

Universal Resources Limited

Financial Report 30 June 2009

Universal Resources Limited ACN 090 468 018

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Universal Resources Limited

Corporate directory

Directors

Mr K Maloney – *Chairman*

Mr P A J Ingram – *Managing Director*

Mr J P Brewer

Mr B Fulton

Mr M W H Hoyle – Executive Director - Technical

Secretary

Mr D J Kelly

Share register

Computershare Investor Services Pty Ltd

Level 2 Reserve Bank Building

45 St Georges Terrace

Perth WA 6000

Telephone +61 8 9323 2000

Facsimile +61 8 9323 2033

Auditor

BDO Kendalls Audit & Assurance (WA) Pty Ltd

128 Hay Street

Subiaco WA 6008

Solicitors

Blakiston & Crabb

1202 Hay Street

West Perth WA 6005

Bankers

National Australia Bank

1238 Hay Street

West Perth WA 6005

Stock exchange listings

Universal Resources Limited shares are listed on the Australian Securities Exchange

Ordinary fully paid shares (ASX code URL)

Principal & registered office in Australia

Level 2, 91 Havelock Street

West Perth WA 6005

PO Box 1466

West Perth WA 6872

Telephone +61 8 9486 8400

Facsimile +61 8 9486 8700

Email

universal@universalresources.com.au

Website

www.universalresources.com.au

Universal Resources Limited

Directors' Report

Your directors present their report on Universal Resources Limited ("Universal" or the "Company") and the consolidated financial report of the Consolidated Entity (the "Group") for the financial year ended 30 June 2009.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated.

P A J Ingram	Managing Director
M W H Hoyle	Executive director - technical
P J Brewer	Non-executive director
B Fulton	

J A Walls was a director from the beginning of the financial year until 30 September 2008.

K Maloney was a director from his appointment on 20 July 2009.

Principal activities

The principal continuing activities of the Consolidated Entity during the year consisted of the acquisition of mineral tenements and the exploration and evaluation of them. There were no changes in its activities during the financial year.

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the Group.

Dividends

No dividends have been paid or declared since the end of the previous financial year and no dividends have been recommended by directors.

Review of operations

A summary of consolidated revenues and results is set out below:

	Revenues		Results	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenue from continuing operations				
Other income	438,058	666,078		
	438,058	666,078		
Profit (loss) from ordinary activities before related income tax expense			(15,634,767)	(7,416,186)
Income tax benefit (expense)			337,400	342,165
Profit (loss) from continuing operations after related income tax expense attributable to members of Universal Resources Limited			(15,297,367)	(7,069,841)

Directors' Report

Review of operations (continued)

Financial Position

During the year the Company had a net decrease in contributed equity of \$8,930,820 (from \$56,276,562 to \$47,345,742) as a result of:

- A non-renounceable rights issue resulting in the issue of 172,011,200 ordinary shares at 1 cent per share;
- An issue of shares in lieu of cash payment of interest on a converting notes resulting in the issue of 36,765,872 ordinary shares at a deemed price of 0.89 cents per share;
- An issue of shares pursuant to the maturing 5% converting notes resulting in the issue of 78,903,187 ordinary shares at a deemed issue price of 1.4 cents each;
- A placement of 40,639,163 ordinary shares at 1.9 cents each;
- A transfer of conversion rights on renegotiated converting notes to accumulated losses of \$11,544,393; and
- Payment of capital raising costs of \$205,641.

At the end of the financial year the Consolidated Entity had net cash balances of \$2,251,458 (2008: \$3,880,955) and net assets of \$3,249,751 (2008: \$15,738,937).

Total liabilities amounted to \$14,591,500 (2008: \$3,568,176).

Exploration, Evaluation and Development

Roseby Copper Project

Universal Resources is pleased to report that their flagship project, the Roseby Copper Project is progressing with finalisation of government approvals and the sourcing of project financing underway.

Introduction

The Roseby Copper Project is located in the Mt Isa Inlier in NW Queensland. It is approximately 65km NNW from Cloncurry and about 95km NE from the regional mining centre of Mt Isa. Mineral Resources within the Roseby Copper Project are shown in table 1.

Table 1: Table of Mineral Resources

DEPOSITS	RESOURCES AT 0.3% COPPER CUT-OFF											CONTAINED METAL		
	MEASURED			INDICATED			INFERRED			TOTAL			Copper	Gold
	Tonne	Grade		Tonne	Grade		Tonne	Grade		Tonnes	Grade			
	s	Cu	Au	s	Cu	Au	s	Cu	Au	(M)	Cu	Au (gpt)	T	Oz
(M)	(%)	(gpt)	(M)	(%)	(gpt)	(M)	(%)	(gpt)	(M)	(%)	(gpt)			
OXIDE DEPOSITS														
Blackard	26.29	0.64	0.01	17.87	0.63	0.01	2.09	0.58	0.01	46.25	0.63	0.01	293,000	16,190
Legend							6.13	0.6	0.01	6.13	0.60	0.01	36,597	1,942
Longamundi							10.40	0.66	0.01	10.40	0.66	0.01	69,037	3,632
Great Southern							6.00	0.61	0.01	6.00	0.61	0.01	36,330	2,000
Scanlan				15.37	0.65	0.01	4.24	0.8	0.01	19.62	0.68	0.01	134,160	7,370
Charlie Brown							0.70	0.40	0.01	0.70	0.40	0.01	2,820	230
Caroline							3.60	0.53	0.02	3.60	0.53	0.02	18,820	2,390
Sub-total Oxides	26.29	0.64	0.01	33.24	0.63	0.01	33.16	0.63	0.01	92.7	0.64	0.01	590,764	33,754

Directors' Report

Review of operations (continued)

DEPOSITS	RESOURCES AT 0.3% COPPER CUT-OFF											CONTAINED METAL		
	MEASURED			INDICATED			INFERRED			TOTAL		Copper	Gold	
	Tonne	Grade		Tonne	Grade		Tonne	Grade		Tonnes	Grade			
	s	(M)	Cu (%)	Au (gpt)	s	(M)	Cu (%)	Au (gpt)	s	(M)	Cu (%)	Au (gpt)	T	Oz
SULPHIDE DEPOSITS														
Little Eva	3.84	1.04	0.13	22.81	0.75	0.13	3.72	0.73	0.15	30.37	0.78	0.14	237,690	132,230
Lady Clayre Zone A							2.87	0.92	0.50	2.87	0.92	0.50	26,414	45,829
Lady Clayre Zone F							0.83	0.76	0.51	0.83	0.76	0.51	6,333	13,480
Sub-total Lady Clayre							3.70	0.88	0.51	3.70	0.88	0.51	32,747	59,309
Bedford North							1.07	1.00	0.25	1.07	1.00	0.25	10,710	8,505
Bedford South							0.70	0.83	0.24	0.70	0.83	0.24	5,793	5,288
Sub-total Bedford							1.77	0.93	0.24	1.77	0.93	0.24	16,503	13,793
Sub-total Sulphides	3.84	1.04	0.13	22.81	0.75	0.13	9.19	0.83	0.31	35.84	0.80	0.18	286,940	205,332
ROSEBY TOTAL	30.13	0.69	0.03	56.05	0.68	0.06	42.35	0.68	0.08	128.54	0.68	0.06	877,704	239,086
Ivy Ann (Cameron River)							4.00	0.72	0.12	4.00	0.72	0.12	28,800	15,432
ROSEBY + IVY ANN	30.13	0.69	0.03	56.05	0.68	0.06	46.35	0.68	0.08	132.54	0.68	0.06	906,504	254,518

Note: Resources were reported in the March 2008 Quarterly Report to Shareholders. All Resources have been estimated using a cut-off grade of 0.3% copper.

Definitive Feasibility Study Update

In March 2008 Como Engineers completed a Definitive Feasibility Study (DFS). This study investigated the technical and economical feasibility of developing a 4Mtpa mining and processing operation based on treating a blend of native copper and sulphide ores from Roseby.

In October 2008 G R Engineering Services Pty Ltd (GRES) completed an upgrade study taking the project from 4Mtpa to 5Mtpa further enhancing the financial outcomes for the project. The DFS upgrade study information is progressively being enhanced and refined to incorporate the latest knowledge and requirements for the project. A Letter of Intent was signed with GRES to design and construct the proposed plant on a guaranteed maximum price basis.

Financial outcomes of the DFS are summarised in Table 2 below.

ROSEBY COPPER PROJECT FINANCIAL MODEL					
FINANCIAL PARAMETER	UNITS	M1 US\$2.50	M2 US\$2.50	M3 US\$3.50	M4 Fwd Cve
Throughput	MT	5.0	5.0	5.0	5.0
Pre-production Capital costs	A\$M	213.7	213.7	213.7	213.7
Operating surplus	A\$M	666	570	1,198	1075
C1 cash operating costs	US\$/lb	1.42	1.52	1.52	1.36
NPV (8.5% discount rate)	A\$M	123	62	435	356
IRR	%	20	15	43	37
Payback of pre-production capital	Years	3.4	4.4	1.8	2.1

Directors' Report

Review of operations (continued)

Notes on the financial models from which this data is sourced:

M1 – Copper price of US\$2.50/lb, gold price of US\$900/Oz and Forex of US\$0.75.

M2 – Copper price of US\$2.50/lb, gold price of US\$800/Oz and Forex of US\$0.80

M3 – Copper price of US\$3.50/lb, gold price of US\$800/Oz and Forex of US\$0.80

M4 – Copper, gold and Forex derived from the forward curves as at the 29 August 2008. LOM average prices were: US\$2.98/lb copper, US\$1,060/oz gold and Forex of US\$0.72,

Operations

Mining will be by standard low cost open pit methods with the plant utilising well proven processes and practices. The mine life of the operation based on the first three pits is estimated to be around 9.6 years which will be further enhanced when the remaining deposits are included.

Financial Modelling

The latest modelling for the project at 5Mtpa indicates a robust project with an IRR of 37% and an NPV of \$355 million (8.5% discount) based on forward curves for exchange rates and commodity pricing.

Approvals & Agreements

In July 2008 Universal Resources was granted a decision to allow its Environmental Impact Statement (EIS) for the Roseby Copper Project to proceed by the Qld (DERM). Following on from this the finalisation of the Environmental Management Plan (EMP) has commenced with submission envisaged for late 2009 with approvals first quarter 2010.

In June 2006 an agreement was reached between URL and the Kalkadoon People who hold native title of the area of the MLAs. In June 2008 an agreement was reached with Mr Harold MacMillan for the Roseby station pastoral holding which encompasses the majority of the URL MLAs. An agreement for the other major landholder Coolullah Station owned by NAPCO, was finalized in July 2008. Agreements for the remaining easements and reserves are continuing with finalisation expected in the first quarter 2010.

Project Timeline

Subject to approvals and project financing, detailed design is estimated to commence in the second quarter of 2010 with commissioning envisaged for the first half of 2012.

Exploration

Universal holds over 2,200 sq km of exploration and mining tenements in two of Australia's premier mining districts: the Mt Isa Inlier and the Lachlan Fold Belt (Figure 1).

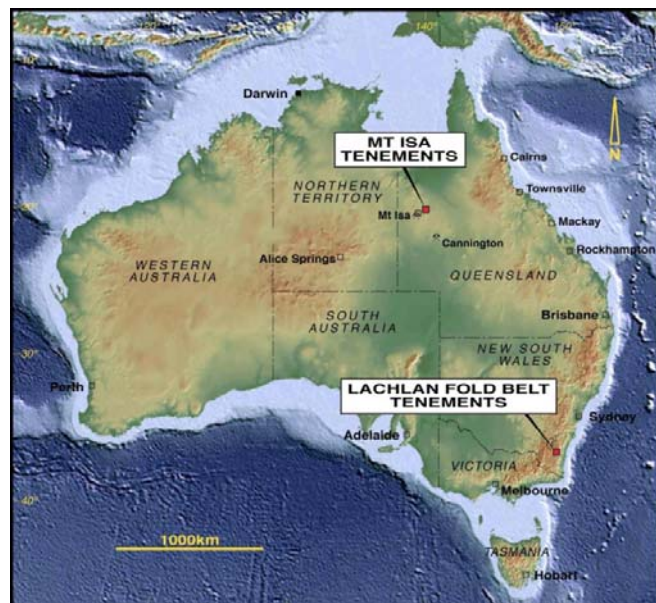


Figure 1. Project Locations

Directors' Report

Review of operations (continued)

Exploration at Universal's projects in the Mt Isa Inlier and at Burra in NSW has been limited due to the effects of the global financial crisis.

Roseby Copper Project

SEEP JOINT VENTURE (Xstrata Copper earning to 51% equity in the SEEP Sale Interest)

Mt Isa Mines Ltd (Xstrata Copper) completed a programme of 6 RC pre-collared diamond cored holes for 2651.4 metres in the December 2008 quarter. This drilling targeted sulphide mineralization at Blackard over a strike length of 900 metres for down dip extensions to the primary sulphide zone and for potential extensions to earlier drillhole BCD 850 which intersected 94 metres averaging 0.93% copper. Extensions to this mineralization were not located in two test holes but 4 other holes succeeded in extending mineralization down dip from previous intersections by the order of 100 metres over 900 metres of strike length.

A detailed assessment and prospectivity review of the SEEP area, including re-logging of drill cores, multi-element analyses, petrological studies and the interpretation of induced polarization anomalies, was undertaken throughout the first and second quarters of 2009.

NON-SEEP ACTIVITIES

An on-going detailed prospectivity assessment of the Mount Rose Bee Fault system was undertaken to the east and south of the SEEP area. Multiple copper-gold geochemical data sets, geological, geophysical and mineral occurrence data were collated and interpreted. This resulted in the identification of good copper-gold targets at Wonga and Gulliver outside of the SEEP area. Very limited drill testing of these areas has been previously undertaken and further exploration and drilling is warranted.

Severe flooding of the area precluded field exploration for much of the first and second quarters of 2009. Detailed structural reviews and geological re-interpretation of drilling data from the Little Eva and Blackard deposits were undertaken in this period.

MT ISA REGIONAL

Universal has nine wholly owned Exploration Permits within the Mt Isa Inlier

Prioritization of these tenements for further work or farmout was completed following review of their copper-gold or uranium mineral potential and a detailed structural interpretation of magnetic and gravity data across the entire Inlier.

Cameron River, EPM 8059 (100% Universal)

This tenement hosts the Ivy Ann deposit comprising an inferred resource of 4 Mt averaging 0.72% copper and 0.12 gpt gold located only 34 km by largely sealed road from the proposed Roseby plant site. An interpretation of regional magnetic, gravity and geochemical data was completed and highlighted mineralized structures passing centrally through the tenement and the Ivy Ann resource area.

Mt Isa Inlier Farm-Outs

Joint venture documentation for two tenements, Spider EPM 14367 and Dronfield EPM 14369 is completed:

Spider EPM 14367 (100% Universal; Deep Yellow Limited (DYL) earning up to 80% interest in uranium and associated minerals)

The tenement is located 10 km north of Summit / Paladins' Anderson deposit and southeast of their Valhalla, Skal and Bikini deposits. Universal identified 17 surface radiometric anomalies that needed further evaluation. A field visit identified extensive zones of hydrothermal alteration in two areas which returned XRF uranium values of 470 and 360ppm U₃O₈ respectively.

Dronfield EPM 14369 (100% Universal; Syndicated Metals Limited (Syndicated earning up to 80% interest)

This tenement abuts the southern margin of Syndicated's Kalman South tenement EPM 13870 (Syndicated 49% interest) and covers a 9 km strike length of the Pilgrim Fault zone. This fault is host to an Inferred Resource of 60.8Mt averaging 0.32%Cu, 0.05% Mo, 1.19gpt Re and 0.15gpt Au (Kings Minerals NL, 10 September 2008), a substantial portion of which occurs within EPM 13870 and lies approximately 10 km north of EPM 14369.

NSW LACHLAN FOLD BELT

Burra Project (90% Universal)

This area lies 30 km south of Queanbeyan and has a 4 km long strike-length of zinc-lead-(silver-copper) mineralization similar in age and affinity to the major stratabound Woodlawn zinc-copper-lead-silver deposit.

Directors' Report

Review of operations (continued)

No field work was undertaken on this project area during the reporting period. Desktop studies were conducted to prioritise drill targeting of geophysical IP surveys which suggest potential for additional sulphide mineralization to lie adjacent to massive zinc sulphide drill intercepts in the northern portion of the zinc anomaly.

Corporate

The board of directors of the Company welcome the appointment of Mr Kevin Maloney as a non-executive director and Chairman of the Company, effective from 20 July 2009. Mr Ingram, formerly both Chairman and Managing Director, will continue in the role of Managing Director. Mr Maloney, who is Chairman of the Tulla Resources Group, one of the Company's largest shareholders (8.66%), brings to the Company a wealth of experience in the resources industry, including the finalisation of feasibility studies and the financing of resource projects.

On 3 September 2009 the Company announced its intention to merge with Vulcan Resources Limited ("Vulcan"), subject to satisfactory due diligence and other conditions being satisfied. Under the proposed merger Vulcan shareholders will receive 6.85 Universal shares for every one Vulcan share held. It is proposed that the merger will be effected by way of a Vulcan Scheme of Arrangement and that the enlarged Universal Resources will consolidate its shares on a 1 for 10 basis.

Events occurring after balance date

On 20 July 2009 the Company announced that it had appointed Mr Kevin Maloney as Non-executive Chairman.

On 3 September 2009 the Company announced its intention to merge with Vulcan Resources Limited ("Vulcan"), subject to satisfactory due diligence and other conditions being satisfied. Under the proposed merger, Vulcan shareholders will receive 6.85 Universal fully paid ordinary shares for every one Vulcan fully paid ordinary share.

On 7 September 2009 the Company announced that Mt Isa Mines Limited had commenced drilling at the Blackard deposit as part of its exploration pursuant to the SEEP joint venture.

On 14 September the Company announced the imminent commencement of drilling at the Bedford North and Lady Clayre prospects within the Roseby Copper Project and Ivy Ann within the Cameron River Project.

On 15 September 2009 the Company announced that it had placed 100 million new shares at 1.8 cents per share to professional and sophisticated investors. The placement does not require shareholder approval. The Company also announced a further placement of 120 million shares at 1.8 cents per share, subject to shareholder approval.

On 28 September 2009 the Company announced that it had executed the Merger Implementation Agreement with Vulcan Resources Limited.

No other matters or circumstances have arisen since 30 June 2009 that have significantly affected, or may significantly affect:

- (a) the Consolidated Entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Consolidated Entity's state of affairs in future financial years.

Likely developments and expected results of operations

Further information as to likely developments in the operations of the Consolidated Entity and the likely results of these operations would, in the opinion of the directors, be prejudicial to the interests of the Consolidated Entity. Refer to the Review of Operations for further details.

Environmental regulation

The Consolidated Entity is subject to environmental regulations in respect of its exploration activities in Australia, as prescribed by various State Government Departments dealing with minerals exploration, mining and the environment. The Consolidated Entity has not been advised of any breach of its environmental obligations and, to the best of the knowledge of the directors, the Consolidated Entity has complied with all environmental requirements of the various regulations to which it is subject.

Directors' Report

Environmental regulation (continued)

Universal Resources Limited is subject to the public reporting requirements of the Energy Efficient Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007 and the National Environmental Protection (National Pollutant Inventory) Measure. These requirements relate to the financial year and will be reported later in 2009.

Information on directors

Name	Director's Experience	Special Responsibilities
K Maloney	<p>Mr Maloney has had an extensive career in retail banking, finance and resources. He joined Elders Resources in 1981 after spending 20 years with the ANZ Bank. During his time at Elders Resources Kevin held numerous positions including Chief Executive Officer of Elders Resources Finance Ltd. Kevin has a wealth of experience in the resources and finance industries and has been involved with a number of public companies as an executive and a director. He is the founder and executive chairman of The MAC Services Group Limited and also the non-executive director of Northern Energy Corporation Limited.</p> <p><i>Other directorships of ASX listed companies in the past three years</i></p> <p><u>Current</u> The MAC Services Group Limited – since 5 June 1991 Northern Energy Corporation Limited – since 24 May 2007</p> <p><u>Former</u> Queensland Mining Corporation Limited – from 25 July 2007 to 14 August 2009</p>	<p>Chairman</p> <p>Member of the Audit and Remuneration Committees</p>
P A J Ingram BSc, FAusIMM, MGSA, FAICD	<p>Mr Ingram is a geologist with over 40 years experience in the mining and mineral exploration industries within Australia, including over 29 years experience in public company management. In addition to previously being the Managing Director of Metana Minerals NL, Chairman of Glengarry Resources NL and a director of Dragon Mining NL, Eastmet Limited and Australia Oriental Minerals NL, Mr Ingram was a founding councillor of the Association of Mining and Exploration Companies (AMEC). He is an Honorary Life Member and past President of AMEC.</p> <p><i>Other directorships of ASX listed companies in the past three years</i> Mr Ingram held no other directorships of ASX listed companies during the last three years.</p>	<p>Managing Director</p>
M W H Hoyle	<p>Mr Hoyle is a geologist with the degree of Bachelor of Science (Hons) from the University of London. He is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the Society of Economic Geologists. He has extensive experience in mining and exploration both in Australia and Internationally. Maurice's international experience includes working in Africa and in particular the Zambian Copper Belt. His experience covers a diverse suite of minerals, with particular emphasis on gold, copper and nickel.</p> <p><i>Other directorships of ASX listed companies in the past three years</i> Mr Hoyle held no other directorships of ASX listed companies in the last three years.</p>	<p>Executive director - Technical</p>

Directors' Report

Information on directors (continued)

Name	Director's Experience	Special Responsibilities
J P Brewer	<p>Mr Brewer has over 15 years international experience in the natural resources sector and in investment banking. He is a mining engineer with a masters degree in mining engineering with honours from the Royal School of Mines, London. He has experience in gold and base metals mines, having worked at the Kidd Creek Copper and Zinc mine in Canada for Falconbridge, the Lanfranchi Nickel Mine in Western Australia for WMC and the Kinross Gold Mine in South Africa for Gencor.</p> <p><i>Other directorships of ASX listed companies in the past three years</i></p> <p><u>Current</u> None</p> <p><u>Former</u> Terrain Minerals Limited – from 13 December 2007 to 23 May 2008 Zambezi Resources Limited – from 3 August 2009 to 14 September 2009</p>	<p>Non-executive director</p> <p>Chairman of the Audit Committee and Member of the Remuneration Committee</p>
B Fulton BSc, MSc(Hons), MBA, MAusIMM, MAICD	<p>Mr Fulton is currently the Managing Director of Ophir Partners, an executive search firm specialising in the global mining and resources industry. He is a member of the Australasian Institute of Mining & Metallurgy and the Australian Institute of Company Directors. He is a graduate of the University of Waikato, New Zealand, and holds a Masters of Science (Hons) degree majoring in Earth Science. He also holds the degree of Master of Business Administration from Deakin University, Melbourne.</p> <p>Mr Fulton has extensive resource industry experience having worked with both Australian and international mining companies. His experience covers a wide range of the global mining and resources industry including involvement in exploration, operations, corporate development and M&A activities. Bruce's experience also covers a wide range of commodities. He continues his industry association through active participation in key industry events and with industry associations such as the Australasian Institute of Mining & Metallurgy.</p> <p><i>Other directorships of ASX listed companies in the past three years</i></p> <p><u>Current</u> None</p> <p><u>Former</u> Eldore Mining Limited – from 12 December 2006 to 3 December 2007.</p>	<p>Non-executive director</p> <p>Chairman of the Remuneration Committee and Member of the Audit Committee</p>
Company Secretary D J Kelly BComm, CPA, MAICD	<p>Mr Kelly is an accountant with over 30 years experience in industry and public practice. He currently consults to both public and private companies in the capacity of Company Secretary and provides management and administration services for them. He has wide managerial experience including serving for a period as managing director of a public listed exploration company.</p>	<p>Company Secretary Chief Financial Officer</p>

Directors' Report

Particulars of directors' interests in shares and options of Universal Resources Limited

Set out below are the directors' interests in shares and options of the Company as at the date of this report:

	Ordinary Shares	Options
K Maloney	58,200,000	-
P A J Ingram & M W H Hoyle As tenants in common	80,100	-
P A J Ingram	7,425,281	5,000,000
M W H Hoyle	961,680	5,000,000
J P Brewer	-	1,000,000
B Fulton	-	1,000,000

Further information on directors' share and option holdings are contained in Note 22 of the Financial Report.

Meetings of directors

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2009 and the numbers of meetings attended by each director.

	Full Meetings of Directors		Audit Committee		Remuneration Committee	
	Number held whilst in office	Number Attended	Number held whilst in office	Number attended	Number held whilst in office	Number attended
<i>Directors</i>						
K Maloney	-	-	-	-	-	-
P A J Ingram	16	16	*	*	*	*
M W H Hoyle	16	16	*	*	*	*
J A Walls	3	1	*	*	*	*
J P Brewer	16	16	2	2	1	1
B Fulton	16	15	2	2	1	1

* Denotes the director not being a member of the committee.

Remuneration Report (Audited)

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information

The information provided in the remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

- Principles used to determine the nature and amount of remuneration

The remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board reviews the remuneration packages and policies applicable to the directors and other officers of the Consolidated Entity on an annual basis. The Board seeks independent advice on remuneration policies and practices including recommendations on remuneration packages and other terms of employment for directors and other executives. This policy is specifically in relation to the exploration phase, this policy may change once the exploration phase is complete and the company is generating revenue. At present the existing remuneration policy is not linked to the Company's performance and more specifically to earnings and changes in shareholder wealth.

Directors' Report

Remuneration Report (Audited) (continued)

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors fees are reviewed annually and remuneration packages are determined by the Board within the maximum amount approved by shareholders from time to time. Remuneration of each non-executive director is a set fee amount plus prescribed superannuation if applicable. Shareholders have approved directors fees in total of \$300,000 per annum.

Executives

Executive remuneration packages include base salary and benefits, prescribed superannuation and other non-monetary benefits. Non-monetary benefits include long term incentives at risk in the form of share options. The percentage relating to LTI is disclosed in the table below.

Base salary

Structured as a total employment cost package that is delivered as a mix of cash, superannuation and other benefits. Executives' remuneration is reviewed annually with regard to competitiveness and performance. There are no guaranteed salary increases fixed in any senior executives' contracts.

Other benefit

Executives may receive benefits including payment of professional body membership subscriptions, motor vehicle benefits, and business entertainment benefits.

B. Details of remuneration

Details of the remuneration of each director of Universal Resources Limited and the key management personnel, including their personally-related entities, are set out in the following tables. None of the remuneration is performance based. The share options have been issued as an incentive to align directors' interests with increases in shareholder wealth.

The key management personnel of Universal Resources Limited and the Consolidated Entity includes the directors as per page 4 and the following officers:

D J Kelly – Company Secretary & CFO

G Sloane – Project Manager (resigned 27 August 2008)

Name	Short-term Benefits		Post-employment Benefits	Share-based Payments	Total	% Relating to Share Options
	Cash Salary and Fees	Non-monetary Benefits	Superannuation	Options		
	\$	\$	\$	\$	\$	
2009						
<i>Non-executive directors</i>						
J A Walls	-	-	-	-	-	-
J P Brewer	30,000	5,419	2,700	13,900	52,019	26.72%
B Fulton	23,750	5,419	-	13,900	43,069	32.27%
<i>Executive directors</i>						
P A J Ingram	173,210	18,739	15,589	-	207,538	-
M W H Hoyle	228,000	13,939	17,820	5,511	265,270	2.07%
<i>Other key management personnel</i>						
D J Kelly	155,033	5,419	-	52,296	212,748	24.58%
G Sloane	48,569	-	5,828	-	54,397	-
Total	658,562	48,935	41,937	85,607	835,041	

Directors' Report

Remuneration Report (Audited) (continued)

Name	Short-term Benefits		Post-employment Benefits	Share-based Payments	Total	% Relating to Share Options
	Cash Salary and Fees \$	Non-monetary Benefits \$	Superannuation \$	Options \$		
2008						
<i>Non-executive directors</i>						
J A Walls	40,000	6,062	-	-	46,062	-
J P Brewer*	32,536	4,546	1,125	-	38,207	-
B Fulton**	24,349	3,031	-	-	27,380	-
C T Ansell***	45,000	3,031	4,050	-	52,081	-
<i>Executive directors</i>						
P A J Ingram	205,704	27,520	18,513	184,419	436,156	42.28%
M W H Hoyle****	198,000	16,447	20,394	-	234,841	-
M Hulmes*****	355,174	9,261	31,966	-	396,401	-
<i>Other key management personnel</i>						
D J Kelly	93,720	5,037	-	3,619	102,396	3.5%
S W Michael*****	156,888	-	14,120	42,522	213,530	19.91%
G Sloane*****	47,436	4,900	5,692	-	58,028	-
Total	1,198,807	79,835	95,860	230,560	1,605,082	1,605,082

* Mr J P Brewer was appointed as a director on 2 October 2007.

** Mr B Fulton was appointed as a director on 17 December 2007.

*** Mr C T Ansell resigned as a director on 31 December 2007.

**** Mr M W H Hoyle was appointed as a director on 17 December 2007.

***** Mr M Hulmes resigned as Managing Director on 6 September 2007.

***** Mr S W Michael resigned as Chief Financial Officer on 9 April 2008.

***** Mr G Sloane was appointed as Project Manager on 22 April 2008.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black-Scholes option pricing model that takes in to account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The expected volatility assumed is commensurate with the expected term of the option being from issue date to expected exercise date. It is assumed that all volatility data remains constant over the life of the options.

Group performance for the past five years

	2005	2006	2007	2008	2009
Loss for the period	(6,191,233)	(11,925,608)	(9,517,218)	(7,069,841)	(15,297,367)

Impact on shareholder wealth

	2005	2006	2007	2008	2009
Loss per share (cents)	(4.15)	(4.19)	(2.09)	(2.25)	(1.54)
Share price	0.16	0.077	0.096	0.074	0.016

No dividends were paid to shareholders during the periods shown above.

Directors' Report

Remuneration Report (continued)

C. Service agreements

Remuneration and other terms of employment for executive directors and other key management personnel are formalised in employment agreements. Major provisions of the agreements are set out below:

P A J Ingram

Pursuant to an employment agreement dated 11 December 2008:

Term – three years. Renewable for a further period as agreed between the Company and the executive.

Remuneration package of \$205,700 to include base salary payable in cash or as cash and non-financial benefits as agreed between the Company and the executive and, in addition, statutory superannuation and the provision of a motor vehicle. Remuneration package to be reviewed annually. Four weeks annual leave.

Termination – Immediate upon receiving written notice from the Company, in the case of the executive becoming bankrupt, is guilty of gross misconduct or criminal offences, or in the event of the executive's death. The agreement may also be terminated by the executive with 30 days notice, in the event of a breach of the agreement by the Company that is not rectified, or by 12 months notice by the executive without giving reason.

M W H Hoyle

Pursuant to an employment agreement dated 11 December 2008:

Term – three years. Renewable for a further period as agreed between the Company and the executive.

Remuneration package of \$198,000 to include base salary payable in cash or as cash and non-financial benefits as agreed between the Company and the executive and, in addition, statutory superannuation and the provision of a motor vehicle. Remuneration package to be reviewed annually. Four weeks annual leave.

Termination – Immediate upon receiving written notice from the Company, in the case of the executive becoming bankrupt, is guilty of gross misconduct or criminal offences, or in the event of the executive's death. The agreement may also be terminated by the executive with 30 days notice, in the event of a breach of the agreement by the Company that is not rectified, or by 12 months notice by the executive without giving reason.

D J Kelly

Pursuant to a revised letter agreement dated 30 April 2008 the services of Mr Kelly, as Company Secretary and CFO, are provided to the Company at the rate of \$5,000 per month payable in arrears. The arrangement can be terminated by Mr Kelly by the giving of 2 months notice or by the Company without notice, if due to standard contractual conditions of serious misconduct or being guilty of criminal offences. In the event of redundancy or termination, with the exception of termination for serious misconduct, Mr Kelly is entitled to a retirement benefit equal to two years base fees as Company secretary.

G Sloane

Pursuant to an employment agreement dated 14 May 2008:

Term – No fixed term.

Remuneration package of \$250,000 to include base salary payable in cash or as cash and non-financial benefits as agreed between the Company and the executive and, in addition, 12% of the base salary as superannuation. Remuneration package to be reviewed annually. Four weeks annual leave. In addition the agreement provides for the allotment of options as follows:

- 1,000,000 options exercisable at 15 cents and expiring 30 June 2013, vesting after 12 months service to the Company;
- 1,000,000 options exercisable at 15 cents and expiring 30 June 2013, vesting on commencement of on-site construction at Roseby by no later than 1 December 2008; and
- 1,000,000 options exercisable at 15 cents and expiring 30 June 2013, vesting on satisfactory commissioning of the Roseby treatment plant at a rate of at least 90% of its rated capacity by no later than 31 March 2010.

Directors' Report

Remuneration Report (Audited) (continued)

In addition a cash payment of \$100,000 on satisfactory commissioning of the Roseby treatment plant at a rate of at least 90% of its rated capacity by no later than 31 March 2010.

Termination – Summarily by the Company and without compensation in the event of misconduct or gross negligence or by either party giving two months notice.

Mr Sloan resigned on 27 August 2008 and did not receive either options or a cash bonus.

D. Share-based compensation

The establishment of the Universal Resources Limited Employee Share Option Plan (“ESOP”) was adopted for the purpose of recognising the efforts of, and providing incentive to, employees of the Company.

Under the plan the Company may offer options to subscribe for shares in the Company to eligible persons. Directors and part-time or full-time employees are Eligible Persons for the purposes of the ESOP. The directors of the Company in their absolute discretion determine the number to be offered and any performance criteria that may apply before options may be exercised. Offers made under the ESOP must set out the number of options, the period of the offer and the calculation of exercise price. The exercise price is determined with reference to the market value of the Company’s shares at the time of resolving to make the offer.

Options are granted under the plan for no consideration, unless the directors determine otherwise.

On exercise, each option is convertible to one ordinary share within 10 business days of the receipt of the exercise notice and payment of the exercise price in Australian dollars. Options will expire no later than five years from the date of allotment.

If an Eligible Person ceases to be an Eligible Person the options held by them will automatically lapse except if the person ceases to be an Eligible Person by reason of retirement at age 60 or over, permanent disability, redundancy or death, in which case the options may be exercised within three months of that event happening (or such longer period as the Board determines).

Options may not be offered to a director or associates except where approval is given by shareholders at a general meeting.

Options issued under this ESOP carry no dividend or voting rights.

Amounts received on the exercise of options are recognised as share capital.

The Company Does not have a formal policy in relation to key management personnel limiting their exposure to risk in relation to the securities.

Details of options over ordinary shares provided as remuneration to each director of Universal Resources Limited and each of the key management personnel of the Group are set out below.

	Number of Options Granted During the Year		Number of Options Vested During the Year	
	2009	2008	2009	2008
<i>Directors of Universal Resources Limited</i>				
P A J Ingram	-	5,000,000	-	5,000,000
M W H Hoyle	4,000,000	1,000,000	-	1,000,000
J A Walls	-	-	-	-
J P Brewer	1,000,000	-	1,000,000	-
B Fulton	1,000,000	-	1,000,000	-
<i>Other key management personnel</i>				
D J Kelly	-	3,000,000	-	1,000,000
G Sloan	-	-	-	-

During the year there were no ordinary shares provided to any director or key management personnel as a result of the exercise of options.

Directors' Report

Remuneration Report (continued)

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
14 September 2005	14 September 2010	15 cents	\$0.059	At any time after 14 September 2007
5 September 2006	5 September 2011	15 cents	\$0.020089	At any time after 5 September 2007
12 March 2007	12 March 2012	15 cents	\$0.078325	At any time during the exercise period
7 September 2007	27 December 2012	15 cents	\$0.036884	At any time after 30 April 2008
30 June 2008	30 June 2013	15 cents	\$0.053667	At any time during the exercise period
30 June 2008	30 June 2013	15 cents	\$0.053667	At any time during the exercise period
26 November 2008	16 December 2013	15 cents	\$0.0139	At any time during the exercise period
26 November 2008	16 December 2013	15 cents	\$0.0139	At any time after 3 December 2009

The assessed fair value at grant date of options granted during the year ended 30 June 2009 was 1.39 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the period ended 30 June 2009 included:

Grant date	30 June 2008
Expiry date	16 December 2013
Quantity	6,000,000
Exercise price	\$0.15
Consideration	Nil
Share price at grant date	6 cents
Expected price volatility of the Company's shares	49.4%
Expected dividend yield	Nil
Risk-free interest rate	5.54%

During the year there were no ordinary shares issued as a result of the exercise of options.

E. Additional information

Share-based compensation: options

For each grant of options included in the tables set out on pages 16 and 17, the percentage of the available grant that was vested in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The options vest in 12 months provided the vesting conditions are met. No options will vest if the conditions are not satisfied, hence the minimum value of the options yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options yet to be expensed.

Directors' Report

Remuneration Report (continued)

Name	Year granted	Vested %	Forfeited %	Financial year in which options may vest	Minimum total value of grant yet to vest	Maximum total value of grant yet to vest
M Hulmes	2006	-	100	-	-	-
S Michael	2007	-	100	-	-	-
P Ingram	2008	100	-	2008	-	-
D Kelly	2008	100	-	2009	-	-
B Fulton	2009	100	-	2009	-	-
J Brewer	2009	100	-	2009	-	-
M Hoyle	2009	11.5	-	2010	49,206	49,206

Further details relating to options are set out below:

2009

Name	A Remuneration consisting of options	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$	E Total of columns B-D \$
P A J Ingram	-	-	-	-	-
J A Walls	-	-	-	-	-
J Brewer	26.72%	13,900	-	-	13,900
B Fulton	32.27%	13,900	-	-	13,900
M W H Hoyle	2.07%	55,600	-	-	55,600
D J Kelly	24.58%	161,001	-	-	161,001
G Sloan	-	-	-	-	-

2008

Name	A Remuneration consisting of options	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$	E Total of columns B-D \$
P A J Ingram	42.31%	184,419	-	-	184,419
J A Walls	-	-	-	-	-
J Brewer	-	-	-	-	-
B Fulton	-	-	-	-	-
M W H Hoyle	-	-	-	-	-
M Hulmes	-	-	-	-	-
C T Ansell	-	-	-	-	-
D J Kelly	3.7%	161,001	-	-	161,001
S W Michael	19.9%	42,522	-	-	42,522
G Sloan	-	-	-	-	-

- A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.
 B = The value at grant date calculated in accordance with Accounting Standard AASB 2: *Share-based Payments* of options granted during the year as part of remuneration.
 C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.
 D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Loans to directors and key management personnel

During the year there were no loans granted to any director or key management personnel. There were no outstanding loans from previous reporting periods.

- End of audited remuneration report -

Directors' Report

Options

Unissued shares under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
14 September 2005	14 September 2010	\$0.15	2,385,000
12 March 2007	12 March 2012	\$0.15	1,000,000
06 September 2007	05 September 2011	\$0.15	800,000
27 December 2007	27 December 2012	\$0.15	5,000,000
30 June 2008	30 June 2013	\$0.15	3,650,000
26 November 2008	16 December 2013	\$0.15	6,000,000

No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Indemnification and Insurance of Directors and Officers

Indemnification

The Company has agreed to indemnify all directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against any liability relating to:

- a third party (other than the Company or a related body corporate) unless the liability arises out of conduct involving a lack of good faith; and
- costs and expenses incurred in successfully defending civil or criminal proceedings or in connection with an application, in relation to such proceedings, in which relief is granted under the *Corporations Act 2001*.

No liability has arisen under these indemnities as at the date of this report.

Insurance

During the financial year the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability covered and the amount of the premium.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of the proceedings.

Non-audit services

The following non-audit services were provided by the Company's auditor BDO Kendalls Audit & Assurance (WA) Pty Ltd or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risk and rewards.

Fees paid to BDO Kendalls Corporate Tax (WA) Pty Ltd

- taxation compliance services

\$
7,774
7,774

Directors' Report

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 72.

Auditor

BDO Kendalls Audit & Assurance (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read 'P. A. J. Ingram', is positioned above the printed name and title.

P A J Ingram
Managing Director

This 30th day of September 2009 at Perth, Western Australia

Universal Resources Limited

Corporate Governance Disclosures

Statement

Universal Resources Limited ("**Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P & R ¹	If not, why not ²		ASX P & R ¹	If not, why not ²
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4 ³	n/a	n/a
Recommendation 1.3 ³	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2 ³	n/a	n/a
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3		✓	Recommendation 6.2 ³	n/a	n/a
Recommendation 2.4		✓	Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6 ³	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4 ³	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1	✓	
Recommendation 3.3 ³	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3 ³	n/a	n/a
Recommendation 4.2		✓			

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Corporate Governance Disclosures (continued)

Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.universalresources.com.au, under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the Recommendations to which they relate, are set out below.

Charters	Recommendation(s)
Statement of Board and Management Functions	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3
Policies and Procedures	
Policy and Procedure for Selection and Appointment of New Directors	2.6
Process for Performance Evaluation of the Board, Board committees, Individual Directors and Key Executives	1.2, 2.5
Policy on Securities Trading (summary)	3.2, 3.3
Code of Conduct for Directors and Key Executives (summary) and Corporate Code of Conduct	3.1, 3.3
Policy and Procedures for Compliance with Continuous Disclosure Requirements (summary)	5.1, 5.2
Policy and Procedure for Selection of External Auditor and Rotation of Audit Engagement Partners	4.4
Arrangements Regarding Communication with and Participation of Shareholders (summary)	6.1, 6.2
Risk Management Policy and Internal Compliance and Control System (summary)	7.1, 7.4

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2008/2009 financial year ("**Reporting Period**").

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Statement of Board and Management Functions. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed and monitoring and ensuring compliance with all of the Company's legal obligations.

Corporate Governance Disclosures (continued)

The Company has established the functions delegated to senior executives and has set out these functions in its Statement of Board and Management Functions. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

The Managing Director is responsible for evaluating the senior executives.

The Managing Director undertakes the evaluation by way of informal meetings and discussions with each senior executive.

Recommendation 1.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

Disclosure:

During the Reporting Period a performance evaluation of the senior executives occurred in accordance with the process disclosed at Recommendation 1.2.

Principle 2 – Structure the board to add value

Recommendation 2.1:

A majority of the Board should be independent directors.

Notification of Departure:

The Board does not currently have a majority of independent directors.

Explanation for Departure:

The Board does not have a majority of directors who are independent. The Board believes that, given the current size and composition of the Company, its structure during the Reporting Period was best suited to the Company's operations.

The independent directors of the Board during the Reporting Period were Jason Brewer and Bruce Fulton. The non-independent directors of the Board during the Reporting Period were Peter Ingram, Maurice Hoyle and Jim Walls (who passed away on 30 September 2008).

Corporate Governance Disclosures (continued)

Recommendation 2.2 and Recommendation 2.3

The Chair should be an independent director and the roles of Chair and Managing Director should not be exercised by the same individual.

Notification of Departure:

During the Reporting Period the Chair and Managing Director was Peter Ingram.

Explanation for Departure:

During the Reporting Period the Company was looking to separate the roles of Managing Director and Chair, however did not manage to separate these roles for the duration of the Reporting Period.

Since the end of the Reporting Period, however, the Board has appointed a new non-executive Chair, Kevin Maloney. Mr Maloney is a related party of a substantial holder of the Company and is therefore not independent. Accordingly, the Company still departs from Recommendation 2.2, however, it now complies with Recommendation 2.3.

Recommendation 2.4:

The Board should establish a Nomination Committee.

Notification of Departure:

The Company has not established a separate Nomination Committee.

Explanation for Departure:

In the Board's view there are no efficiencies to be gained by establishing a separate Nomination Committee. Accordingly, the Full Board carries out the functions of the Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure:

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The Chairman is also responsible for evaluating the Managing Director.

The Chair evaluates the performance of the Board and when deemed appropriate, Board committees and individual directors by way of round table discussions by the Board. This is an informal and undocumented process.

The Managing Director is evaluated by interview and where necessary by formal questionnaire.

Recommendation 2.6:

Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

Corporate Governance Disclosures (continued)

Disclosure:

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors

The independent directors of the Company during the Reporting Period were Jason Brewer and Bruce Fulton. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

Company's Materiality Thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Statement of Board and Management Functions:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Statement concerning availability of Independent Professional Advice

The Board has determined that individual directors may in appropriate circumstances engage outside advisers at the Company's expense. The engagement of an outside adviser is subject to the prior approval of the Board, which approval will not be unreasonably withheld.

Nomination Matters

The full Board, in its capacity as the Nomination Committee, held one meeting during the Reporting Period. All Board members attended the Nomination Committee meeting.

To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

Corporate Governance Disclosures (continued)

Performance Evaluation

During the Reporting Period, the performance evaluations for the Board and other individual directors took place in accordance with the process disclosed at Recommendation 2.5. The performance evaluation of applicable Board committees did not occur during the Reporting Period.

Selection and (Re)Appointment of Directors

Directors are selected by reference to their background and experience which is relevant to the business needs of the Company. New directors are invited to join the Board by the Chair, who makes the invitations based on recommendations made by the Nomination Committee and approved by the Board.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. At every annual general meeting of the Company one-third of the directors (other than alternate directors and the Managing Director) shall retire from office. No director (other than alternate directors and the Managing Director) may hold office for more than 3 years without retiring. A retiring Director is eligible for re-election. Re-appointment of directors is not automatic.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

Recommendation 3.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

Disclosure:

Please refer to the section above marked Website Disclosures.

Corporate Governance Disclosures (continued)

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1:

The Board should establish an Audit Committee.

Disclosure:

The Company has established an Audit Committee.

Recommendation 4.2:

The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

Notification of Departure:

The Audit Committee is not structured in accordance with the process disclosed at Recommendation 4.2.

Explanation for Departure:

The Audit Committee comprises two independent directors being Jason Brewer and Bruce Fulton.

The Board considers that the membership of the Committee is sufficient to properly fulfil the objectives of the Audit Committee. Further, Mr Des Kelly, the Company Secretary is invited to attend Audit Committee meetings. Although Mr Des Kelly is not a director the Company, the Board considers him to be an appropriate invitee to the Audit Committee because of his financial and accounting background and his consultancy relationship with the Company.

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter.

Recommendation 4.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

Corporate Governance Disclosures (continued)

Disclosure:

The Audit Committee held two meetings during the Reporting Period. The following table identifies those directors who are members of the Audit Committee and shows their attendance at Committee meetings:

Name	No. of meetings attended
Jason Brewer	2
Bruce Fulton	2

Details of each of the director's qualifications are set out in the Directors' Report.

Each of the directors consider themselves to be financially literate and to have an experience and understanding of the industry in which the Company operates. Their qualifications and experience enable them to satisfy the tests of financial literacy, financial expertise and industry knowledge. Further, as noted above, it is usual practice for Mr Des Kelly, an Certified Practising Accountant, to be invited to attend Audit Committee meetings.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Recommendation 5.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

Disclosure:

Please refer to the section above marked Website Disclosures.

Corporate Governance Disclosures (continued)

Principle 6 – Respect the rights of shareholders

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Company has designed a communications policy for promoting effective communication with shareholders and encourages shareholder participation at general meetings.

Recommendation 6.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has developed a framework for risk management and internal compliance and control systems which cover organisational, financial and operational aspects of the Company's affairs. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director. The Managing Director reports on risk management matters to the full Board as part of his monthly written report to the Board.]

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems. [insert statements regarding any reporting by management to the Audit Committee and by the Audit Committee to the Board regarding the management of material business risks.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

Corporate Governance Disclosures (continued)

The Board resolved to review, formalise and document the management of its material business risks and expects to implement this system in the second quarter of the 2009/2010 financial year. This system is expected to include the preparation of a risk register by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks will be allocated to members of senior management. The risk register will be reviewed quarterly and updated, as required.

The Company's systems and processes for managing material business risks include determining and reporting on a wide range of business risks., including operational risk, environmental risk, sustainability, climate change, compliance, people, strategic, ethical conduct, reputation/brand, technological, human capital, financial reporting and market-related risks.

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Managing Director and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 7.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

Disclosure:

The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

Corporate Governance Disclosures (continued)

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Disclosure:

The Company has established a Remuneration Committee.

Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to the performance of the Company.

Pay and rewards for executive directors and senior executives consists of a base salary, superannuation and other non-cash benefits. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

Recommendation 8.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

Disclosure:

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The Remuneration Committee held one meeting during the Reporting Period. The following table identifies those directors who are members of the Remuneration Committee and shows their attendance at the Committee meeting:

Name	No. of meetings attended
Bruce Fulton	1
Jason Brewer	1

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company has not made available its statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes. However, the Company's position is that such transactions are prohibited.

Universal Resources Limited

Financial Statements for the year ended 30 June 2009

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Universal Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2, 91 Havelock Street
West Perth WA 6005

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 30 September 2009. The consolidated entity has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the consolidated entity. All press releases, financial reports and other information are available on our website: www.universalresources.com.au

For queries in relation to our reporting please call +61 8 9486 8400 or e-mail info@universalresources.com.au

Universal Resources Limited

Income Statements

For the year ended 30 June 2009

	Note	Consolidated Entity		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue	5	100,315	296,324	100,315	296,324
Other income	5	343	23,408	343	23,408
Employee benefits expense	6	(1,075,562)	(2,027,333)	(1,075,562)	(2,027,333)
Depreciation and amortisation expenses	6	(98,028)	(152,223)	(98,028)	(152,223)
Finance costs	6	(1,124,345)	(59,802)	(1,124,345)	(59,802)
Exploration and evaluation expenditure	6, 13	(1,160,947)	(4,520,740)	(1,160,947)	(4,520,740)
Impairment of exploration property	6, 13	-	-	-	-
Office and administration expenses		(1,081,207)	(967,681)	(1,081,207)	(967,681)
Loss on issue of converting notes		(11,195,336)	-	(11,195,336)	-
Loss on sale of fixed assets	6	-	(7,252)	-	(7,252)
Loss on sale of equity investments	6	-	(888)	-	(888)
Loss before income tax		(15,634,767)	(7,416,186)	(15,634,767)	(7,416,186)
Income tax (expense)/benefit	7	337,400	342,165	337,400	342,165
Loss for the year		(15,297,367)	(7,069,841)	(15,297,367)	(7,069,841)
Loss attributable to equity holders of Universal Resources Ltd		(15,297,367)	(7,069,841)	(15,297,367)	(7,069,841)
Earnings per share					
Basic loss per share (cents)	32	(1.54)	(2.25)		
Diluted loss per share (cents)	32	(1.54)	(2.25)		

The above Income Statements should be read in conjunction with the accompanying notes.

Universal Resources Limited

Balance Sheets

As at 30 June 2009

	Note	Consolidated Entity		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	8	2,251,458	3,880,955	2,251,456	3,880,953
Trade and other receivables	9	364,495	103,379	364,495	103,379
Total current assets		<u>2,615,953</u>	<u>3,984,334</u>	<u>2,615,951</u>	<u>3,984,332</u>
NON-CURRENT ASSETS					
Trade and other receivables	10	176,136	183,886	69,474	77,224
Other financial assets	11	-	-	9,907,144	9,907,144
Property, plant and equipment	12	216,637	306,368	216,637	306,368
Exploration and evaluation assets	13	14,832,525	14,832,525	5,031,372	5,031,372
Total non-current assets		<u>15,225,298</u>	<u>15,322,779</u>	<u>15,224,627</u>	<u>15,322,108</u>
TOTAL ASSETS		<u>17,841,251</u>	<u>19,307,113</u>	<u>17,840,578</u>	<u>19,306,440</u>
CURRENT LIABILITIES					
Trade and other payables	14	2,485,917	2,661,948	2,485,917	2,661,948
Borrowings	15	1,395,000	714,985	1,395,000	714,985
Provisions	16	57,762	100,738	57,762	100,738
Total current liabilities		<u>3,938,679</u>	<u>3,477,671</u>	<u>3,938,679</u>	<u>3,477,671</u>
NON-CURRENT LIABILITIES					
Borrowings	17	10,550,987	17,402	10,550,987	17,402
Provisions	18	101,834	73,103	101,834	73,103
Total non-current liabilities		<u>10,652,821</u>	<u>90,505</u>	<u>10,652,821</u>	<u>90,505</u>
TOTAL LIABILITIES		<u>14,591,500</u>	<u>3,568,176</u>	<u>14,591,500</u>	<u>3,568,176</u>
NET ASSETS		<u>3,249,751</u>	<u>15,738,937</u>	<u>3,249,078</u>	<u>15,738,264</u>
EQUITY					
Contributed equity	19	47,345,742	56,276,562	47,345,742	56,276,562
Reserves	20	657,431	462,823	657,431	462,823
Accumulated losses	21	(44,753,422)	(41,000,448)	(44,754,095)	(41,001,121)
TOTAL EQUITY		<u>3,249,751</u>	<u>15,738,937</u>	<u>3,249,078</u>	<u>15,738,264</u>

The above Balance Sheets should be read in conjunction with the accompanying notes.

Universal Resources Limited

Statements of Recognised Income and Expense

For the year ended 30 June 2009

	Note	Consolidated Entity		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
Total equity at the beginning of the financial year		15,738,937	19,700,837	15,738,264	19,700,164
Share options	20	194,608	213,905	194,608	213,905
Loss for the financial year	21	(15,297,367)	(7,069,841)	(15,297,367)	(7,069,841)
Total recognised income and expense for the financial year		(15,102,759)	(7,069,841)	(15,102,759)	(7,069,841)
Transactions with equity holders in their capacity as equity holders					
Contributions of equity	19C	2,819,214	2,912,000	2,819,214	2,912,000
Conversion of convertible notes to equity	19D	1,110,499	1,333,090	1,110,499	1,333,090
Reduction in carrying value of convertible notes conversion rights		(1,110,499)	(1,209,029)	(1,110,499)	(1,209,029)
Transferred from other other equity securities on renegotiation of converting notes	19D	(11,544,393)	-	(11,544,393)	-
Transferred to accumulated losses on renegotiation of converting notes	21	11,544,393	-	11,544,393	-
Share issue costs	19C	(205,641)	(142,025)	(205,641)	(142,025)
Total equity at the end of the financial year		3,249,751	15,738,937	3,249,078	15,738,264

The above Statements of Recognised Income and Expense should be read in conjunction with the accompanying notes.

Universal Resources Limited

Cash Flow Statements

For the year ended 30 June 2009

	Note	Consolidated Entity		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash flows from operating activities					
Payments to suppliers and employees (inclusive of goods and services tax)		(1,312,845)	(1,315,904)	(1,312,845)	(1,315,904)
Interest received		100,315	375,512	100,315	375,512
Refunds/(payments) for security deposits		7,750	(19,719)	7,750	(19,719)
Tax offset received		-	342,165	-	342,165
Net cash outflows from operating activities	30	(1,204,780)	(617,946)	(1,204,780)	(617,946)
Cash flows from investing activities					
Payments for property, plant & equipment		(8,297)	(31,224)	(8,297)	(31,224)
Payments for exploration and evaluation		(1,771,714)	(5,896,654)	(1,771,714)	(5,896,654)
Proceeds from sale of available-for-sale financial assets		-	1,112	-	1,112
Proceeds from sale of fixed assets		-	31,818	-	31,818
Net cash outflows from investing activities		(1,780,011)	(5,894,948)	(1,780,011)	(5,894,948)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		2,492,256	2,912,000	2,492,256	2,912,000
Costs of share issues		(205,641)	(142,024)	(205,641)	(142,024)
Repayment of borrowings		(931,321)	(747,986)	(931,321)	(747,986)
Net cash inflows from financing activities		1,355,294	2,021,990	1,355,294	2,021,990
Net increase/(decrease) in cash and cash equivalents		(1,629,497)	(4,490,904)	(1,629,497)	(4,490,904)
Cash and cash equivalents at the beginning of the financial year		3,880,955	8,371,859	3,880,953	8,371,857
Cash and cash equivalents at the end of the financial year	8	2,251,458	3,880,955	2,251,456	3,880,953

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report contains separate financial statements for Universal Resources Limited as an individual entity and the consolidated entity consisting of Universal Resources Limited and its subsidiaries.

(a) Basis of preparation of financial report

Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of asset and the settlement of liabilities in the normal course of business. Whilst the company has achieved exploration success with the Roseby project, the directors recognise that the company will have to seek additional funding in order to continue to exploit its exploration assets.

The material liquidity risk for the Group is the ability to raise equity in the future. The Group's cash flow forecasts show that current funds are sufficient to fund the operations past September 2010. The Group has historically raised sufficient capital to fund its operations, however, it recognises that it is at risk of financial markets which dictate its ability to fund operations beyond exhaustion of the current cash funds past September 2010. It is noted that the Group has the ability to reduce costs to preserve cash resources.

As per the ASX announcement of 28 September 2009, the Company has now entered into a Merger Implementation Agreement with Vulcan Resources Limited which, when completed, will give the Company access to the cash assets of Vulcan. Given this, the directors have reviewed the business outlook and the prospects and are of the opinion that the use of the going concern basis is appropriate.

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRSs ensures that the consolidated financial statements and notes of Universal Resources Limited comply with International Financial Reporting Standards (IFRSs).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit and loss, certain classes of property, plant and equipment and investment property. All amounts are presented in Australian dollars, which is Universal Resources Limited's functional currency.

Critical accounting estimates and significant judgements

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Universal Resources Limited

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Universal Resources Limited ("Company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Universal Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are carried at cost less impairment by the parent company.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of transaction.

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(g) Business Combinations

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in the profit or loss immediately.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful 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 receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the income statement.

(k) Investments and other financial assets

The Group classifies its investments in the following categories: derecognition of financial instruments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

(m) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Machinery	10-15 years
- Vehicles	3-5 years
- Furniture, fittings and equipment	3-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(o) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Incentive Scheme.

The fair value of options granted under the Employee Incentive Scheme is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(p) Financial instruments issued by the Group

(i) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Where the Company has issued converting notes the Company has assessed whether there is an equity and/or liability burden by calculating the liability as the discounted value when compared to the face value of the notes.

(ii) Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate and are amortised over the life of the investment using the effective interest rate method. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(iii) Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments and are amortised over the life of the investment using the effective interest rate method.

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half-year, adjusted for bonus elements in ordinary shares issued during the half-year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Expenditure incurred during exploration and the early stages of evaluation of new areas of interest is written off as incurred, with the exception of acquisition costs.

Where the directors decide to progress to development in an area of interest all further expenditure incurred relating to the area will be capitalised. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of any exploration and evaluation asset may exceed its recoverable amount. Impairment indicators include:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Universal Resources Limited

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and is then reclassified to mine properties and development.

(s) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

1. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
2. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables and payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(t) New accounting standards and interpretations

Certain new Australian Accounting Standards have been published that are not mandatory for financial reporting years ended on 30 June 2009. The Group's and the Parent Entity's assessment of the impact of these new standards and interpretations is set out below:

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company*
AASB 8	<i>Operating Segments</i>	This new standard will replace AASB 114 <i>Segment Reporting</i> and adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 below.	1 July 2009
AASB 123 (revised June 2007)	Borrowing costs	AASB 123 previously permitted entities to choose between expensing all borrowing costs and capitalising those that were attributable to the acquisition, construction or production of a qualifying asset. The revised version of AASB 23 requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.	1 January 2009	Refer to AASB 2007-6 below.	1 July 2009

Universal Resources Limited

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company*
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 <i>Operating Segments</i> .	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Company's financial statements. However the new standard may have an impact on the segment disclosures included in the Company's financial report.	1 July 2009
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 and 12]	Amending standard issued as a consequence of AASB 123 (revised) <i>Borrowing Costs</i> .	1 January 2009	As the Company does not currently construct or produce any qualifying assets which are financed by borrowings the revised standard will have no impact.	1 July 2009
AASB 101 (revised) and AASB 2007-3	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements of reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to impact the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of the amounts disclosed in the financial report. The Group has not determines at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share Based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions' introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However the group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 3 (revised)	Business Combinations	The revised standard introduces a number of significant changes to the accounting for business combinations.	1 July 2009	The Group has business combinations that may be affected by these amendments. However the group has not yet determined the extent of the impact, if any.	1 July 2009

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company*
AASB 127 (revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in a loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give a rise to a gain or loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	No change to the accounting policy, therefore no impact.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The amendments to AASB 5 Discontinued Operations and AASB 1 First-time Adoption of Australian-Equivalents to International Financial Reporting Standards are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held-for-sale if a partial disposal sale plan results in loss of control.	1 July 2009	Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements.			

Universal Resources Limited

Notes to the Financial Statements

1. Summary of significant accounting policies (continued)

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company*
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	<p>The main amendments of relevance to Australian entities are those made in IAS 27 deleting the cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognized in profit or loss in an entity's separate financial statements (i.e., the parent company accounts). The distinction between pre and post acquisition profits is no longer required. However the payment of such dividends requires the entity to consider whether there is an indicator of impairment.</p> <p>AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganizations, to be based on the previous carrying amount of the subsidiary (that is, share equity) rather than its fair value.</p>	1 January 2009	No change to the accounting policy, therefore no impact.	1 July 2009
Amendments to International Financial Reporting Standards	Improvements to International Financial Reporting Standards	<p>The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary amendments to IFRSs. The IASB has separated the amendments into two parts: Part I deals with changes to IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.</p>	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any	1 July 2009

Note 2. Financial Risk Management

The Company's activities expose it to a variety of financial risks; market risk (including interest rate risk), credit risk and liquidity risk.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the board of directors under policies approved by the Board.

The board identifies and evaluates financial risks and provides written principles for overall risk management.

Universal Resources Limited

Notes to the Financial Statements

Note 2. Financial Risk Management (continued)

(i) Market risk

Price risk - The Company is not exposed to equity securities price risk as it holds no investments in securities classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The Company is not exposed to commodity price risk on its financial instruments.

(ii) Credit risk

The Company's maximum exposures to credit risk at the reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents (refer to note 8) and trade and other receivables (refer to note 9).

The Company trades only with recognised, credit worthy third parties. The Company only invests in high credit quality financial institutions with a credit rating of AA.

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due.

It is the Group's policy to review the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The earliest remaining contractual maturities of the Group's and parent entity's financial liabilities are:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
12 months or less	3,938,679	2,647,792	3,938,679	2,647,792
Greater than 12 months	11,927,026	920,384	11,927,026	920,384
	15,865,705	3,568,176	15,865,705	3,568,176

The Group funds its activities through capital raising in order to limit its liquidity risk.

(iv) Fair values

All assets and liabilities recognised on the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes. This is because of the short-term nature of the majority of the financial instruments.

The face value of the converting notes on issue is \$13,950,000.

(v) Interest rate risk

The Group's exposure to interest rates related primarily to the Group's cash and cash equivalents. The converting notes are at fixed interest rates therefore do not subject the Company to cash flow interest rate risk.

Universal Resources Limited

Notes to the Financial Statements

Note 2. Financial Risk Management (continued)

At balance date, the Group had the following exposure to Australian variable interest rate risk.

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	2,251,458	3,880,955	2,251,456	3,880,953

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance sheet date. The 1% sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding five year period.

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

	Consolidated		Parent entity	
	Higher/(Lower)		Higher/(Lower)	
	2009	2008	2009	2008
	\$	\$	\$	\$
Judgments of reasonably possible movements:				
<i>Pre tax profit</i>				
+1.0% (100 basis points)	30,612	59,823	30,612	59,823
-1.0% (100 basis points)	(30,612)	(59,823)	(30,612)	(59,823)

Judgments of reasonably possible movements:

<i>Pre tax profit</i>				
+1.0% (100 basis points)	30,612	59,823	30,612	59,823
-1.0% (100 basis points)	(30,612)	(59,823)	(30,612)	(59,823)

The movements in profit are due to higher/lower interest income from cash balances. The movement in 2009 is less sensitive than in 2008 due to the cash balances being lower and decreased interest rates.

Note 3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of assets

The Group's policy is to capitalise exploration tenement purchases, and to expense ongoing exploration and evaluation expenditure, for each area of interest, in terms of IFRS 6 'Exploration for and evaluation of mineral resources'. The carrying value of tenement purchases is expensed to the Income Statement when it is expected that the area of interest will not generate future economic benefits or alternatively where the amount of expected future economic benefits to be generated is less than the area of interest's carrying value, the difference is treated as an impairment and expensed to the Income Statement. Significant judgment is applied by the Company in determining whether an area of interest will generate future economic benefits or future economic benefits in excess of its carrying value. Such judgment is based on various technical criteria which include, amongst others, the geology; air-borne and ground survey results; soil, rock-chip and drill sample assay results and metallurgical test results.

Universal Resources Limited

Notes to the Financial Statements

Note 4. Segment information

(a) Business segments

The Consolidated Entity operates predominantly in one industry. Its principal activities are those of prospecting and mineral exploration.

(b) Geographical segments

The Consolidated Entity operates only in Australia.

	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$

Note 5. Revenue

Interest received	100,315	159,762	100,315	159,762
Rent income	-	19,195	-	19,195
Gain on investment	-	117,367	-	117,367
<i>Other income</i>				
Sundry income	343	23,408	343	23,408
	100,658	319,732	100,658	319,732

	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$

Note 6. Expenses

Loss before income tax includes the following specific expenses

Impairment of exploration property	-	51,227	-	51,227
Rental expense relating to operating leases	126,353	124,505	126,353	124,505
Employee benefits expense				
Employee benefit	880,954	1,813,428	880,954	1,813,428
Share-based payments	194,608	213,905	194,608	213,905
	1,075,562	2,027,333	1,075,562	2,027,333

Universal Resources Limited

Notes to the Financial Statements

	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 7. Income tax				
(a) Current income tax benefit (expense)	-	-	-	-
Adjustment in respect of current income tax of prior periods	337,400	346,345	337,400	346,345
Total tax benefit (expense)	337,400	346,345	337,400	346,345
(b) Profit (loss) from continuing operations before income tax	(15,634,767)	(7,049,841)	(15,634,767)	(7,049,841)
Income tax benefit (expense) calculated at 30%	4,690,430	2,114,952	4,690,430	2,114,952
Tax effect of amounts that are not tax deductible (taxable) in calculating Taxable income:	(3,597,855)	(50,925)	(3,597,855)	(50,925)
Adjustment for prior period	(233,270)	1,044,857	(233,720)	(815,419)
Deferred tax assets relating to tax losses and temporary differences not recognised	(859,305)	(3,108,884)	(859,305)	(1,248,608)
Overprovision in prior year	337,400	346,345	337,400	346,345
Income tax benefit (expense) attributable to operating loss	337,400	346,345	337,400	346,345
The franking account balance at year end was nil. (30 June 2008: nil)				
(c) Deferred tax assets and liabilities not recognised relate to the following:				
Deferred tax assets				
Tax losses	12,957,342	11,956,695	12,957,342	11,956,695
Other temporary differences	270,028	411,370	270,028	411,370
Deferred tax liabilities				
Other temporary differences	(1,509,412)	(1,509,412)	(1,509,412)	(1,509,412)
Acquisition of subsidiary	-	-	-	-
Net deferred tax assets	11,717,958	10,858,653	11,717,958	10,858,653

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised. Tax losses of \$43,191,142 are available to the Company subject to satisfying the provisions of the Income Tax Assessment Act 1936 and 1997 at the time of utilising the losses.

Tax Consolidation

Universal Resources Limited and its wholly owned Australian controlled entities have not implemented the tax consolidation legislation.

Universal Resources Limited

Notes to the Financial Statements

Note 8. Current assets – cash and cash equivalents

Cash at bank and on hand	83,093	80,160	83,091	80,158
Deposits at call	2,168,365	3,800,795	2,168,365	3,800,795
	2,251,458	3,880,955	2,251,456	3,880,953

The Group's and Parent Entity's exposure to interest rate risk is discussed in Note 2.

Note 9. Current assets – trade and other receivables

Other debtors (i)	345,273	57,039	345,273	57,039
Deposits	-	200	-	200
Prepayments	19,222	46,140	19,222	46,140
	364,495	103,379	364,495	103,379

(i) Other debtors consist of refunds due from the Australian Taxation Office for Goods and Services Tax receivable at 30 June 2009 and Tax Offsets receivable for research and development.

Note 10. Non-current assets – receivables

Security deposits	176,136	183,886	69,474	77,224
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The security deposits are held by the Department of Employment, Economic Development and Innovation in Queensland. Deposits are recoverable on relinquishment of the relevant mineral tenements.

Consolidated Entity		Company	
2009	2008	2009	2008
\$	\$	\$	\$

Note 11. Non-current assets – other financial assets

Investment in controlled entity	-	-	9,907,144	9,907,144
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Note 12. Non-current assets – property, plant & equipment

<i>Plant and equipment</i>				
Plant & equipment at cost	686,078	677,781	686,078	677,781
Less: accumulated depreciation	(564,840)	(494,508)	(564,840)	(494,508)
<i>Total plant & equipment</i>	121,238	183,273	121,238	183,273
<i>Motor vehicles</i>				
Motor vehicles at cost	214,357	214,357	214,357	214,358
Less: accumulated depreciation	(118,958)	(91,262)	(118,958)	(91,262)
<i>Total motor vehicles</i>	95,399	123,095	95,399	123,095
Total property, plant & equipment	216,637	306,368	216,637	306,368

Universal Resources Limited

Notes to the Financial Statements

	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$

Note 12. Non-current assets – property, plant & equipment (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant & equipment at the beginning and end of the current financial year are as set out below:

Plant and equipment

Carrying amount at 1 July	183,273	271,049	183,273	271,049
Additions	8,297	28,710	8,297	28,710
Depreciation expense	(70,332)	(116,486)	(70,332)	(116,486)
Carrying amount at 30 June	121,238	183,273	121,238	183,273

Motor vehicles

Carrying amount at 1 July	123,095	197,902	123,095	197,902
Disposals	-	(39,070)	-	(39,070)
Depreciation expense	(27,696)	(35,737)	(27,696)	(35,737)
Carrying amount at 30 June	95,399	123,095	95,399	123,095

Note 13. Non-current assets – exploration and evaluation

Exploration properties

Carrying amount at 1 July	14,832,525	14,832,525	5,031,371	5,031,371
Exploration properties acquired	-	-	-	-
Exploration expenditure incurred	532,942	1,981,317	532,942	1,981,317
Exploration expenditure written off	(532,942)	(1,981,317)	(532,942)	(1,981,317)
Carrying amount at 30 June	14,832,525	14,832,525	5,031,371	5,031,371

Evaluation properties

Carrying amount at 1 July	-	-	-	-
Evaluation expenditure incurred	628,005	2,744,191	628,005	2,744,191
Evaluation expenditure written off	(628,005)	(2,744,191)	(628,005)	(2,744,191)
Carrying amount at 30 June	-	-	-	-

Total exploration and evaluation

	14,832,525	14,832,525	5,031,371	5,031,371
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Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas.

Note 14. Current liabilities – trade and other payables

Trade creditors	82,147	313,467	82,147	313,467
Other creditors	2,000,000	2,002,771	2,000,000	2,002,771
Accrued expenses	403,770	345,710	403,770	345,710
	2,485,917	2,661,948	2,485,917	2,661,948

Other creditors consists of an amount of \$2,000,000 delayed payment on purchase of the Roseby Project and \$363,080 interest due to converting note holders.

Universal Resources Limited

Notes to the Financial Statements

	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$

Note 15. Current liabilities – borrowings

Unsecured converting notes	1,395,000	714,985	1,395,000	714,985
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The Company issued 220,000 5% converting notes for \$16,600,000 on 27 June 2006 and \$5,400,000 on 28 July 2006. The notes were convertible into ordinary shares of the Company after ninety days and within three years at a conversion price of \$0.18. At maturity the notes automatically convert at a conversion price of \$0.18 or, if the share price is less than \$0.18, a price equal to the volume-weighted average price that the Company's shares have traded on the Australian Stock Exchange over the five trading days prior to maturity date. (refer Note 19 G)

On 1 January 2009 Noteholders holding 139,500 converting notes agreed to extend the notes until 30 June 2012 and the interest rate was renegotiated to 10%. The remaining notes matured on 27 June 2009 and were converted to 78,903,187 ordinary shares at a variable weighted average price of \$0.014.

Reconciliation of converting note liabilities

Converting note liability brought forward	732,387	1,454,006	732,387	1,454,006
Converting note liability derecognised on renegotiation of converting note terms	(349,057)	-	(349,057)	-
Revised converting note liability recognised on renegotiation of converting note terms	11,544,393	-	11,544,393	-
	11,927,723	1,454,006	11,927,723	1,454,006
Interest expense	1,124,345	59,802	1,124,345	59,802
Interest paid	(1,106,081)	(781,421)	(1,106,081)	(781,421)
	11,945,987	732,387	11,945,987	732,387
Current liability	1,395,000	714,985	1,395,000	714,985
Non-current liability	10,550,987	17,402	10,550,987	17,402
	11,945,987	732,387	11,945,987	732,387

Interest expense is calculated by applying the effective interest rate of 10% (2008: 5%) to the liability component. Interest expensed for the year was \$1,124,345.

In consideration for the settlement of 139,500 converting notes issued in 2006 (with an outstanding liability as at 1 January 2009 of \$349,057), the company has renegotiated the terms of these notes which have the effect of creating new instruments which are, due to their nature, have been recognised as a liability and have resulted in a loss on settlement of \$11,544,393.

The table below is provided in respect of the notes not subject to renegotiation during the period and for comparative purposes as these notes all matured and were converted into ordinary shares during the period.

Universal Resources Limited

Notes to the Financial Statements

	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 15. Current liabilities – borrowings (continued)				
Face value of notes issued	-	14,690,000	-	14,690,000
Other equity securities – value of conversion rights (Note 19 D, G)	-	(13,235,994)	-	(13,235,994)
	-	1,454,006	-	1,454,006
Interest expense	-	59,802	-	59,802
Interest paid	-	(781,421)	-	(781,421)
	-	732,387	-	732,387
Current liability	-	714,985	-	714,985
Non-current liability	-	17,402	-	17,402
	-	732,387	-	732,387
Note 16. Current liabilities – provisions				
Employee entitlements	57,762	100,738	57,762	100,738
Note 17. Non-current liabilities – borrowings				
Unsecured converting notes	10,550,987	17,402	10,550,987	17,402
Further information on unsecured converting notes accrued interest is set out in Note 15.				
Note 18. Non-current liabilities – provisions				
Employee entitlements	101,834	73,103	101,834	73,103
Note 19. Contributed equity				
A. Share capital				
<i>Ordinary shares</i>				
672,341,800 fully paid (2008: 344,022,378)	46,764,640	43,040,568	46,764,640	43,040,568
B. Other equity securities				
<i>Converting notes</i>				
Value of conversion rights (Note 19 D)	581,102	13,235,994	581,102	13,235,994
Total contributed equity	47,345,742	56,276,562	47,345,742	56,276,562

Universal Resources Limited

Notes to the Financial Statements

Note 19. Contributed equity (continued)

C. Movements in ordinary share capital

Details	No. of Shares	Issue Price \$	\$
Balance at 1 July 2007	291,500,156		38,937,503
Shares issued (Note F.)(a)	7,722,222	0.18	1,333,090
(b)	11,000,000	0.065	715,000
(c)	33,800,000	0.065	2,197,000
Capital raising costs			(142,025)
Balance as at 30 June 2008	344,022,378		43,040,568
Shares issued (Note F.)(d)	172,011,200	0.01	1,720,112
(e)	36,765,872	0.0089	326,958
(f)	40,639,163	0.019	772,144
(g)	78,903,187	0.014	1,110,499
Capital raising costs			(205,641)
Balance as at 30 June 2009	672,341,800		46,764,640

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

D. Movements in other equity securities

Details	\$
Balance at 1 July 2007	14,445,023
Converting notes converted (a)	(1,209,029)
Balance at 30 June 2008	13,235,994
Converting notes matured	(1,110,499)
Transferred to retained earnings on renegotiation of converting notes	(11,544,393)
Balance at 30 June 2009	581,102

The amount shown for other equity securities is the value of conversion rights relating to the recognition of the 10% converting notes, details of which are shown in Note 15.

E. Options

Details of options issued, cancelled and exercised during the year and options outstanding at 30 June 2009 are included in Note 31 to the financial statements. Options carry no rights to dividends and no voting rights.

Universal Resources Limited

Notes to the Financial Statements

Note 19. Contributed equity (continued)

F. Share issues

- a. On 9 July 2007, 7,722,222 fully paid ordinary shares were issued at 18 cents per share as a result of the conversion of converting notes.
- b. On 25 February 2008, 11,000,000 fully paid ordinary shares were issued at 6.5 cents per share by way of placement to sophisticated investors.
- c. On 5 March 2008, 33,800,000 fully paid ordinary shares were issued at 6.5 cents per share by way of placement to sophisticated investors.
- d. On 16 March 2009, 172,011,200 fully paid ordinary shares were issued at 1 cent per share by way of a non-renounceable rights issue.
- e. On 10 April 2009, 36,765,872 fully paid ordinary shares were issued at 0.89 cents as payment of interest on converting notes.
- f. On 2 June 2009, 40,639,163 fully paid ordinary shares were issued at 1.9 cents by way of a placement to sophisticated investors.
- g. On 27 June 2009, 78,903,187 fully paid ordinary shares were issued at a deemed 1.4 cents as consideration for maturing converting notes.

G. Converting notes

- a. On 9 July 2007, 13,900 converting notes were converted into 7,722,222 fully paid ordinary shares.
- b. On 27 June 2008, 12,680 converting notes matured and were converted into 78,903,187 fully paid ordinary shares.

H. Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain an optimal structure to reduce the cost of capital. Universal Resources Limited is a junior exploration company and it is dependent from time to time on its ability to raise capital from the issue of new shares and its ability to realise value from its exploration and evaluation assets. The Board is responsible for capital management. This involves the use of cash flow forecasts to determine future capital management requirements. Capital management is undertaken to ensure a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements. The Company does not have any debt facilities and is not subject to any external capital requirements. Surplus funds are invested in a cash management account and are available as required.

The material liquidity risk for the Group is the ability to raise equity in the future. The Group's cash flow forecasts show that current funds are sufficient to fund the operations past September 2010. The Group has historically raised sufficient capital to fund its operations, however, it recognises that it is at risk of financial markets which dictate its ability to fund operations beyond exhaustion of the current cash funds past September 2010. It is noted that the Group has the ability to reduce costs to preserve cash resources.

The financial liabilities of the Group at balance date are trade and other payables and outstanding converting notes. The trade and other payable amounts are unsecured and usually paid within 30 days of recognition. Interest on the outstanding converting notes is payable quarterly at a rate of 10% per annum.

Universal Resources Limited

Notes to the Financial Statements

	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 19. Contributed equity (continued)				
Total borrowings	11,945,987	732,387	11,945,987	732,387
Less: cash and cash equivalents	(2,251,458)	(3,880,955)	(2,251,456)	(3,880,953)
Net debt	9,694,529	-	9,694,531	-
Total equity	3,249,751	15,738,937	3,249,078	15,738,264
Total capital	(6,444,778)	15,738,937	(6,445,453)	15,738,264

Given the fair value adjustments applied to converting note liability the company does not consider disclosure of the gearing ratio as appropriate.

Note 20. Reserves

Share-based payment reserve	657,431	462,823	657,431	462,823
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Movements in reserves

Share-based payments reserve

Balance at the beginning of the financial year	462,823	248,918	462,823	248,918
Option expense	194,608	213,905	194,608	213,905
	657,431	462,823	657,431	462,823

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of the options issued but not exercised.

Note 21. Accumulated losses

Accumulated losses at the beginning of the financial year	(41,000,448)	(33,930,607)	(41,000,121)	(33,931,280)
Loss after income tax	(15,297,367)	(7,069,841)	(15,297,367)	
Transferred from other equity securities on renegotiation of converting notes	11,544,393	-	11,544,393	-
Accumulated losses at the end of the financial year	(44,753,422)	(41,000,448)	(44,754,095)	(41,000,121)

Universal Resources Limited

Notes to the Financial Statements

Note 22. Key management personnel disclosures

(a) **Directors**

The following persons were directors of Universal Resources Limited during the financial year:

Executive directors

P A J Ingram, Chairman and Managing Director
M W H Hoyle

Non-executive directors

J A Walls (deceased 30 September 2008)
B Fulton
J Brewer

(b) **Other key management personnel**

The following persons also had authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, during the year:

Name	Position	Employer
D J Kelly	Company Secretary/Chief Financial Officer	Universal Resources Limited
G Sloane (resigned 29 August 2008)	Project Manager	Universal Resources Limited

Consolidated Entity		Company	
2009	2008	2009	2008
\$	\$	\$	\$

(c) **Key management personnel compensation**

Short-term employee benefits	707,497	1,278,642	707,497	1,278,642
Post-employment benefits	41,937	95,860	41,937	95,860
Share-based payments	85,607	230,560	85,607	230,560
	835,041	1,605,062	835,041	1,605,062

Universal Resources Limited

Notes to the Financial Statements

Note 22. Key management personnel disclosures (continued)

(d) Equity instruments disclosures relating to key management personnel

Share holdings

The number of shares in the Company held during the financial year by each director of Universal Resources Limited and the specified executive of the consolidated entity, including their personally related entities, are set out below:

2009

Name	Balance at start of year	Acquired during the Year	Other changes during the year	Balance at end of year
<i>Directors of Universal Resources Limited</i>				
P A J Ingram & M W H				
Hoyle as tenants in common	80,100	-	-	80,100
P A J Ingram	4,753,478	2,671,803	-	7,425,281
M W H Hoyle	672,453	289,227	-	961,680
J A Walls	805,910	-	(805,910)	-
J Brewer	-	-	-	-
B Fulton	-	-	-	-
<i>Other key management personnel of the group</i>				
D J Kelly	-	-	-	-
G Sloan	-	-	-	-

2008

Name	Balance at start of year	Acquired during the year	Sold during the year	Balance at end of year
<i>Directors of Universal Resources Limited</i>				
P A J Ingram & M W H				
Hoyle as tenants in common	80,100	-	-	80,100
P A J Ingram	4,753,478	-	-	4,753,478
M W H Hoyle	686,503	-	(14,050)	672,453
J A Walls	805,910	-	-	805,910
J Brewer	-	-	-	-
B Fulton	-	-	-	-
<i>Other key management personnel of the group</i>				
D J Kelly	-	-	-	-
G Sloan	-	-	-	-

Universal Resources Limited

Notes to the Financial Statements

Note 22. Key management personnel disclosures (continued)

Option holdings

The number of options to acquire ordinary shares in the Company held during the financial year by each director of Universal Resources Limited and the key management personnel of the consolidated entity, including their personally related entities, are set out below:

2009	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year (Expired)	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
<i>Directors of Universal Resources Limited</i>							
P A J Ingram	5,000,000	-	-	-	5,000,000	5,000,000	-
M W H Hoyle	1,000,000	4,000,000	-	-	5,000,000	1,000,000	4,000,000
J A Walls	-	-	-	-	-	-	-
J Brewer	-	1,000,000	-	-	1,000,000	1,000,000	-
B Fulton	-	1,000,000	-	-	1,000,000	1,000,000	-
<i>Other key management personnel of the group</i>							
D J Kelly	4,000,000	-	-	-	4,000,000	2,000,000	2,000,000
G Sloan	-	-	-	-	-	-	-
2008	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year (Expired)	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
<i>Directors of Universal Resources Limited</i>							
P A J Ingram	-	5,000,000	-	-	5,000,000	5,000,000	-
M W H Hoyle	1,000,000	-	-	-	1,000,000	1,000,000	-
M Hulmes	6,000,000	-	-	(6,000,000)	-	-	-
J A Walls	-	-	-	-	-	-	-
J Brewer	-	-	-	-	-	-	-
B Fulton	-	-	-	-	-	-	-
<i>Other key management personnel of the group</i>							
D J Kelly	1,000,000	3,000,000	-	-	4,000,000	1,000,000	3,000,000
G Sloan	-	6,000,000	-	(6,000,000)	-	-	-
S W Michael	-	5,000,000	-	(5,000,000)	-	-	-

(e) Loans to key management personnel

There were no loans to key management personnel during the current or prior financial year.

(f) Other transactions

Related party transactions are disclosed in note 26.

Universal Resources Limited

Notes to the Financial Statements

	Consolidated Entity		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 23. Remuneration of auditors				
<i>Audit services</i>				
Fees paid to BDO Kendalls Audit & Assurance (WA) Pty Ltd				
Amounts received or due and receivable by the auditors for:				
Audit or review of the financial reports of Universal Resources Limited	37,089	27,908	37,089	27,908
<i>Taxation services</i>				
Fees paid to BDO Kendalls Corporate Tax (WA) Pty Ltd				
Amounts received, or due and receivable by the tax agent for:				
Tax compliance services including preparation of Company income tax returns	7,774	17,596	7,774	17,596
	44,863	45,504	44,863	45,504

BDO Kendalls Audit & Assurance (WA) Pty Ltd was appointed the company auditors on 30 November 1999. Rotation of audit directors occurred on 30 November 2006.

Note 24. Contingent liabilities

- a) The Consolidated Entity has a liability for royalties contingent on projects advancing into production.

All tenements held by the Consolidated Entity are subject to the payment of production royalties to the respective State Governments. The rate of such royalties varies depending upon the State, the minerals produced and sold and other factors.

The Consolidated Entity also has a liability for royalties payable to vendors contingent on the projects coming into production. Those royalties currently negotiated are:

- CAMERON RIVER – 0.4 % Net smelter return derived from mining operations on the Cameron River tenement.
- HAPPY VALLEY – 0.9 % Net smelter return derived from mining operations on the Happy Valley tenement.
- ROSEBY – 1.5% Net smelter return derived from mining operations on tenements acquired from Zinifex and Lake Gold under the terms of the Roseby Acquisition Agreements.

Notes to the Financial Statements

Note 24. Contingent liabilities (continued)

- b) The Consolidated Entity accepts that a contingent liability exists in relation to expenditure commitments for restoration and rehabilitation in relation to any applications for exploration licenses granted.
- c) On 25 September 2003 the Company entered into a subscription and copper off take option agreement with Golden Sand International Pty Ltd (“GSI”) as agent for Yunnan Copper Industry (Group) Co Ltd (“Yunnan”). If the option is exercised, the terms of the off take agreement will be as follows:
- i) Universal will sell up to 50,000 tonnes per year of contained copper either as concentrates or copper metal for a period of five years from commencement of the Off take Agreement.
 - ii) Concentrate treatment charges and refining charges (TC/RC’s) will be charged at the following rates for the first two years of production:
 - A TC of US\$45.00 per dry metric tonne of concentrate;
 - A RC of US\$0.045 per pound of Payable Copper.New rates will be negotiated every two years of the Agreement.
 - iii) Payment by Yunnan for concentrates will be made on the basis of 97% of the contained copper, determined at the shipping port.
 - iv) Product will be freighted CIF basis.
 - v) Ownership takes place when the product passes over the ships rail at the shipping port.

On 27 October 2005 Yunnan advised it had assigned the agreement to GSI as principal.

- d) On the 14 March 2005 the Company announced it had entered into a Heads of Agreement (Agreement) with Xstrata Copper. Under the agreement \$2.2 million of the Xstrata Copper subscription monies have been allocated to the Sulphide Extension Exploration Project (SEEP), which will target sulphide copper deposits below and/or along strike from the existing stratabound oxide copper mineralization at the Roseby Project. At Universal’s request, the SEEP programme is being managed by Xstrata in consultation with Universal. Xstrata Copper will also enter into off-take and marketing agreements, on commercially competitive terms, relating to the Company’s share of concentrates not committed under the terms of its existing agreement with Yunnan Copper of China.

In June 2007 Xstrata elected to enter into a joint venture whereby they may earn a 51% interest in the SEEP by either:

- (i) sole funding \$15 million of further exploration expenditure within the SEEP; or
- (ii) expending not less than \$10 million and completing a feasibility study based on the SEEP resources by no later than 30 June 2012.

If Xstrata Copper earns a 51% interest in the SEEP then it is obliged to acquire a 51% interest in the balance of the Roseby Project for cash. Xstrata Copper has also been granted an option to acquire 51% of the entire Roseby Project for a cash consideration to be determined by independent valuation at the time of exercise of the options.

- e) A cash payment of \$100,000 is due to the Project Manager on satisfactory commissioning of the Roseby treatment plant at a rate of at least 90% of its rated capacity by no later than 31 March 2010.

Universal Resources Limited

Notes to the Financial Statements

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$

Note 25. Commitments for expenditure

Lease commitments

Commitments in relation to operating leases for office premises contracted for at the reporting date but not recognised as liabilities, payable:

Not later than one year	123,734	118,977	123,734	118,977
Later than one year but not later than five years	-	109,198	-	109,198
	123,734	228,175	123,734	228,175

Exploration tenements

The Consolidated Entity accepts there may be a liability for minimum annual expenditure commitments in relation to maintaining exploration licenses over mineral tenements in good standing. Quantifiable amounts for granted tenements or those with some certainty are disclosed below.

STATE GOVERNMENT AUTHORITY

Commitments required to maintain licences

Not later than one year ¹	3,008,907	3,352,342	3,008,907	3,352,342
Later than one year but not later than five years ¹	11,965,827	10,965,420	11,965,827	10,965,420
Later than five years	1,141,596	1,828,208	1,141,596	1,828,208

JOINT VENTURE COMMITMENTS

Commitments required to increase ownership

Not later than one year ¹	-	-	-	-
Later than one year but not later than five years ¹	-	-	-	-
Later than five years	-	-	-	-
	16,116,330	16,145,970	16,116,330	16,145,970

¹ Expenditure commitments contain amounts that have been proposed to be spent but not yet approved by the Department of Mines and Natural Resources.

Universal Resources Limited

Notes to the Financial Statements

Note 25. Commitments for expenditure (continued)

Capital Expenditure Commitments

The Consolidated Entity has agreed to capital expenditure commitments in relation to agreements for purchase of mineral tenements as follows:

Dowmill Pty Ltd (“Dowmill”) and Nosebi Mining and Management Pty Ltd (“Nosebi”)

Pursuant to the terms of the agreements to purchase EL’s 5812 (Collector), 5759 (Archer) and 5692 (Burra) from Dowmill and Nosebi (the “Vendors”), the Vendors retain a 10% interest in each tenement, free carried in each case by the Consolidated Entity to the point where a decision to mine is made. Universal must meet the applicable expenditure commitment required to maintain the tenements in good standing. Archer has since been relinquished. Commitments for expenditure total \$45,000 annually.

Note 26. Related parties

Remuneration of directors

Information on remuneration, share holdings and option holdings of directors is disclosed in Note 22 and the Directors’ Report.

Transactions with related parties

During the year Universal Resources paid \$130,620 (2008: \$33,000) inclusive of GST to Linq Corporate for corporate advisory services. Linq Corporate is associated with director Mr J Brewer.

Wholly owned group

The Consolidated Entity consists of the Company and the entity included in Note 27, which is wholly owned. There were no transactions between Universal Resources Limited and the controlled entity during the year.

The ultimate parent in the wholly owned group is Universal Resources Limited.

Note 27. Investments in controlled entities

Name of entity	Incorporated	Class of shares	Amount of Investment		Equity Holding	
			2009	2008	2009	2008
Roseby Copper Pty Ltd	Australia	Ordinary	9,907,144	9,907,144	100%	100%

Universal Resources Limited

Notes to the Financial Statements

Note 28. Events occurring after balance date

On 20 July 2009 the Company announced that it had appointed Mr Kevin Maloney as Non-executive Chairman.

On 3 September 2009 the Company announced its intention to merge with Vulcan Resources Limited (“Vulcan”), subject to satisfactory due diligence and other conditions being satisfied. Under the proposed merger, Vulcan shareholders will receive 6.85 Universal fully paid ordinary shares for every one Vulcan fully paid ordinary share.

On 7 September 2009 the Company announced that Mt Isa Mines Limited had commenced drilling at the Blackard deposit as part of its exploration pursuant to the SEEP joint venture.

On 14 September 2009 the Company announced the imminent commencement of drilling at the Bedford North and Lady Clayre prospects within the Roseby Copper Project and Ivy Ann within the Cameron River Project.

On 15 September 2009 the Company announced that it had placed 100 million new shares at 1.8 cents per share to professional and sophisticated investors. The placement does not require shareholder approval. The Company also announced a further placement of 120 million shares at 1.8 cents per share, subject to shareholder approval.

On 28 September 2009 the Company announced that it had executed the Merger Implementation Agreement with Vulcan Resources Limited.

No other matters or circumstances have arisen since 30 June 2009 that have significantly affected, or may significantly affect:

- (a) the Consolidated Entity’s operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Consolidated Entity’s state of affairs in future financial years.

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$

Note 29. Non-cash financing and investing activities

Ordinary shares issued in lieu of a cash payment of interest on converting notes	326,959	-	326,959	-
Ordinary shares issued upon conversion of converting notes	-	1,333,089	-	1,333,089
	326,959	1,333,089	326,959	1,333,089

In addition, during the financial year, 78,903,187 ordinary shares were issued upon maturation of converting notes.

Universal Resources Limited

Notes to the Financial Statements

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 30. Notes to cash flow statements				
(a) Reconciliation of cash balances comprises:				
Cash on hand	302	302	300	300
Cash at bank	82,791	79,858	82,791	79,858
Cash on deposit	2,168,365	3,800,795	2,168,365	3,800,795
Total cash and cash equivalents	2,251,458	3,880,955	2,251,456	3,880,953

(b) Reconciliation of loss after income tax expense

Loss after income tax	15,297,367	7,049,841	15,297,367	7,049,841
Depreciation and amortisation	(98,028)	(152,223)	(98,028)	(152,223)
Deferred exploration expenditure written off	(1,160,947)	(4,520,740)	(1,160,947)	(4,520,740)
Net loss on sale of available-for sale financial assets	-	(888)	-	(888)
Employee options	(194,608)	(162,779)	(194,608)	(162,779)
Employee benefits allocated to exploration	(738,035)	(997,300)	(738,035)	(997,300)
Loss on sale of fixed assets	-	(7,252)	-	(7,252)
Loss on issue of converting notes	(11,195,336)	-	(11,195,336)	-
Non-cash transaction (see note 29)	(326,959)	-	(326,959)	-
Finance costs	(1,124,345)	(59,802)	(1,124,345)	(59,802)
Tax offset accrued	337,400	-	337,400	-
Increase/(decrease) in receivables	214,451	(510,779)	214,451	(510,779)
Decrease/(increase) in payables	51,873	18,500	51,873	18,500
Decrease/(Increase) in provisions	4,470	12,493	4,470	12,493
Decrease/(increase) in other operating liabilities	137,477	(51,125)	137,477	(51,125)
Net cash outflows from operating activities	1,204,780	617,946	1,204,780	617,946

Note 31. Share-based payments

(a) Employee Share Option Plan

The establishment of the Universal Resources Limited Employee Share Option Plan ("ESOP") was adopted for the purpose of recognising the efforts of, and providing incentive to, employees of the Company.

Under the plan the Company may offer options to subscribe for shares in the Company to eligible persons. Directors and part-time or full-time employees are Eligible Persons for the purposes of the ESOP. The directors of the Company in their absolute discretion determine the number to be offered and any performance criteria that may apply before options may be exercised. Offers made under the ESOP must set out the number of options, the period of the offer and the calculation of exercise price. The exercise price is determined with reference to the market value of the Company's shares at the time of resolving to make the offer.

Options are granted under the plan for no consideration, unless the directors determine otherwise.

On exercise, each option is convertible to one ordinary share within 10 business days of the receipt of the exercise notice and payment of the exercise price in Australian dollars. Options will expire no later than five years from the date of allotment.

Universal Resources Limited

Notes to the Financial Statements

Note 31. Share-based payments (continued)

If an Eligible Person ceases to be an Eligible Person the options held by them will automatically lapse except if the person ceases to be an Eligible Person by reason of retirement at age 60 or over, permanent disability, redundancy or death, in which case the options may be exercised within three months of that event happening or such longer period as the Board determines.

Options may not be offered to a director or associates except where approval is given by shareholders at a general meeting.

Options issued under this ESOP carry no dividend or voting rights.

Amounts received on the exercise of options are recognised as share capital.

(b) Option valuation models

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date are determined using a Black-Scholes option pricing model that takes in to account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The expected volatility assumed is commensurate with the expected term of the option being from issue date to expected exercise date. It is assumed that all volatility data remains constant over the life of the options.

The assessed fair value at grant date of options granted during the year ended 30 June 2009 was 1.39 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the period ended 30 June 2009 included:

Grant date	30 June 2008
Expiry date	16 December 2013
Quantity	6,000,000
Exercise price	\$0.15
Consideration	Nil
Share price at grant date	6 cents
Expected price volatility of the Company's shares	49.4%
Expected dividend yield	Nil
Risk-free interest rate	5.54%

The Company has assumed a volatility level of 49.4% given the industry in which the Company operates, its financial position and the volatility of listed shares of other companies comparable to Universal.

Universal Resources Limited

Notes to the Financial Statements

Note 31. Share-based payments (continued)

The assessed fair value at grant date of options granted during the year ended 30 June 2008 was 5.3667 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the period ended 30 June 2008 included:

Grant date	30 June 2008
Expiry date	30 June 2013
Quantity	3,650,000
Exercise price	\$0.15
Consideration	Nil
Share price at grant date	7.9 cents
Expected price volatility of the Company's shares	75 - 125%
Expected dividend yield	Nil
Risk-free interest rate	6.75%

The Company has assumed a volatility level of 75 - 125% given the industry in which the Company operates, its financial position and the volatility of listed shares of other companies comparable to Universal.

(c) Options outstanding

Unissued shares under option at the end of the financial year are as follows:

No. of Ordinary shares subject to Option	Expiration Date	Exercise Price
2,385,000	14 September 2010	15 cents
1,000,000	12 March 2012	15 cents
800,000	5 September 2011	15 cents
5,000,000	27 December 2012	15 cents
3,650,000	30 June 2013	15 cents
6,000,000	16 December 2013	15 cents

There are no unissued shares under options at the end of the financial year other than those referred to above. The options do not entitle the holder to participate in any share issue of any other body corporate.

A total of 12,835,000 options were exercisable at 30 June 2009 at a weighted average exercise price of \$0.15 (2008: 4,835,000 options at \$0.15).

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Options issued to directors and employees	194,608	215,309	194,608	215,309

Universal Resources Limited

Notes to the Financial Statements

Note 32. Earnings per share

	Consolidated Entity	
	2009	2008
	Cents	Cents
Basic and diluted earnings per share	(1.54)	(2.25)

	Consolidated Entity	
	2009	2008
	\$	\$
Losses used in calculating losses per share		
Earnings used in the calculation of basic and diluted earnings per share	(15,297,367)	(7,069,842)

	Consolidated Entity	
	2009	2008
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	992,935,320	313,777,507

There were a further 18,385,000 potential ordinary shares (options) not considered to be dilutive. There are no converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted earnings per share.

Note 33. Company details

The registered office of the Company is:

Universal Resources Limited
Level 2
91 Havelock Street
WEST PERTH WA 6005

The principal places of business are:

Universal Resources Limited
Level 2
91 Havelock Street
WEST PERTH WA 6005

Universal Resources Limited
92 Uhr Street
CLONCURRY QLD 4824

Universal Resources Limited

Notes to the Financial Statements

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes of the Consolidated Entity and the Company and the additional disclosures included in the Directors' Report designated as audited, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Consolidated Entity's and the Company's financial position as at 30 June 2009 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date ; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The remuneration disclosures in pages 12 to 18 of the Directors' report (as part of the Audited Remuneration Report) for the year ended 30 June 2009, comply with Section 300A of the *Corporations Act 2001*.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



P A J Ingram
Managing Director

Dated at Perth on this 30th day of September 2009



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
Subiaco WA 6008
PO Box 700 West Perth WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

30 September 2009

The Directors
Universal Resources Ltd
Level 2, 91 Havelock Street
WEST PERTH WA 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF UNIVERSAL RESOURCES LTD

As lead auditor of Universal Resources Ltd for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Universal Resources Ltd and the entity it controlled during the period.

Chris Burton
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia.



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
Subiaco WA 6008
PO Box 700 West Perth WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UNIVERSAL RESOURCES LIMITED

We have audited the accompanying financial report of Universal Resources Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entity it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

- (a) the financial report of Universal Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Universal Resources Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls



Chris Burton
Director

Signed in Perth, Western Australia
Dated this 30th day of September 2009.