



## **QUARTERLY ACTIVITY REPORT**

**FOR THE PERIOD ENDED  
30 SEPTEMBER 2006**

**[www.universalresources.com.au](http://www.universalresources.com.au)**

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**HIGHLIGHTS**

➤ ***Corporate***

- The Roseby Feasibility Study was completed during the quarter and the results were announced to the ASX on 15<sup>th</sup> September 2006.
- A copy of the Roseby Feasibility Study (RFS) was provided to Xstrata Copper who have an option to purchase 51% of the Roseby Project after a period of 90 days has elapsed following receipt of the RFS.
- A joint venture agreement was entered into with Tri Origin Minerals for the development of the North Woodlawn Project. Tri Origin may earn 60% of the project by spending A\$500,000 on exploration on EL5812 (Collector) over a period of 5 years.
- Universal has a total cash on deposit of A\$15,800,000 and is in a very strong position to continue the development of the Roseby Project.
- The Native Title Compensation Agreement with the Kalkadoon People included the issue of 7,000,000 options as part of the compensation package. Universal had to be notified of the formation of an entity prior to the 16<sup>th</sup> October otherwise cash compensation was required to be made instead of the option issue. Universal was not notified of the entity and so the cash compensation payment was made instead.

➤ ***Roseby Feasibility Study***

- The study concluded that, based on the technical testwork and financial assumptions used, large scale development of the project is both technically and financially feasible.
- Copper production is targeted to commence in fourth quarter 2008 with overall timing determined by several long-lead items.
- Roseby forecast to produce up to 34,000tpa of copper and 14,700oz of gold at competitive cash operating costs.
- The project is viable at copper prices well below current copper price – payback period at US\$2.00/lb is 3.6 years.
- Project NPV increase to A\$980.7M and IRR to 61.9% at US\$3.50/lb copper price, demonstrating strong leverage to copper price upside.
- Forecast capital expenditure of A\$338 million includes significant contingency costs and A\$48 million to acquire a mining fleet.
- Cash operating costs consistent with rising costs across the industry
- The current estimated life of the mine is 8.5 years.

## ***SEEP Drilling***

Drilling was conducted by Xstrata Copper at the Cabbage Tree Creek and Little Eva prospects as part of the ongoing Sulphide Extension Exploration Project (SEEP) regional IP and test drilling programme undertaken on behalf of Universal Resources Limited (Universal).

The two hole programme at Cabbage Tree Creek discovered good copper-gold sulphide mineralisation at depth. Drilling tested a combined Induced Polarisation (IP) chargeability high anomaly and Induced Polarisation (IP) resistivity low anomaly, on the flank of a magnetic anomaly, located 3 kilometres north north-west of the Little Eva copper-gold sulphide resource.

The results in discovery hole CTD03 (using a 0.4% copper cut-off) are set out below:

- **14m at 2.00% copper and 0.46g/t gold from 393m including: 6m at 3.19% copper and 0.81g/t gold from 393m**
- **4m at 0.66% copper and 0.15g/t gold from 424m**
- **14m at 1.30% copper and 0.29g/t gold from 451m**
- **Structurally controlled copper-gold vein system comparable to that at Little Eva.**

This represents a new discovery of blind copper-gold sulphides beneath a thick cover of younger rocks overlying an IP anomaly flanking a good magnetic anomaly. Further electromagnetic surveys are planned to assess the strike length and continuity of the mineralisation.

## **DETAILED REPORT**

### **1. CORPORATE**

The Native Title compensation agreement with the Traditional Owners of the Roseby Project - The Kalkadoon People - provided for the issue of 7,000,000 options to them. A condition precedent was that the Kalkadoon people would notify Universal of a Kalkadoon entity to receive the options by 16<sup>th</sup> October 2006. If this did not occur then the agreement required Universal to make a cash payment to the Kalkadoon People instead of the option issue. This cash payment was made to an account held by Universal on trust for the Kalkadoon People until Universal are notified of the details of the Kalkadoon entity.

A joint venture agreement was signed with Tri Origin minerals for the development of the North Woodlawn Joint Venture in the Lachlan Fold Belt in New South Wales. EL5812 is 90% owned by Universal and 10% by private interests and hosts the Glen zinc deposit. Tri Origin can earn a 60% interest in EL 5812 by spending A\$500,000 on exploration during the next five years.

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 so far 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.

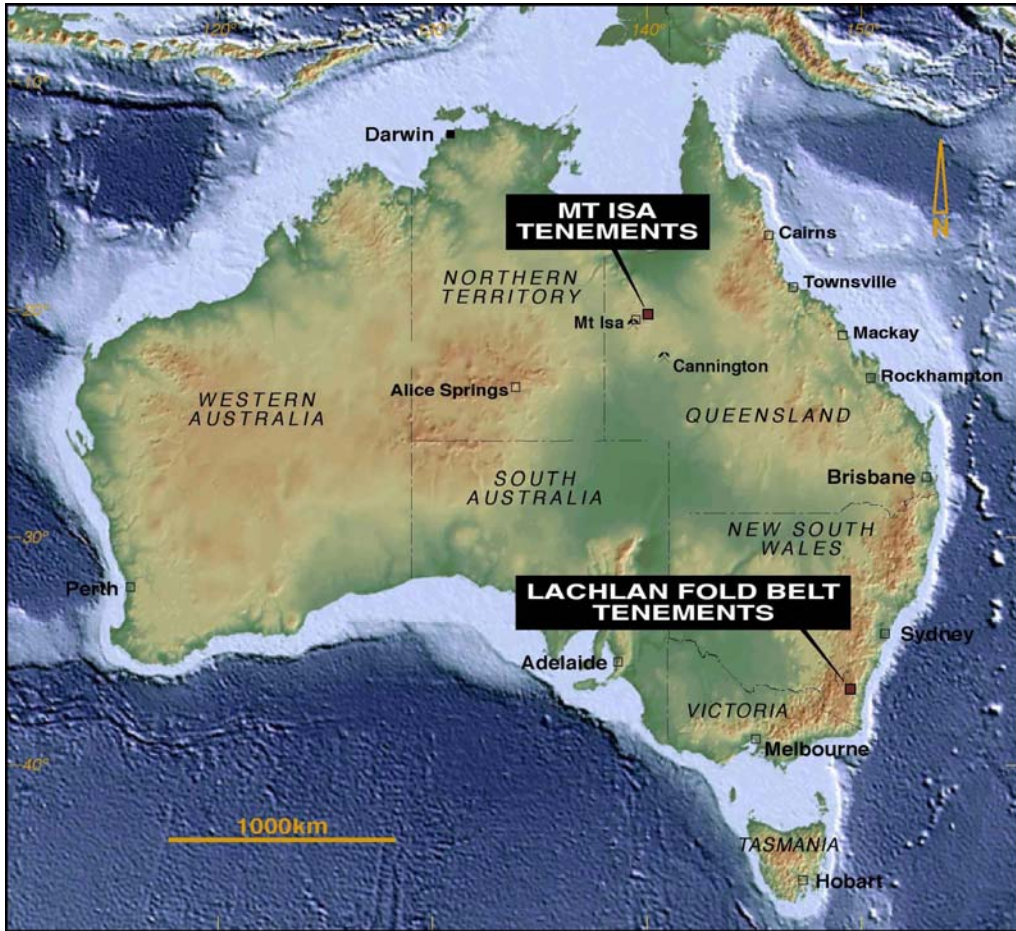
### **2. EXPLORATION AND FEASIBILITY STUDIES**

Universal has granted mining tenements in the major base metal provinces of the Mt Isa region in Queensland and the Lachlan Fold Belt in NSW. These are shown in Figure 1.

In the Mt Isa region, a detailed feasibility study was completed of the proposed 8Mtpa copper-gold mining and treatment operation at the Roseby Copper Project.

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

In the Lachlan Fold Belt, NSW a joint venture agreement with Tri Origin Minerals Limited was announced on 16 August 2006 relating to Exploration Licence EL 5812 (the North Woodlawn Project Joint Venture).



*Figure 1*

## **2.1 ROSEBY COPPER PROJECT (Universal 100% Interest)**

### **2.1.1 INTRODUCTION**

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 (Figure 2).

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.

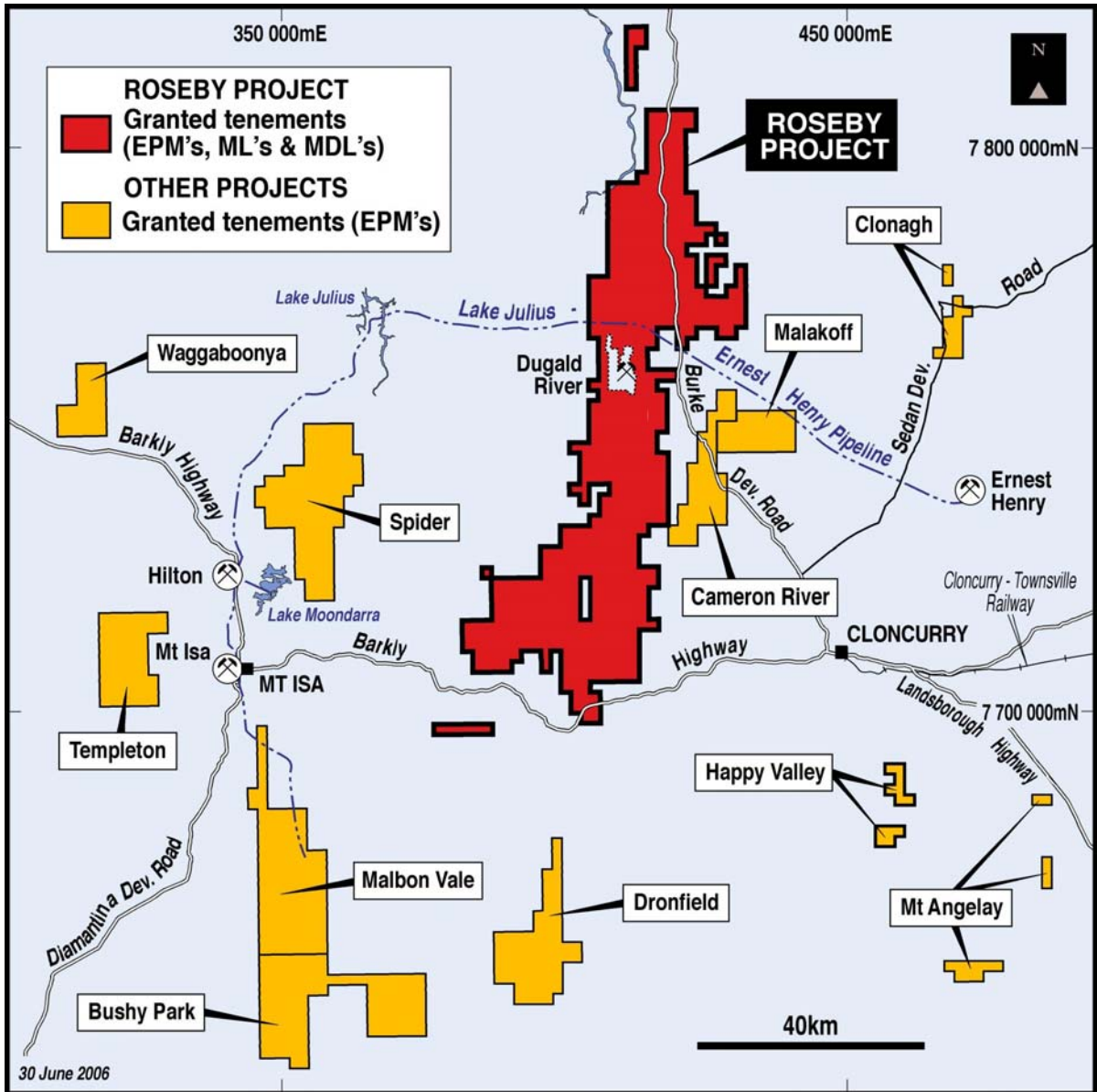
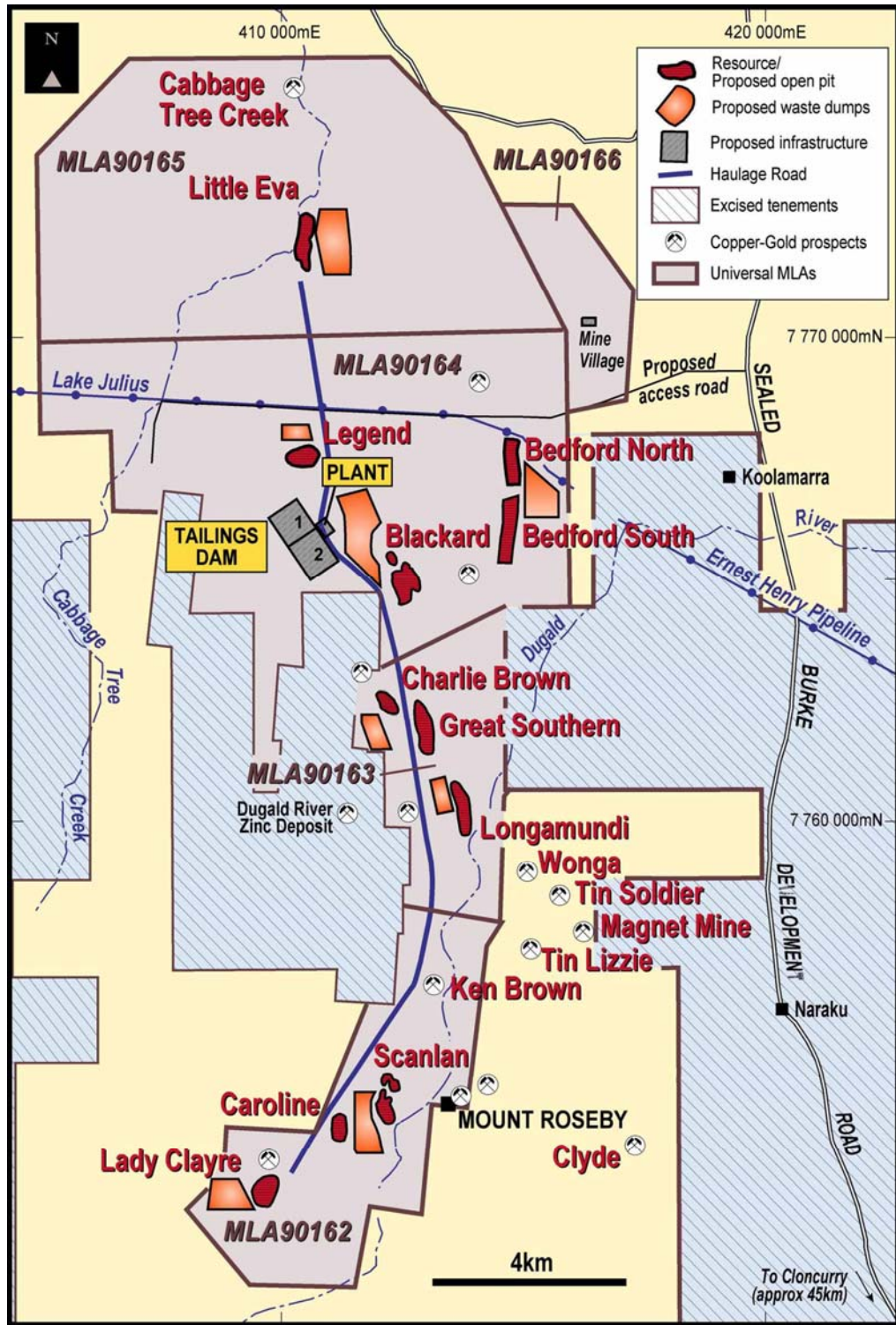


Figure 2: Mt Isa Region: Universal Project Areas and Regional Infrastructure



**UNIVERSAL RESOURCES LIMITED  
ROSEBY COPPER PROJECT  
Project Area**

*Figure 3: Roseby Copper Project mine site layout*

## 2.1.2 ROSEBY PROJECT RESERVES AND RESOURCES

The total reserves and resources in the Project area, at a combination of 0.3 and 0.5 % copper cut-off grades are provided in Table 1 and comprise:

- 123.2M tonnes grading 0.73% copper, 0.06 gpt gold of combined oxide and sulphide mineralisation in 10 mineral deposits.
- Containing 904,500 tonnes of copper and 228,500 ounces of gold
- Twelve proposed open pit mines over a 25 kilometre strike length.

*Table 1 Resources (30 June 2006)*

DEPOSIT	RESOURCES AT 0.3 and 0.5% COPPER CUT-OFF												CONTAINED METAL	
	MEASURED			INDICATED			INFERRED			TOTAL				
	Tonnes	Grade		Tonnes	Grade		Tonnes	Grade		Tonnes	Grade		t	(Oz)
	M	Cu %	Au g/t	M	Cu %	Au g/t	M	Cu %	Au g/t	M	Cu %	Au g/t		
<b>OXIDE DEPOSITS</b>														
Blackard**	20.90	0.66	0.00	19.00	0.64	0.00	3.80	0.59	0.00	43.70	0.65	0.00	282,277	0
Legend**				6.20	0.59	0.00				6.20	0.59	0.00	36,580	0
Longamundi*				5.06	0.81	0.00				5.06	0.81	0.00	40,986	0
Great Southern*				3.72	0.78	0.00				3.72	0.78	0.00	29,016	0
Scanlan**				15.40	0.65	0.00	4.30	0.79	0.00	19.70	0.68	0.00	134,139	0
Charlie Brown*							4.00	0.80	0.00	4.00	0.80	0.00	32,000	0
Caroline*							4.00	0.80	0.00	4.00	0.80	0.00	32,000	0
<b>Sub-Total Oxides</b>	<b>20.90</b>	<b>0.66</b>	<b>0.00</b>	<b>49.38</b>	<b>0.66</b>	<b>0.00</b>	<b>16.10</b>	<b>0.75</b>	<b>0.00</b>	<b>86.38</b>	<b>0.68</b>	<b>0.00</b>	<b>586,998</b>	<b>0</b>
<b>SULPHIDE DEPOSITS</b>														
Little Eva**	2.28	1.26	0.14	17.99	0.77	0.13	9.54	0.75	0.15	29.81	0.80	0.14	238,801	131,461
Lady Clayre* zone A							3.60	1.19	0.55	3.60	1.19	0.55	42,840	63,658
Lady Clayre* zone F							0.90	0.86	0.38	0.90	0.86	0.38	7,740	10,996
<b>Sub-Total Lady Clayre</b>							<b>4.50</b>	<b>1.12</b>	<b>0.52</b>	<b>4.50</b>	<b>1.12</b>	<b>0.52</b>	<b>50,580</b>	<b>74,654</b>
Bedford North*							1.80	1.07	0.26	1.80	1.07	0.26	19,260	15,047
Bedford South**							0.71	1.25	0.32	0.71	1.25	0.32	8,875	7,305
<b>Sub-Total Bedford</b>							<b>2.51</b>	<b>1.12</b>	<b>0.28</b>	<b>2.51</b>	<b>1.12</b>	<b>0.28</b>	<b>28,135</b>	<b>22,351</b>
<b>Sub-Total Sulphides</b>	<b>2.28</b>	<b>1.26</b>	<b>0.14</b>	<b>17.99</b>	<b>0.77</b>	<b>0.13</b>	<b>16.55</b>	<b>0.91</b>	<b>0.26</b>	<b>36.82</b>	<b>0.86</b>	<b>0.19</b>	<b>317,516</b>	<b>228,466</b>
<b>ROSEBY TOTAL</b>	<b>23.18</b>	<b>0.72</b>	<b>0.01</b>	<b>67.37</b>	<b>0.69</b>	<b>0.03</b>	<b>32.65</b>	<b>0.83</b>	<b>0.13</b>	<b>123.20</b>	<b>0.73</b>	<b>0.06</b>	<b>904,514</b>	<b>228,466</b>

\* 0.5% copper cut-off grade. Cu = copper

\*\* 0.3% copper cut-off grade. Au = gold

Ore Reserves were calculated from financial modelling and pit design criteria for the three largest pits which gave a total of Proved and Probable reserves of 43.0Mt @ 0.73 % copper and 0.05 gpt gold for contained metal inventories of 313,000 tonnes of copper and 67,000 ounces of gold distributed as shown in Table 2.

**Table 2: Reserves (30 September 2006)**

Deposit	Reserve Classification	Ore '000 Tonnes	% Copper	Contained Copper Tonnes	g/t Au	Contained Gold oz
Little Eva	Proved & Probable	16,954	0.78	133,098	0.12	66,690
Blackard	Proved & Probable	17,209	0.67	115,944	0.00	0
Scanlan	Proved & Probable	8,850	0.72	63,707	0.00	0
<b>Total</b>	<b>Proved &amp; Probable</b>	<b>43,013</b>	<b>0.73</b>	<b>312,749</b>	<b>0.05</b>	<b>66,690</b>

In addition to the Ore Reserve contained within the pit designs there is also a quantity of Inferred Resource which cannot be classified as ore reserve under the JORC code. Table 3 quantifies the Inferred Resources contained within the pit designs. This has been included in the production schedules and cash flow calculations primarily to obtain the best representation of the ore body for equipment selection and costing purposes. Drilling is in progress to convert these Inferred Resources into Indicated / Measured Resources and thereafter into Ore Reserves.

The mine life on the basis of Ore Reserves is estimated to be 7.5 years, becoming 8.5 years when the Inferred Resource tail is included.

**Table 3 Inferred Resources**

Deposit	Ore Type	Inferred Resource Within Pits '000s Tonnes	%Cu	Contained Cu Tonnes	Au g/t	Contained Au Oz
Little Eva	Oxide					
	Sulphide	1,466	0.72	10,578	0.12	5,656
Blackard	Oxide	0	0.00	0	0.00	0
	Sulphide	438	0.76	3,309	0.00	0
Scanlan	Oxide	1,135	0.58	6,645	0.00	0
	Sulphide	2	0.47	8	0.00	0
	<b>Sub Total</b>	<b>3,041</b>	<b>0.67</b>	<b>20,540</b>	<b>0.06</b>	<b>5,656</b>
Bedford	Oxide	0	0.00	0	0.00	0
	Sulphide	900	1.05	9,450	0.27	7,813
Lady Clayre	Oxide	0	0.00	0	0.00	0
	Sulphide	500	0.93	4,650	0.59	9,485
Longamundi	Oxide	2,138	0.65	13,897	0.00	0
	Sulphide	550	0.77	4,235	0.00	0
Legend	Oxide	4,000	0.60	24,000	0.00	0
	Sulphide	100	0.54	540	0.00	0
	<b>Sub Total</b>	<b>8,188</b>	<b>0.69</b>	<b>56772</b>	<b>0.06</b>	<b>17,298</b>
	<b>Total</b>	<b>11,229</b>	<b>0.69</b>	<b>77,312</b>	<b>0.06</b>	<b>22,954</b>

### 2.1.3 FEASIBILITY STUDY WORK COMPLETED

#### Feasibility Study

Stage 2 of the feasibility study to investigate the economics of establishing a combined oxide and sulphide mining and treatment operation at Roseby with a throughput of 8 Mtpa was completed and resulted in a positive outcome.

#### Operation Overview

The Feasibility Study evaluated an open pit mining operation and processing plant capable of throughputs of up to 8 Mtpa on a blend of sulphide and oxide ore but with sufficient versatility to allow either sulphide or oxide ore to be treated separately. When treating sulphide ore alone the plant capacity is 5Mtpa.

The plant comprises a crushing and grinding circuit and rougher flotation, regrind mill and cleaner flotation circuits producing a copper-gold concentrate averaging 34% copper. Power will be supplied by a gas fired power station at Mt. Isa and reticulated to site by a dedicated transmission line.

#### Development Schedule

Under the development schedule outlined in the Feasibility Study, pre-stripping activities at Roseby will commence in late 2007 with ore treatment planned to commence in fourth quarter of 2008. The ramp-up to the planned rate of copper production of 34,400 tonnes per annum will occur relatively quickly, and is expected to be achieved within the first quarter of 2009. During the first three years of operations, there will also be an annual average of 14,700oz of gold production.

#### Physical and Financial Results:

Ore treatment rate tpa	5,000,000 to 8,000,000	
Payable copper produced per annum t	34,400	
Treatment Plant Capital Cost A\$'000	248,443	
Mobile Fleet Capital Costs A\$'000	47,970	
Pre Strip Cost A\$'000	41,370	
Total Capital Cost A\$'000	337,783	
USD/AUD Exchange Rate	0.72	
<b>Copper Price US\$/lb</b>	<b>2.00</b>	<b>3.50</b>
Operating Cost US\$/lb	1.14	1.19
Net Present Value @ 8.5% Discount Rate A\$'000	156,500	980,700
Internal Rate of Return %	19.5	61.9
Payback in years	3.6	1.4

## Capital Costs

In addition to the plant construction, the capital cost includes provision for on site accommodation, EPCM costs, tailings dam, pit dewatering, offices and all contingencies.

There have been cost increases across the mining industry and these have impacted on the capital and operating cost of the Roseby Project. However the project is highly leveraged to the copper price and, at copper prices above US\$2.00/lb, the impact of cost increases has a diminished impact on the project economics.

## Scheduling

Mining will initially focus on three deposits: Little Eva, Blackard and Scanlan. These will supply feed to the treatment plant for a minimum period of 7.5 years. Initially the Little Eva deposit will be mined to provide higher grade sulphide ore feedstock. This sulphide ore is characterised by a high metallurgical recovery and the net effect of this treatment strategy is to maximise the cash flow in the early years of the project. All mill feed from these three deposits falls into the Proved and Probable Ore Reserve category except for a small proportion which comprises Inferred Resource captured within the pit design envelope. Drilling is currently in progress with the objective of converting this Inferred Resource to the Measured and Indicated Resource categories.

For the purpose of the study a non-reserve mill feed tail has been included utilizing four of the nine other deposits identified at Roseby. These are two oxide deposits (Longamundi and Legend) and two sulphide deposits (Bedford and Lady Clayre). These four deposits are assumed to provide mill feed for the second half of 2016 through to 2017.

## Sterilisation Drilling

### *Tailings Dam and Plant Site*

Sterilization of the proposed Plant, Mill and Tailings Dam sites was successfully completed during the September quarter.

A program of 46 inclined Rotary Air Blast drillholes for 2291 metres were completed to follow-up anomalous results reported last month. An additional four inclined Reverse Circulation (RC) drillholes (Table 4) were drilled to finalise sterilization.

**Table 4 Reverse Circulation sterilization drilling completed during the September Quarter**

PROSPECT	Hole No.	AMG Co-ordinates		Depth (m)	Dip (deg)	Azimuth (magnetic)
		East	North			
Blackard	BCR843	409,942	7,766,342	85	-60	39
Blackard	BCR844	409,974	7,766,339	85	-60	39
Blackard	BCR845	409,984	7,766,384	67	-60	219
Blackard	BCR846	409,926	7,766,367	55	-60	39

## Resource/Reserve Drilling

### Blackard

A total of 32 RC holes for 2,701 metres of drilling was completed at Blackard (Table 5). 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 and the eastern margin of the Blackard resource (Figure 4). A new resource estimate, incorporating the latest round of drilling results, will be undertaken during the coming quarter.

*Table 5: Resource drilling completed at Blackard during the September Quarter*

PROSPECT	Hole No.	AMG Co-ordinates		Depth (m)	Dip (deg)	Azimuth (magnetic)
		East	North			
Blackard	BCR755	412,522	7,764,563	37	-60	75
Blackard	BCR756	412,505	7,764,586	125	-60	75
Blackard	BCR757	412,623	7,764,631	55	-60	75
Blackard	BCR758	412,577	7,764,623	103	-60	75
Blackard	BCR759	412,554	7,764,594	109	-60	75
Blackard	BCR760	412,538	7,764,616	103	-60	75
Blackard	BCR761	412,634	7,764,684	61	-60	75
Blackard	BCR762	412,600	7,764,678	37	-60	75
Blackard	BCR763	412,566	7,764,672	127	-60	75
Blackard	BCR764	412,509	7,764,662	151	-60	75
Blackard	BCR765	412,472	7,764,656	163	-60	75
Blackard	BCR766	412,652	7,764,737	49	-60	75
Blackard	BCR767	412,602	7,764,729	97	-60	75
Blackard	BCR768	412,549	7,764,720	145	-60	75
Blackard	BCR769	412,437	7,764,701	175	-60	75
Blackard	BCR770	412,893	7,764,778	37	-90	0
Blackard	BCR771	412,865	7,764,774	55	-90	0
Blackard	BCR772	412,838	7,764,769	31	-90	0
Blackard	BCR773	412,885	7,764,828	61	-90	0
Blackard	BCR774	412,594	7,764,676	73	-60	75
Blackard	BCR775	412,668	7,764,791	55	-90	0
Blackard	BCR776	412,691	7,764,896	73	-75	75
Blackard	BCR777	412,839	7,765,023	67	-90	0
Blackard	BCR778	412,825	7,765,071	49	-90	0
Blackard	BCR779	412,704	7,765,177	61	-90	0
Blackard	BCR780	412,651	7,765,168	79	-90	0
Blackard	BCR781	412,619	7,765,239	79	-90	0
Blackard	BCR782	412,459	7,765,212	61	-90	0
Blackard	BCR783	412,616	7,765,340	49	-90	0
Blackard	BCR784	412,374	7,765,349	91	-90	0
Blackard	BCR785	412,359	7,765,398	91	-90	0
Blackard	BCR786	412,355	7,765,448	91	-90	0
Blackard	BCR787	412,345	7,765,497	61	-90	0

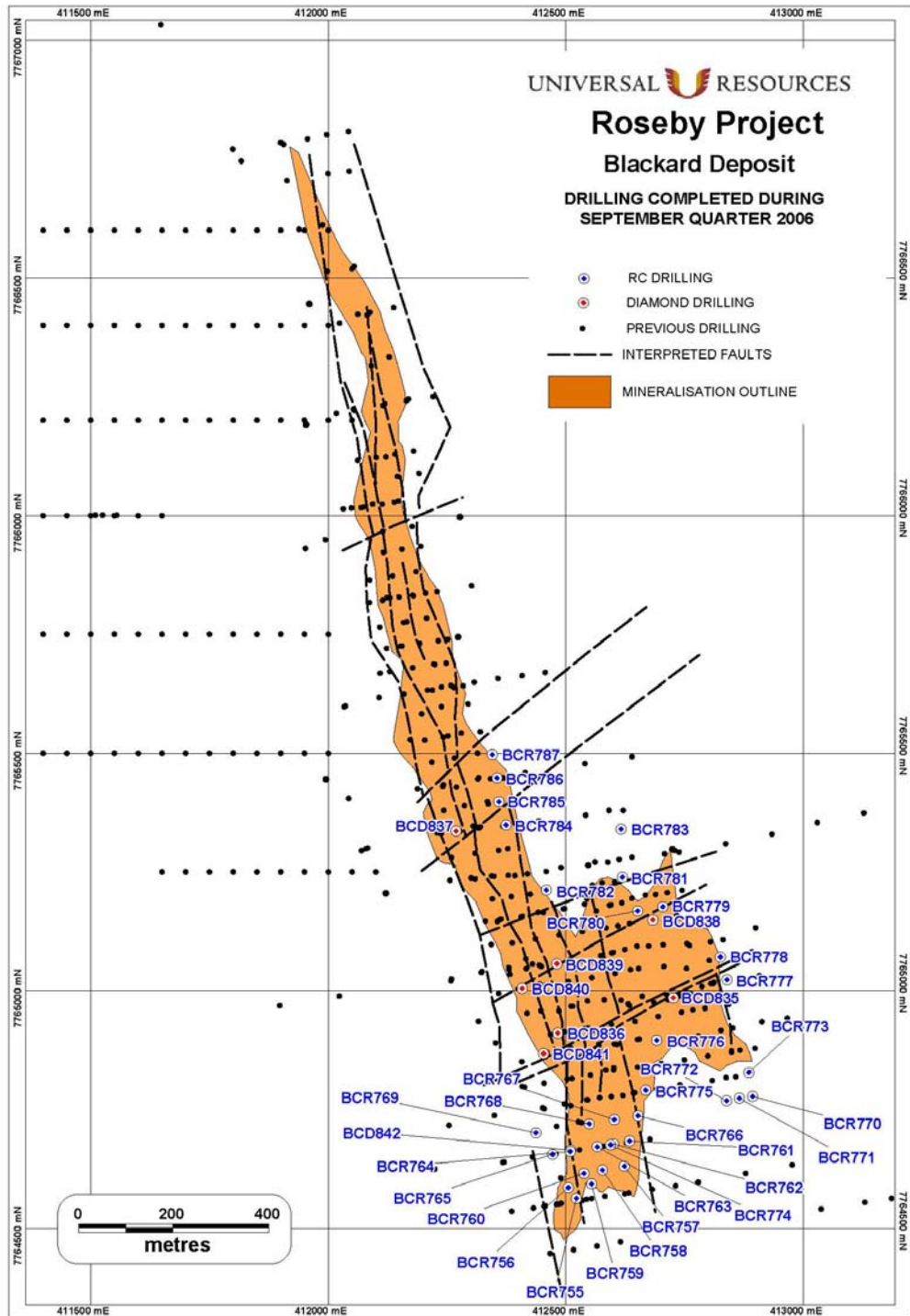


Figure 4: Location Plan showing drilling at Blackard during September quarter

## Little Eva

A program of infill drilling, comprising 3247 metres of reverse circulation from 30 drill holes (Table 6) was completed during the quarter. Holes were designed to add confidence to the resource model and to increase the Indicated/Measured reserves within current pit designs. Drilling focused on the southern portion of the Little Eva resource and along the margins to better constrain the extent of the mineralisation (Figure 5). A new resource estimate, incorporating the latest round of drilling results, will be undertaken during the coming quarter.

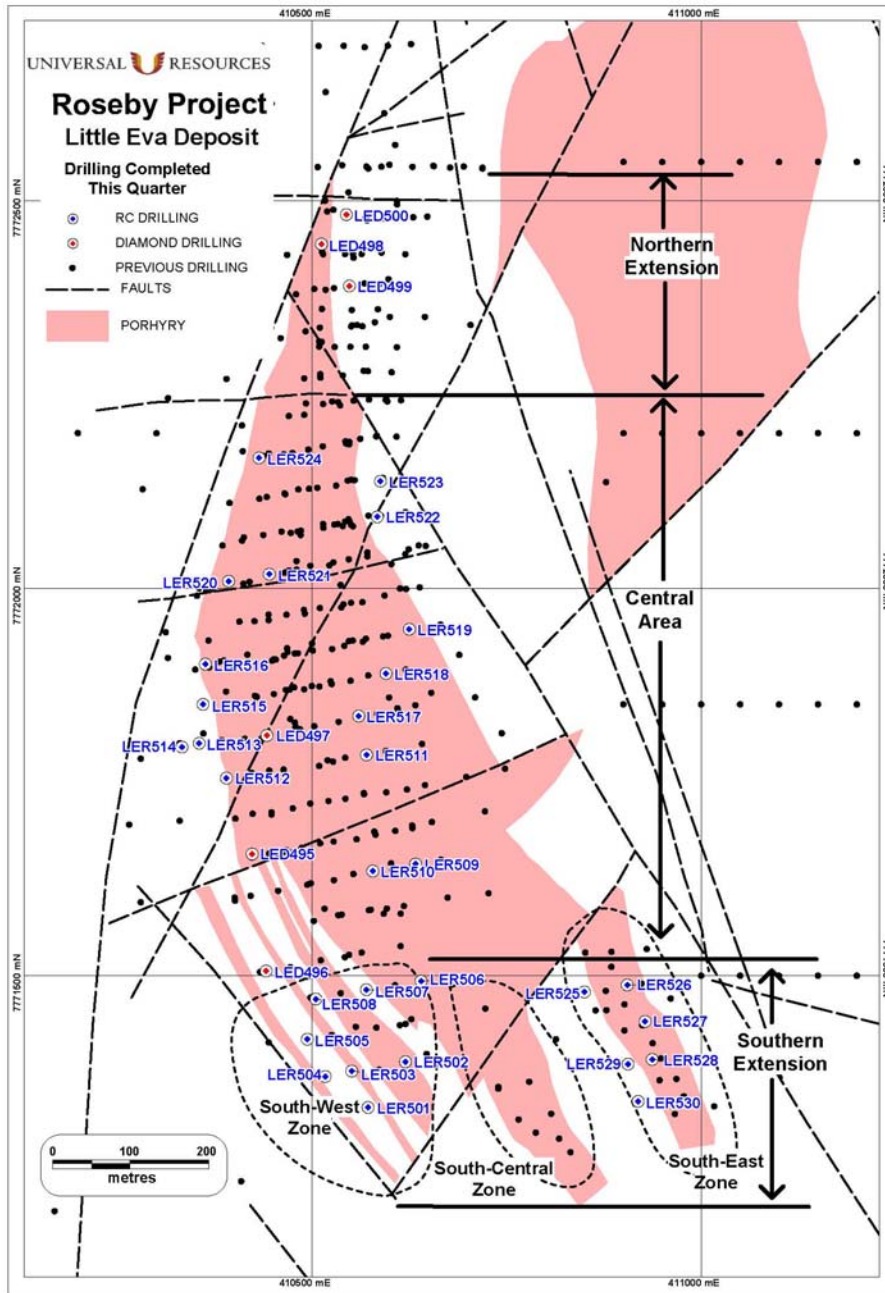


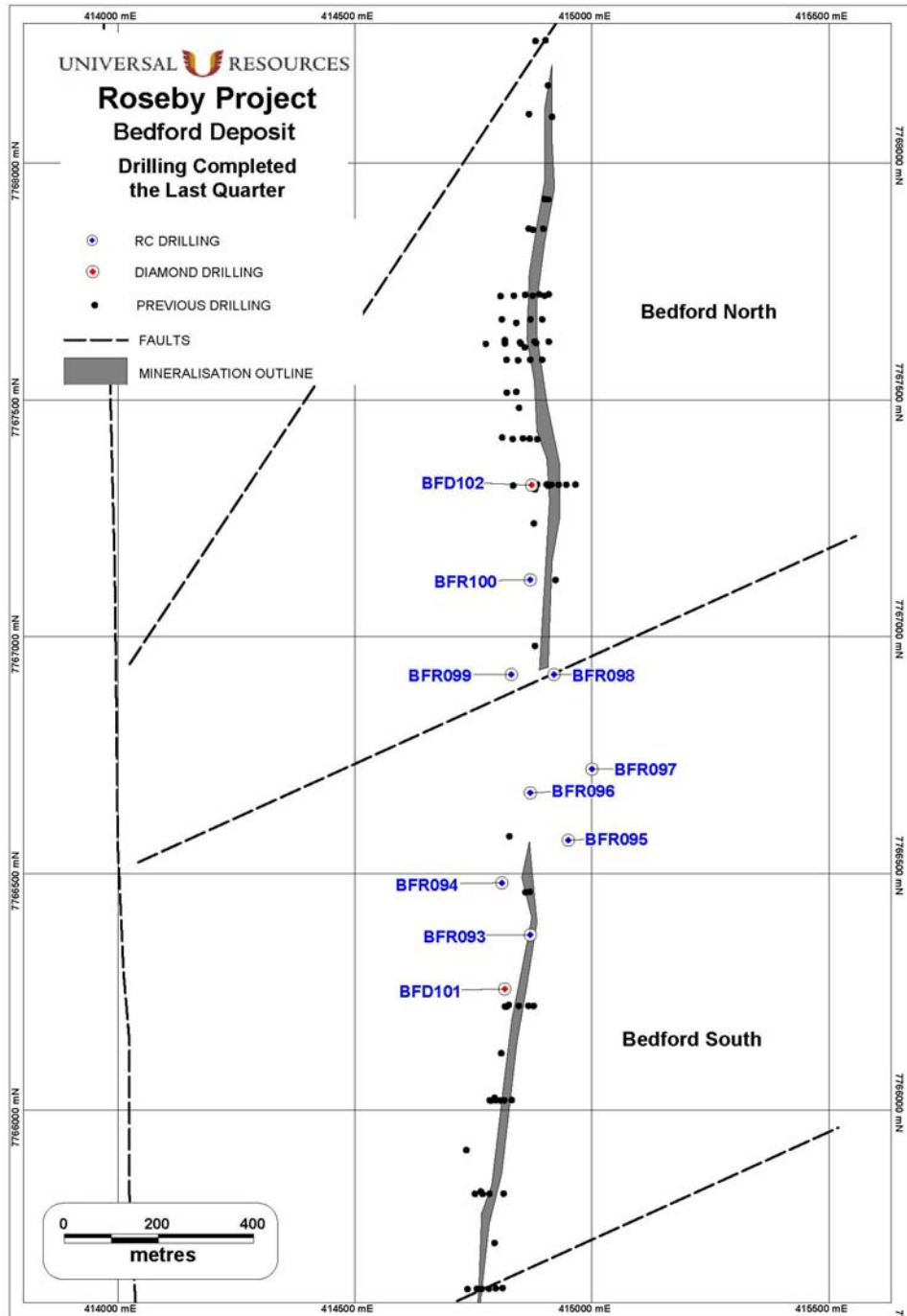
Figure 5: Location Plan showing drilling at Little Eva during September quarter

**Table 6: Resource drilling completed at Little Eva during the September Quarter**

PROSPECT	Hole No.	AMG Co-ordinates		Depth (m)	Dip (deg)	Azimuth (magnetic)
		East	North			
Little Eva	LER501	410,572	7,771,330	85	-60	75
Little Eva	LER502	410,620	7,771,389	49	-60	75
Little Eva	LER503	410,551	7,771,377	103	-60	75
Little Eva	LER504	410,517	7,771,370	115	-60	75
Little Eva	LER505	410,494	7,771,418	127	-60	75
Little Eva	LER506	410,640	7,771,493	49	-60	75
Little Eva	LER507	410,570	7,771,482	85	-60	75
Little Eva	LER508	410,505	7,771,470	120	-60	75
Little Eva	LER509	410,633	7,771,644	85	-60	75
Little Eva	LER510	410,578	7,771,635	100	-60	75
Little Eva	LER511	410,570	7,771,785	120	-60	75
Little Eva	LER512	410,390	7,771,755	242	-60	75
Little Eva	LER513	410,355	7,771,800	259	-60	75
Little Eva	LER514	410,333	7,771,795	125	-60	75
Little Eva	LER515	410,360	7,771,850	127	-60	75
Little Eva	LER516	410,363	7,771,902	103	-60	75
Little Eva	LER517	410,560	7,771,835	127	-60	75
Little Eva	LER518	410,595	7,771,890	121	-60	75
Little Eva	LER519	410,625	7,771,947	61	-60	75
Little Eva	LER520	410,393	7,772,009	151	-60	75
Little Eva	LER521	410,445	7,772,018	217	-60	75
Little Eva	LER522	410,584	7,772,092	109	-60	75
Little Eva	LER523	410,588	7,772,138	100	-60	75
Little Eva	LER524	410,432	7,772,168	61	-60	75
Little Eva	LER525	410,850	7,771,479	91	-60	75
Little Eva	LER526	410,905	7,771,488	45	-60	75
Little Eva	LER527	410,928	7,771,441	49	-60	75
Little Eva	LER528	410,937	7,771,392	55	-60	75
Little Eva	LER529	410,906	7,771,386	100	-60	75
Little Eva	LER530	410,919	7,771,338	95	-60	75

**Bedford Gap Exploration Drilling**

A scout RC drilling program between the Bedford North and Bedford South resource areas was completed during the September quarter to test the continuity of mineralisation between the resource areas (Figure 6). A total of 8 holes for 923m were completed (Table 7).



*Figure 6 Location Plan showing drilling at Bedford during September quarter*

**Table 7: Bedford Gap Exploration Drilling**

PROSPECT	Hole No.	AMG Co-ordinates		Depth (m)	Dip (deg)	Azimuth (magnetic)
		East	North			
Bedford	BFR093	414,870	7,766,370	115	-60	84
Bedford	BFR094	414,810	7,766,480	127	-60	84
Bedford	BFR095	414,950	7,766,570	121	-60	84
Bedford	BFR096	414,870	7,766,670	100	-60	84
Bedford	BFR097	415,000	7,766,720	120	-60	84
Bedford	BFR098	414,920	7,766,920	120	-60	84
Bedford	BFR099	414,830	7,766,920	120	-60	84
Bedford	BFR100	414,870	7,767,120	100	-60	84

Further drilling of this exploration target was deferred until completion of infill resource drilling at Bedford North and South.

### Metallurgical Drilling

Nineteen (19) HQ core holes (Table 8), comprising more than 5 tonnes weight of ore grade mineralisation and 1383.1 metres of pre-collared coring, were completed at the Little Eva, Bedford, Lady Clayre, Blackard and Scanlan deposits. The ratio of sample weights collected was 5:3 oxide:sulphide to allow for additional pilot scale testwork to confirm the plant flow sheet's cleaner/regrind parameters, with a focus upon optimising the concentrate yield and grade at the planned grind size of 80% passing 180 micron.

**Table 8: Metallurgical Drillhole Details**

PROSPECT	Hole No.	AMG Co-ordinates		Depth (m)	Dip (deg)	Azimuth (magnetic)
		East	North			
Blackard	BCD834	412481	7765057	90.2	-60	75
Blackard	BCD835	412726	7764985	100.6	-60	75
Blackard	BCD836	412483	7764911	112.8	-60	75
Blackard	BCD837	412269	7765336	135.3	-60	75
Blackard	BCD838	412683	7765149	71.1	-90	0
Blackard	BCD839	412481	7765057	90.2	-60	75
Blackard	BCD840	412408	7765005	160.6	-60	75
Blackard	BCD841	412453	7764868	135.1	-60	75
Blackard	BCD842	412510	7764665	117.1	-60	75
Bedford	BFD101	414816	7766256	116.9	-60	84
Bedford	BFD102	414873	7767320	65.1	-60	84
Lady Clayre	LCD153	409735	7752365	75.8	-60	120
Lady Clayre	LCD154	409535	7752150	78.1	-60	75
Little Eva	LED497	410442	7771810	210.3	-60	75
Little Eva	LED498	410512	7772444	120.1	-55	75
Little Eva	LED499	410,548	7,772,390	111.5	-90	0
Little Eva	LED500	410,544	7,772,482	63.4	-90	0
Scanlan	SCD172	412045	7754147	88.7	-60	75
Scanlan	SCD173	412150	7753855	120.2	-65	75

## Hydrogeology

Hydrogeological conclusions in the feasibility study include the following assessment of the annual water requirement for the Roseby Copper Project:

Milling:	4.55M – 6.50M cu. metres
Dust suppression:	0.55M- 0.73M cu. metres
Potable Water:	0.03M- 0.04M cu. metres
<b>Total:</b>	<b>5.13M - 7.27M cu. metres</b>

Other conclusions are:

- that a significant contribution to process water supply is likely to be obtained from pit dewatering after the requirements for dust suppression and haul road maintenance are derived from this source.
- Pit dewatering is not anticipated to impact the groundwater systems beyond 500 metres from any pit.

Auxiliary sources of water supply are expected to be available within the Roseby Project mining lease areas and an adjunct water supply is available in the Lake Julius-Ernest Henry water pipeline which passes the two largest deposits and the treatment plant.

### Ongoing Feasibility Activities

In addition to the work required for the completion of Stage 2 of the feasibility study detailed above, a variety of other feasibility-related work was required for particular ongoing items:

- Environmental monitoring, assessment and preparation of components of the EIS continued.
- Ongoing QA/QC validation work
- Optimisation of process plant flow sheet and design work
- Infrastructure and service provider assessments and negotiations continued.
- Land compensation discussions and negotiations continued
- Metallurgical optimisation studies continued.

## 2.1.4 RESULTS - DRILLING

### Blackard Resource Drilling

All drillhole assay results are now available and selected drill intersections are listed in Table 9.

Summarised better intersections are itemised below:

<b>BCR 767:</b>	<b>37 metres at 1.11% copper from 60 metres.</b>
<b>BCR 780:</b>	<b>64 metres at 1.03% copper from 8 metres.</b>
<b>BCR 764:</b>	<b>120 metres at 0.56% copper from 20 metres.</b>
<b>BCR 783:</b>	<b>7 metres at 2.10% copper from 42 metres.</b>

**Table 9: Blackard Drill Intersections (0.3% Copper cut-off).**

Hole No.	From	To	Interval	Copper (%)	Total Depth (m)
	m	m	m		
BCR755	10	32	22	0.62	37
BCR756	24	30	6	0.47	125
	78	86	8	0.42	
	96	124	28	0.66	
BCR757				NSI	55
BCR758	2	80	78	0.40	103
BCR759	0	102	102	0.54	109
BCR760	6	103	97	0.60	103
BCR761	14	30	16	1.13	61
BCR762	12	37	25	0.63	37
BCR763	10	80	70	0.43	127
BCR764	<b>20</b>	<b>140</b>	<b>120</b>	<b>0.56</b>	<b>151</b>
BCR765	44	72	28	0.38	163
	122	162	40	0.48	
BCR766	8	12	4	0.42	49
BCR767	14	24	10	0.36	97
	<b>60</b>	<b>97</b>	<b>37</b>	<b>1.11</b>	
BCR768	8	80	72	0.56	145
	90	100	10	0.44	
	108	144	36	0.73	
BCR769	42	46	4	0.31	175
	114	130	16	0.54	
	146	156	10	0.39	
BCR770				NSI	37
BCR771				NSI	55
BCR772				NSI	31
BCR773				NSI	61
BCR774	24	56	32	0.58	73
	64	70	6	1.79	
BCR775	2	50	48	0.91	55
BCR776	26	46	20	0.49	73
BCR777				NSI	67
BCR778				NSI	49
BCR779	16	54	38	0.41	61
BCR780	<b>8</b>	<b>72</b>	<b>64</b>	<b>1.03</b>	<b>79</b>
BCR781	42	56	14	1.32	79
	72	79	7	0.70	
BCR782	26	30	4	0.32	61
	42	46	4	0.34	
BCR783	<b>42</b>	<b>49</b>	<b>7</b>	<b>2.10</b>	<b>49</b>
BCR784	0	8	8	0.34	91
BCR785	4	58	54	0.39	91
	86	90	4	0.58	
BCR786	6	38	32	0.48	91
	52	56	4	0.36	
BCR787	6	34	28	0.45	61

\* Calculated at a 0.3 % copper cut-off, with a minimum 4 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 = no significant intercept.

These results are consistent with the resource grades and geometry of the existing Blackard resource model in the areas tested and are therefore expected to add to the Measured and Indicated resource inventory.

### Little Eva Resource Drilling

All drillhole assay results are now available and selected drill intersections are listed in Table 10.

Summarised better intersections are itemised below:

**LER 521: 39 metres at 1.49% copper, 0.30gpt gold from 176 metres.**

**LER 526: 24 metres at 0.85% copper, 0.15gpt gold from 2 metres.**

**LER 512: 38 metres at 0.76% copper, 0.24gpt gold from 104 metres.**

**LER 525: 17 metres at 0.82% copper, 0.15 gpt gold from 65 metres**

*Table 10: Little Eva Drill Intersections (0.3% Copper cut-off).*

Hole No.	Interval (m)			Copper	Gold	Total Depth (m)
	From	To	Length	(%)	(g/t)	
LER501	67	80	13	0.57	0.11	85
LER502					NSI	49
LER503	45	51	6	0.55	0.16	103
	60	101	41	0.56	0.18	
LER504	30	51	21	0.47	0.16	115
	60	115	55	0.4	0.12	
LER505	18	54	36	0.36	0.07	127
	73	123	50	0.44	0.09	
LER506					NSI	49
LER507	18	23	5	0.5	0.08	85
	62	80	18	0.29	0.06	
LER508	85	101	16	0.74	0.14	120
LER509					NSI	85
LER510					NSI	100
LER511	8	16	8	0.54	0.26	120
	66	72	6	0.91	0.33	
LER512	<b>104</b>	<b>142</b>	<b>38</b>	<b>0.76</b>	<b>0.24</b>	<b>242</b>
	153	199	46	0.43	0.07	
LER513	62	69	7	0.92	0.27	259
	<b>96</b>	<b>100</b>	<b>4</b>	<b>1.94</b>	<b>0.18</b>	
	131	160	29	0.7	0.08	
	<b>193</b>	<b>199</b>	<b>6</b>	<b>1.08</b>	<b>0.21</b>	
	216	259	43	0.71	0.24	
LER514	82	101	19	0.46	0.07	125
LER515	81	103	22	0.74	0.19	127
LER516	47	97	50	0.52	0.07	103
LER517	82	107	25	0.35	0.13	127
LER518	94	113	19	0.56	0.14	121
LER519					NSI	61
LER520	68	74	6	0.45	0.04	151
	122	136	14	0.4	0.03	

Hole No.	Interval (m)			Copper	Gold	Total Depth (m)
	From	To	Length	(%)	(g/t)	
LER521	45	97	52	0.48	0.05	217
	111	149	38	0.91	0.13	
	<b>176</b>	<b>215</b>	<b>39</b>	<b>1.49</b>	<b>0.30</b>	
LER522					NSI	109
LER523					NSI	100
LER524					NSI	61
LER525	<b>65</b>	<b>82</b>	<b>17</b>	<b>0.82</b>	<b>0.15</b>	<b>91</b>
LER526	<b>2</b>	<b>26</b>	<b>24</b>	<b>0.85</b>	<b>0.22</b>	<b>45</b>
LER527	1	47	46	0.51	0.06	49
LER528	3	53	50	0.54	0.06	55
LER529	<b>16</b>	<b>81</b>	<b>65</b>	<b>0.65</b>	<b>0.10</b>	<b>97</b>
LER530	5	14	9	0.47	0.08	95
	72	88	16	0.32	0.07	

\* Calculated at a 0.3 % copper cut-off, with a minimum 4 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 = no significant intercept.

These results are consistent with the resource grades and geometry of the existing Little Eva resource model in the areas tested and are therefore expected to add to the Measured and Indicated resource inventory.

### Bedford Gap Drilling

The best drill intercepts in the exploration drilling of the strike gap between the Bedford North and South resources were 3 metres at 0.59 % copper, 0.13 gpt gold from 38 to 41 metres in BFR 099 and 1 metre at 1.08 % copper, 0.56gpt gold in BFR094 from 59 to 60 metres. Assay results for all holes are listed in Table 11.

**Table 11: Bedford Drill Intersections (0.5% Copper cut-off).**

Hole No.	Interval (m)*			Copper	Gold	Total Depth (m)
	From	To	Length	(%)	(g/t)	
BFR093	92	93	1	1.00	0.47	115
BFR094	59	60	1	1.08	0.56	127
BFR095	18	19	1	1.14	0.19	121
BFR096	54	55	1	0.64	-0.01	100
BFR097	30	31	1	0.69	0.11	120
BFR098					NSI	120
BFR099	33	35	2	0.67	0.08	120
	38	41	3	0.59	0.13	
	50	51	1	0.54	0.06	
BFR100	52	53	1	0.53	0.37	100
	54	55	1	0.63	0.15	

\* Calculated at a 0.3 % copper cut-off. 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 = no significant intercept.

Upon the completion of this exploration programme, drilling was re-focused upon infill drilling of the Bedford North and South resources to bring these resources into the largely Indicated and Measured categories. Assay results are awaited.

## Ground Sterilisation

### *Tailings Dam and Plant Site*

Rotary Air Blast drilling returned only two intercepts greater than 0.3% copper, with a best intersection of 12m @ 1.04% copper located in drillhole BCB 811 (Table 12). Follow up RC drilling tested this mineralisation along strike and down dip and located a best intersection of 4 metres at 1.18 % of oxide copper mineralisation in drillhole BCR 844 within a narrow steeply dipping shear. The RAB intersection is attributed to localised dispersion of copper in a zone of supergene enrichment close to the prevailing water table. No lead or zinc mineralisation is associated with the copper mineralisation. Sterilisation of these sites is now complete.

**Table 12: Summary of significant results (0.3% copper cut off) for sterilization drilling completed during the September Quarter**

Hole No.	AMG Co-ordinates		Total Depth	Interval (m)			Copper (%)
	East	North	(m)	From	To	Length	
BCB 803	410995	7766005	60	21	30	9	0.40
BCB 811	409956	7766356	43	27	39	12	1.04
BCR 843	409942	7766342	85				NSI
BCR 844	409974	7766339	85	66	70	4	1.18
BCR 845	409984	7766384	67	28	36	8	0.45
BCR 846	409926	7766367	55	48	55	7	0.35

\* Calculated at a 0.3 % copper cut-off. 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 = no significant intercept.

### Little Eva Waste Dump

The results of the RAB drilling programme reported last quarter are now available and show the proposed waste dump area, lying east of the Little Eva deposit, has been adequately sterilised for future use.

### Blackard Waste Dumps

Work has commenced upon the sterilisation of the northern waste dumps. This work will be reported upon completion.

## 2.1.5 ROSEBY EXPLORATION

### Lilliput -EPM 13249

A field evaluation was undertaken of the historic Clyde openpit workings (Figure 3) lying 5 kilometres south-east of the Mt Roseby homestead, to assess the potential of this tenement 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.

A number of rock chips were taken from the prospect with results still pending at quarter's end.

## 2.2 ROSEBY SEEP

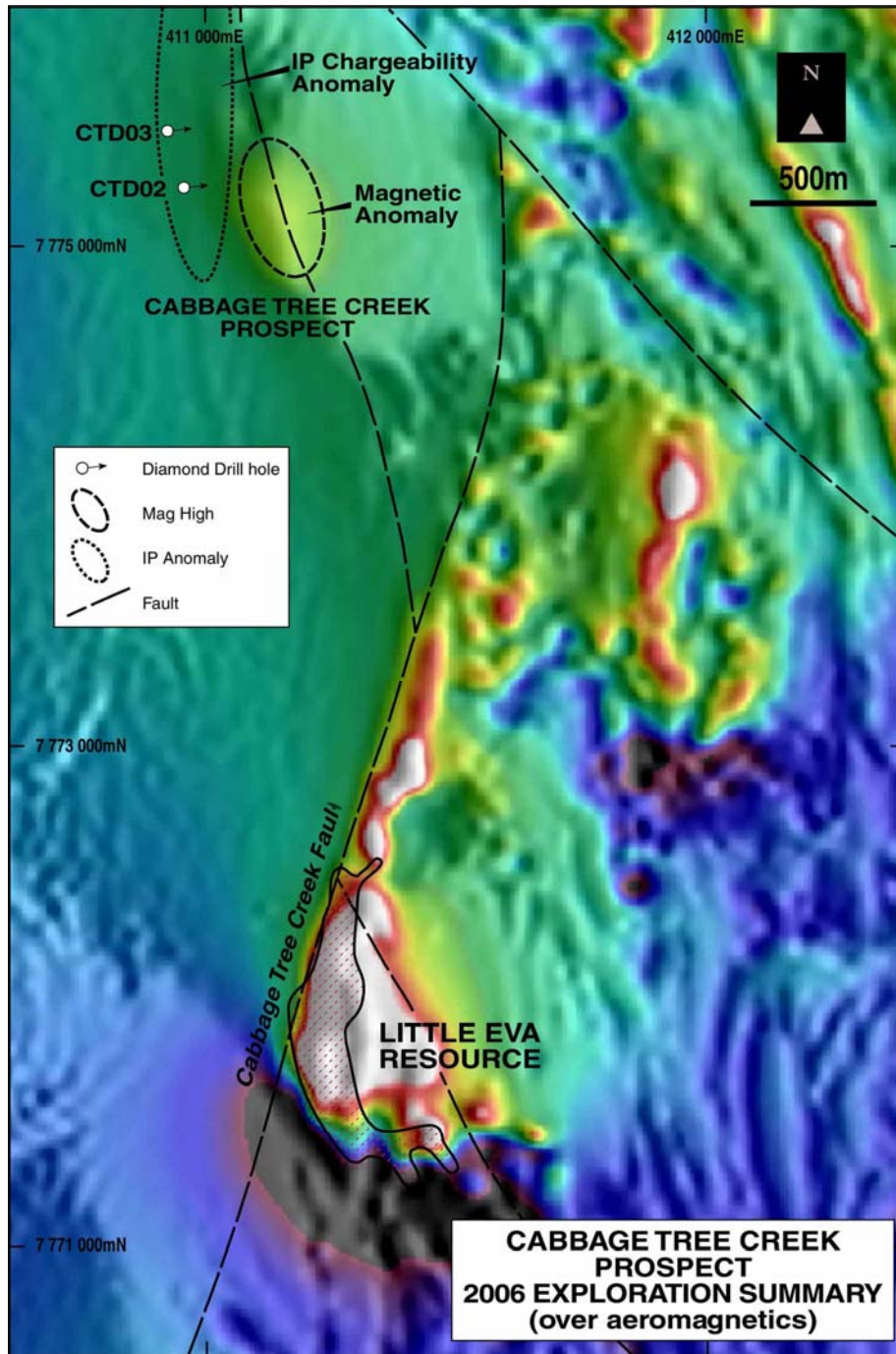
During the September quarter two diamond drill holes and an abandoned RC pre-collar were completed at Cabbage Tree Creek and two diamond drill holes were completed at Little Eva under the SEEP agreement with Xstrata Copper (Table13).

*Table 13 . Cabbage Tree Creek and Little Eva SEEP Drilling – Collar and Survey Details*

Prospect	Hole No.	AMG Co-ordinates		Depth (m)	Dip (deg)	Azimuth (magnetic)
		East	North			
Cabbage Tree Creek	CTD001	409932	7775226	101.8	-82	75
Cabbage Tree Creek	CTD002	409926	7775230	408.3	-80	75
Cabbage Tree Creek	CTD003	409866	7775465	492.5	-80	75
Little Eva	LED495	410423	7771657	414.3	-60	75
Little Eva	LED496	410441	7771506	570.2	-60	75

### Cabbage Tree Creek Prospect

Two diamond drill holes tested a deep zone of combined high chargeability and low resistivity Induced Polarisation (IP) anomalies at Cabbage Tree Creek, located 3km north-northwest of Little Eva, which lies on the flank of a magnetic high anomaly (Figure 7).



*Figure 7: Magnetic anomalism at Little Eva and Cabbage Tree Creek*

These holes were the first drill holes to test the Cabbage Tree Creek anomaly. Drill holes CTD02 and CTD03 were collared on sections 250 metres apart and drilled to depths of 408.3m and 492.5m (Table 14) respectively. Proterozoic basement was intersected at 244.2m depth in CTD02 and at 264.7m in CTD03. All holes are RC pre-collared diamond drillholes. CTD01 was abandoned before reaching the target zone due to drilling problems.

Drill hole CTD03 intersected two 14 metre wide zones of copper-gold mineralisation in which chalcopyrite occurs as veins, fracture fill, blebs and breccia matrix. This is similar to the style seen at Little Eva. However at Cabbage Tree the mineralisation is hosted within quartz-dolomite altered calc-silicate and pelite. The best intersections are provided in Table 14.

**Table 14 Best Drill Intercepts: Cabbage Tree Creek and Little Eva Prospects**

Prospect	Hole No.	Interval (m) #			Copper	Gold	Total Depth
		From	To	Length	(%)	(g/t)	(m)
Cabbage Tree Creek	<b>CTD003 incl.</b>	<b>393</b>	<b>407</b>	<b>14</b>	<b>2.00</b>	<b>0.46</b>	<b>492.5</b>
		<b>393</b>	<b>399</b>	<b>6</b>	<b>3.19</b>	<b>0.81</b>	
		424	428	4	0.66	0.15	
		<b>451</b>	<b>465</b>	<b>14</b>	<b>1.30</b>	<b>0.29</b>	
Little Eva	LED495	66	71	5	0.59	0.03	414.3
		118	127	9	0.64	0.09	
		256	262	6	0.64	0.12	
		283	288	5	1.12	0.10	
		316	324	8	0.89	0.21	
Little Eva	LED496	47	51	4	0.94	0.10	570.2
		100	105	5	0.53	0.18	
		211	216	5	0.69	0.26	

\* Calculated at a 0.4 % copper cut-off. 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.

Copper sulphide mineralisation in drill hole CTD02 was limited to trace amounts of chalcopyrite and bornite. The best intersection was 2m at 0.35% copper from 343m.

Down-hole logging was completed on CTD03 with a 1m IP-resistivity probe. The logging has shown the mineralisation to be characterised by high chargeability and low resistivity. IP-resistivity logging was not attempted on CTD02 because the hole was blocked at 230m depth.

A further downhole TEM survey of drill hole CTD03, sequentially utilising three contiguous 400m x 500m rectangular surface transmitter loops, was carried out to investigate the attitude and extent of the electrically conductive sulphide mineralisation intersected in the drill hole. Processing and interpretation of the down hole TEM data is currently in progress.

Universal believes that the discovery of this zone of good grade copper-gold mineralisation at depth beneath the Cambrian sediments of the Landsborough Graben indicates that regional fault structures and Little Eva style copper-gold mineralisation exist at depth across the Cabbage Tree Creek Fault.

### **Little Eva Prospect**

Two diamond drill holes, LED495 and LED496 targeting broadly coincident deep IP chargeability, magnetic, copper and gold anomalism over at least 400 metres of strike intersected patchy, generally low-grade chalcopyrite mineralisation, rather than the targeted high-grade zone. A summary of significant intercepts is given in Table 15.

Down-hole IP-resistivity logging was completed on these drill holes utilizing the Xstrata Copper's in-house 1m IP-resistivity probe. Processing and interpretation of the data has not yet been completed.

## **3. 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 km<sup>2</sup> in granted EPM's.

### **Exploration**

Mapping, XRF Niton surveys and rock chip sampling were undertaken in the Happy Valley, Dronfield and Pinnacle Exploration Permit areas (Figure 2). Geological interpretation and assessment of this work are in progress and rock grab assay results have not yet been received.

Geological interpretation and priority ranking of all the Mt Isa regional tenements is close to completion. It is intended that lower priority tenements be offered for joint venture during the next quarter.

#### ***EPM9611 – Happy Valley***

Universal Resources undertook a mapping, rock chip sampling and soil program over the Mt Michael prospect, located approximately 25 kilometres south of Cloncurry. The area has been subject to sporadic exploration in the past, including ground magnetic and electromagnetic surveys with several phases of drilling carried out.

Results from the geologic mapping, soil and rock chip sampling campaign, and historic drilling data review, indicate an extensive alteration system associated with widespread copper in the area. Much of the area has not been adequately drill tested and remains open to the north and at depth.

#### ***EPM14369 – Dronfield***

Two grass roots prospects, identified from prospectivity analysis were visited during the September quarter and confirmed the exploration potential for iron oxide-related copper-gold mineralisation to occur associated with regional silica-albite alteration and local occurrences of moderate hematite-albite+/- magnetite- (?)sulphide alteration. This alteration is locally pervasive and appears to have a strong fracture control. A small zone of gossanous hematite-magnetite- (?)sulphide mineralisation was observed within a fault zone. A number of rock chip samples were taken with results pending at the end of the quarter.

### ***EPM 9056 - Pinnacle***

A reconnaissance Niton XRF soil sampling program at the Pinnacle Prospect was undertaken during the quarter to follow up anomalies identified from mapping and regional magnetic data. The anomalies are located adjacent to and in a similar structural setting as the Volga copper workings. The target zone is the junction of north-west and north-east striking structures approximately one kilometre to the north-east of Volga. Interpretation of the analytical data is in progress.

#### **4. LACHLAN FOLD BELT: (Universal 90% interest)**

The location of these tenements is shown in Figure 8. The total area under tenure is approximately 83.1 km<sup>2</sup> (32 sub blocks).

##### **4.1 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.

The North Woodlawn Project Joint Venture area is contiguous with TRO's existing tenement position in the Woodlawn District. Upon earning its interest TRO would control approximately 20 kilometres of strike length of the prospective Woodlawn Volcanics.

Exploration potential of the tenement as identified by the current holders is indicated by the following:

- The Collector-Glen Prospect represents a large hydrothermal system which has lithological and structural features similar to the Woodlawn deposit. Diamond drilling by previous explorers in the late 1990's, returned encouraging results in CD002 and CD003:
- CD002: 109.0 m @ 1.80% Zn from 83.2 m  
(including 6.8 m @ 9.45% Zn from 89.2 m); and  
20.4 m @ 4.00% Zn from 210.8 m.
- CD003: 81.8 m @ 1.20% Zn from 93.7 m  
(including 4.3 m @ 4.43% Zn from 103.1 m; and  
4.6 m @ 5.32% Zn from 138.4 m)

Annual exploration work programme and budget proposals are now under consideration.

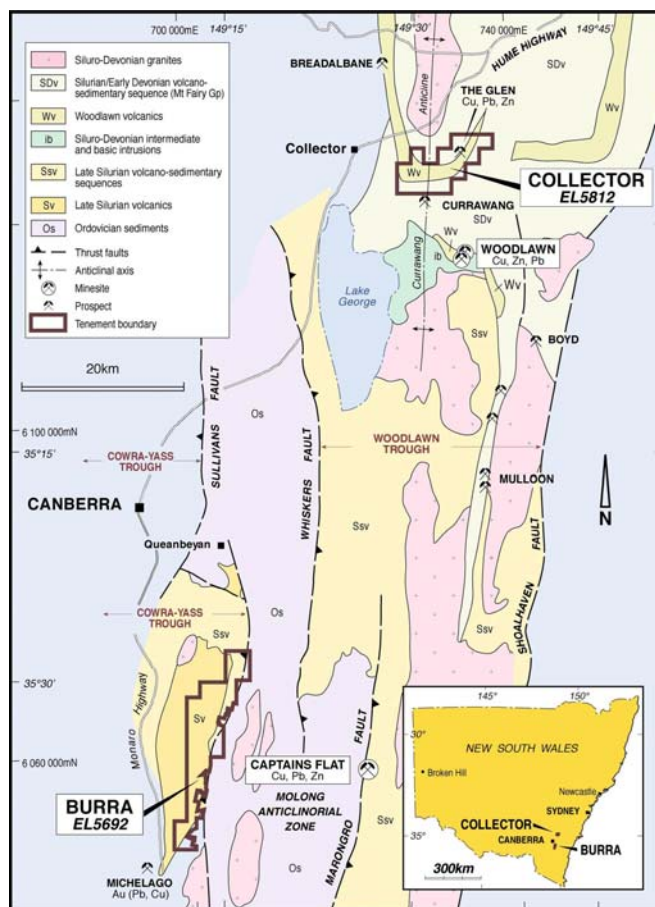


Figure 8: New South Wales Tenement Location Plan

#### 4.2 BURRA (EL 5692)

No work was undertaken on this tenement during the quarter. Preparations to approach joint venture partners for this project are well-advanced.

### 5. EXPLORATION EXPENDITURE

The September 2006 quarter exploration and feasibility related expenditure was \$4,533,000.

Exploration and feasibility related expenditure during the December 2006 quarter is expected to be approximately \$2,600,000.

Cash at 30 September 2006 was \$15,801,000.

#### Michael Hulmes Managing Director

*Information in this report that relates to exploration and feasibility results has been compiled by Maurice Hoyle who is a Fellow of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the activity which he is reporting on as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hoyle consents to the inclusion in the report of the matters based on the information compiled by him, 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")

30 September 2006

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (twelve months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(4,533)	(4,533)
(b) development		
(c) production		
(d) administration	(397)	(397)
1.3 Dividends received	165	165
1.4 Interest and other items of a similar nature received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (GST)	27	27
<b>Net Operating Cash Flows</b>	<b>(4,738)</b>	<b>(4,738)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects (b)equity investments		
(c) other fixed assets	(304)	(304)
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)		
<b>Net investing cash flows</b>	<b>(304)</b>	<b>(304)</b>
1.13 Total operating and investing cash flows (carried forward)	(5,042)	(5,042)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(5,042)	(5,042)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	5429	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)	(80)
	<b>Net financing cash flows</b>	<b>5,349</b>	<b>5,349</b>
	<b>Net increase (decrease) in cash held</b>	<b>307</b>	<b>307</b>
1.20	Cash at beginning of quarter/year to date	15,494	15,494
1.21	Exchange rate adjustments to item 1.20		
		<b>15,801</b>	<b>15,801</b>
1.22	<b>Cash at end of quarter</b>		

**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	154
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	2,600
4.2	Development	
<b>Total</b>		<b>2,600</b>

**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	15,801	15,801
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)		15,801	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	N/A		
6.2	Interests in mining tenements acquired or increased	EPM 14822 Titleholder	0%	100%

+ 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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	261,544,606	261,544,606		
7.4 Changes during quarter (a) Increases through issues	190,000	190,000		
7.5 <b>+Convertible debt securities</b> Converting Notes 5% coupon maturing June 2009	220,000			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	54,000		\$100	\$100
7.7 <b>Options</b> <i>(description and conversion factor)</i>	3,385,000 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	190,000			
7.10 Expired during quarter	250,000			
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <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: 30 September 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.