltd.

The Board of Directors is composed of four directors and the Managing Director.

The Group aims to add value to its assets through the discovery and development of mineral deposits.

The strategy is to generate, acquire, explore, and develop significant mineral deposits from early stage to resource status and, depending on particular circumstances, advance to production.

The Group's operations are funded through loans, periodic capital raisings, placings and other equity-based financial instruments.

The Group currently holds exploration licences covering the Mtonya uranium project located approximately 100 km south of the regional capital of Songea in southwestern Tanzania.

### Financial and Performance Review

The Group does not have any production and thus has no income. Consequently the Group is not expected to report profits until it disposes of, or is able to profitably develop or advance to production of its exploration assets.

The results for the Group are set out in detail in the financial statements. The Group reports a loss of US\$1,598,000 for the year ended 30 June 2017 (2016: loss US\$15,447,000).

The Financial Statements show that, at 30 June 2017, the Group had total assets of US\$1,214,000 (2016: US\$2,822,000), which includes current assets of US\$14,000 (2016: US\$22,000).

### Key Performance Indicators

The Group's primary financial key performance indicator ('KPI') at this stage of its development is the monitoring of its cash balances. The Group's cash at 30 June 2017 was \$6,000 (2016: \$22,000). Critical non-financial KPIs, at this stage, are the compliance with license requirements and the availability of funding to meet those commitments. As the Group develops and grows, further KPIs will be monitored and reported to shareholders.

The Financial Statements of a mineral exploration company can provide a moment in time snapshot of the financial health of the Company but do not provide a reliable guide to the performance of the Company or its Board.

The usual financial key performance indicators do not apply to a company with no revenue. However, the Directors highlight the following relevant KPIs and expect that further KPIs will be reported as the Company progresses through development.

### **Minerals Resources, Ore Reserves & Exploration Targets**

The Company reports Exploration Targets, Mineral Resources and Ore Reserves as defined and categorised under the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ores Reserves Committee (JORC) of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia.

The Group's only asset with identified resources is its 100%-owned Mtonya uranium deposit in the Songea region, Tanzania.

In May 2013, the Group reported the maiden resource at Mtonya:

- CIM Inferred Resource estimate of 3.6 million tonnes at 255 ppm U<sub>3</sub>O<sub>8</sub> containing 2.0 Mlb U<sub>3</sub>O<sub>8</sub>;
- The current resource consists mostly of Tier 1 mineralisation over 4.5 km of the 36 kilometre-long Mtonya Redox Corridor, which includes the untested Nyoka and Lukimwa uranium targets;
- Only a short segment of Tier 2 has been drill-tested while the deeper inferred Tier 3 has not been drilled;
- Mineralisation remains open in all directions, including the deeper Tier 2 and Tier 3.

Source: Technical Report on the Mtonya Project, Tanzania, Roscoe Postle Associates, 2013

### **Health & Safety**

The Company has developed a Health and Safety Policy to clearly define roles and responsibilities and in order to identify and manage risk. The Group has not lost any man-days through injury and there have been no Health & Safety incidents or reportable accidents during the year.

### **Environment**

The Company closely monitors its exploration activities to ensure to the best of its knowledge there is no potential for environmental breaches. There have been no breaches of the local Tanzanian regulations recorded against the Group during the reporting period or in prior years.

### **Risk & Uncertainties**

The Board regularly reviews the risks to which the Group is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible.

The business of uranium exploration involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not be able to prevent. Principal risks and uncertainties facing the Group include but are not limited to:

- No assurance that sufficient resources of uranium will be discovered and if they are, that they are not economically viable to be recovered.
- Delays in construction or commissioning of drilling projects may result in the Group's projected target dates for production being delayed or further capital expenditure being required.
- Reliance on facilities operated by others over which the Group has no control.
- Market price of uranium and foreign exchange rates which are affected by numerous factors beyond the Group's control but could have a material effect on the financial condition and value of its uranium resources and reserves.
- Operations may be disrupted by a variety of risks and hazards which are beyond the control of the Group, including environmental hazards, accidents, technical failures, and inclement or hazardous weather conditions.

## **Strategic Report** – *continued*

- The political situation in Tanzania exposes the Group to political economic and other uncertainties, including but not limited to terrorism, war, military repression, and changes in energy policies, regulations, taxation, or operations of foreign-based companies.
- The Tanzanian government may not renew licenses that have expired in the normal course of renewal.
- Future exploration and development and/or acquisition of new properties may be dependent upon the Group's ability to obtain suitable financing and at reasonable terms.
- The Group competes with other companies in the search for uranium and other interests as well as for the recruitment and retention of qualified employees.

### **Use of financial instruments**

Uranium Resources' financial risk management objectives are to minimise its liabilities, to fund exploration activity through equity financing and to ensure sufficient working capital for the Group's overhead and capital expenditure commitments. This is achieved by prudent financial management of the Group's cash balances, which includes holding our cash balances in the currency in which they will be spent.

The Group has in place insurance protection, including a directors and officers liability policy, to insure against risks of loss where management deems appropriate and cost effective; however in some cases risks cannot be effectively covered by insurance and the cover in place may not be sufficient to cover the extent of potential liabilities.

**Alex Gostevskikh**  
*Managing Director*

19 December 2017

## Directors' Report for the year ended 30 June 2017

The Directors present their Directors' Report together with the audited financial statements of Uranium Resources Plc and its subsidiary undertakings ("the Group") for the year ended 30 June 2017.

### Results and dividends

The Group reports a loss of US\$1,598,000 for the year ended 30 June 2017 (2016: loss US\$15,447,000). The Directors have not recommended any dividends for the year ended 30 June 2017 (2016: \$Nil).

### Changes in share capital

Details of movements in share capital during the year are set out in note 14 to these financial statements.

### Pensions

The Group does not operate a pension scheme and has not paid any contributions to any scheme for Directors or employees.

### Going concern

In March 2013, March 2014, February 2015 (with Supplementary agreement dated April 19, 2016), January 2017 (with Supplementary agreements dated July 7, 2017, November 1, 2017) the Company entered into a US\$1million, US\$300,000, US\$500,000 and US\$ 210,000 loan facility agreements ('the Loans') respectively with its major shareholder and strategic investor Estes Limited ('Estes'). The Loans are unsecured and bear interest at LIBOR.

Estes has informed the Board that it is unwilling to continue lending the Company funds for working capital purposes. However it has indicated that it would be willing to acquire Mtonya in partial settlement of the debt owed to Estes by the Company. The partial settlement will be the amount of US\$1,200,000.

In June 2017, the Company commissioned a report from Micon to estimate the current fair-market value of the Mtonya Project. The independent appraiser determined the value of uranium resources within the range US\$240,000 to US\$960,000.

The Board considered the depressed uranium market, no further drilling activity has been undertaken in Mtonya since 2013 and uncertainty in the actual uranium mineral resources being held in Mtonya decided to accept this proposal as it is 25 per cent higher than the top of the fair market range provided in the report by an independent appraiser in June 2017.

In addition, Estes is also willing to capitalise the remaining debt owed to it by the Company at a price of 0.5p per Share.

Directors of the Company have agreed to write off the fees owed to them such that the Company will owe them GBP 35,000.

All these transactions will be approved at the General Meeting to be held on 20 December 2017 as the Company has received an irrevocable undertaking from Estes in favour of the Resolutions in respect of its shareholding of 417,354,167 Existing Ordinary Shares representing 55.1 per cent of the existing ordinary share capital of the Company. Following completion of the disposal of Mtonya to Estes, the Company will be regarded as an AIM Rule 15 cash shell.

New investors are going to invest GBP 900,000 (gross) in the Company and the new directors will pursue a strategy focusing on an acquisition that can create significant value for shareholders in the form of capital growth and/or dividends.

Therefore the directors have continued to adopt the going concern basis.

The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

### Directors' remuneration

Details of the remuneration of the Directors can be found in note 8.

## Directors' Report – *continued*

### Directors' interests in transactions

No Director had, during or at the end of the year, a material interest in any contract which was significant in relation to the Group's business.

### Directors

The following Directors held office during the year:

James Douglas Ryston Pratt  
Alexei Vladimirovich Gostevskikh  
Andrew Mark Lewis  
Viacheslav Mikhailovich Medvedev  
Sergey Yurievich Alekhin

### Directors' interests

James Pratt's shareholding of 5,940,000 ordinary shares represents 3,000,000 ordinary shares held in his own name and 2,940,000 held by Fitel Nominees.

Viacheslav Medvedev and Sergey Alekhin are both representatives for Estes Limited on the board of Uranium Resources Plc. As at 30 June 2017 Estes Limited was beneficially interested in 417,354,167 shares of the Company.

### Internal controls and corporate governance

The Board is responsible for identifying and evaluating the major business risks faced by the Group and for determining and monitoring the appropriate course of action to manage these risks.

### Subsequent events

Details of subsequent events are disclosed in Note 17 of the financial statements.

### Annual general meeting

This report and the financial statements will be presented to shareholders for their approval at the Company's Annual General Meeting ("AGM"). The Notice of the AGM will be distributed to shareholders together with the Annual Report.

### Audit committee

The purpose of the Audit Committee, which is chaired by Andrew Lewis, is to provide formal and transparent arrangements for considering how to apply the financial report and internal control principles set out in the UK Corporate Governance Code, and to maintain an appropriate relationship with the Company's auditors. The key terms are as follows:

- to monitor the integrity of the financial statements of the Company, and any formal announcement relating to the Company's performance;
- to monitor the effectiveness of the external audit process and make recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditors;
- to keep under review the relationship with the external auditors including (but not limited to) their independence and objectivity;
- to keep under review the effectiveness of the Company's financial reporting and internal control policies and systems; and
- to review, at least annually, the need for an internal audit function.

### **Remuneration committee**

The purpose of the Remuneration Committee, which is chaired by James Pratt, is to establish a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual full-time Executive Directors. The key terms are as follows:

- to determine and agree with the Board the framework or broad policy for the remuneration of the full-time Executive Directors;
- to determine the total individual remuneration package of each full-time Executive Director including, where appropriate, bonuses, incentive payments and share options;
- to determine targets for any performance related pay schemes; and
- to determine the policy for and scope of pension arrangements for full-time Executive Directors.

### **Statement of directors' responsibilities**

The Directors are responsible for preparing the financial statements in accordance with applicable laws and International Financial Reporting Standards ("IFRS") as adopted by the European Union. Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

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

The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Group and hence for taking steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

### **Information to shareholders – Website**

The Company has its own website ([www.uraniumresources.co.uk](http://www.uraniumresources.co.uk)) for the purposes of improving information flow to shareholders as well as to potential investors.

### **Statement of disclosures to auditor**

So far as all the Directors, at the time of approval of their report, are aware:

- a) there is no relevant audit information of which the Group's auditors are unaware; and
- b) each Director has taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

By order of the board

**Alex Gostevskikh**  
*Managing Director*

19 December 2017

## **Independent Auditor's Report to the members of Uranium Resources plc**

### **Opinion**

We have audited the financial statements of Uranium Resources Plc for the year ended 30 June 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 30 June 2017 and of the Group's and Parent Company's result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following risks of material misstatement that we believe had the greatest impact on our overall audit strategy and scope, the allocation of resources in the audit; and directing the efforts of the engagement team. This is not a complete list of all risks identified by our audit.

---

### Key audit matter

### How our audit addressed the key audit matter

---

#### ***Impairment exploration and evaluation assets and loans due from subsidiary companies***

The Group has historically been supported by its majority shareholder Estes. During the year, Estes has informed the Board of its intention to cease any further funding. It proposed to acquire the exploration and evaluation assets as a partial settlement of the loan. The proposal has been approved by the board and has been put to the shareholders as it requires their approval.

In accordance with IFRS 6 we reviewed the exploration and evaluation (E&E) assets for indications of impairment and considered that the sale proposal relating to the exploration and evaluation assets represents an indicator that the assets are impaired.

We reviewed management's impairment assessment which concluded that the recoverable amount of the assets was equal to the proposed sale value.

We have reviewed the impairment charge put through at parent and group level on the investments and exploration assets and found it reasonable.

---

#### ***Management override of controls***

Intrinsically there is always a risk of material misstatement due to fraud as a result of possible management override of internal controls.

We reviewed the nominal ledger accounts, journals and cash transactions to identify any unusual or exceptional transactions. We investigated and tested a sample of items to ensure amounts paid during the year related to business expenses and that transactions were appropriate.

We reviewed and enquired into the accounting systems, processes, controls and segregation of duties that existed in the Company and the Group.

We also evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement of fraud.

---

#### ***Going concern***

If the proposed disposal is approved by the shareholders, the Group will receive an injection of funds from a group of investors which would provide the Group with sufficient working capital to fund its ongoing commitments. There is always the risk that the proposal is rejected in which case the company will not have sufficient working capital to carry on in operation.

On 4 December 2017, the Group issued the circular highlighting the proposed disposal of the exploration and evaluation assets to Estes.

We have reviewed the details of the proposed disposal and agreed the details to the information disclosed in the accounts.

Although the disposal is conditional on shareholder approval, it is strongly supported by the board of Directors and the proposed placing of working capital has been arranged and confirmed. Given that the alternative to this disposal would be for the group to cease trading, it is reasonable to assume that it will be approved by the shareholders. Moreover, Estes the 55.1% shareholder has given its irrevocable support in favour of the transaction, therefore the going concern assumption remains appropriate.

---

## Independent Auditor's Report – *continued*

### Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements.

We define financial statement materiality as the magnitude by which misstatements, including omissions, could reasonably be expected to influence the economic decisions taken on the basis of the financial statements by reasonable users.

We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Overall materiality	We determined materiality for the financial statements as a whole to be \$48,000.
How we determine it	Based on the main key indicator, being 4% of gross assets of the Group.
Rationale for benchmarks applied	We believe gross asset values is the most appropriate benchmark due to the size and stage of development of the Company and Group and due to the Group not yet generating any revenue.
Performance materiality	On the basis of our risk assessment, together with our assessment of the Company's control environment, our judgement is that performance materiality for the financial statements should be 75% of materiality, and this was rounded to \$36,000.

We agreed with the Audit Committee that we would report to them all misstatements identified during the audit that, in our view, warrant reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the structure of the Company and the Group, their activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement.

Our Group audit scope includes all of the group companies. At the parent company level, we also tested the consolidation procedures. The audit team communicated regularly throughout the audit with the Finance team in order to ensure we had a good knowledge of the business of the Group. During the audit we reassessed and re-evaluated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and the management of specific risk.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Independent Auditor's Report – *continued*

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm). This description forms part of our auditor's report.

This report is made solely to the Company's members, as a body, in accordance with part 3 of Chapter 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Subarna Banerjee**

*(Senior Statutory Auditor)*

for and on behalf of UHY Hacker Young LLP, Statutory Auditor

Quadrant House

4 Thomas More Square

London E1W 1YW

19 December 2017

## Consolidated Financial Statements – Uranium Resources plc

### Consolidated Statement of Comprehensive Income

for the year ended 30 June 2017

	Notes	2017 US\$'000	2016 US\$'000
Administrative expenses		45	(218)
Impairment of exploration assets	9	(1,584)	(14,901)
<b>Group operating loss</b>	<b>3</b>	<b>(1,539)</b>	<b>(15,119)</b>
Interest payable	4	(14)	(11)
Foreign exchange (losses)/gains	4	(45)	(317)
<b>Loss before taxation</b>		<b>(1,598)</b>	<b>(15,447)</b>
Taxation	5	–	–
<b>Loss for the year</b>		<b>(1,598)</b>	<b>(15,447)</b>
<b>Other comprehensive income</b>			
Exchange differences on translating foreign operations		41	220
<b>Total comprehensive loss attributable to the equity holders of the parent</b>		<b>(1,557)</b>	<b>(15,227)</b>
<b>Loss per share (cents)</b>			
Basic and Diluted	6	(0.21)	(203.89)

The results shown above related entirely to continuing operations and are attributable to equity shareholders of the Company.

## Consolidated Financial Statements – *continued*

### Consolidated Statement of Financial Position

as at 30 June 2017

	Notes	2017 US\$'000	2016 US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	9	1,200	2,800
<b>Current assets</b>			
Receivables	11	8	–
Cash and cash equivalents		6	22
		14	22
<b>Total Assets</b>		<b>1,214</b>	<b>2,822</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	13	(1,912)	(1,715)
Trade and other payables	12	(100)	(348)
		(2,012)	(2,063)
<b>Total Liabilities</b>		<b>(2,012)</b>	<b>(2,063)</b>
<b>Net Assets</b>		<b>(798)</b>	<b>759</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders</b>			
Share capital	14	1,225	1,225
Share premium		21,776	21,776
Foreign exchange reserve		(65)	(106)
Retained losses		(23,734)	(22,136)
<b>Total Equity</b>		<b>(798)</b>	<b>759</b>

The financial statements were approved and authorised for issue by the Board of Directors on 19 December 2017 and signed on its behalf by:

**Alex Gostevskikh**  
*Managing Director*

**Company Registration Number: 05329401**

## Company Statement of Financial Position

as at 30 June 2017

	Notes	2017 US\$'000	2016 US\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	10	1,200	2,621
<b>Current assets</b>			
Receivables	11	–	–
Cash and cash equivalents		4	14
		4	14
<b>Total Assets</b>		<b>1,204</b>	<b>2,635</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	13	(1,912)	(1,715)
Trade and other payables	12	(62)	(305)
		(1,974)	(2,020)
<b>Total Liabilities</b>		<b>(1,974)</b>	<b>(2,020)</b>
<b>Net Assets</b>		<b>(770)</b>	<b>615</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders</b>			
Share capital	14	1,225	1,225
Share premium		21,776	21,776
Foreign exchange reserve		(3,328)	(2,934)
Retained losses		(20,443)	(19,452)
<b>Total Equity</b>		<b>(770)</b>	<b>615</b>

The financial statements were approved and authorised for issue by the Board of Directors on 19 December 2017 and signed on its behalf by:

**Alex Gostevskikh**  
*Managing Director*

**Company Registration Number: 05329401**

## Consolidated Financial Statements – *continued*

### Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

	Share capital US\$'000	Share premium US\$'000	Foreign currency translation reserve US\$'000	Retained losses US\$'000	Total equity US\$'000
At 1 July 2015	1,225	21,776	(326)	(6,689)	15,986
<b>Total comprehensive income/(loss)</b>	<b>–</b>	<b>–</b>	<b>220</b>	<b>(15,447)</b>	<b>(15,227)</b>
At 30 June 2016	1,225	21,776	(106)	(22,136)	759
<b>Total comprehensive income/(loss)</b>	<b>–</b>	<b>–</b>	<b>41</b>	<b>(1,598)</b>	<b>(1,557)</b>
<b>At 30 June 2017</b>	<b>1,225</b>	<b>21,776</b>	<b>(65)</b>	<b>(23,734)</b>	<b>(798)</b>

## Company Statement of Changes in Equity

for the year ended 30 June 2017

	Share capital US\$'000	Share premium US\$'000	Foreign currency translation reserve US\$'000	Retained losses US\$'000	Total equity US\$'000
At 1 July 2015	1,225	21,776	(334)	(6,136)	16,531
<b>Total comprehensive income/(loss)</b>	<b>–</b>	<b>–</b>	<b>(2,600)</b>	<b>(13,316)</b>	<b>(15,916)</b>
At 30 June 2016	1,225	21,776	(2,934)	(19,452)	615
<b>Total comprehensive income/(loss)</b>	<b>–</b>	<b>–</b>	<b>(394)</b>	<b>(991)</b>	<b>(1,385)</b>
<b>At 30 June 2017</b>	<b>1,225</b>	<b>21,776</b>	<b>(3,328)</b>	<b>(20,443)</b>	<b>(770)</b>

## Consolidated Financial Statements – *continued*

### Consolidated Statement of Cash Flows

for the year ended 30 June 2017

	2017 US\$'000	2016 US\$'000
<b>Cash flows from operating activities</b>		
Loss for the year	(1,598)	(15,447)
Impairment of exploration and evaluation assets	1,584	14,901
Salary payable write-off	(326)	–
Interest expense	14	11
Foreign exchange loss	45	319
(Increase)/Decrease in receivables	(8)	10
Increase in payables	89	5
<b>Net cash used in operating activities</b>	<b>(200)</b>	<b>(201)</b>
<b>Investing activities</b>		
Funds used for exploration and evaluation	–	(150)
<b>Net cash used in investing activities</b>	<b>–</b>	<b>(87)</b>
<b>Financing activities</b>		
Borrowings	183	288
<b>Net cash inflow from financing</b>	<b>183</b>	<b>288</b>
<b>Decrease in cash and cash equivalents</b>	<b>(17)</b>	<b>(13)</b>
Foreign exchange movements on cash	1	1
Cash and cash equivalents at beginning of the year	22	21
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>22</b>

## Company Statement of Cash Flows

for the year ended 30 June 2017

	<b>2017</b>	<b>2016</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from operating activities</b>		
(Loss) for the year	(991)	(13,316)
Impairment loss	1,443	14,901
Salary payable write-off	(326)	–
Interest expense	14	11
Foreign exchange (gain)	(329)	(1,787)
Decrease in receivables	–	10
Increase in payables	97	20
<b>Net cash used in operating activities</b>	<b>(92)</b>	<b>(161)</b>
<b>Investing activities</b>		
Investments and loans granted to subsidiaries	(100)	(118)
<b>Net cash used in investing activities</b>	<b>(100)</b>	<b>(118)</b>
<b>Financing activities</b>		
Borrowings	183	288
<b>Net cash inflow from financing</b>	<b>183</b>	<b>288</b>
<b>Decrease in cash and cash equivalents</b>	<b>(9)</b>	<b>9</b>
Foreign exchange retranslation	(1)	1
Cash and cash equivalents at beginning of the year	14	4
<b>Cash and cash equivalents at the end of the year</b>	<b>4</b>	<b>14</b>

## Notes to the Financial Statements for the year ended 30 June 2017

### 1. Background and accounting policies

The Company is registered in England and Wales, having been incorporated on 11 January 2005 under the Companies Act with registered number 05329401 as a public company limited by shares. The Company's shares are traded on the AIM Market ("AIM") of The London Stock Exchange plc.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied to all years presented, unless otherwise stated below.

The Company's and Group's financial statements for the year ended 30 June 2017 and for the comparative year ended 30 June 2016 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and IFRIC (International Financial Reporting Interpretations Committee) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

#### 1.1 Basis of preparation

The Group financial statements are prepared on the going concern basis, under the historical cost convention as modified for fair value accounting, if applicable, and in accordance with IFRS, including IFRS 6 'Exploration for and Evaluation of Mineral Resources'. The Parent Company's financial statements have also been prepared in accordance with IFRS and the Companies Act 2006.

The Group and Parent Company financial statements are presented in US\$ and have been rounded to the nearest US\$'000.

The consolidated financial statements incorporate the accounts of the Company and its subsidiaries and have been prepared by using the principles of acquisition accounting ("the purchase method"), which includes the results of the subsidiaries from their dates of acquisition. Intra-group sales, profits and balances are eliminated fully on consolidation.

#### 1.2 Going concern

In March 2013, March 2014, February 2015 (with Supplementary agreement dated April 19, 2016), January 2017 (with Supplementary agreements dated July 7, 2017, November 1, 2017) the Company entered into a US\$1million, US\$300,000, US\$500,000 and US\$ 210,000 loan facility agreements ('the Loans') respectively with its major shareholder and strategic investor Estes Limited ('Estes'). The Loans are unsecured and bear interest at LIBOR. At 30 June 2017, the Company had drawn down US\$1,872,212 (excluding interest) against these facilities. Interest accrued as of the reporting date is US\$ 39,425.

Estes has informed the Board that it is unwilling to continue lending the Company funds for working capital purposes. However it has indicated that it would be willing to acquire Mtonya in partial settlement of the debt owed to Estes by the Company. The partial settlement will be the amount of US\$1,200,000.

In June 2017, the Company commissioned a report from Micon to estimate the current fair-market value of the Mtonya Project. The independent appraiser determined the value of uranium resources within the range US\$240,000 to US\$960,000.

The Board considered the depressed Uranium market, no further drilling activity has been undertaken in Mtonya since 2013 and uncertainty in the actual uranium mineral resources being held in Mtonya decided to accept this proposal as it is 25 per cent higher than the top of the fair market range provided in the report by an independent appraiser in June 2017.

In addition, Estes is also willing to capitalise the remaining debt owed to it by the Company at a price of 0.5p per Share. Directors of the Company have agreed to write off the fees owed to them such that the Company will owe them GBP 35,000.

All these transactions will be approved at the General Meeting to be held on 20 December 2017 as the Company has received an irrevocable undertaking from Estes in favour of the Resolutions in respect of its shareholding of 417,354,167 Existing Ordinary Shares representing 55.1 per cent of the existing ordinary share capital of the Company. Following completion of the disposal of Mtonya to Estes, the Company will be regarded as an AIM Rule 15 cash shell.

New investors are going to invest GBP 900,000 (gross) in the Company and the new directors will pursue a strategy focusing on an acquisition that can create significant value for shareholders in the form of capital growth and/or dividends.

Therefore the directors have continued to adopt the going concern basis.

The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

### **1.3 New IFRS standards and interpretations**

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the prior year's financial statements except for the adoption of new standards and interpretations effective as of 1 July 2016. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### *New and amended standards and interpretations*

There were a number of new standards and interpretations, effective from 1 July 2016 that the Company applied for the first time in the current year.

The nature and the impact of each new standard and amendment that may have an impact on the Company now or in the future, is described below. A few other amendments apply for the first time in 2016; however, they do not impact the annual financial statements of the Company.

Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

Following relevant revisions and amendments to existing standards were issued by the IASB, which are effective for the accounting period beginning on or after January 1, 2017 and have been adopted by the Company:

<b>Standard number</b>	<b>Title</b>	<b>Effective date</b>
IFRS 12	Annual improvements to IFRS: the 2014-2016 cycle – Amendments	January 1, 2017
IFRS 12	Recognition of deferred tax assets for unrealized losses – Amendments	January 1, 2017

The revisions and amendments have been applied in accordance with the transitional provisions and do not have a material impact on the Company's individual financial statements.

#### *Standards issued but not yet effective*

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are described below. This description is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the Company's financial position or performance in the period of initial application. In cases where it will have an impact, the Company is still assessing the possible impact.

#### *IFRS 9 "Financial Instruments" (2014)*

The IASB released IFRS 9 "Financial Instruments" (2014), representing the completion of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

## Notes to the Financial Statements for the year ended 30 June 2017 – *continued*

### **1. Background and accounting policies – *continued***

#### *IFRS 15 “Revenue from Contracts with Customers”*

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 “Revenue”, IAS 11 “Construction contracts”, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2018.

#### *IFRS 16 “Leases”*

IFRS 16 “Leases” brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 “Leases” and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 “Revenue from Contracts with Customers” has also been applied.

### **1.4 Exploration and evaluation expenditure**

Once a licence has been obtained, all costs associated with exploration and evaluation are capitalised on a project-by-project basis, where a project may be a collection of geographically and geologically similar licences. The costs are carried forward on a project-by-project basis until it has been established that commercial reserves do not exist or are insufficiently supported by the potential carrying value of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads.

Where possible, general Tanzanian costs attributable to projects are allocated to each project. However, where this is impractical, these general costs are held in a separate cost pool and are carried forward in one general pool of assets until it has been established that commercial reserves do not exist or are insufficiently supported by the potential carrying value of all Tanzanian projects.

When production commences, the accumulated costs for the relevant area of interest are transferred from intangible assets to tangible assets as “Developed Uranium Assets” and amortised over the estimated life of the commercial reserves on a unit of production basis, as discussed in note 1.7 below.

### **1.5 Impairment of exploration and evaluation expenditure**

The carrying value of unevaluated areas is assessed on at least an annual basis or when there has been an indication that impairment in value may have occurred. The impairment of unevaluated prospects is assessed as based on the Directors’ intention with regard to future exploration and development of individual significant areas and the ability to obtain funds to finance such exploration and development.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. A reversal of an impairment loss for an asset is recognized in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as revaluation reserve. However, to the extent that an impairment loss on the same revalued asset was previously recognized in profit or loss, a reversal of impairment is also recognized in profit or loss.

### **1.6 Impairment of developed uranium assets**

When events or changes in circumstances indicate that the carrying amount of developed uranium assets included within tangible assets may not be recoverable from future net revenues from uranium reserves attributable to that asset, a comparison between the net book value of the asset and the discounted future cash flows from the estimated recoverable uranium reserves is undertaken. To the extent that the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount, with the write off charged to the statement of comprehensive income.

### **1.7 Amortisation of developed uranium assets**

Developed uranium assets are amortised on a unit of production basis using the ratio of uranium production in the period to the estimated quantity of commercial reserves at the end of the period plus production in the period. Changes in estimates of commercial reserves or future development costs are dealt with prospectively.

### **1.8 Decommissioning costs**

Where a material liability for the removal of production facilities and site restoration at the end of the field life exists, a provision for decommissioning is recognised. The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements. An asset of an amount equivalent to the provision is also created and depreciated on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset.

### **1.9 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost and comprise cash in hand, cash at bank, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position. For the purposes of the statement of cashflows, cash and cash equivalents also includes any the bank overdrafts.

### **1.10 Investments in subsidiaries**

Investments in subsidiary companies are stated at cost less provision for impairment in the Company's statement of financial position.

### **1.11 Foreign currencies**

#### *(i) Functional and presentational currency*

Items included in the Group's and Parent Company's financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The Directors consider the Pound Sterling to be the Parent Company's functional currency. The Group and Company financial statements are presented in US\$.

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. The year-end rate applied was £1: US\$1.299 (2016: £1: US\$1.33898)

Transactions in the accounts of individual Group companies are recorded at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the statement of financial position date. All differences are taken to the statement of comprehensive income.

### **1.12 Deferred taxation**

Deferred income taxes are provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are determined using tax rates that have been enacted or substantially enacted and are expected to apply when the related deferred income tax asset is realised or the related deferred income tax liability is settled. The principal temporary differences arise from depreciation or amortisation charged on assets and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

### **1.13 Receivables**

Receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets' carrying amount and the recoverable amount. Provisions for impairment of receivables are included in the statement of comprehensive income.

### **1.14 Payables**

Payables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method.

## Notes to the Financial Statements for the year ended 30 June 2017 – *continued*

### 1. Background and accounting policies – *continued*

#### 1.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the increase of new shares or options are shown in equity as a deduction from the proceeds.

#### 1.16 Critical accounting judgements and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. IFRS also require management to exercise its judgement in the process of applying the Group's accounting policies. The prime areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the financial statements, are as follows:

##### *Impairment of exploration and evaluation of assets*

The Group determines whether exploration and evaluation assets are impaired when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include the point at which a determination is made as to whether or not commercial reserves exist. The carrying amount of exploration and evaluation assets at 30 June 2017 is included in note 9 to the financial statements.

### 2. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment and that make strategic decisions, has been identified as the Board of Directors.

The Group had no operating revenue during the period.

The Group operates in one segment, the exploration and evaluation of uranium. The Parent Company operates a head office based in the United Kingdom which incurred certain administration and corporate costs. The Group's operations span two countries, Tanzania and the United Kingdom.

Segment results	Segment results	
	2017 US\$'000	2016 US\$'000
Uranium (Tanzania)	(93)	(25)
Administration and Corporate (UK)	138	(193)
Uranium (Tanzania) Impairment	(1,584)	(14,901)
<b>Total operating loss of all segments</b>	<b>(1,539)</b>	<b>(15,119)</b>
Finance expense	(14)	(11)
Foreign exchange (losses)	(45)	(317)
<b>Loss before and after tax</b>	<b>(1,598)</b>	<b>(15,447)</b>

The Group's depreciation, amortisation and capital expenditure is incurred entirely within the Tanzanian segment.

Segment assets and liabilities	Non-Current Assets		Non-Current Liabilities	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Uranium (Tanzania)	1,200	2,800	–	–
Administration and Corporate (UK)	–	–	–	–
<b>Total of all segments</b>	<b>1,200</b>	<b>2,800</b>	<b>–</b>	<b>–</b>

Segment assets and liabilities	Total Assets		Total Liabilities	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Uranium (Tanzania)	1,210	2,808	38	43
Administration and Corporate (UK)	4	14	1,974	2,020
<b>Total of all segments</b>	<b>1,214</b>	<b>2,822</b>	<b>2,012</b>	<b>2,063</b>

### 3. Group operating loss

	2017 US\$'000	2016 US\$'000
The Group's operating loss is stated after charging / (crediting):		
Accounting fees	23	18
Audit fees	18	17
Broker/Nomad fees	51	59
Directors' remuneration (excluding share-based payments)	91	80
Salary	55	–
Listing costs	6	16
Travel and accommodation expenses	3	–
General expenses	34	28
Salary payable write-off	(326)	–
<b>Impairment charge</b>	<b>1,584</b>	<b>14,901</b>

### 4. Interest

	2017 US\$'000	2016 US\$'000
Foreign exchange (losses)	(45)	(317)
<b>Loan interest payable</b>	<b>(14)</b>	<b>(11)</b>

## Notes to the Financial Statements for the year ended 30 June 2017 –

*continued*

### 5. Taxation

	2017 US\$'000	2016 US\$'000
UK corporation tax	–	–
Overseas tax	–	–
Deferred tax	–	–
<b>Total tax charge</b>	<b>–</b>	<b>–</b>

The tax charge can be reconciled to the loss for the year as follows:

Loss for the year	(1,598)	(15,447)
Tax at the standard rate of UK corporation tax of 19.75% (2016: 20%)	(316)	(3,205)
<i>Effects of:</i>		
Disallowed expenses	–	–
Tax losses carried forward not yet recognised as a deferred tax asset	316	3,205
<b>Total tax charge</b>	<b>–</b>	<b>–</b>

At the year-end date, the Group has unused tax losses of US\$20,443,000 (2016: US \$19,452,000) available for offset against suitable future profits. A deferred tax asset has not been recognised in respect of such losses due to the uncertainty of future profit streams. The deferred tax asset at 17% (2016: 18%) is estimated to be US\$3,475,310 (2016: US\$ 3,501,360).

### 6. Loss per share

The basic loss per ordinary share is 0.21 cents (2016: 203.89 cents) and has been calculated using the loss for the financial year of US\$ 1,598,000 (2016: loss US\$ 15,447,000) and the weighted average number of ordinary shares in issue of 757,632,495 (2016: 757,632,495).

The diluted loss per share has been kept the same as the basic loss per share as the conversion of share options decreases the basic loss per share, thus being anti-dilutive.

### 7. Holding company profit and loss account

In accordance with the provisions of the Section 408 of the Companies Act 2006, the Parent Company has not presented a statement of comprehensive income. A loss for the year ended 30 June 2017 of US\$ 991,000 (2016: loss US\$13,316,000) has been included in the consolidated statement of comprehensive income.

## 8. Staff costs (including Directors)

	2017 US\$'000	2016 US\$'000
Wages, salaries and fees	146	107
Social security costs (including refunds)	–	–
	146	107
Transferred to intangible assets	–	(27)
Salary payable write-off	(326)	–
	<b>(180)</b>	<b>80</b>

Key management of the Group are considered to be the Directors of the Company and their accrued remuneration was as follows:

	2017 (US\$'000s)		2016 (US\$'000s)	
	Fees/ allowances/ salaries	Total	Fees/ allowances/ salaries	Total
Ross Warner	–	–	–	–
James Pratt	–	–	–	–
Alex Gostevskikh <sup>1</sup>	91	91	80	80
Andrew Lewis	–	–	–	–
<b>Total Key Management</b>	<b>91</b>	<b>91</b>	<b>80</b>	<b>80</b>

1 During the period nil % (2016: 25% – US\$26,704) of Alex Gostevskikh's salary was capitalised to intangibles.

Directors have agreed to reduce their salary liabilities to GBP 35,000. The amount relating to the salary write off in the current year amounts of US\$ 326,052 (GBP 257,091) and is disclosed within Administrative expenses.

## 9. Exploration and evaluation assets

### Group

	Exploration and evaluation expenditure US\$'000
<b>Cost and net book value</b>	
At 1 July 2015	17,651
Additions	142
Foreign exchange	(92)
Impairment	(14,901)
At 30 June 2016	2,800
Foreign exchange	(16)
Impairment	(1,584)
<b>At 30 June 2017</b>	<b>1,200</b>

The Group's intangible asset consists entirely of capitalised exploration and evaluation expenditure. The exploration and evaluation ("E&E") asset represents costs incurred in relation to the Group's Tanzanian licences. These amounts have not been written off to the statement of comprehensive income as exploration expenses because commercial reserves have not yet been established nor has the determination process been completed.

In June 2017, the Company commissioned a report from Micon to estimate the current fair-market value of the Mtonya Project. The independent appraiser determined the value of uranium resources within the range US\$240,000 to US\$960,000.

## Notes to the Financial Statements for the year ended 30 June 2017 –

*continued*

### 9. Exploration and evaluation assets – *continued*

The major shareholder of the Company, Estes Limited, proposed to exchange URA's interest in the Mtonya Project, which is held through several URA's Tanzanian subsidiaries for consideration of US\$ 1,200,000 of Estes debt (see Note 17 Events after the reporting date).

The Board considered the depressed uranium market, no further drilling activity has been undertaken in Mtonya since 2013 and uncertainty in the actual uranium mineral resources being held in Mtonya decided to impair the exploration and evaluation assets to the highest of the fair value and value in use, which is US\$ 1,200,000.

As a result the impairment was recognised as of June 30, 2017 at the total amount of US\$1,584,000. (2016: £14,901,000)

### 10. Investments in subsidiary undertakings

	Loans to subsidiary undertakings US\$'000	Investments in subsidiary undertakings US\$'000	Total US\$'000
<b>Company</b>			
<b>Cost</b>			
At 1 July 2015	14,338	3,846	18,184
Loans granted/Investments	118	27	145
Impairment	(14,220)	(681)	(14,901)
Foreign exchange on loans	(236)	(571)	(807)
<b>At 30 June 2016</b>	<b>–</b>	<b>2,621</b>	<b>2,621</b>
Loans granted/Investments	100	–	100
Impairment	(100)	(1,343)	(1,443)
Foreign exchange	–	(78)	(78)
<b>At 30 June 2017</b>	<b>–</b>	<b>1,200</b>	<b>1,200</b>

The Company's subsidiary undertakings as at 30 June 2017 were as follows:

Subsidiary undertakings	Principal activities	Percentage of ordinary share capital held
<b>Direct</b>		
Deep Yellow Tanzania Limited	Uranium exploration	100%
URA (St Henri) Limited	Dormant	100%
WML Uranium Holdings Limited	Holding company	100%
<b>Indirect</b>		
Western Metals Tanzania Limited	Uranium exploration	100%
Western Metals Exploration Limited	Dormant	100%
Western Metals Uranium Limited	Dormant	100%

In June 2017, the Company commissioned a report from Micon to estimate the current fair-market value of the Mtonya Project. The independent appraiser determined the value of uranium resources within the range US\$240,000 to US\$960,000.

The major shareholder of the Company, Estes Limited, proposed to exchange URA's interest in the Mtonya Project, which is held through several URA's Tanzanian subsidiaries for consideration of US\$ 1,200,000 of Estes debt.

As of June 30, 2017 the impairment at the total amount of US\$1,443,000 was recognised in the Company individual financial statements, reducing the value of the Investments to the highest of the fair value and value in use.

## 11. Receivables

	2017		2016	
	Group US\$'000	Company US\$'000	Group US\$'000	Company US\$'000
Other receivables	8	–	–	–

## 12. Trade and other payables

	2017		2016	
	Group US\$'000	Company US\$'000	Group US\$'000	Company US\$'000
Trade payables	42	42	287	287
Accruals and other payables	58	20	61	18
	<b>100</b>	<b>62</b>	<b>348</b>	<b>305</b>

## 13. Borrowings – current

	2017		2016	
	Group US\$'000	Company US\$'000	Group US\$'000	Company US\$'000
Borrowings in period	1,912	1,912	1,715	1,715
<b>Borrowings carried forward</b>	<b>1,912</b>	<b>1,912</b>	<b>1,715</b>	<b>1,715</b>

On 15 March 2013, the Company entered into a US\$1 million loan facility agreement with its major shareholder and strategic investor Estes Limited. The Loan facility, which is unsecured, has been fully utilised. The Loan bears interest at LIBOR.

On 18 March 2014, the Company entered into a US\$300,000 loan facility agreement with its major shareholder and strategic investor Estes Limited. The Loan facility is unsecured. As of 30 June 2016 the Company had drawn down \$290,000 against the available facility. The Loan bears interest at LIBOR.

On 19 February 2015, the Company entered into a US\$200,000 loan facility agreement with its major shareholder and strategic investor Estes Limited. Subsequently the total principle amount was increased to US\$500,000. The Loan facility is unsecured. As of 30 June 2017 the Company had drawn down US\$497,687 against the available facility. The Loan bears interest at LIBOR.

On January 16, 2017 the Company entered into a US\$50,000 loan facility agreement with its major shareholder and strategic investor Estes Limited. Subsequently the total principle amount was increased to US\$210,000. The Loan facility is unsecured. As of 30 June 2017 the Company had drawn down US\$144,525 against the available facility. The Loan bears interest at LIBOR.

At 30 June 2017, the Company had drawn down US\$1,872,212 (excluding interest) against these facilities. Interest accrued as of the reporting date is US\$ 39,425.

Please see note 17 for the status of the above loans discussed as of the date of signing the Financial Statements.

Estes has proposed to acquire Mtonya in partial settlement of the debt owed to it by the Company. The partial settlement will be at the amount of US\$1.2 million. In addition, Estes is also willing to capitalise the remaining debt owed to it by the Company at a price of 0.5p per Share. For more detailed information see Note 17.

## 14. Share capital

	2016 US\$'000	2015 US\$'000
<b>Allotted, called up and fully paid share capital</b>		
<b>757,632,495 (2016 – 745,493,750) ordinary shares of 0.1p each</b>	<b>1,225</b>	<b>1,225</b>

During the year ended June 30, 2017 there were no changes in the Share capital of the Company.

## Notes to the Financial Statements for the year ended 30 June 2017 –

*continued*

### 15. Decommissioning expenditure

The Directors have considered the need for any necessary provision for the cost of rectifying any environmental damage, as might be required under local legislation and the Group's licence obligations. In their view, no provision is necessary at 30 June 2017 for any future costs of decommissioning or any environmental damage.

### 16. Financial instruments

#### *Interest rate risk*

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates on classes of financial assets and financial liabilities, was as follows:

	<b>Floating interest rate 30 June 2017 US\$'000</b>	<b>Fixed interest rate 30 June 2017 US\$'000</b>	<b>Floating interest rate 30 June 2016 US\$'000</b>	<b>Fixed interest rate 30 June 2016 US\$'000</b>
<i>Financial liabilities and assets:</i>				
Borrowings	1,912	–	1,715	–
Cash at bank	6	–	22	–

The effective weighted average interest rate was 0.77% (2016: 0.69%) on financial liabilities.

The net fair value of financial assets and financial liabilities approximates to their carrying amount as disclosed in the statement of financial position and in the related notes.

#### *Financial risk management*

The Directors recognise that this is an area in which they may need to develop specific policies should the Group become exposed to further financial risks as the business develops.

#### *Capital risk management*

The Group considers capital to be its equity reserves. At the current stage of the Group's life cycle, the Group's objective in managing its capital is to ensure funds raised meet the exploration expenditure commitments.

The Group ensures it is meeting its objectives by reviewing its KPIs to ensure its exploration activities are progressing in line with expectations, controlling costs and placing unused funds on deposit to conserve resources and increase returns on surplus cash held.

### 17. Events after the year end date

Estes has informed the Board that it is unwilling to continue lending the Company funds for working capital purposes. However it has indicated that it would be willing to acquire Mtonya in partial settlement of the debt owed to Estes by the Company. The partial settlement will be the amount of US\$1.2 million. In addition, Estes is also willing to capitalise the remaining debt owed to it by the Company at a price of 0.5p per Share.

The Board considered the depressed Uranium market, no further drilling activity has been undertaken in Mtonya since 2013 and uncertainty in the actual uranium mineral resources being held in Mtonya decided to accept this proposal as it is 25 per cent higher than the top of the fair market range provided in the report by an independent appraiser in June 2017 (see Note 9 Exploration and evaluation assets).

Directors of the Company have agreed to write off the fees owed to them such that the Company will owe them GBP 35,000.

All these transactions should be approved on the Shareholders Meeting in December 2017.

## **18. Related party transactions**

Key management of the Group are considered to be the Directors of the Company. There are no transactions with the Directors other than the above, and their remuneration and interests in shares and share options. The remuneration of individual Directors is shown in the Directors' Report.

Estes Limited, the Company's ultimate controlling party, provided an additional loan facility during the period. As at 30 June 2017, the outstanding balance and the maximum outstanding during the year was US\$1,912,000 (2016: US\$1,715,000). During the year, interest of US\$13,692 was charged. Further details of the loan facility are included in note 13 and 14 to the financial statements.

Estes has informed the Board that it is unwilling to continue lending the Company funds for working capital purposes. However it has indicated that it would be willing to acquire Mtonya in partial settlement of the debt owed to Estes by the Company. The partial settlement will be the amount of US\$1.2 million. In addition, Estes is also willing to capitalise the remaining debt owed to it by the Company at a price of 0.5p per Share. For more detailed information please see note 17 Events after the reporting date.

## **19. Ultimate controlling party**

As at 30 June 2017, the Company's ultimate controlling party is Estes Limited which owns 55.1% of the Company's issued share capital. Details of transactions with Estes are included in note 18.

