

# UNIVERSAL RESOURCES

HEAD OFFICE  
Level 2, Construction House  
35 Havelock Street, West Perth  
Western Australia 6005

POSTAL ADDRESS  
P O Box 1466, West Perth  
Western Australia 6872

Telephone: +61 (0)8 9486 8400  
Facsimile: +61 (0)8 9486 8700  
Email: [universal@universalresources.com.au](mailto:universal@universalresources.com.au)  
Website: [www.universalresources.com.au](http://www.universalresources.com.au)

14 March 2008

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

16 pages

Dear Sir/Madam

## **Half Year Report December 2007**

In accordance with Listing Rule 4.2A please find attached the half year ending December 2007 information.

This information should be read in conjunction with the 30 June 2007 annual financial report.

Yours faithfully



Peter Ingram  
Managing Director



# **UNIVERSAL RESOURCES LIMITED**

**ABN 35 090 468 018**

**Half-year Report**

**for the period ended 31 December 2007**

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## **Directors' Report**

For the half-year ended 31 December 2007

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 half-year ended 31 December 2007.

### **Directors**

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

P A J Ingram	Executive Chairman
J A Walls	Non-Executive Director

Mr M Hulmes was a director from the beginning of the half year until his resignation on 06 September 2007.

Mr C T Ansell was a director from the beginning of the half-year until his resignation on 31 December 2007.

Mr J Brewer was appointed a director on 02 October 2007 and continued in office at the date of this report.

Mr B Fulton was appointed a director on 17 December 2007 and continued in office at the date of this report.

Mr M W H Hoyle was appointed a director on 17 December 2007 and continued in office at the date of this report.

### **Review of Operations**

#### *Exploration and Evaluation*

##### Roseby Feasibility Study

On 21 December 2007 the Company signed a Letter of Intent to purchase an 8.4MW semi-autogenous grinding mill (“CITIC Mill”), yielding an opportunity to expedite development by securing delivery to Shanghai in 13 to 15 months.

On 7 March 2008 the definitive feasibility study results for the 4 million tonne per annum (Mtpa) Roseby Copper Project were released. The study confirmed viability in the significantly stronger copper market. The study was finalised at the proposed 4 Mtpa throughput. However, preliminary modelling suggests the CITIC mill may have a throughput capacity well in excess of 4 Mtpa. The Company is continuing to optimise the development plan and has commenced discussions with interested financiers for the more moderate capital requirement of the latest study.

Significant progress was made in advancing approvals required for development of the Roseby Copper Project.

##### Uranium Exploration

Work continued on target definition and drill testing in the Mary Kathleen Project Area and at uranium prospects within the regional Mt Isa tenements. This work is ongoing.

##### Copper-gold Exploration

Copper-gold exploration efforts during the half-year included continued target definition within the Roseby tenements (particularly Wonga and Bannockburn Prospects). Regional copper-gold exploration focussed on drill testing at Nil Desperandum and target definition at Ivy Ann and The Hog Prospects, both within the Cameron River tenement to the east of Roseby.

##### SEEP Project (Sulphide Extension Exploration Program)

Following their earlier election to proceed with the SEEP exploration joint venture, Xstrata Copper re-commenced drill testing at the Cabbage Tree Creek Prospect and Scanlan in the December 2007 quarter.

##### Lachlan Fold Belt

Limited activity occurred on the Burra and Collector Prospects during the half-year.

## **Directors' Report (continued)**

For the half-year ended 31 December 2007

### **Review of Operations (continued)**

#### *Corporate*

During February and March 2008 the Company was successful in raising \$2,912,000 through placement of 44,800,000 ordinary shares at an issue price of 6.5 cents per share.

During the half-year, 5,800,000 unlisted options were issued, 6,000,000 unlisted options were cancelled, and no unlisted options were exercised.

### **Financial Position**

At the end of the half-year the Consolidated Entity had net cash balances of \$3,821,915. Carried forward exploration expenditure was \$14,832,524, and net assets of the Group were \$15,163,116.

During the half-year the Company had a net increase in contributed equity of \$124,060 (from \$53,382,526 to \$53,506,586) as a result of:

- Conversion of 13,900 Converting Notes resulting in the issue of 7,722,222 ordinary shares at 18 cents per share;

Total liabilities of the Group amounted to \$4,285,222 and were limited to trade and other creditors, converting note borrowings and employee entitlements.

### **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 14.

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



**P Ingram**  
Executive Chairman

This 14th day of March 2008 at Perth, Western Australia

**Condensed Consolidated Income Statement**  
For the half-year ended 31 December 2007

	<b>Economic Entity</b>	
	<b>Half-year</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from continuing operations</b>	<b>187,420</b>	421,340
Employee benefits expense	<b>(1,138,606)</b>	(1,019,723)
Depreciation and amortisation expenses	<b>(75,334)</b>	(78,605)
Interest expense	<b>(59,801)</b>	(70,869)
Exploration and evaluation expenditure written off	<b>(3,148,603)</b>	(4,744,612)
Loss on sale of fixed assets	<b>(8,140)</b>	(309)
Office and administration expenses	<b>(469,844)</b>	(518,727)
<b>Loss before income tax</b>	<b>(4,712,908)</b>	(6,011,505)
Income tax expense	-	-
<b>Loss after income tax expense</b>	<b>(4,712,908)</b>	(6,011,505)
<b>Loss attributable to members of Universal Resources Limited</b>	<b>(4,712,908)</b>	(6,011,505)
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company</b>		
Basic earnings per share (cents)	(1.01)	(1.53)
Diluted earnings per share (cents)	(1.01)	(1.53)

*The above Condensed Consolidated Income Statement should be read in conjunction with the accompanying notes.*

**Condensed Consolidated Balance Sheet**  
As at 31 December 2007

	Note	Economic Entity	
		31 December 2007	30 June 2007
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,821,915	8,371,859
Receivables		254,424	631,657
Total current assets		<u>4,076,339</u>	<u>9,003,516</u>
<b>Non-current assets</b>			
Receivables		163,886	166,386
Other financial assets		2,000	2,000
Property, plant and equipment		373,589	468,951
Exploration and evaluation assets		14,832,524	14,832,524
Total non-current assets		<u>15,371,999</u>	<u>15,469,861</u>
<b>Total assets</b>		<u>19,448,338</u>	<u>24,473,377</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and Other Payables		3,099,758	3,057,871
Borrowings	4	686,885	717,882
Provisions		67,399	101,782
Total current liabilities		<u>3,854,042</u>	<u>3,877,535</u>
<b>Non-current liabilities</b>			
Borrowings	5	379,173	797,725
Provisions		52,007	97,280
Total non-current liabilities		<u>431,180</u>	<u>895,005</u>
<b>Total liabilities</b>		<u>4,285,222</u>	<u>4,772,540</u>
<b>NET ASSETS</b>		<u>15,163,116</u>	<u>19,700,837</u>
<b>EQUITY</b>			
Contributed equity		53,506,586	53,382,526
Reserves		300,045	248,918
Accumulated losses		<u>(38,643,515)</u>	<u>(33,930,607)</u>
<b>TOTAL EQUITY</b>		<u>15,163,116</u>	<u>19,700,837</u>

*The above Condensed Consolidated Balance Sheet should be read in conjunction with the accompanying notes.*

**Condensed Consolidated Statement of Changes in Equity**  
For the half-year ended 31 December 2007

	<b>Economic Entity</b>	
	<b>Half-year</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Total equity at the beginning of the half-year</b>	<b>19,700,837</b>	28,491,642
Share options	<b>51,127</b>	23,235
Loss for the half-year	<b>(4,712,908)</b>	(6,011,505)
<b>Total recognised income and expense for the half-year</b>	<b>(4,661,781)</b>	(5,988,270)
<b>Transactions with equity holders in their capacity as equity holders</b>		
Contributions of equity net of transaction costs	<b>124,060</b>	<b>172,068</b>
<b>Total equity at the end of the half-year</b>	<b>15,163,116</b>	22,675,440

*The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**Condensed Consolidated Cash Flows Statement**

For the half-year ended 31 December 2007

	<b>Economic Entity</b>	
	<b>Half-year</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)		-
Payments to suppliers and employees (inclusive of goods and services tax)	<b>(1,016,440)</b>	(633,463)
Interest received	<b>252,284</b>	373,606
Tax offset received	<b>342,165</b>	-
Payments for security deposits	-	(59,724)
Recoup of security deposits	<b>2,500</b>	-
<b>Net cash outflows from operating activities</b>	<b>(419,491)</b>	(319,581)
<b>Cash flows from investing activities</b>		
Payments for property, plant & equipment	<b>(11,937)</b>	(329,641)
Payments for available-for-sale financial assets	<b>(2,000)</b>	-
Proceeds from sale of fixed assets	<b>31,818</b>	-
Proceeds from sale of available-for-sale financial assets	<b>1,112</b>	-
Payments for exploration and evaluation	<b>(3,737,735)</b>	(7,531,816)
<b>Net cash outflows from investing activities</b>	<b>(3,718,742)</b>	(7,861,457)
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	-	5,428,500
Payment of interest on borrowings	<b>(411,711)</b>	(262,055)
Costs of share issues	-	(80,000)
<b>Net cash inflows from financing activities</b>	<b>(411,711)</b>	5,086,445
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,549,944)</b>	(3,094,593)
Cash and cash equivalents at the beginning of the half-year	<b>8,371,859</b>	15,493,987
<b>Cash and cash equivalents at the end of the half-year</b>	<b>3,821,915</b>	12,399,394

*The above Condensed Consolidated Cash Flows Statement should be read in conjunction with the accompanying notes.*

## Notes to the Financial Statements

For the half-year ended 31 December 2007

### 1. Basis of preparation of financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not contain all the notes of the type usually included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Universal Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those disclosed in the annual financial report for the year ended 30 June 2007.

### 2. 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.

Economic Entity Half-year	
2007	2006
\$	\$

### 3. Operating loss for the half-year

Loss for the half-year includes the following items that are unusual because of their nature, size or incidence:

#### Expenses

Exploration and evaluation expenditure written off	<u>3,148,603</u>	4,744,612
Employee severance payments	<u>310,000</u>	-

### 4. Current Liabilities – Borrowings

	Economic Entity	
	31 December 2007	30 June 2007
Converting notes accrued interest	<u>686,885</u>	717,882

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 are convertible into ordinary shares of the Company after ninety days and within three years at a conversion price of \$0.18. On maturity the notes will 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 Australian Stock Exchange over the five trading days prior to maturity date.

At 31 December 2007, 152,180 converting notes remained on issue.

**Notes to the Financial Statements (continued)**  
For the half-year ended 31 December 2007

**4. Current Liabilities – Borrowings (continued)**

The converting notes are presented in the balance sheet as follows:

	<b>Economic Entity</b>	
	<b>31 December</b>	30 June
	<b>2007</b>	2007
Face value of notes issued	<b>15,218,000</b>	16,608,000
Other equity securities – value of conversion rights	<b>(13,235,994)</b>	(14,445,023)
	<b>1,982,006</b>	2,162,978
Interest expense	<b>215,304</b>	170,374
Interest paid	<b>(1,131,252)</b>	(817,745)
	<b>1,066,058</b>	1,515,607
Current liability	<b>686,885</b>	717,882
Non-current liability	<b>379,173</b>	797,725
	<b>1,066,058</b>	1,515,607

Interest expense is calculated by applying the effective interest rate of 8.99% to the liability component.

**5. Non-Current Liabilities – Borrowings**

	<b>Economic Entity</b>	
	<b>31 December</b>	30 June
	<b>2007</b>	2007
Converting notes accrued interest	<b>379,173</b>	797,725

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 are convertible into ordinary shares of the Company after ninety days and within three years at a conversion price of \$0.18. On maturity the notes will 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 Australian Stock Exchange over the five trading days prior to maturity date.

At 31 December 2007, 152,180 converting notes remained on issue.

Further information on unsecured converting notes accrued interest is set out in Note 4.

**6. Dividends**

No dividends were paid or declared payable during or since the half-year.

**7. Equity securities issued**

	<b>Economic Entity</b>		<b>Economic Entity</b>	
	<b>Half-year</b>		<b>Half-year</b>	
	<b>2007</b>	2006	<b>2007</b>	2006
	<b>shares</b>	shares	<b>\$</b>	\$
<b>Issue of ordinary shares during the half-year</b>				
Ordinary shares issued at 15 cents per share pursuant to exercise of options	-	190,000	-	28,500
Ordinary shares issued at 18 cents per share pursuant to conversion of Converting Notes	<b>7,722,222</b>	6,288,887	<b>1,333,089</b>	1,128,134
<b>Change in Converting Note equity</b>				
Reduction upon conversion of Converting Notes	-	-	<b>(1,209,028)</b>	(984,566)

## Notes to the Financial Statements (continued)

For the half-year ended 31 December 2007

### 8. 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.

- 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 offtake 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 offtake 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 Offtake 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.

**Notes to the Financial Statements (continued)**

For the half-year ended 31 December 2007

**9. Events subsequent to balance sheet date**

Subsequent to the end of the half-year, the following events occurred:

On 25 February 2008 the Company was successful in raising \$715,000 through placement of 11,000,000 ordinary shares at an issue price of 6.5 cents per share.

On 5 March 2008 the Company was successful in raising \$2,197,000 through placement of 33,800,000 ordinary shares at an issue price of 6.5 cents per share.

On 7 March 2008 the revised definitive feasibility study results for the Roseby Copper Project were released. The smaller scale (4 million tonnes per annum) mining and treatment operation confirmed viability in the significantly stronger copper market.

Apart from the items disclosed above, there has not arisen, in the interval between the end of the half-year and the date of this report, any item, transaction or event of a material or unusual nature which, in the opinion of the Directors has, or may, significantly affect the operations or financial position of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future periods.

**Directors' Declaration**

For the half-year ended 31 December 2007

The directors of the Company declare that:

- (A) the financial statements and notes, as set out on pages 5 to 12, are in accordance with the Corporations Act 2001 and:
- (i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
  - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date.
- (B) in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**P Ingram**  
**Executive Chairman**

Dated at Perth on this 14th day of March 2008

**DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF  
UNIVERSAL RESOURCES LIMITED**

As lead auditor of Universal Resources Limited for the half year ended 31 December 2007, 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 review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Universal Resources Limited and the entities it controlled during the period.



**Chris Burton**  
Director

**BDO Kendalls Audit & Assurance (WA) Pty Ltd**  
Perth, 14 March 2008



## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Universal Resources Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Universal Resources Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Universal Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Universal Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

**BDO Kendalls Audit & Assurance (WA) Pty Ltd**

BDO Kendalls



**Chris Burton**  
Director

Perth, 14 March 2008