



QUARTERLY ACTIVITY REPORT

**FOR THE PERIOD ENDED
31 DECEMBER 2006**

**Universal Resources Limited
ACN 090 468 018
www.universalresources.com.au**

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ACN 090 468 018

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HIGHLIGHTS

- The process of financing the Roseby Project construction is continuing. A due diligence report into the Roseby Feasibility Study is being prepared by an independent consultant. Some further metallurgical testwork is underway to provide support to the study findings.
- Discussions are continuing with a number of banks who are potentially interested in forming a debt syndicate to finance the project and communications with alternative debt providers.
- In October 2006 a copy of the Roseby Feasibility Study (RFS) was provided to Xstrata Copper which has an option to purchase 51% of the Roseby Project after a period of 90 days has elapsed following receipt of the RFS.
- Planning took place for a drill program at the Collector prospect with a proposed start up in February 2007. The Collector prospect forms part of a joint venture with Tri Origin Minerals for the development of the North Woodlawn Project.
- Universal has total cash on deposit of A\$12,379,000 and is in a very strong position to continue the development of the Roseby Project and fund ongoing copper and uranium exploration in the Mt Isa region.
- A total of 11,320 converting notes were converted to 6,288,887 ordinary shares during the quarter.
- A field mapping and sampling programme commenced at Mt Harold, Godkin, and Janet Maude uranium prospects to commence the evaluation of all of Universal's uranium prospects in the Mt Isa region
- Excellent high grade copper and gold intersections were obtained in the Bedford and Lady Clayre satellite deposits:

Lady Clayre Drilling

- **LCR165:** 26 metres at 1.18% copper, 1.13 g/t gold from 69 metres
Including 14 metres at 1.93% copper, 1.93 g/t gold from 81 metres
- **LCR164:** 11 metres at 3.37% copper, 1.22 g/t gold from 87 metres
- **LCR156:** 19 metres at 1.63% copper, 0.12 g/t gold from 81 metres

Bedford North Drilling

- **BFR152:** 6 metres at 4.96% copper, 2.10 g/t gold from 31 metres
- **BFR134:** 20 metres at 1.60% copper, 0.44 g/t gold from 17 metres
Including 8 metres at 3.64% copper, 0.92 g/t gold from 18 metres
- **BFR132:** 25 metres at 1.75% copper, 0.28 g/t gold from 46 metres
Including 11 metres at 3.06% copper, 0.38 g/t gold from 48 metres
- **BFR147:** 5 metres at 2.16% copper, 0.62 g/t gold from 37 metres
and 4 metres at 2.66% copper, 0.85 g/t gold from 54 metres
- **BFR137:** 15 metres at 1.42% copper, 0.31 g/t gold from 2 metres
and 7 metres at 1.93% copper, 1.05 g/t gold from 22 metres
- **BFR146:** 12 metres at 1.64% copper, 0.68 g/t gold from 26 metres

DETAILED REPORT

1. CORPORATE

Copies of the Roseby Feasibility Study (RFS) were issued to Prime Corporate Finance, Xstrata Copper and to the Snowden Group. Prime Corporate Finance have the mandate to assist Universal to obtain the debt component of the Roseby Project finance package. The Snowden Group were appointed to undertake an independent due diligence into the Roseby Feasibility Study on behalf of those banks who have shown an interest in providing debt finance. After a period of 90 days has elapsed, following receipt of the RFS, Xstrata Copper may exercise the option they have to purchase 51% of the Roseby Project. If the option is exercised the exercise price has to be negotiated between Universal and Xstrata Copper and failing agreement, will be decided by an independent valuation.

A draft corporate finance model has been received from Prime Corporate Finance. This is being reviewed and checked for integrity; various revisions are under way.

Enquiries have been initiated for alternate capital sources such as mobile plant, asset-backed finance, converting and convertible notes.

2 ROSEBY FEASIBILITY STUDY

2.1 Roseby Copper Project

The study concluded that, based on the technical test work and financial assumptions used, large scale development of the Roseby Project was feasible. The results of the Roseby Feasibility Study were announced in the September quarter.

Subsequent to the submission of the Roseby Feasibility Study to the independent due diligence consultants some feedback has been obtained regarding areas where the findings of the project need to be supported by further metallurgical test work. This work is underway.

The RFS used a concentrate grade of 38% for native copper deposits. Some earlier work has demonstrated that concentrate grades of up to 80% copper can be achieved without detrimental impacts on overall metallurgical recovery. Further tests are underway to evaluate this area of the study.

A final report and recommendations are expected shortly.

3. EXPLORATION

Universal holds granted mining tenements in the Mt Isa Inlier of Queensland totalling 3,600 sq km, including over 1,800 sq km of tenements constituting the Roseby Copper Project (Figures 1 and 2).

In New South Wales Universal holds a 90% interest in the Burra Project (EL 5692) and in the North Woodlawn Project Joint Venture (formerly the Collector Project, EL 5812). The total area under tenure is approximately 83.1 km² (32 sub blocks). The location of these project areas is shown in Figure 10.

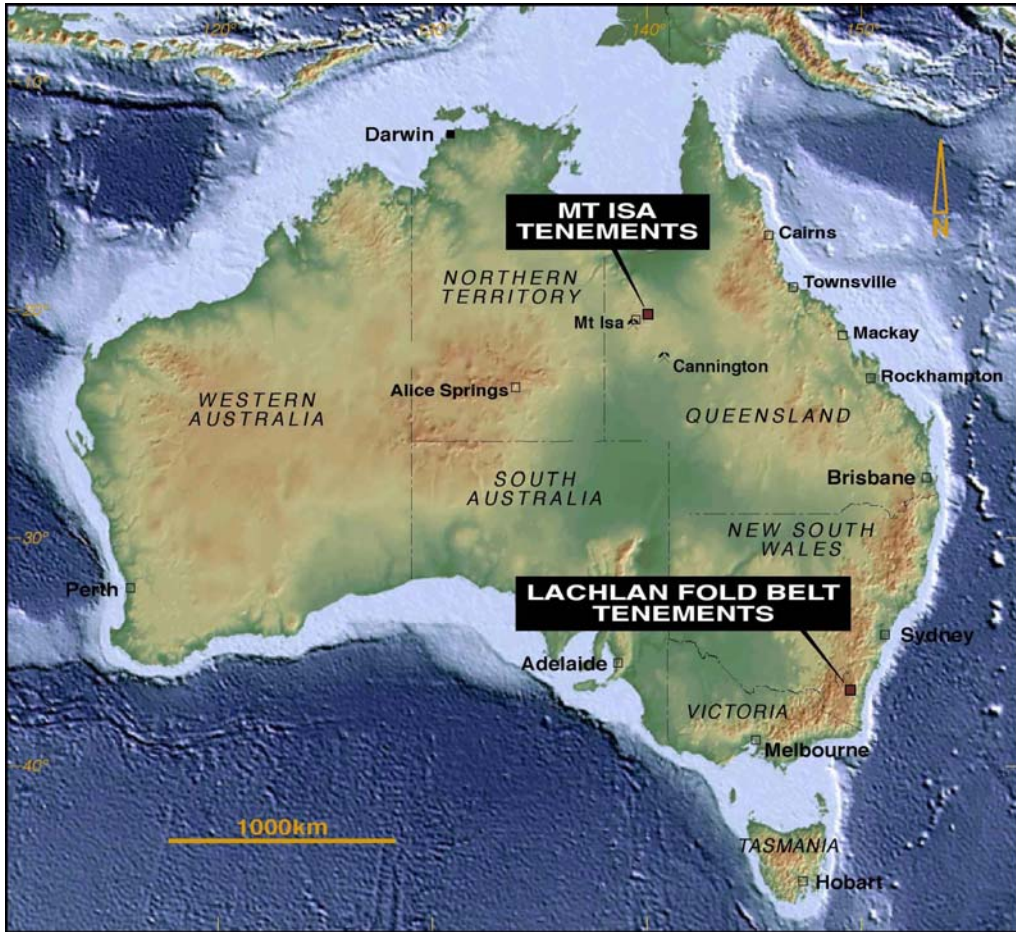


Figure 1. Universal Resources tenement locations

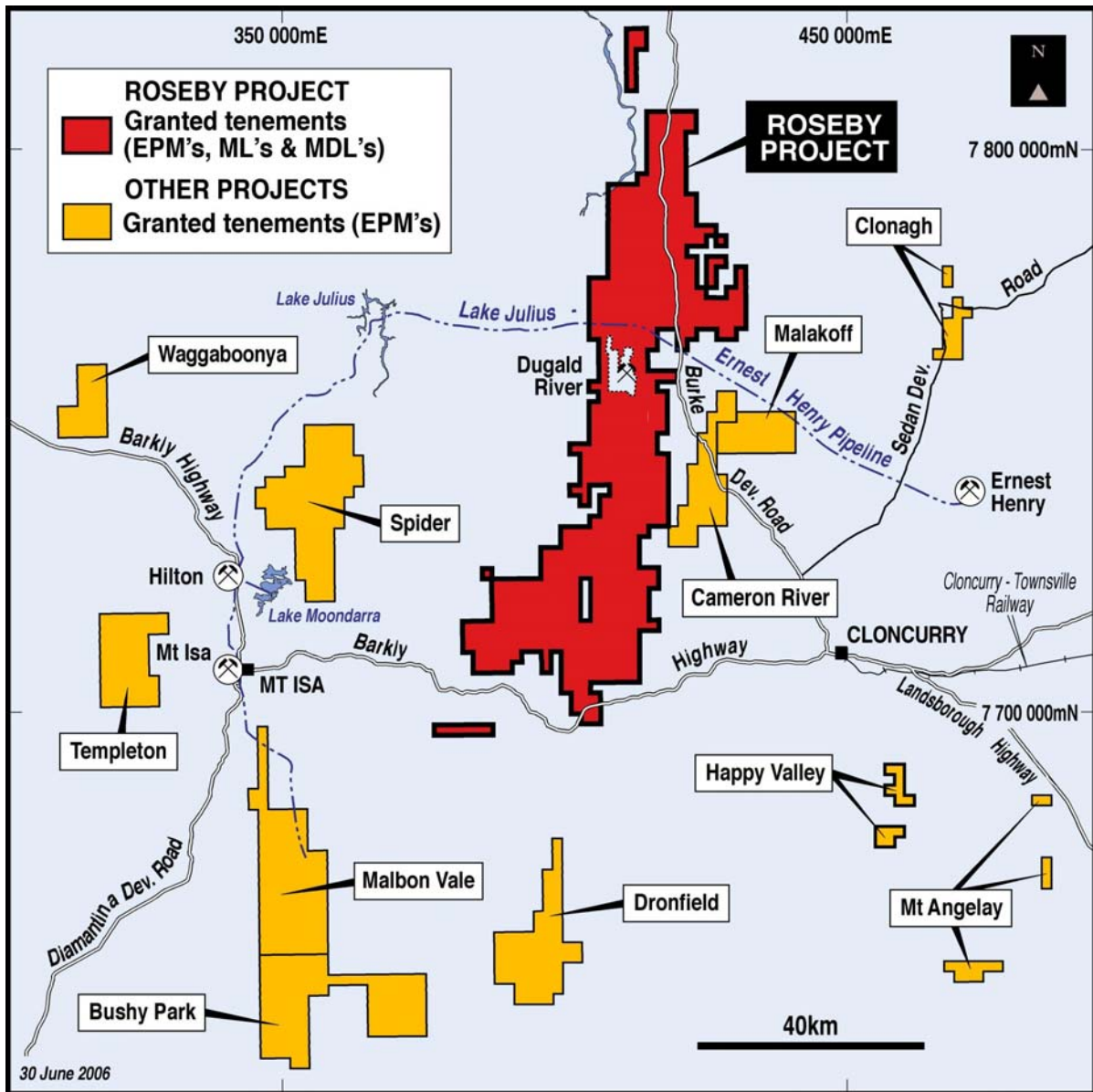


Figure 2. Mt Isa Region: Universal Project Areas and Regional Infrastructure

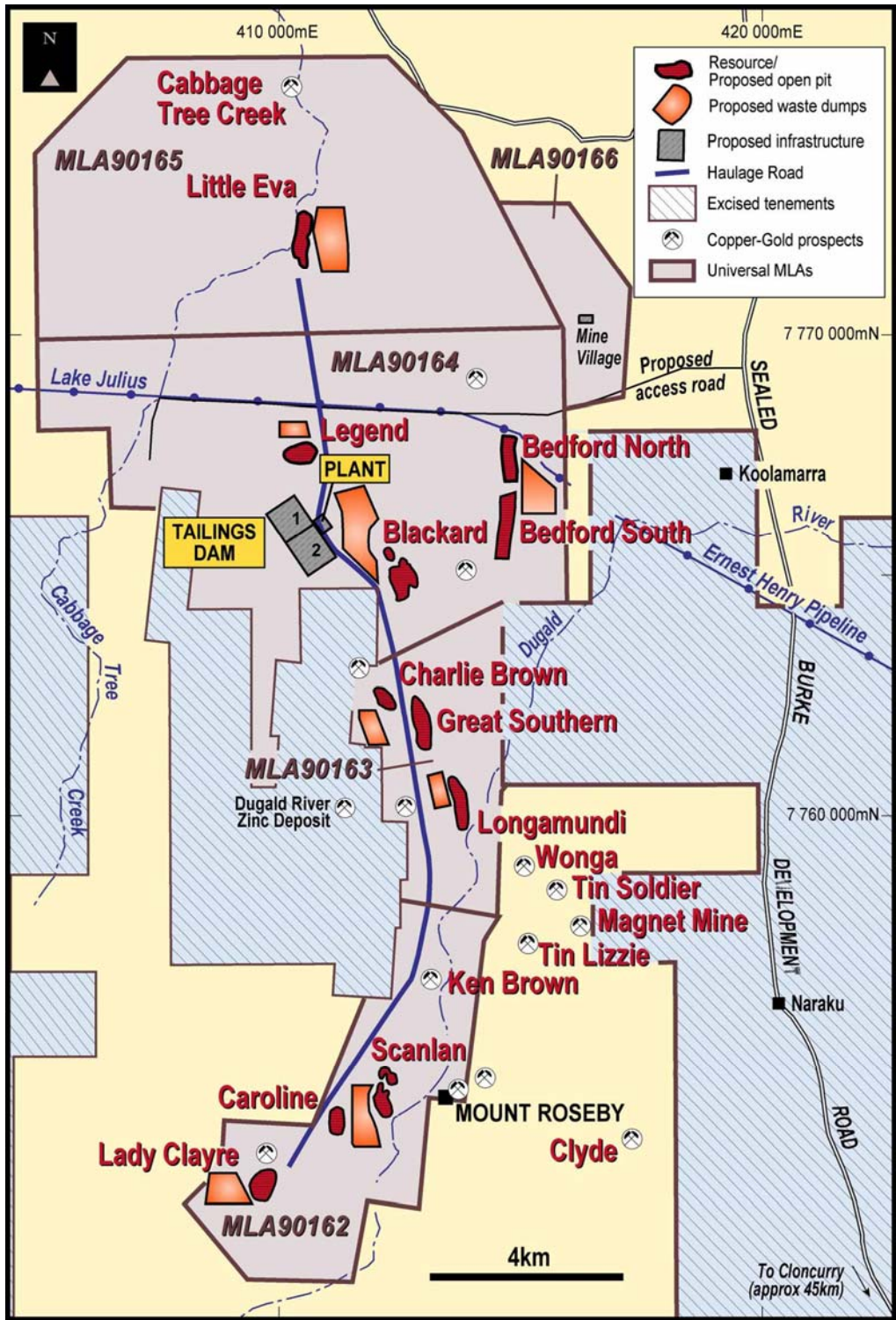


Figure 3. Roseby Copper Project mine site layout

4. SULPHIDE EXTENSION EXPLORATION PROJECT (SEEP)

Xstrata Copper has completed the SEEP exploration programme the subject of the Heads of Agreement – Roseby Project and has completed the SEEP Exploration Report to complete its exploration commitment to that agreement.

Work during this quarter has focussed upon the processing, interpretation and reporting of the SEEP exploration programme conducted between July 2005 and December 2006.

Cabbage Tree Creek Prospect

Following the discovery of the new high grade sulphide system at depth last quarter, further work has comprised the processing and interpretation of the drillhole Transient Electro-Magnetic (TEM) survey of CTD03. As previously reported, drillhole CTD03 intersected two 14 metre intervals of copper-gold mineralisation, viz:

- 14 metres at 2.00 % copper, 0.46 gpt gold from 393 metres depth
Including 6 metres at 3.19 % copper, 0.81 gpt gold from 393 metres
- 14 metre at 1.30 % copper, 0.29 gpt gold from 451 metres depth

Modelling of the TEM data indicates a moderate conductor that was intersected in the drillhole from 393 to 399 metres matches the mineralised intersection. The conductor is interpreted to dip east at 50 to 55 degrees and is truncated approximately 10 to 20 metres east of the intersection point at approximately 395 to 400 metres downhole depth.

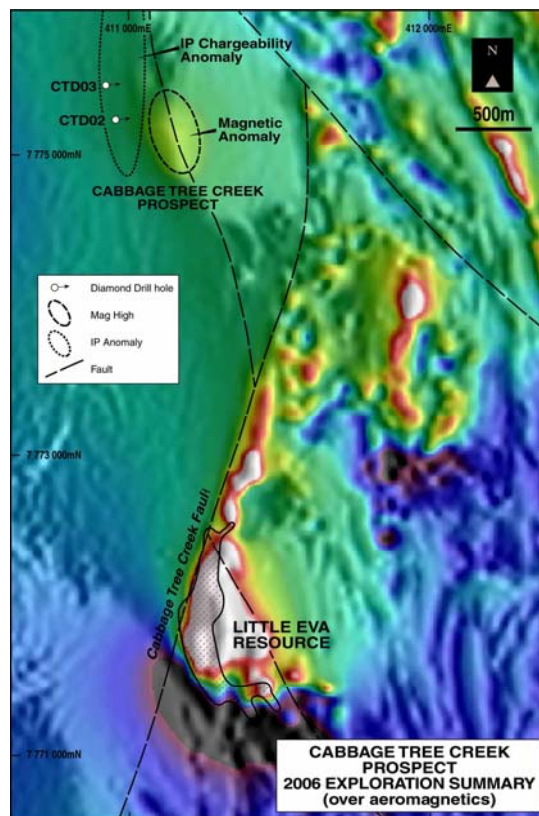


Figure 4. Magnetic anomalism at Little Eva and Cabbage Tree Creek

5. ROSEBY COPPER PROJECT

Roseby is located approximately 90km NE from Mt Isa and 65km NW from Cloncurry. The project area is serviced by bitumen roads from Townsville on the Queensland east coast, Kurumba on the north coast, Cloncurry and Mt Isa. There is a rail link from Townsville to Cloncurry and the water pipeline from Lake Julius to Ernest Henry passes close to the proposed treatment plant and the two largest deposits, Little Eva and Blackard. The location of local infrastructure and the Roseby Copper Project copper and copper-gold deposits is illustrated in Figures 2 and 3.

Exploration for additional copper-gold resources and detailed geological interpretation of the Roseby copper resources continued.

Exploration for uranium commenced in the southern portion of the Roseby Project tenements in the vicinity of the former Mary Kathleen uranium mine.

5.1 Resource/Reserve Drilling

Lady Clayre

A 1353 metre program of reverse circulation (RC) percussion drilling in 11 holes was completed within the Lady Clayre Zone F resource area. This drill programme was designed to commence a planned resource upgrade from the Inferred to Indicated categories by further testing the structure, geometry, continuity and host rock of the copper-gold mineralisation. The holes were drilled along five profiles over approximately 300 metres on a nominal 60 metres line spacing to cover multiple zones of mineralisation identified by previous mapping, rock chip sampling and drilling. Details of these holes are provided in Table 1 and their collar locations are shown in Figure 5.

Table 1. Lady Clayre RC Drill Hole Locations

HOLE No.	PROSPECT	CO-ORDINATES		AZIMUT H (AMG)	DIP (degrees)	DEPTH (metres)
		AMG_N	AMG_E			
LCR155	Lady Clayre - Zone F	7752352	409746	122	60	103
LCR156	Lady Clayre - Zone F	7752366	409723	122	60	120
LCR157	Lady Clayre - Zone F	7752278	409740	122	60	85
LCR158	Lady Clayre - Zone F	7752306	409682	122	60	151
LCR159	Lady Clayre - Zone F	7752200	409704	122	60	91
LCR160	Lady Clayre - Zone F	7752232	409652	122	60	139
LCR161	Lady Clayre - Zone F	7752462	409694	122	60	120
LCR162	Lady Clayre - Zone F	7752451	409713	122	60	103
LCR163	Lady Clayre - Zone F	7752420	409757	122	60	127
LCR164	Lady Clayre - Zone F	7752491	409793	122	60	193
LCR165	Lady Clayre - Zone F	7752475	409817	122	60	121

The following sampling and assay techniques were used. Drill spoils were sampled at 1 metre intervals, using a cone splitter to produce a sample of approximately 3 kilograms.

- Standards at an average rate of approximately 1 per 15 samples were placed in the sample sequence.
- Duplicates were taken approximately every 20 samples.
- All samples were sent for assay using an ore grade mixed acid digest followed by ICP-AES analysing for copper, and 50g aqua regia digest followed by a AAS finish for gold.

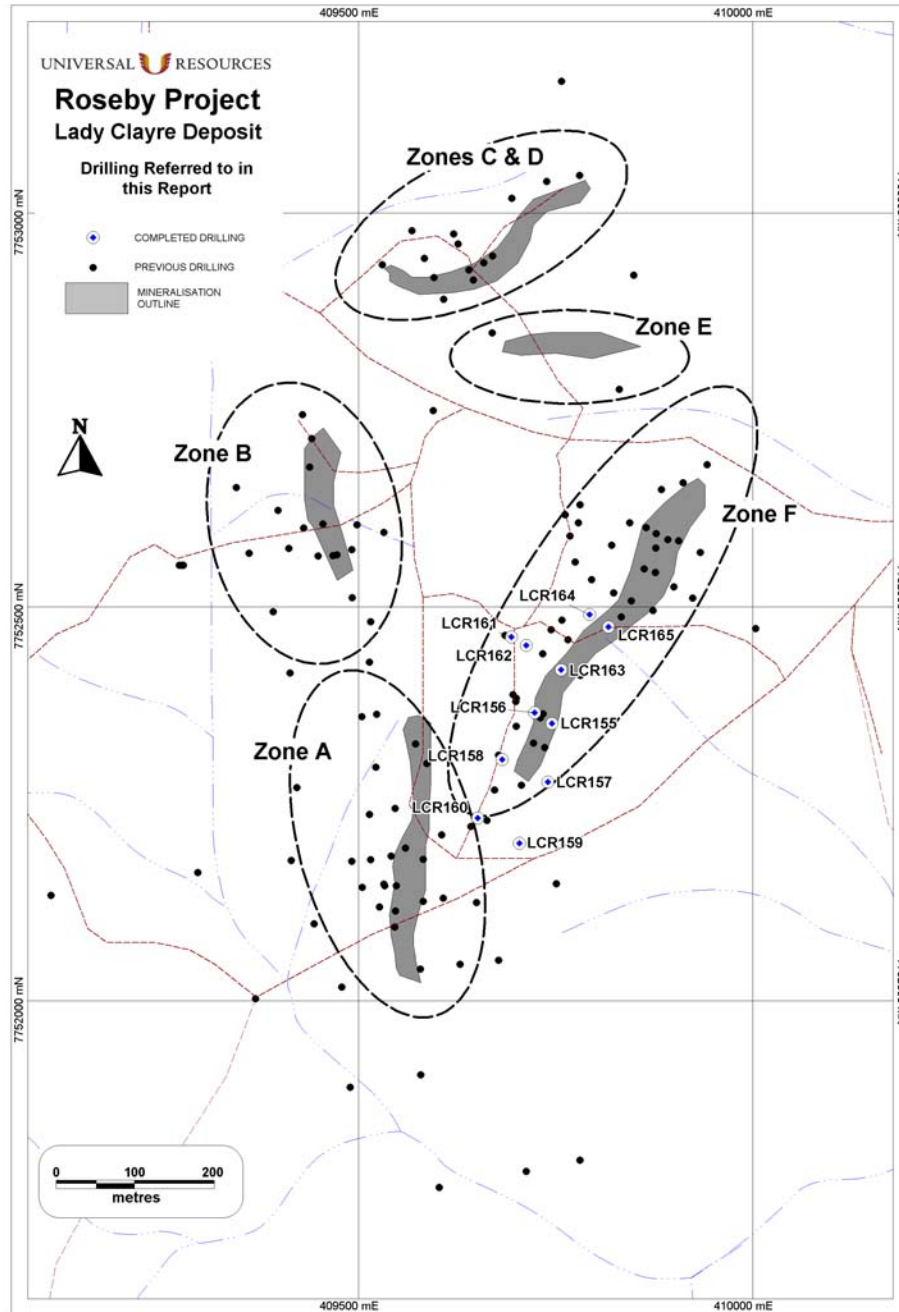


Figure 5. Location Plan showing drilling at Lady Clayre during December quarter

Bedford North

The recent program comprised 24 RC drill holes for 2,344 metres at Bedford North. Details of these holes are provided in Table 2 and their collar locations are shown in Figure 6. The program was designed to further test the structure, geometry and continuity of the copper-gold mineralisation over a strike length of approximately 450 metres to a vertical depth of up to 120 metres as part of a planned resource upgrade strategy.

Table 2. Bedford RC Drill Hole Locations

HOLE No.	PROSPECT	CO-ORDINATES		AZIMUTH (AMG)	DIP (degrees)	DEPTH (metres)
		AMG_N	AMG_E			
BFR131	Bedford North	7767719	414919	90	60	55
BFR132	Bedford North	7767719	414857	90	60	115
BFR133	Bedford North	7767720	414789	90	60	169
BFR134	Bedford North	7767695	414873	90	60	91
BFR135	Bedford North	7767693	414843	90	60	125
BFR136	Bedford North	7767643	414873	90	60	85
BFR137	Bedford North	7767602	414875	90	60	79
BFR138	Bedford North	7767547	414887	90	60	55
BFR139	Bedford North	7767547	414864	90	60	79
BFR140	Bedford North	7767548	414839	90	60	127
BFR141	Bedford North	7767516	414769	90	60	120
BFR142	Bedford North	7767448	414859	90	60	60
BFR143	Bedford North	7767446	414835	90	60	85
BFR144	Bedford North	7767417	414886	90	60	45
BFR145	Bedford North	7767416	414864	90	60	91
BFR146	Bedford North	7767368	414884	90	60	61
BFR147	Bedford North	7767602	414845	90	60	109
BFR148	Bedford North	7767660	414787	90	60	169
BFR149	Bedford North	7767583	414761	90	60	169
BFR150	Bedford North	7767368	414863	90	60	85
BFR151	Bedford North	7767368	414833	90	60	127
BFR152	Bedford North	7767277	414888	90	60	55
BFR153	Bedford North	7767278	414864	90	60	79
BFR154	Bedford North	7767276	414835	90	60	109

The following sampling and assay techniques were used. Drill spoils were sampled at 1 metre intervals, using a cone splitter to produce a sample of approximately 3 kilograms.

- Standards at an average rate of approximately 1 per 15 samples were placed in the sample sequence.
- Duplicates were taken approximately every 20 samples.
- All samples were sent for assay using an ore grade mixed acid digest followed by ICP-AES analysing for copper, and 50g aqua regia digest followed by a AAS finish for gold.

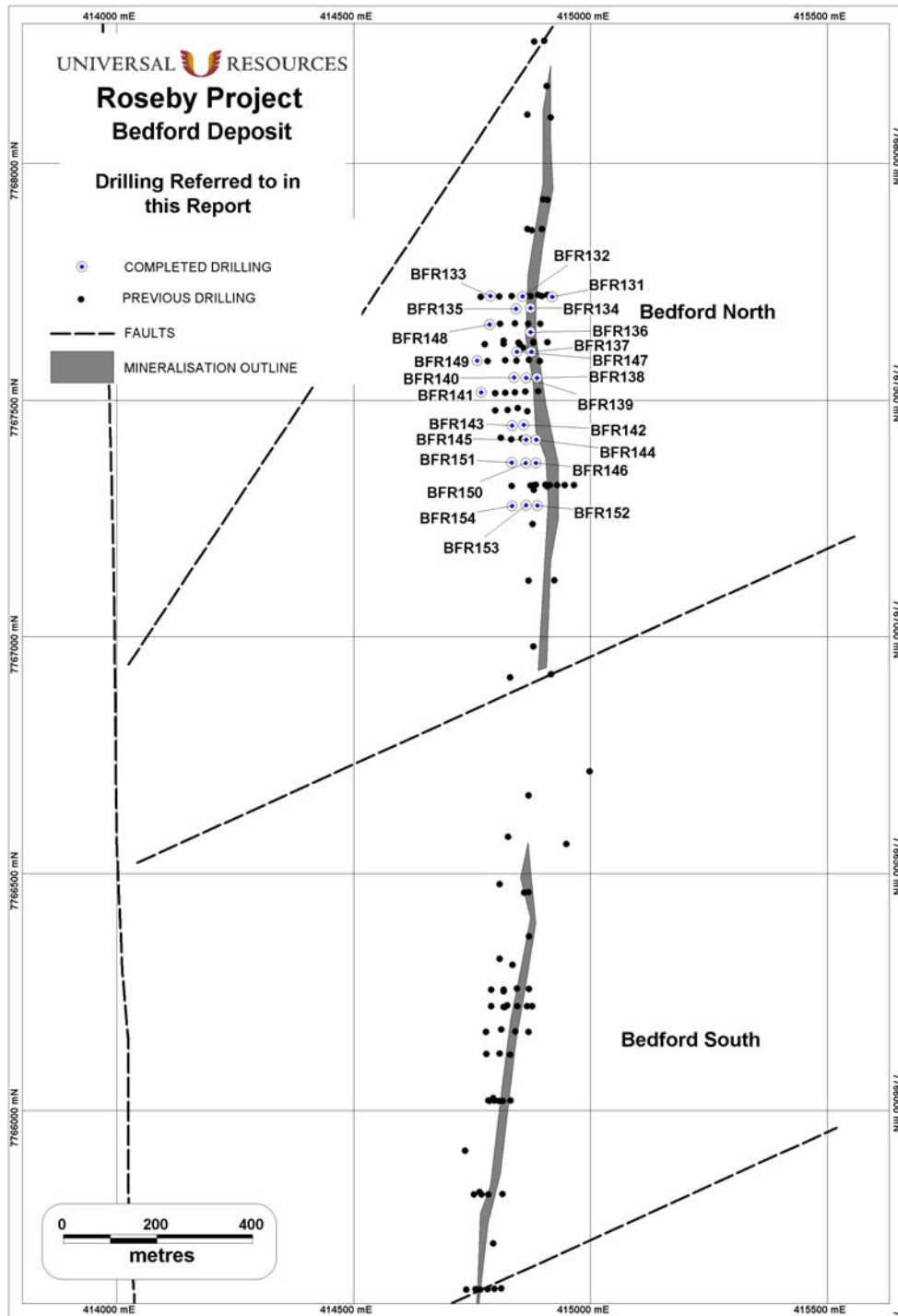


Figure 6. Location Plan showing drilling at Bedford during December quarter

5.2 Resource/Reserve Drilling Results

Lady Clayre

Drilling has shown that the mineralisation at Lady Clayre exhibits reasonable continuity over a strike length of at least 400 metres. Economically significant results are tabulated in Table 3 below. These results support the structural and resource interpretation previously applied to the resource calculations on this deposit, providing increased confidence in the geological model.

The majority of the mineralization is located within a steeply dipping zone of alteration within dolomitic sediments, up to 60 metres wide. Individual shoots appear to have strike lengths of up to 100 metres and to extend to approximately 15 metres true width. Mineralization extends to a depth of at least 100 vertical metres and remains open at depth.

Interpretation of the results of this drilling is continuing and a full discussion of these results is anticipated to be released by mid-February.

Table 3. Significant Drill Results for Lady Clayre, Zone F

Hole ID	Interval (metres)			Copper (%)	Gold (g/t)	Total Depth (metres)
	From	To	Length			
LCR155	18	41	23	0.58	0.16	103
	46	50	4	0.75	0.01	
	56	59	3	0.64	0.01	
	68	87	19	0.75	0.01	
LCR156	5	11	6	1.15	0.10	120
	25	30	5	0.48	0.01	
	48	50	2	0.55	0.23	
	54	57	3	0.41	0.23	
	61	63	2	0.91	0.24	
	69	72	3	0.46	0.12	
	75	77	2	0.41	0.10	
	81	100	19	1.63	0.12	
	104	106	2	2.46	0.06	
LCR157	2	9	7	1.52	0.01	85
LCR158	44	49	5	0.80	0.57	151
	64	76	12	0.45	0.18	
LCR159					NSI	91
LCR160	58	60	2	0.66	BD	139
LCR161					NSI	120
LCR162	5	7	2	0.43	0.24	103
	52	58	6	0.42	0.20	
	73	93	20	0.57	0.27	
LCR163					NSI	127
LCR164	28	30	2	0.34	0.04	193
	55	67	12	0.40	0.15	
	72	81	9	0.76	0.35	
	87	98	11	3.37	1.22	
	104	107	3	0.49	0.07	
	113	140	27	0.52	0.04	
LCR165	5	7	2	0.53	BD	121
	69	95	26	1.18	1.13	
	<i>incl.</i> 81	95	14	1.93	1.93	

**Calculated at a 0.3 % copper cut-off, with a minimum 2 metre interval. The above results include some internal waste within the mineralised zones. Where mineralised drill intersections are quoted, the quoted copper and gold assays are the weighted average of the copper and gold assays over the relevant interval. Each assay is weighted by the length of the sample. Intervals referred to are down-hole intercept lengths, not true widths. No upper copper cut-offs are applied. NSI means 'no significant intersection'. BD means below detection limit.*

Bedford North

The recent drilling programme has extended the strike length of detailed drilling to 450 metres and the mineralisation depth extent to approximately 125 vertical metres. Mineralisation is open along strike to the north and south and remains open at depth. Of particular interest is the shallow high grade mineralisation intersected on the southern-most section of the recent drilling (BFR152). These results support the structural interpretation and geological concepts previously applied to this resource and provide an increased level of confidence in the geological model.

Economically significant results are provided in Table 4 below.

Interpretation of the results of this drilling is continuing and a full discussion of these results is anticipated to be released by early-February.

Table 4. Significant Drill Results for Bedford North

Hole ID	Interval (metres)			Copper (%)	Gold (g/t)	Total Depth (metres)
	From	To	Length			
BFR131	7	9	2	0.70	0.11	55
	25	28	3	0.34	0.03	
BFR132 <i>incl.</i>	46	71	25	1.75	0.28	115
	48	59	11	3.06	0.38	
	86	88	2	0.83	0.12	
	98	103	5	0.41	0.05	
BFR133	145	152	7	1.31	0.23	169
	159	162	3	0.49	0.03	
BFR134 <i>incl.</i>	17	37	20	1.60	0.44	91
	18	26	8	3.64	0.92	
	57	60	3	0.77	0.14	
BFR135	93	96	3	1.65	0.26	125
	109	115	6	0.55	0.08	
BFR136 <i>incl.</i>	18	44	26	1.64	0.47	85
	25	36	11	2.77	0.79	
	62	64	2	1.60	0.33	
BFR137	2	17	15	1.42	0.31	79
	22	29	7	1.93	1.05	
	52	55	3	0.74	0.09	
BFR138	25	30	5	0.59	0.09	55
BFR139	8	10	2	1.53	0.35	79
	24	32	8	1.46	0.17	
	41	47	6	0.60	0.12	
BFR140	49	58	9	1.19	0.28	127
	61	63	2	0.88	0.24	
	70	72	2	0.55	0.09	
	87	90	3	0.47	0.05	
BFR141	86	90	4	0.84	0.31	120
BFR142	8	15	7	0.57	0.11	60

	21 40	23 52	2 12	0.59 1.20	0.01 0.24	
BFR143					NSI	85
BFR144	11 26	15 36	4 10	0.89 0.94	0.15 0.17	45
BFR145	38 74	53 81	15 7	1.57 0.63	0.41 0.37	91
BFR146	26 49	38 53	12 4	1.64 1.30	0.68 0.36	61
BFR147	1 31 37 54 70 92	4 33 42 58 75 94	3 2 5 4 5 2	0.50 1.31 2.16 2.66 1.59 0.90	0.20 0.32 0.62 0.85 0.57 0.31	109
BFR148	121 143 <i>incl.</i> 144	123 158 148	2 15 4	0.86 1.33 2.14	0.06 0.14 0.31	169
BFR149	91 <i>Incl.</i> 95 146	97 97 148	6 2 2	1.66 5.62 1.15	1.52 2.84 0.37	169
BFR150	49 59	52 65	3 6	0.87 0.47	0.28 0.54	85
BFR151					NSI	127
BFR152	31 41	37 43	6 2	4.96 1.06	2.10 0.60	55
BFR153	55	57	2	1.01	0.19	79
BFR154	50	53	3	0.77	0.12	109

**Calculated at a 0.3 % copper cut-off, with a minimum 2 metre interval. The above results include some internal waste within the mineralised zones. Where mineralised drill intersections are quoted, the quoted copper and gold assays are the weighted average of the copper and gold assays over the relevant interval. Each assay is weighted by the length of the sample. Intervals referred to are down-hole intercept lengths, not true widths. No upper copper cut-offs are applied. NSI means 'no significant intersection'.*

Little Eva Drilling Results

A program of infill drilling, comprising 3,247 metres of reverse circulation from 30 drill holes was completed during the September quarter. Holes were designed to add confidence to the resource model and to increase the Indicated/Measured reserves within current pit designs. Drilling focussed on the southern portion of the Little Eva resource and along the margins to better constrain the extent of the mineralisation (Figure 7).

Results (Table 5) have confirmed previous interpretations of the geology and geometry of the deposits confirmed. Overall, grades and dimensions of intersections are also consistent with earlier interpretations.

Table 5. Summary of significant results – Little Eva (0.3% Cu cut-off)

Hole No.	Total Depth	Interval (m) #			Copper	Gold
	(m)	From	To	Length	(m)	(g/t)
LER501	85	67	80	13	0.57	0.11
LER502	49					NSI
LER503	103	45	51	6	0.55	0.16
		60	101	41	0.56	0.18
LER504	115	30	51	21	0.47	0.16
		60	115	55	0.40	0.12
LER505	127	18	54	36	0.36	0.07
		73	123	50	0.44	0.09
LER506	49					NSI
LER507	85	18	23	5	0.50	0.08
		62	80	18	0.29	0.06
LER508	120	85	101	16	0.74	0.14
LER509	85					NSI
LER510	100					NSI
LER511	120	8	16	8	0.54	0.26
		66	72	6	0.91	0.33
LER512	242	104	142	38	0.76	0.24
		153	199	46	0.43	0.07
LER513	259	62	69	7	0.92	0.27
		96	100	4	1.94	0.18
		131	160	29	0.70	0.08
		193	199	6	1.08	0.21
		216	259	43	0.71	0.24
LER514	125	82	101	19	0.46	0.07
LER515	127	81	103	22	0.74	0.19
LER516	103	47	97	50	0.52	0.07
LER517	127	82	107	25	0.35	0.13
LER518	121	94	113	19	0.56	0.14
LER519	61					NSI
LER520	151	68	74	6	0.45	0.04
		122	136	14	0.40	0.03
LER521	217	45	97	52	0.48	0.05
		111	149	38	0.91	0.13
		176	215	39	1.49	0.30
LER522	109					NSI
LER523	100					NSI
LER524	61					NSI
LER525	91	65	82	17	0.82	0.15
LER526	45	2	26	24	0.85	0.22
LER527	49	1	47	46	0.51	0.06
LER528	55	3	53	50	0.54	0.06
LER529	97	16	81	65	0.65	0.10
LER530	95	5	14	9	0.47	0.08
		72	88	16	0.32	0.07

Intercepts based on a 0.3% Cu cut-off, with a minimum 4m width.

Interval includes up to a maximum internal dilution of 6 metres.

NSI = no significant intersection.

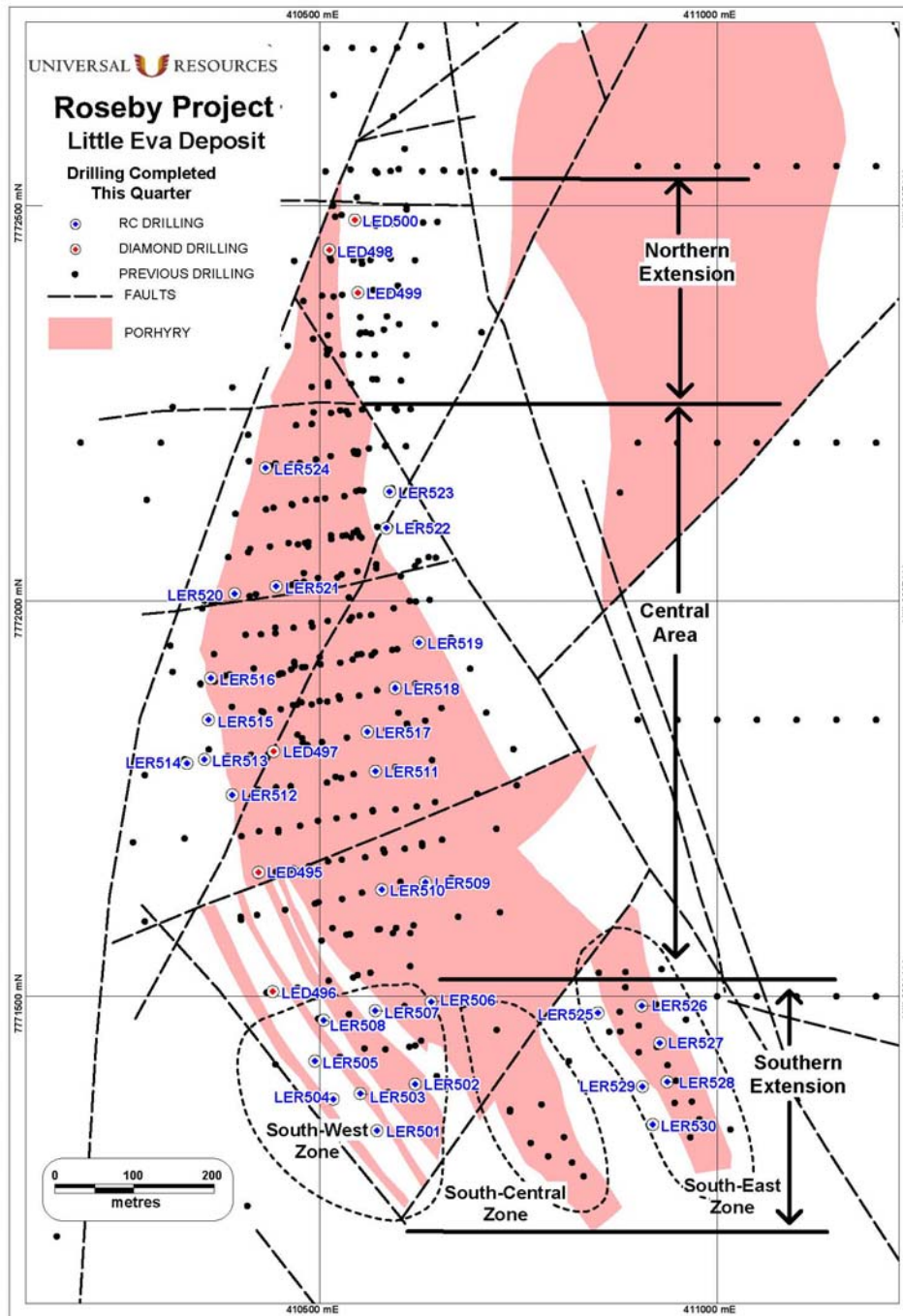


Figure 7. Location Plan showing drilling at Little Eva during December quarter

5.3 ROSEBY EXPLORATION

Lilliput -EPM 13249

During the previous quarter a field evaluation was undertaken of the historic Clyde openpit workings (Figure 3) lying 5 kilometres south-east of the Mt Roseby homestead. This prospect lies outside of the SEEP boundary and is being evaluated as a future source of additional copper-gold sulphide feed for the proposed Roseby Copper Project plant lying approximately 12 kilometres to the north north-west.

Mineralisation lies within a N-S trending shear zone and is hosted by coarse-grained quartz-rich granite and biotite schist. The mineralisation can be traced over approximately 200 metres strike length and is open to the north and south under alluvial cover.

Mineralisation in the Clyde open pit is of hydrothermal origin and comprises (in order of relative abundance):

- widespread oxide (malachite) and localised sulphide (chalcopyrite) hosted as disseminations within quartz-hematite-ankerite veins
- disseminated malachite within foliated coarse grained quartz-rich granite and
- malachite associated with pervasively altered hematite-magnetite rock (probably a biotite granite).

Mapping suggests a spatial relationship between red-brown hematite-albite alteration and mineralised quartz vein arrays.

Assay results have been returned for previous quarter sampling undertaken around the Clyde pit. The results demonstrate a good copper gold association, with peak values of 6.9 % copper and 0.98 grams per tonne gold returned from altered biotite schist with malachite staining. A selection of assay results from grab samples are tabulated below:

Sample ID	Description	Cu%	Au ppm	As ppm
URB000301	Hydrothermal quartz vein	1.81	0.02	2
URB000302	Altered biotite schist	5.35	0.07	8
URB000303	Hydrothermal quartz vein	4.75	0.46	<2
URB000304	Foliated granite with veinlets	1.64	0.27	5
URB000305	Altered biotite schist	6.90	0.98	5
URB000306	Hydrothermal quartz vein	1.08	0.11	<2

Uranium Field Survey

The Mt Isa Inlier is host to a variety of major metal deposits including copper, copper-gold, zinc, silver and a plethora of uranium occurrences with significant examples at Mary Kathleen, Valhalla and Skal. Figure 8 shows the distribution of uranium occurrences and anomalies within Universal's tenements, determined from a review of previous exploration data.

The current exploration programmes are targeting mineralisation located by previous explorers north-east of the former Mary Kathleen uranium mine (9.2 million tonnes mined grading 0.13% U₃O₈) and reported by Universal in an ASX release dated 22 June 2006 as follows:

- **Janet Maude-Mount Harold prospects rock chip values up to a peak of 6.18% U₃O₈,**

- **Godkin prospect costean rock samples gave grades in the range of 0.3-0.4% U₃O₈, including 0.3 metre channel sample at 1.32% U₃O₈.**

Mapping and sampling programmes commenced early in December and remain in progress.

This work has shown (Figure 9) that:

- **The Janet Maude, Mount Harold and Godkin prospects sub-outcrop proximal to a major north-east trending fault that also passes through the former Mary Kathleen uranium mine.**
- **Geometries of the Mount Harold and Janet Maude prospects support the concept of a north-east structural control to mineralisation.**

The current work programme is the first phase of a systematic evaluation of all Universal's Uranium prospects within the Mt Isa region.

The three prospect areas above have been located and mapped, rock chip sampled, gridded and soil sampled on a 50 metre line spacing with sampling at 20 metre intervals. Multi-element Niton XRF sampling and total count scintillometric surveys are also being undertaken as an adjunct to routine soil sampling and analysis. All samples are being assayed for uranium, rare earths, base and precious metals. Mineralogical and petrological work is planned on all samples of interest to determine the nature of the mineralisation and the mineral species present.

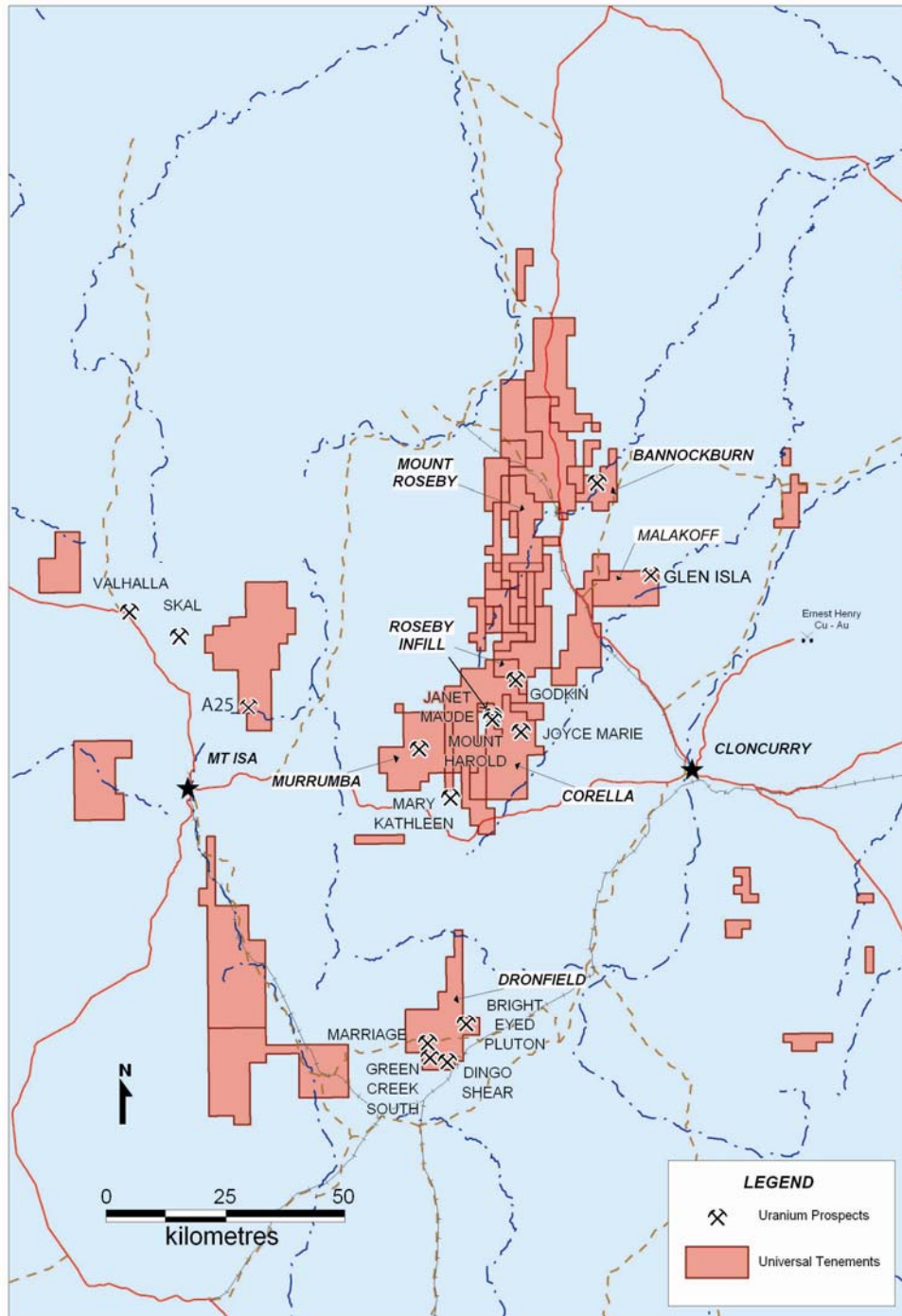


Figure 8. Uranium Prospects in Universal's Mt Isa Tenements

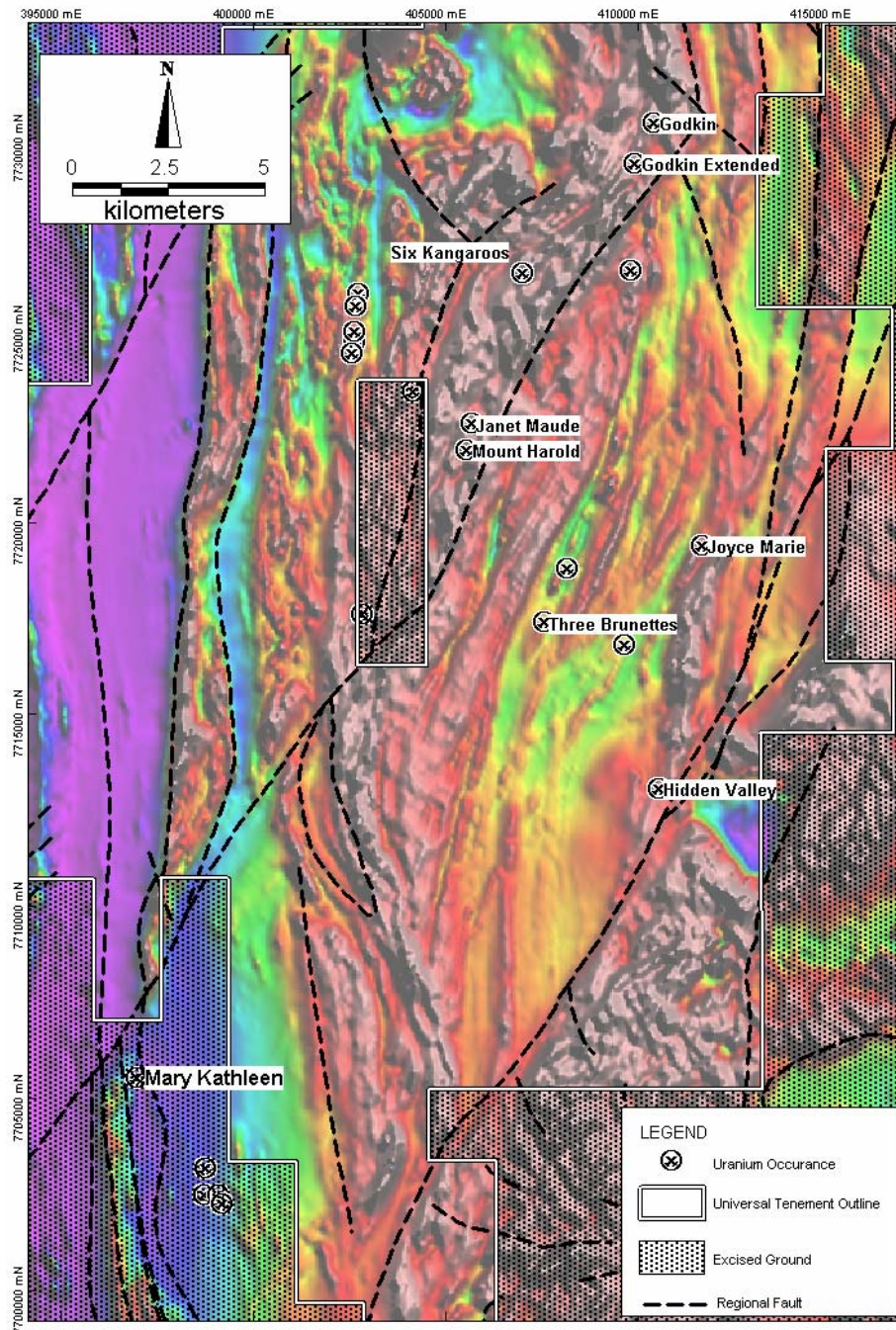


Figure 9. Aeromagnetic image with interpreted structural overlay showing relationship between Mary Kathleen and Universal Resources prospects

6. QUEENSLAND REGIONAL (Universal 100% interest)

Location and Tenure

The location of these tenements is shown in Figure 2. The eleven regional tenements combine for a total of 561 sub-blocks, equivalent to approximately 1,798 km² in granted EPM's.

Uranium Exploration

EPM 14370 – Malakoff

Ongoing review of Universal's regional tenements has identified Mesozoic sediment-hosted possible "roll front" uranium mineralisation located at Glen Isla within the Malakoff tenement (Figure 2). Mineralisation appears to lie within a channel which is between 500 – 700 metres wide and 1500 metres long. Exploration located mineralisation between 35 to 45 metres below surface ranging from 1 to 4.3 metres thick. Several encouraging intercepts were reported, including:

- **2.0 metres @ 0.118% U₃O₈ and**
- **1.4 metres @ 0.162% U₃O₈.**

Roll-front style mineralisation also appears to have been located in historical drilling at Mountain Bore, located 3 km to the south- west of Glen Isla. Anomalous uranium (1.4 metres @ 0.033% U₃O₈) was encountered in one drill hole.

Further data research is continuing on these target areas to determine the significance of the mineralisation prior to the first quarter of 2007.

7 LACHLAN FOLD BELT (Universal 90% interest)

The location of these tenements is shown in Figure 10. The total area under tenure is approximately 83.1 km² (32 sub blocks).

7.1 North Woodlawn Project Joint Venture (URL 90 %)

Universal Resources Limited (URL) entered into the North Woodlawn Project Joint Venture (formerly the Collector Project, EL 5812) with Tri Origin Minerals Limited (TRO) during the quarter. TRO may earn a 60% interest from URL in EL 5812, which is currently held by URL (90%) and private interests (10%). TRO is required to expend \$500,000 over a five year period to earn its interest.

Tri Origin Minerals Limited (TOM), prepared an exploration programme and budget for the planned drill-testing of the Collector prospect in EL 5812 licence located within the Lachlan Fold Belt. The programme was approved and will commence as soon as access rights to the area have been established.

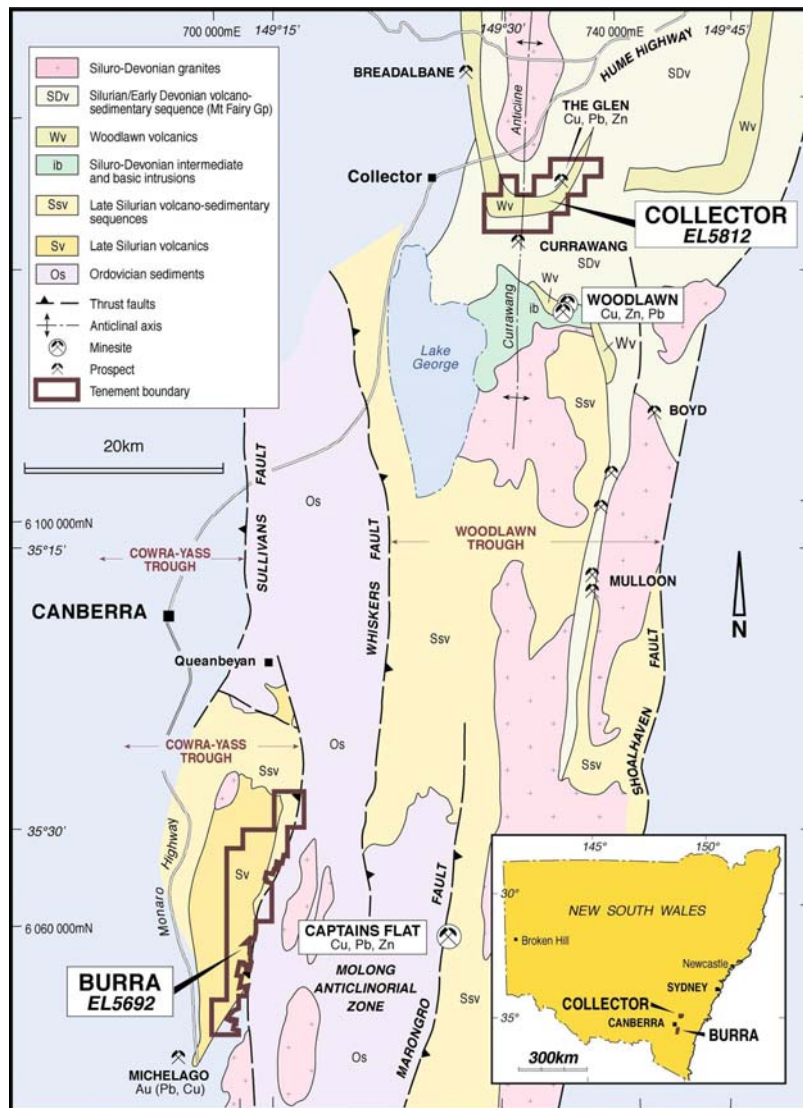


Figure 10. New South Wales Tenement Location Plan

7.2 Burra (EL 5692)

A short drilling programme is planned to test for massive zinc sulphides in the Burra Project (EL 5692) in the Lachlan Fold Belt of NSW. This programme is planned to test at depth beneath highly altered, oxidised and leached zinc mineralisation intersected in the previous drilling programme adjacent to the Burra Mine.

Michael Hulmes Managing Director

The information contained in this report that relates to exploration results has been compiled by Maurice Hoyle and John Bartlett, employees of Universal Resources Limited. Maurice Hoyle is a Fellow of the Australasian Institute of Mining and Metallurgy and John Bartlett is a Member of the Australasian Institute of Mining and Metallurgy. Maurice Hoyle and John Bartlett have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity which they are undertaking as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Maurice Hoyle and John Bartlett consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

UNIVERSAL RESOURCES LIMITED

ABN

35 090 468 018

Quarter ended ("current quarter")

31 December 2006

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (six months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(3,061)	(7,594)
(b) development		
(c) production		
(d) administration	(248)	(646)
1.3 Dividends received	208	374
1.4 Interest and other items of a similar nature received	(222)	(222)
1.5 Interest and other costs of finance paid	207	234
1.6 Income taxes paid		
1.7 Other (GST)		
Net Operating Cash Flows	(3,116)	(7,854)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	(281)	(281)
(b)equity investments		
(c) other fixed assets	(25)	(329)
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (Provide details if material)		
Net investing cash flows	(306)	(610)
1.13 Total operating and investing cash flows (carried forward)	(3,422)	(8,464)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,422)	(8,464)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		5429
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other - Cost of Issue - Financing fees		(80)
	Net financing cash flows	0	5,349
Net increase (decrease) in cash held			
		(3,422)	(3,115)
1.20	Cash at beginning of quarter/year to date	15,801	15,494
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	12,379	12,379

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	141
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Salaries and superannuation

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	N/A	

+ See chapter 19 for defined terms.

3.2 Credit standby arrangements	N/A	
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Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	640
4.2	Development	
Total		640

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	12,779	15,801
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		12,779	15,801

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	EPM 9056	100%	50%
		EL 5692	100%	48%
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	267,833,493	267,833,493		
7.4 Changes during quarter (a) Increases through issues	6,288,887	6,288,887		
7.5 *Convertible debt securities Converting Notes 5% coupon maturing June 2009	208,680		\$100	\$100
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	11,320			
7.7 Options <i>(description and conversion factor)</i>	2,385,000 2,000,000 2,000,000 2,000,000	-	<i>Exercise price</i> 15cents 15 cents 17.5 cents 20 cents	<i>Expiry date</i> 14 September 2010 30 June 2011 30 June 2011 30 June 2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter	1,000,000			
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 31 December 2006
(Company Secretary)

Print name: DESMOND KELLY

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.