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HEAD OFFICE
Level 2,
91 Havelock Street, West Perth
Western Australia 6005

POSTAL ADDRESS
P O Box 1466, West Perth
Western Australia 6872
Phone: +61 (0)8 9486 8400
Facsimile: +61 (0)8 9486 8700
Email: universal@universalresources.com.au
Website: www.universalresources.com.au

The Manager
Company Announcements Office
Australian Stock Exchange Limited (ASX)
Electronic Transmission

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Dear Sir/Madam,

UPDATE ON THE FEASIBILITY STUDY FOR ROSEBY COPPER PROJECT

Universal Resources Limited (Universal) is the owner of the Roseby Copper Project in the Mt Isa Region of North West Queensland. During 2005 and 2006 the Roseby Feasibility Study (RFS) was undertaken into the viability of constructing a mining and processing facility to process the copper and gold resources which had been identified on the Roseby Copper Project leases. The study included Mineral Resource / Ore Reserve estimation, metallurgical test work, mining design, capital and operating cost estimation, process flow sheet design and equipment selection and included input from a number of specialist engineering and consultancy companies.

Since the study was completed there has been a decline in the copper price and the project as envisaged is unlikely to obtain debt finance. As a result of this the directors of the company have decided to examine alternatives for bringing the project to fruition. This will include a review of a smaller high grade operation with inherent lower operating and capital costs and potentially improved economics. This work is underway.

The RFS concluded that, based on the technical testwork and financial assumptions used large scale development of the project was both technically and financially feasible. Key aspects of the study are itemised below.

- Copper production was targeted to commence in fourth quarter 2008 with overall timing determined by several long-lead items.
- Roseby forecast to produce up to 34,000tpa of copper and 14,700oz of gold at competitive cash operating costs.
- The project was viable at copper prices well below the then prevailing copper price – the payback for the base case model at a copper price of US$2.00/lb was 3.6 years.
- Project NPV at the then prevailing copper price of US$3.50/lb was A$980.7M with an IRR of 61.9%.
- Forecast capital expenditure of A$338 million including significant contingency costs and A$48 million to acquire a mining fleet.

The relevance of the US$3.50 per pound comparison is best illustrated when it is considered that the LME average cash price for copper during August 2006 was US$3.49 per pound. Subsequently the copper price has dropped and the metal price environment for future copper production has softened commensurately. The effect of this has been to reduce the project value.

In order to progress financing prospects for the project from financial institutions it was necessary to subject the study to an external due diligence review by an independent technical expert. This review included the production of a comprehensive due diligence report. Snowden Mining Industry Consultants (Snowden) were commissioned by Universal’s debt financing advisor Prime Corporate Finance to undertake the review.

Snowden made a number of findings relating to the risks associated with the implementation of the Roseby Copper Project and a number of recommendations were made to enable the risks to be mitigated. Universal is undertaking technical work as a matter of priority to address these risks. It is anticipated that this will improve the level of confidence in the implementation of the project and accordingly the ability of the company to obtain project finance.

The risk factors which have been highlighted as requiring further work are primarily related to the amount of test work that has been undertaken to confirm the metallurgical characteristics of the ores. More comminution test work will also be undertaken in order to enable detailed design work to take place on the milling circuit. Some issues were also identified with the classification of the Mineral Resources but these have been largely addressed by the drilling campaigns that have taken place subsequent to the results of the feasibility study being announced. A number of other less significant issues have been raised and these should not impact on the overall timeline for the project.

The final due diligence report on the revised development strategy including a proposed development timetable is not expected to be completed before September 2007.

The ongoing optimisation work will include a review of a smaller scale, high grade operation with inherent lower operating and capital costs and potentially improved economics. It is still considered that the sequential option involving the prioritization of sulphide treatment is the best approach to extracting value from the Roseby deposits and this will be examined in more detail.

Michael Hulmes
Managing Director