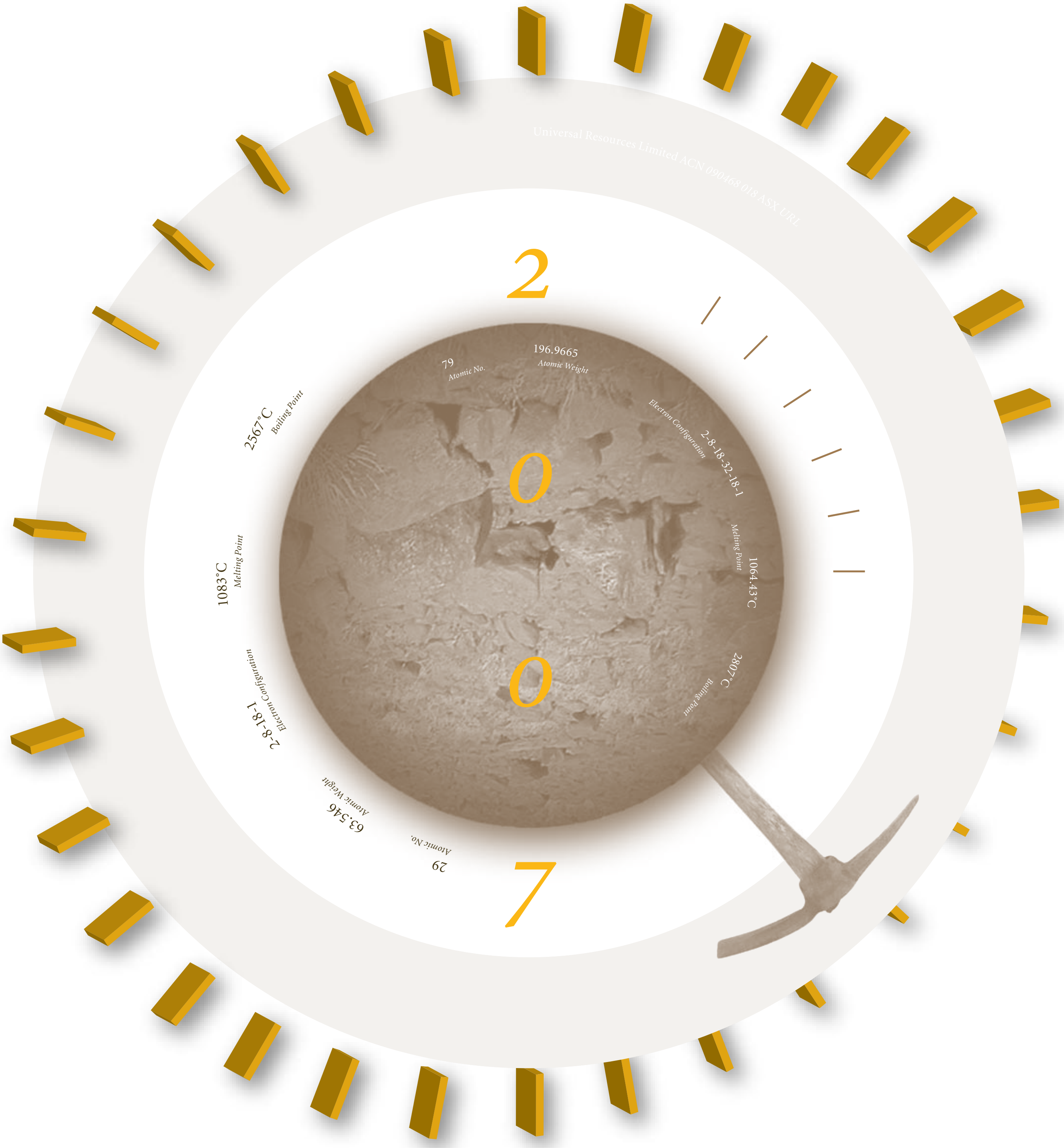
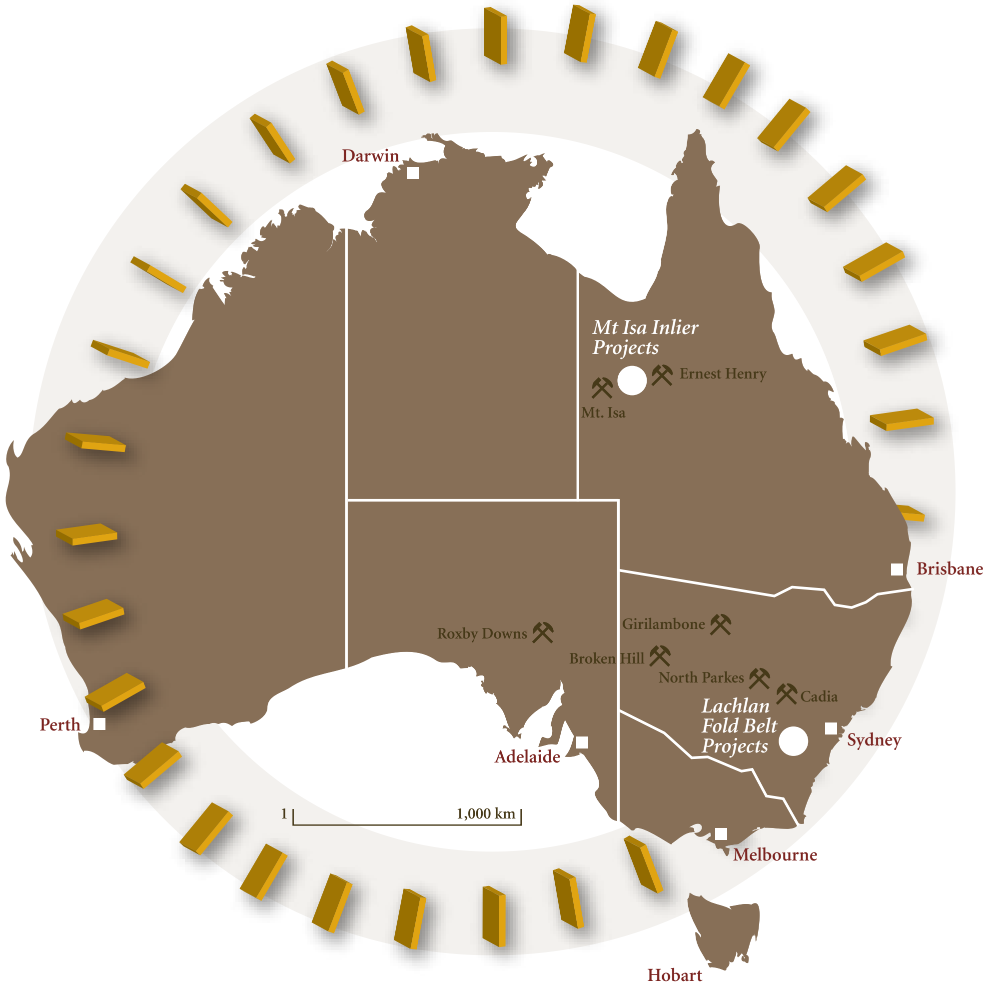
Annual Report



UNIVERSAL RESOURCES

Project Locations



Universal Resources Limited

Is an Australian mining and exploration company with a focus on base and precious metals and uranium within Australia.

The company's major asset is the Roseby Copper Project in the Cloncurry area of northwest Queensland where the company has been undertaking a feasibility study of a potential 4 million tonnes per annum mining operation.

Contents

In addition to its base and precious metal interests, the Company's tenements in the Mt Isa area have considerable potential for the discovery of Mary Kathleen and roll-front styles of uranium mineralisation.

Company Particulars

Directors

P A J Ingram	Chairman and Managing Director
C T Ansell	Non-Executive Director
J A Walls	Non-Executive Director

Company Secretary

D J Kelly

Principal & Registered Office in Australia

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West Perth WA 6005

PO Box 1466
West Perth WA 6872

Telephone 61 8 9486 8400
Facsimile 61 8 9486 8700

Email: universal@universalresources.com.au
Website: www.universalresources.com.au

Country of Incorporation

Australia

Share Registry

Computershare Investor Services Pty Ltd
Level 2 Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

Telephone 61 8 9323 2000
Facsimile 61 8 9323 2033

Auditor

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
Subiaco WA 6008

Telephone 61 8 9380 8400
Facsimile 61 8 9380 8499

Bankers

National Australia Bank
1238 Hay Street
West Perth WA 6005

Solicitor

Blakiston & Crabb
1202 Hay Street
West Perth WA 6005

Telephone 61 8 9322 7644
Facsimile 61 8 9322 1506

Stock Exchange Listing

The Company's shares are listed on the Mining Board of Australian Securities Exchange ("ASX")

ASX Code URL

The Company is also listed on the Regulated Unofficial Market (FREIVERKEHR) of the Frankfurt Stock Exchange.

Chairman's Letter

Dear Shareholder

While 2007 has in many respects been a difficult year for the Company and its shareholders, your Board has taken appropriate corrective action and has implemented strategies which we believe will result in improved performance in the year ahead.

On the corporate front, the issue of Converting Notes to raise $22 million, less costs, was successfully completed in July 2006. As a result, Universal is in a satisfactory financial position, with adequate finance for the Company to complete its current feasibility and exploration programs.

The first feasibility study of the Roseby Copper Project, completed in October 2006, demonstrated clear technical viability for the proposed large-scale 8 million tonnes per annum mining and treatment operation. However, the relatively high forecast capital and operating costs of the operation constrained our ability to access suitable project debt finance and the high capital cost was beyond the capacity of the Company to fund the project by way of equity raisings. Consequently, the Company decided to investigate the economics of a smaller scale (4 million tonnes per annum) operation as an interim development option at Roseby. This study is nearing completion and the results should be available by late October 2007.

While our focus has been on evaluating appropriate development options for the Roseby Project, we have also maintained a moderately active exploration program during the year – including the commencement of a new uranium exploration initiative within our tenements.

Exploration activities included the mapping and sampling of high-grade copper-gold occurrences and testing of several uranium targets within the Roseby and regional Mt Isa tenements. Follow-up drilling was completed on the Nil Desperandum copper-gold prospect in the Bushy Park tenement and at the Glen Isla uranium prospect in the Malakoff tenement, with encouraging results from both programs.

Drilling was also undertaken at the high-grade Bedford and Lady Clayre copper-gold deposits. Good drilling targets have also been identified in the Mary Kathleen project area, although drilling of these highly promising areas has been constrained by the paucity of exploration drill rigs available in Queensland.

Regional evaluation of the non-Roseby tenements in the Mt Isa Inlier has enabled us to prioritise these prospects. Five tenements will be retained for exploration by Universal, four will be farmed-out to third-parties and two, which we assessed as having very low prospectivity, have been relinquished.

During the year, Xstrata Copper exercised its option to enter into the Sulphide Extension Exploration Project (SEEP) Joint Venture, a major exploration initiative at Roseby targeting potentially large sulphide copper deposits below and/or along strike from the existing 93 million tonnes of native copper resources. Pursuant to the terms of the SEEP Joint Venture, a substantial program of exploration will be undertaken and sole funded by Xstrata Copper. Of particular interest will be the deep drilling programs planned to test the Cabbage Tree Creek prospect, which has returned promising early exploration results, and the sulphide system beneath the native copper deposits at Blackard and Scanlan.

The Collector Project in New South Wales has been farmed-out to Tri Origin Minerals Limited, and Burra, also in NSW, is the subject of advanced joint venture negotiations.

Your directors have been in discussions with a number of potential candidates to join the Board. I expect to be able to make an announcement in this regard prior to the Annual General Meeting.

I would also like to thank the Company's employees, contractors and consultants who have all worked diligently on your behalf during the year.

Finally, I would like to thank you, the shareholders, for your support through the difficult times experienced over the past year. I urge you to support the resolutions to be put to the Annual General Meeting and to attend the meeting in person or by proxy.

I wish everyone involved with the Company well for the year ahead.

Yours faithfully

P. Ingram

Peter Ingram
Chairman and Managing Director

Report on Operations

FINANCIAL AND CORPORATE ACTIVITIES

Expenditures

Expenditures for the year to 30 June 2007 totalled $12,782,435, including $10,421,726 expended on mineral exploration and feasibility studies.

The consolidated loss for the year was $9,517,218 ($11,925,608).

Consolidated Total Equity as at 30 June 2007 was $19,700,837 ($28, 491,642).

As at 30 June 2007, cash at bank and on deposit totalled $8,371,859 ($15,493,987).

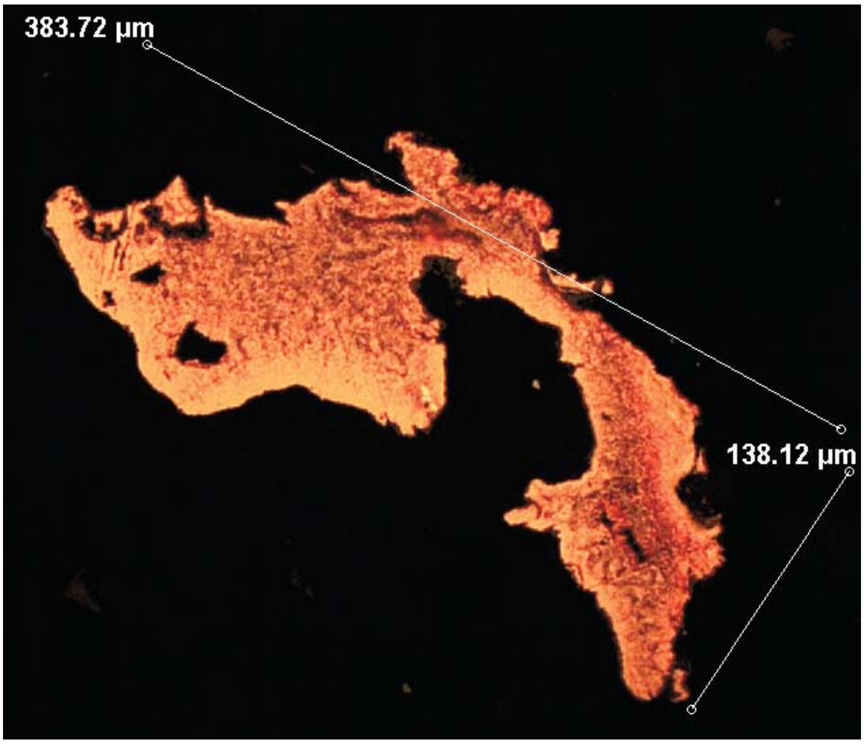
Capital Raisings

During the year the Company completed an issue of Converting Notes, initiated in June 2006, to raise an additional $5,428,500.

Issued Capital

During the year, 190,000 shares were issued upon exercise of employee options and 29,955,550 shares were issued upon conversion of Converting Notes.

As at 30 June 2007, the Company had 291,500,156 fully paid ordinary shares on issue. There were also 14,385,000 unlisted employee options on issue.



Native Copper from Scanlan Ore

Report on Operations

(continued)

ROSEBY FEASIBILITY STUDY

Introduction

The Roseby Copper Project Feasibility Study, completed in October 2006, investigated the potential development of a large-scale mining and processing operation based on treating 8 million tonnes per annum (Mtpa) of mixed native copper and sulphide ores.

The study demonstrated that, whilst technically feasible, the Project would be difficult to finance due to the high capital cost estimate and the moderately high forecast operating costs. In February 2007, the Company decided to scale back the scope of the Project to reduce the capital costs, the long lead-times for some large items of equipment and the implementation risks of a large project.

As part of this strategy, Universal engaged Perth-based consulting engineering group, Como Engineers Pty Ltd, to prepare revised capital and operating cost estimates for several processing options including:

- 4Mtpa of blended sulphide and native copper ores;
- 4Mtpa of native copper ores; and
- 2Mtpa of sulphide copper ores.

Current indications are that this revised project development, if shown to be economic, can be phased into production on the basis of an initial 4Mtpa of native copper ores followed by an expansion, in the second year of operation, to treat both native copper and sulphide ores.

It is anticipated that results of the study will be available by end - October 2007 for reporting to shareholders and ASX. If the study shows the Project to be economically viable, it is anticipated that it could be brought into production by the beginning of 2009.

Permitting

In April 2005, Universal applied for five Mining Leases covering the 12 copper deposits comprising the Roseby Copper Project.

Land access compensation agreements with the leaseholders covered by the Mining Lease Applications (MLA's) are currently being negotiated.

An Environmental Impact Statement was lodged with the relevant authorities and public submissions have been received. The Company is in the process of responding to the matters raised in the public submissions. There are no major environmental impediments to the project proceeding.

The Company anticipates that, subject to completion of Land Access Compensation agreements and environmental approvals, the MLA's could be approved for grant by the Minister during the second quarter of calendar 2008.

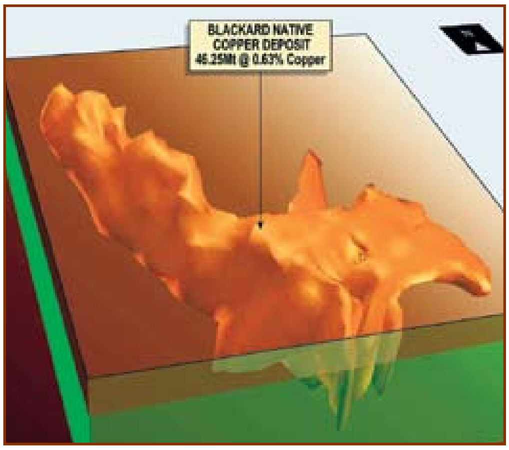
Metallurgical Testing

An independent review of the first Roseby Feasibility Study highlighted some areas requiring further metallurgical testwork. While not all of this additional work has been required for completion of the new study, most of the key recommendations have been implemented and incorporated into it.

Considerable additional technical work was undertaken during the year. In particular, an assay proxy for flotation recovery of the Blackard native copper ores was developed and more than 2,400 mineralised drill samples have been re-assayed and assessed using the assay-flotation algorithm. This work has provided better characterisation of grade/recovery domains within the Blackard deposit.

The combined results of the metallurgical testwork and the re-assaying program have demonstrated that the historical assay technique used for the native copper mineralisation, on which metallurgical recoveries are based, underestimates the total copper content by approximately 8%. Taking this into account, the average metallurgical recovery is now estimated at 62% for native copper ores and 95% for sulphide ores.

Further locked cycle testwork has also been undertaken to optimise the mill design.



Blackard Deposit 0.2% Copper Envelope

Resources, Pit Optimisation and Mine Design

As at 30 June 2007 the Roseby and Ivy Ann Copper-Gold resources are as given in Table 1 below:

DEPOSIT	RESOURCES AT 0.3% COPPER CUT-OFF GRADE													
	MEASURED			INDICATED			INFERRED			TOTAL			CONTAINED METAL	
	Tonnes	Grade		Tonnes	Grade		Tonnes	Grade		Tonnes	Grade		COPPER	GOLD
	M	Cu %	Au g/t	M	Cu %	Au g/t	M	Cu %	Au g/t	M	Cu %	Au g/t	T	(Oz)
OXIDE DEPOSITS														
Blackard	26.29	0.64	0.01	17.87	0.63	0.01	2.09	0.58	0.01	46.25	0.63	0.01	293,000	16,190
Legend							6.13	0.6	0.01	6.13	0.6	0.01	36,597	1,942
Longamundi							10.40	0.66	0.01	10.40	0.66	0.01	69,037	3,632
Great Southern							6.00	0.61	0.01	6.00	0.61	0.01	36,330	2,000
Scanlan				15.37	0.65	0.01	4.24	0.8	0.01	19.62	0.68	0.01	134,160	7,370
Charlie Brown							0.70	0.40	0.01	0.70	0.40	0.01	2,820	230
Caroline							3.60	0.53	0.02	3.60	0.53	0.02	18,820	2,390
Sub-Total Oxides	26.29	0.64	0.01	33.24	0.63	0.01	33.16	0.63	0.01	92.7	0.64	0.01	590,764	33,754
SULPHIDE DEPOSITS														
Little Eva	3.84	1.04	0.13	22.81	0.75	0.13	3.72	0.73	0.15	30.37	0.78	0.14	237,690	132,230
Lady Clayre zone A							2.87	0.92	0.50	2.87	0.92	0.50	26,414	45,829
Lady Clayre zone F							0.83	0.76	0.51	0.83	0.76	0.51	6,333	13,480
Sub-Total Lady Clayre							3.70	0.88	0.51	3.70	0.88	0.51	32,747	59,309
Bedford North							1.07	1.00	0.25	1.07	1.00	0.25	10,710	8,505
Bedford South							0.70	0.83	0.24	0.70	0.83	0.24	5,793	5,288
Sub-Total Bedford							1.77	0.93	0.24	1.77	0.93	0.24	16,503	13,793
Sub-Total Sulphides	3.84	1.04	0.13	22.81	0.75	0.13	9.19	0.83	0.31	35.84	0.80	0.18	286,940	205,332
ROSEBY TOTAL	30.13	0.69	0.03	56.05	0.68	0.06	42.35	0.68	0.08	128.54	0.68	0.06	877,704	239,086
Ivy Ann (Cameron River)							4.00	0.72	0.12	4.00	0.72	0.12	28,800	15,432
TOTAL	30.13	0.69	0.03	56.05	0.68	0.06	46.35	0.68	0.08	132.54	0.68	0.06	906,504	254,518

TABLE 1 Roseby and Ivy Ann Copper-Gold Resources as at 30 June 2007

New pit optimisation models are being developed using the new recovery and cost data. Open pit design is currently in progress and will result in the finalisation of a new Ore Reserve statement for the Roseby Project, which will be released with the study results. New mining schedules are currently being assessed.

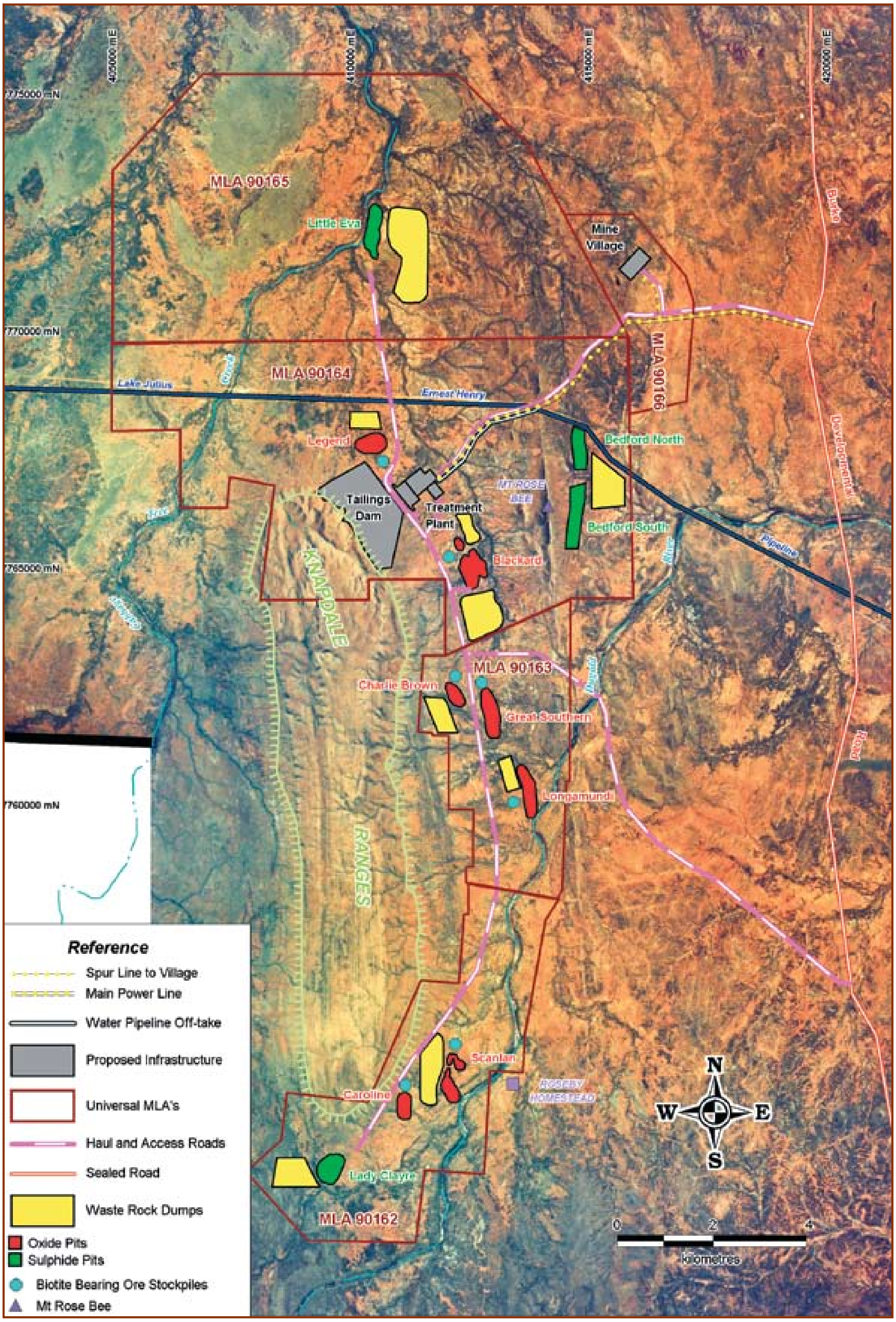
Indicative mining costs have been received from four mining contractors and these have been utilised in the new pit optimisations.

Capital and Operating Cost Estimates

Como Engineers Pty Ltd, which is a member of the ASX-listed VDM Group, has been contracted to undertake the revised process design work and to estimate final capital and operating costs for the Roseby Project. This work is mostly complete but is subject to final optimisation work currently in progress.

Timing

It is anticipated that the revised Feasibility Study will be completed by late October 2007. If the study confirms that the project is economically viable and all permitting is completed on schedule, the mine could be in production by the first quarter of calendar 2009.



Proposed Roseby Copper Project Mine Layout

Report on Operations

(continued)

EXPLORATION

Universal is a major tenement holder in the Mt Isa Inlier of North West Queensland, one of the world's premier base metal provinces. The Company also holds two Exploration Licences in the Lachlan Fold Belt of New South Wales which are prospective for massive sulphide deposits of zinc-lead (-copper-silver-gold).

Mt Isa Inlier

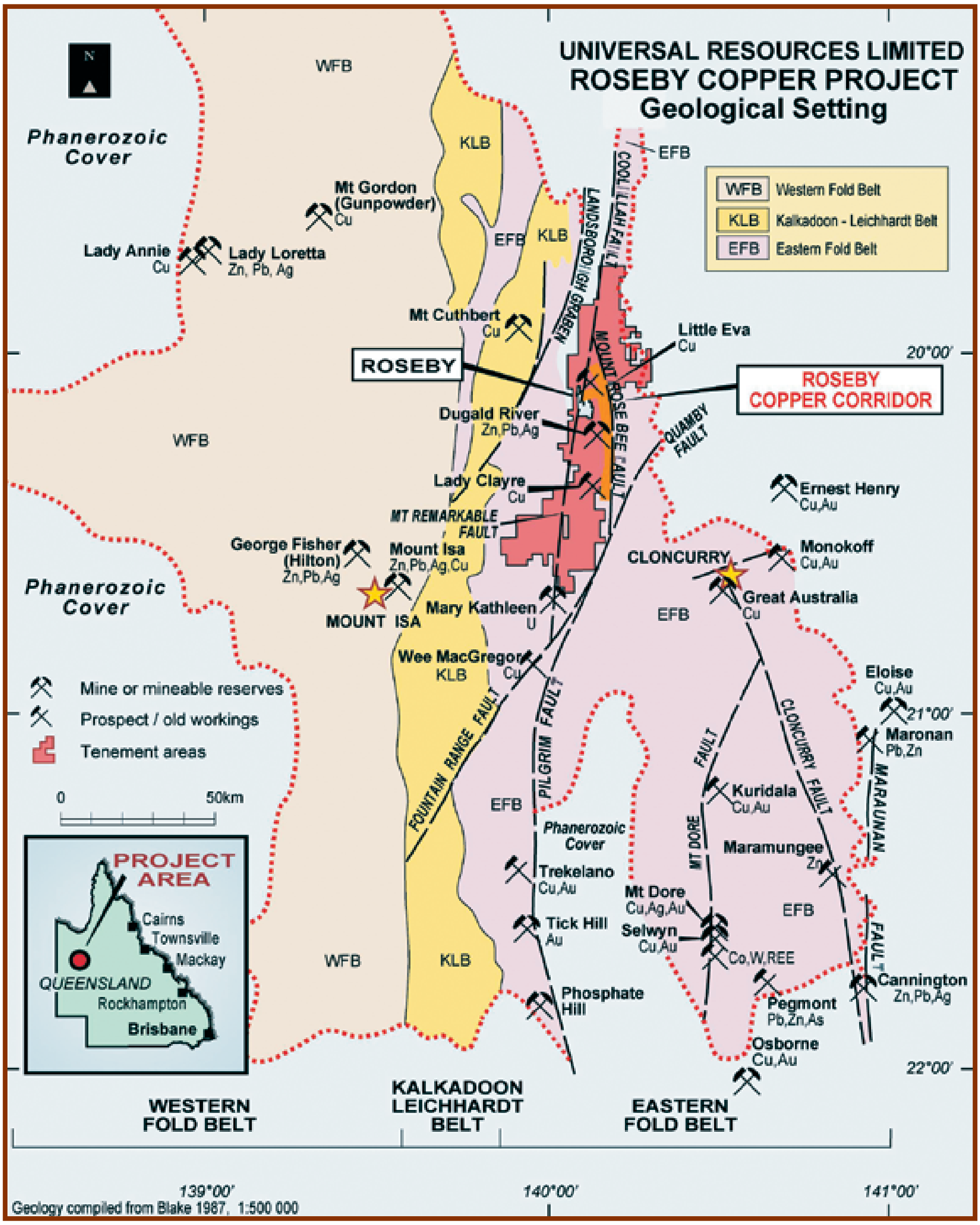
The Proterozoic Mt Isa Inlier hosts a number of significant mineral deposits, including:

- the very large copper-gold deposits at Mt Isa and Ernest Henry;
- major lead-zinc-silver deposits at Mt Isa, Century, Cannington and Dugald River; and
- significant uranium deposits at Mary Kathleen, Valhalla and Skal.

The province is relatively under-explored compared with the gold and nickel provinces of the Yilgarn Craton of Western Australia.

Universal's geologists believe that the exploration potential of the Mt Isa Inlier is excellent, providing the opportunity to discover both large-scale deposits and a number of small-to-medium sized deposits through the application of modern exploration concepts and techniques.

Universal holds more than 2,790 sq km of granted mining tenements in the Mt Isa Inlier, including EPMs, MLs and other miscellaneous leases (see the Tenement Schedule on the inside back cover). Of these, the tenements comprising the Roseby Copper Project – the Company's major asset – cover an area of approximately 1,773 sq km with the balance held in nine EPMs distributed throughout the Inlier.

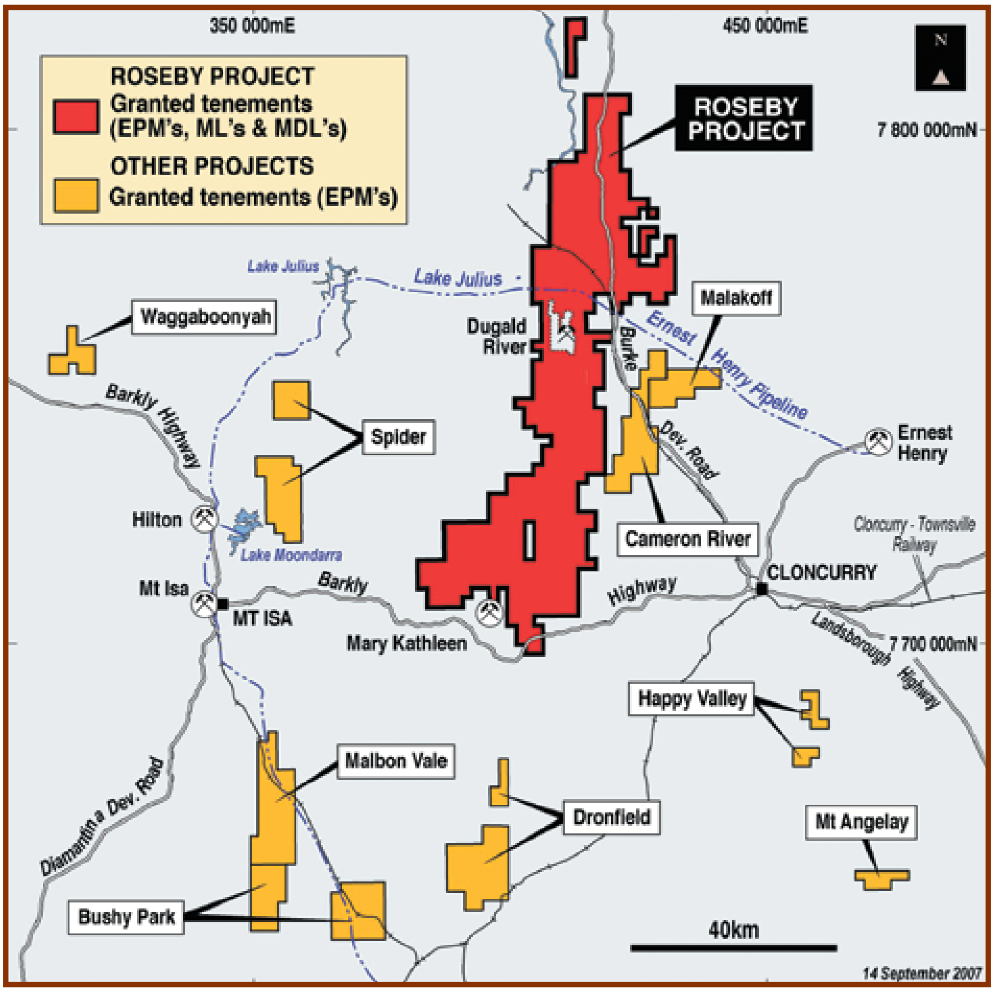


Mt Isa Inlier Geology

Roseby Tenements

(Subject to the Xstrata Copper SEEP Joint Venture and RFP Option to acquire a 51% interest)

During the year, limited exploration was undertaken within the Roseby Project tenements, with the Company's major focus being completion of the Roseby Feasibility Study. However, several prospects have been assessed and prepared for further exploration during 2007-08. In addition, Xstrata Copper, on behalf of Universal, undertook exploration for deep copper mineralisation within the Sulphide Extension Exploration Project (SEEP) area.



Mt Isa Inlier Universal Resources Limited Tenement Holdings

SEEP EXPLORATION
(Xstrata Copper earning 51% in the SEEP Area)

Under Universal's "Alliance" Agreement with Xstrata Copper, a program of Induced Polarisation (IP) surveying and deep diamond drilling was completed at the Cabbage Tree Creek prospect and at the Blackard, Legend and Scanlan native copper deposits.

Results of this exploration were encouraging with high-grade copper discovered at depth at the Cabbage Tree Creek prospect, north of Little Eva. Hole CTD03 intersected two zones of mineralisation (calculated using a lower cut-off grade of 0.4% copper):

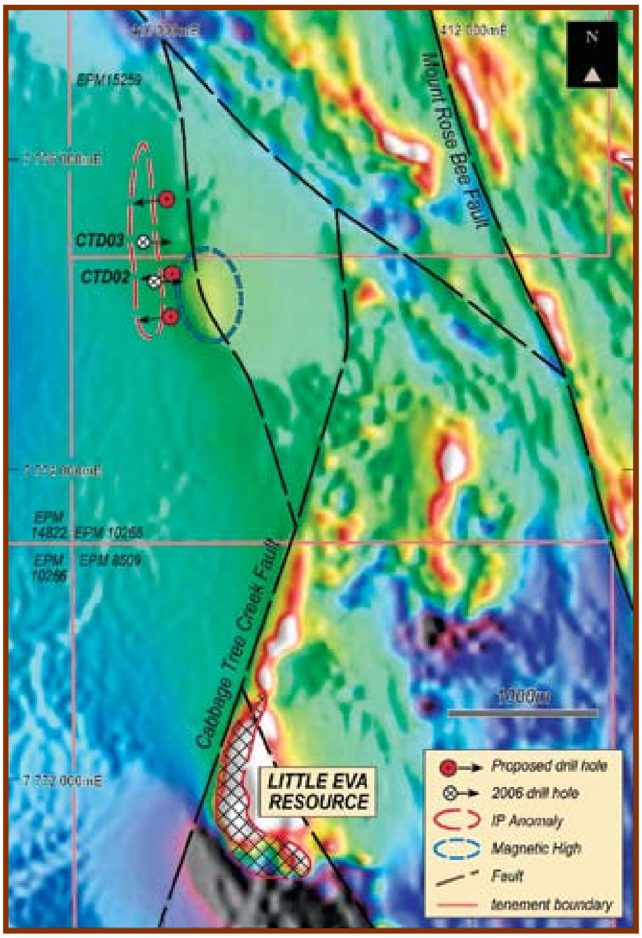
- 14m at 2.00% copper and 0.46g/t gold from 393m, including

  6m at 3.19% copper and 0.81g/t gold from 393m;
- 4m at 0.66% copper and 0.15g/t gold from 424m; and
- 14m at 1.30% copper and 0.29g/t gold from 451m.

Mineralisation at Cabbage Tree Creek is hosted in Proterozoic rocks of the Corella Formation, overlain by approximately 250m of much younger (Phanerozoic) sediments.

Recent detailed IP and electromagnetic (EM) surveys indicate that the sheet-like mineralisation extends at least 500m to the north and south of Hole CTD03 and dips at 55º to the east. Xstrata Copper has planned a program of three deep drill holes to test this target.

Following the Cabbage Tree Creek drilling, a program of up to eight deep holes is planned, including up to six holes beneath the Blackard deposit and two beneath Scanlan.



Cabbage Tree Creek Prospect

NON-SEEP EXPLORATION

Copper-Gold Prospects

Two prospects, Wonga and Clyde, have the potential to develop high-grade copper-gold (sulphide) resources for the Roseby Project. They warrant further exploration during the 2007-08 year.

Wonga

Wonga represents a high priority copper-gold sulphide target located just 1km east of the Mt Rose Bee Fault (MRBF) and 7 km south-east of the proposed Roseby plant site. The prospect lies outside of the SEEP area and has many of the characteristics typical of iron oxide copper-gold (IOCG) deposits in the Cloncurry area.

A well-defined circular anomaly, 1km in diameter, has been identified from aeromagnetic data. The anomaly is associated with extensive and persistent copper-gold-(silver-molybdenum) mineralisation peripheral to it, at Tin Soldier, Tin Lizzie, Red Indian and the Magnet Mine, as well as in outcrops of mineralised Naraku granite, suggesting the presence of a mineralised granite intrusion at shallow depth. If this is the case then this target could emerge as a major sulphide domain.

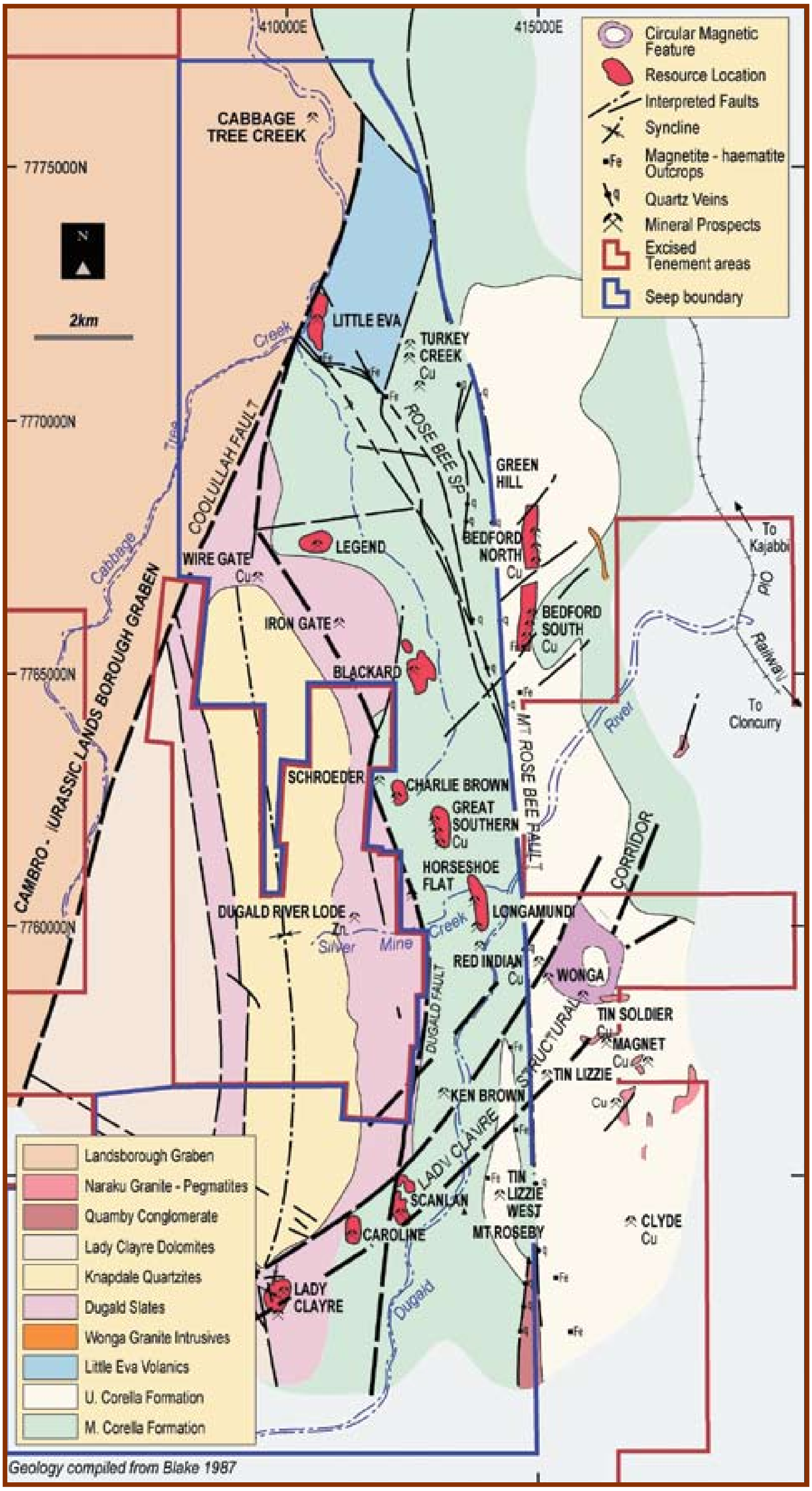
The prospectivity of the Wonga target is further enhanced by the informally named but well-defined “Lady Clayre Structural Corridor”, which hosts copper-gold-silver-molybdenum mineralisation in several locations and passes through Scanlan and the Wonga circular feature.

Universal plans to assess the Wonga target during 2007-08.

Clyde

The Clyde Prospect lies approximately 9km south-east of the centre of the Roseby Project and approximately 3km east of the MRBF. Old workings with abundant copper staining occur over a strike length of 200 metres. The mineralisation passes under alluvial and colluvial cover to the north and south. Rock chip sampling has determined a copper-gold association to be present within a quartz-veined shear trending sub-parallel to the MRBF which may host mineralisation similar to that at Bedford.

Report on Operations
(continued)



Roseby Copper Project Geology

Uranium Prospects

The Mt Isa Inlier is considered to be highly prospective for the discovery of new uranium deposits, with many known uranium occurrences within the region, ranging in size from small to large.

Mary Kathleen is the only uranium deposit in the Mt Isa Inlier to have been mined. A subsidiary of CRA (now Rio Tinto) operated the mine during two periods, from 1958 to 1963 and again from 1976 to 1982. Total production to the time of closure is reported as 9.2 million tonnes (Mt) at an average grade of 0.12% U_3O_8.

At the time, uranium was the only valuable commodity within the deposit, however significant quantities (up to 3% combined) of light rare earth elements (LREE), principally lanthanum, cerium and yttrium, were also present in the ore.

Uranium mineralisation at Mary Kathleen consists of uraninite whilst the LREEs are mainly within allanite. The principal sulphide minerals are chalcopyrite and pyrite, which occur as weak disseminations. The deposit is of hydrothermal origin and occurs in skarns and breccias derived from Middle Corella Formation calc-silicates.

The Burstall Granite intrusion, which lies adjacent to the Mary Kathleen deposit and is responsible for skarn development in the area, has elevated levels of radioactivity and uranium and is categorised as a 'hot' granite.

Structurally, the deposit lies adjacent to a major north-trending fault within a tightly folded syncline and is located near the intersection with the major north-east trending Cameron Fault. These intersecting faults are interpreted to have provided the plumbing system for the mineralising fluids.

The deposit has been dated at a similar age to the Ernest Henry copper-gold deposit.

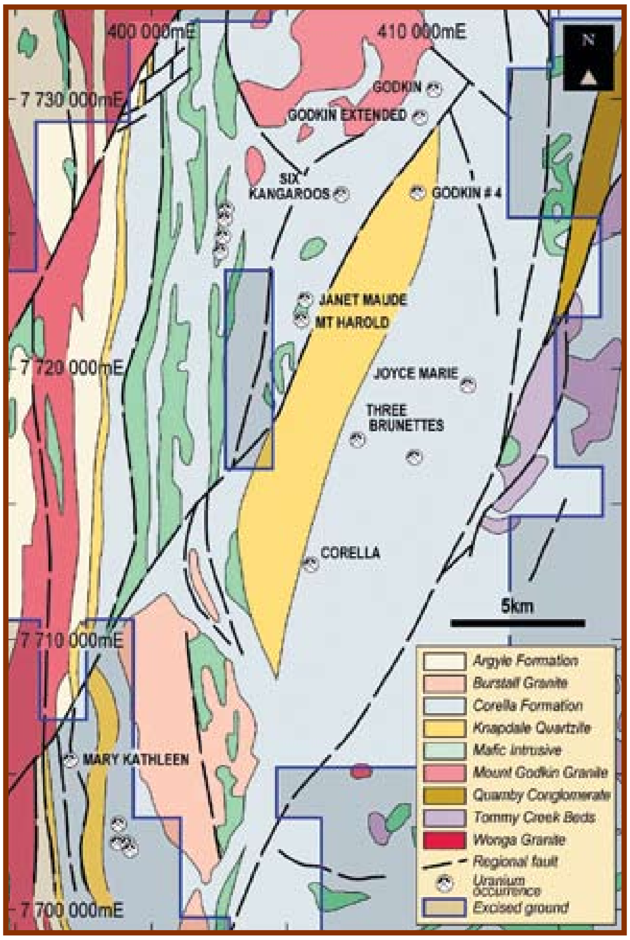
The Skal and Valhalla deposits near Mt Isa are also of major significance, but remain undeveloped under the Queensland Government's ban on the mining of uranium.

Mary Kathleen Project Area

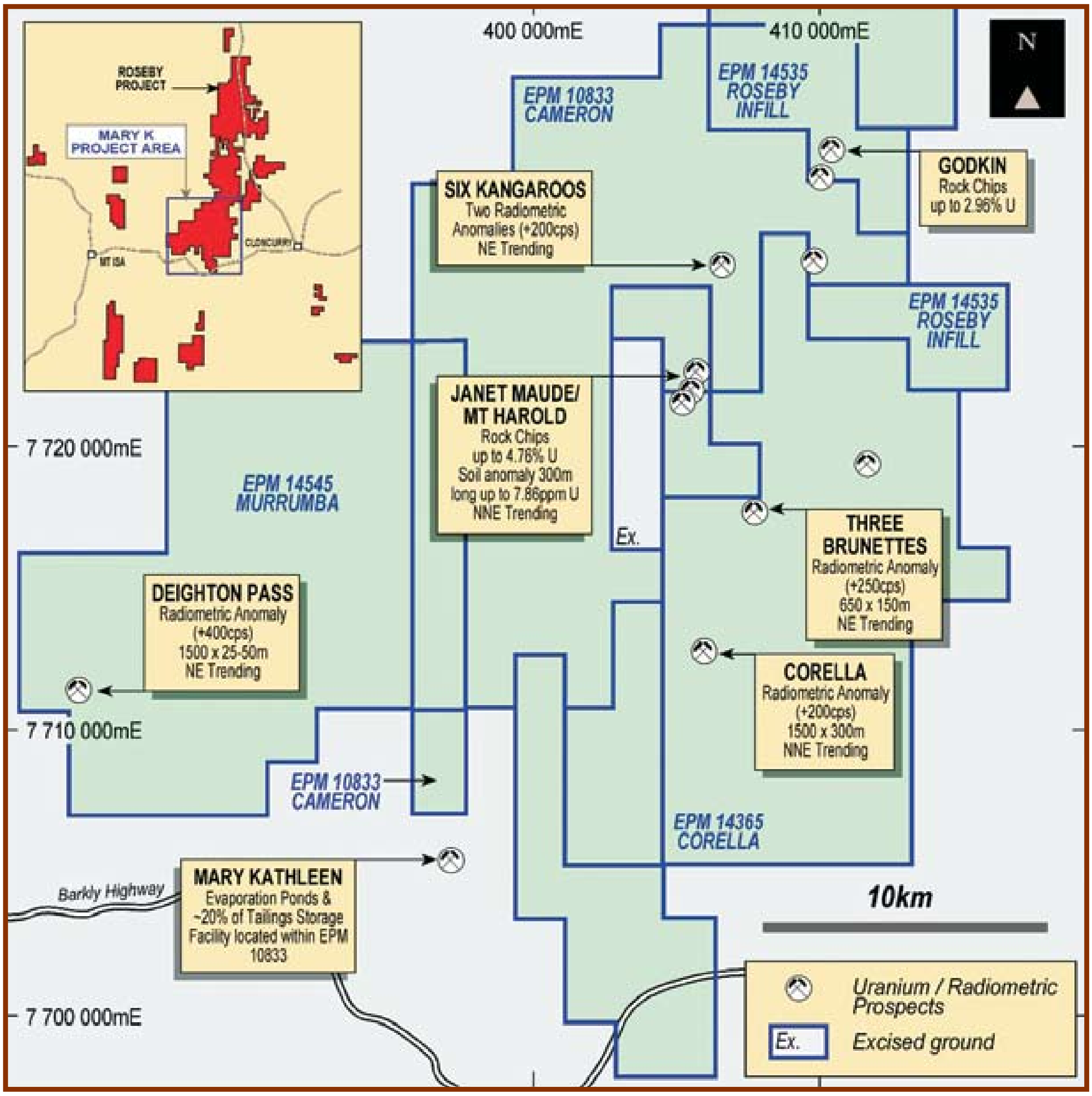
The southern portion of the Roseby Copper Project tenements covers a number of important uranium occurrences and anomalies. These prospects are geologically similar to the Mary Kathleen deposit and are rated as highly prospective. The area has been named the Mary Kathleen Project Area (MKPA).

Important features of the MKPA include the presence of:

- extensive uraniferous radiometric anomalies;
- uraniferous source rocks ('hot' granite intrusions) at Burstall and Godkin;
- iron-oxide-copper-gold-molybdenum veining;
- extensive hydrothermal alteration;
- mafic igneous intrusions;
- calc-silicate skarns;
- regional structural deformation; and
- major fracture systems providing a suitable plumbing system for the introduction of mineralising fluids from depth.



Geology of the MKPA



Mary Kathleen Project Area

Exploration within the MKPA commenced in March 2007, with the initial program including extensive geological mapping, scintillometer surveys and rock chip and soil sampling. Several high priority drill targets were identified from this work, namely the Corella, Three Brunettes, Godkin, Six Kangaroos, Deighton Pass and Janet Maude-Mt Harold prospects – where rock chip results, radiometric responses, anomaly size and structural attributes combine to present excellent scope for the delineation of sizeable deposits.

The uranium occurrences lie within a structural belt interconnecting the 'hot' Burstall and Godkin granites. Cross-cutting northwest trending structures are also important.

Mary Kathleen Project Area Uranium Targets

Encouraging assay results received during the year include:

Corella

Floaters of ironstone and a glassy mineral commonly exceeding 1% uranium, with associated high values for La, Ce, Y, Pb, V and titanium (Ti), are scattered over a 1,500m strike length and 300m width of radiometric anomalism (>200cps).

Godkin

Rock-chip samples ranging up to 2.96% uranium with 0.94% La, 0.72% Ce and 0.39% V.

Three Brunettes

Rock-chip samples of up to 5.9% uranium, 1.41% La, 0.94% Ce, 1.6% Pb and 0.21% V. The associated radiometric anomaly has a strike length of 650m.

Janet Maude-Mt Harold

Ironstone rock chip samples of up to 4.76% uranium, 3.04% La, 2.08% Ce and 0.78% Y.

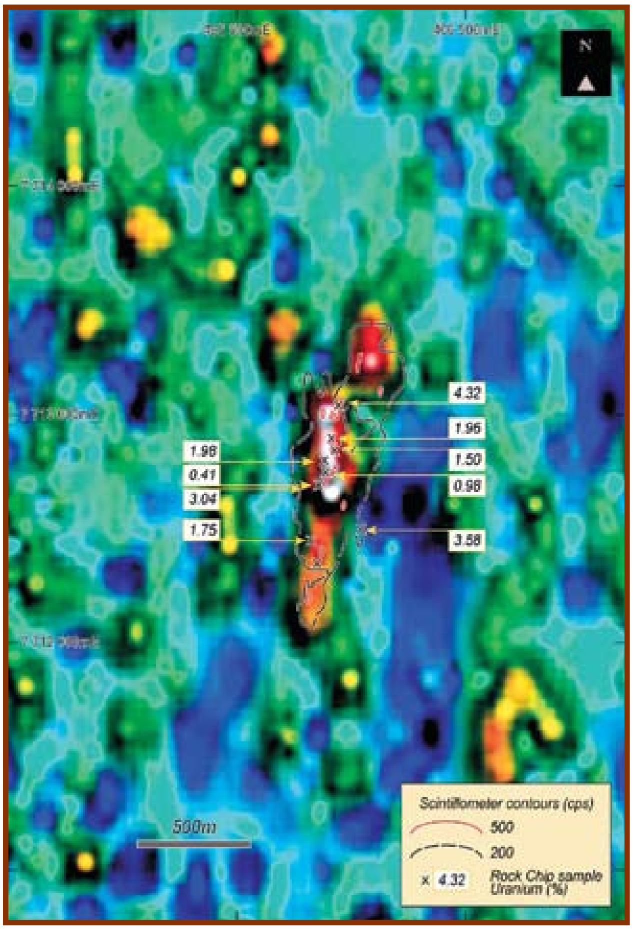
Deighton Pass

This newly discovered zone of radiometric anomalism has a strike length of more than 1500m and a width of up to 150 metres, as defined by the 200cps contour. It is located along a narrow ridge comprising carbonaceous shales, minor ferruginous bands and oxidised veinlets set within a sandy meta-sedimentary sequence.

Future Work

A heliborne regional sampling program is also planned, to fully evaluate the rugged country lying within the influence of the Burstall and Godkin granites.

Surface exploration is actively progressing within the MKPA and drilling of several of the advanced anomalies is planned for December quarter 2007.



Corella Prospect Radiometric Anomaly

Regional Tenements

Copper-Gold Prospects

Nil Desperandum

Nil Desperandum is a high-grade copper-gold prospect located within the Bushy Park tenement. Detailed geological mapping, transient electromagnetic (TEM) surveys and first pass drilling was completed on two sub-outcropping shear-hosted deposits containing high-grade copper-gold sulphide mineralisation. Further drilling to determine the size of this prospect is planned.

Mineralisation observed in drill cuttings and in the historical workings (open pits) at Nil Desperandum is considered to be of the IOCG type. It occurs within major NW and NE trending linear structures cross-cutting units of the Lower Proterozoic Argylla Formation. The NW trending structure also hosts the Lady Maria open pit workings, for which records do not exist. These workings are of substantial size, extending up to 200m in length and to 30m depth, severely limiting access for shallow drilling.

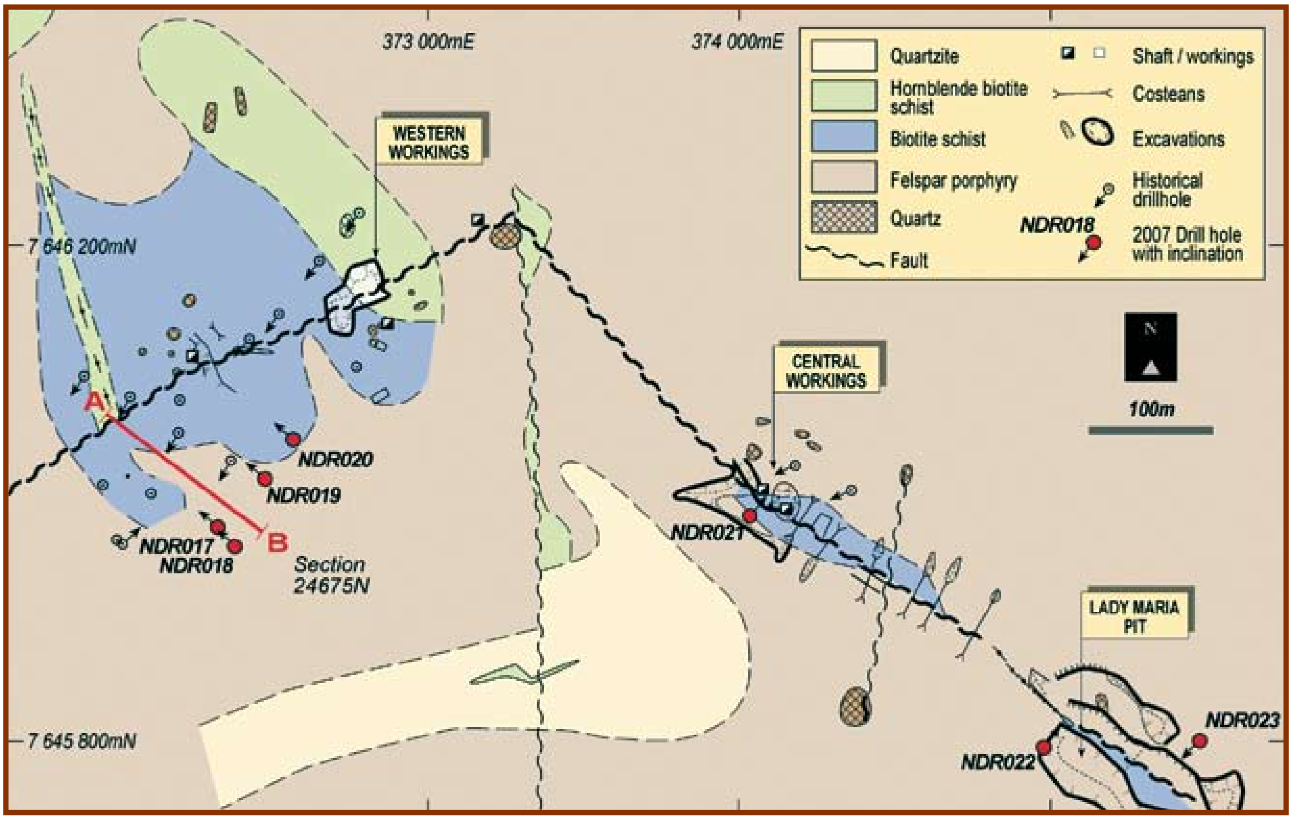
A 7 hole RC drilling program completed in July located good grades and thicknesses of copper-gold sulphides in the NE trending structure, but was inadequate to properly test mineralisation beneath the Lady Maria open-cut.

Best intersections from this drilling included:

NDR017	112 – 131 metres;	19 metres	@	2.32% copper, 0.56 g/t gold
including	*113 – 123 metres;*	*10 metres*	*@*	*3.53% copper, 0.86 g/t gold*
NDR021	21 – 27 metres;	6 metres	@	5.22% copper, 0.84 g/t gold
NDR020	88 – 91 metres;	3 metres	@	1.21% copper, 0.09 g/t gold

A 40m thick halo of disseminated pyrite-chalcopyrite mineralisation surrounds a 10m thick zone of high-grade mineralisation in the Nil Desperandum shear zone.

Down-hole TEM surveys and further drilling are planned to test this high-grade mineralisation.



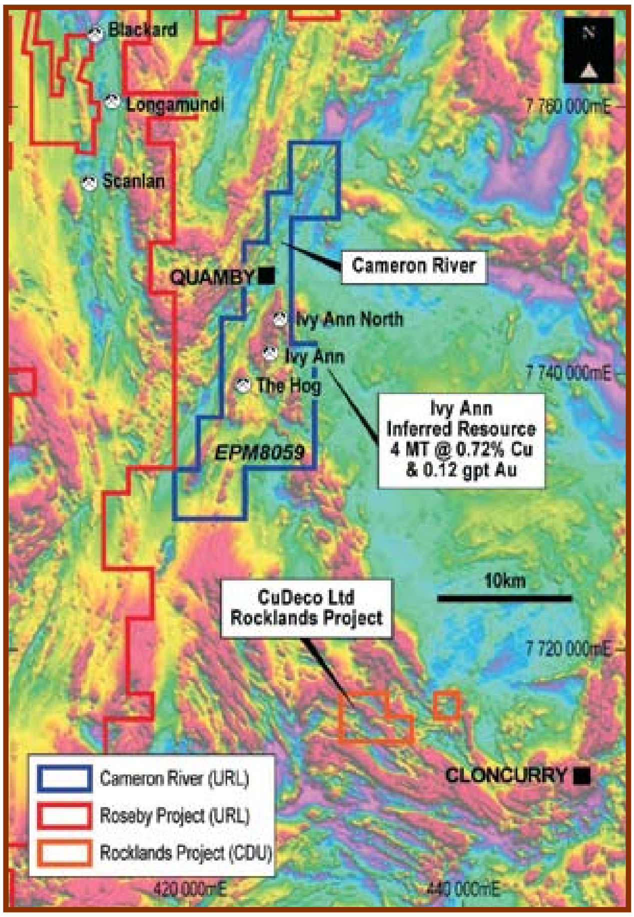
Geology of Nil Desperandum

Cameron River

The Cameron River EPM 8059 hosts the Ivy Ann copper-gold sulphide mineralisation (Inferred Resource of 4 million tonnes at 0.72% copper and 0.12g/t gold), which has strategic value as potential open-cut sulphide feed for the proposed Roseby copper operation.

The Ivy Ann deposit is one of four mineralised focal points in this tenement, lying on a 17km strike length of bedrock copper-gold anomalism associated with a thin magnetic banded ironstone formation and amphibolites of meta-basaltic origin. These focal points are interpreted as structural loci occurring in drag folds where the ironstones are cut by NW trending cross-cutting faults and could represent high-grade sulphide targets.

Mineralisation within the Cameron River tenement has features in common with the Rocklands-Las Minerale deposits of Cudeco Limited, located some 12km to the south. Further geophysical surveys and drilling are planned for the current year.



Cameron River Magnetics

Uranium Prospects

Uranium mineralisation is present in a number of the Company's regional Mt Isa tenements. The occurrences include hydrothermal, roll-front and secondary weathering dispersions. The Malakoff roll-front and Mary Kathleen hydrothermal types are the two most economically significant styles located to date.

Other occurrences, such as those at Waggaboonyah and Spider, are low-order radiometric anomalies and are considered to represent dispersion haloes from minor primary occurrences.

Dronfield

The Dronfield uraniferous prospect is located 60km south of Mary Kathleen. It is considered likely that recently initiated exploration will identify targets similar to the Mary Kathleen-type hydrothermal uranium mineralisation.

Malakoff

Two shallow buried channels with potential for roll-front uranium deposits have been identified in the Malakoff tenement. The Mountain Bore channel is thought to have the better tonnage potential but has not been adequately tested by drilling. Drilling will commence during the 2008 financial year.

LACHLAN FOLD BELT

Universal holds a 90% interest in two Exploration Licences, Collector and Burra, in the Goulburn area of the Lachlan Fold Belt. The vendors hold a 10% free carried interest through to a Decision to Mine. Both tenements have excellent potential to host massive sulphide deposits of zinc with minor lead, copper, silver and gold.

Burra Joint Venture

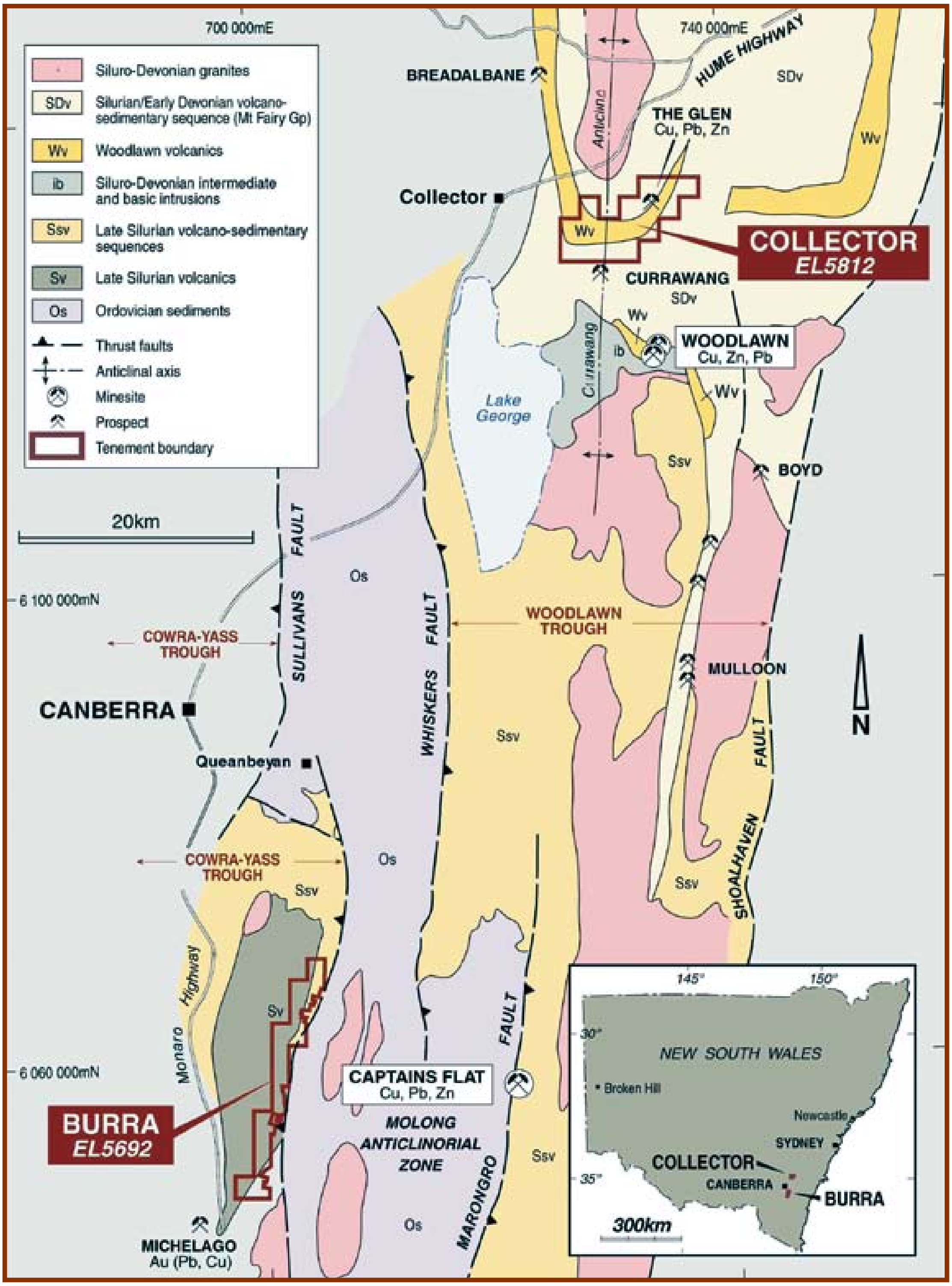
The Burra Exploration Licence is located 30km south of Queanbeyan, in New South Wales.

Geologically, the prospect is similar to the Woodlawn and Captains Flat deposits. Limited drill testing to date has located massive sulphide mineralisation with ore grade intersections of zinc.

Universal is in the final stages of negotiating a Joint Venture arrangement relating to this tenement.

North Woodlawn Joint Venture

The Collector tenement, located 12km north of the Woodlawn massive sulphide deposit, has been joint ventured to Tri Origin Minerals Limited. Under the joint venture, Tri Origin can earn a 60% interest in the tenement, reducing Universal's equity interest to 30%, by spending $500,000 over a maximum of 5 years. Land access issues continue to delay drilling of the prospect.



Geology of Burra and Collector Licence Areas

All information relating to mineralisation and resources used in this Annual Report is based upon information prepared by Competent Persons in accordance with the JORC Code and has previously been released to Shareholders and ASX.

Corporate Governance Statement

During the Consolidated Entity's 2006/2007 financial year the Group has complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

Principle Ref.	Recommendation Ref.	Notification of Departure	Explanation for Departure
2	2.1	A majority of the Board were not independent directors for the full financial year.	The Board is seeking to appoint further independent directors as the size of the company grows on the development of the Roseby project and further skills are required to assist the Company.
2	2.2; 2.3	The Chairman was again appointed the Managing Director of the company from the date of resignation of the Managing Director Mr Hulmes as at 6 September 2007. During the full financial year the Company complied with this recommendation.	The Board will again look at employing a managing director independent of the Chairman when the future of the Roseby project becomes certain.
2	2.4	There was no Nomination Committee.	In the board's view there are no efficiencies to be gained by establishing a separate Nomination Committee. The full board carries out the functions of the Nomination Committee.
4	4.3	The Audit Committee consists of only two members, one of whom is an independent director (Mr Ansell) and one of whom is the company Secretary (Mr Kelly).	The board considers that a two member committee is sufficient to properly fulfil the objectives of the Audit Committee. Although Mr Kelly is not a director of the company, the board considers him to be an appropriate member of the Audit Committee because of his financial and accounting background and his consultancy relationship with the company. The independent director other than Mr Ansell (i.e. Mr Walls) does not reside in Western Australia. For this reason the board considers that it would not be efficient for this director to be a member of the audit committee.

The Company's Corporate Governance Policies are detailed on the Company website at www.universalresources.com.au.

Directors' Report

Your directors present their report on Universal Resources Limited ("Universal" or the "Company") and the consolidated financial report of the Consolidated Entity (the "Group") for the financial year ended 30 June 2007.

Directors

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

P A J Ingram	Chairman and Managing Director
C T Ansell	Non-Executive Director
J A Walls	Non-Executive Director

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

Principal activities

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

Significant changes in the state of affairs

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

Dividends

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

Review of operations

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

	Revenues		Results	
	2007	2006	**2007**	2006
	$	$	**$**	$
Revenue from continuing operations				
Other income	**830,867**	248,504		
	830,867	248,504		
Profit (loss) from ordinary activities before related income tax expense			**(9,859,383)**	(11,925,608)
Income tax benefit (expense)			**342,165**	-
Profit (loss) from continuing operations after related income tax expense attributable to members of Universal Resources Limited			**(9,517,218)**	(11,925,608)

Review of operations (continued)

Financial Position

During the year the Company had a net increase in contributed equity of $605,074 (from $52,777,452 to $53,382,526) as a result of:

- The exercise of options resulting in the issue of 190,000 ordinary shares at 15 cents per share;
- Conversion of 53,920 converting notes resulting in the issue of 29,955,550 ordinary shares at 18 cents per share; and
- The cancellation of 1,250,000 options to acquire ordinary shares.

At the end of the financial year the Consolidated Entity had net cash balances of $8,371,859 (2006: $15,493,987) and net assets of $19,700,837 (2006: $28,491,642).

Total liabilities amounted to $4,772,540 (2006: $5,848,240).

Exploration, Evaluation and Development

QUEENSLAND

Roseby Feasibility Study

The results of the Roseby Copper Project feasibility study were reported to shareholders on 15 September 2006. The study demonstrated clear technical viability for the proposed 8 million tonnes per annum mining and treatment operation. However, the high capital and operating costs of the operation limited the ability of the Company to access suitable project debt financing facilities and the high capital cost was beyond the capacity of the company to fund by way of equity raisings. For these reasons, the company decided to investigate the economics of a smaller scale (4 million tonnes per annum) operation as an interim development at Roseby. This study is ongoing.

Uranium Exploration

During the year the Company initiated exploration for uranium within its tenements in the Mt Isa Inlier. This work has identified the southern portion of the Roseby Project tenements as having a high potential for the discovery of uranium-rare earth mineralisation similar to that which was mined at the nearby Mary Kathleen uranium mine.

Copper-gold Exploration

Exploration for copper-gold deposits continued during the year with the emphasis on the search for high-grade deposits that could be utilised at any treatment facility developed at Roseby.

SEEP Project (Sulphide Extension Exploration Program)

Xstrata Copper completed the SEEP exploration programme and the SEEP Exploration Report, the subject of the Heads of Agreement Roseby Project. In June 2007 Xstrata made an election to enter into a joint venture whereby they may earn a 51% interest in the SEEP area by either sole funding $15 million of further exploration expenditure within the SEEP or expending not less than $10 million and completing a feasibility study based on the SEEP resources, by no later than 30 June 2012.

Review of operations (continued)

LACHLAN FOLD BELT

The Company entered into the North Woodlawn Project Joint Venture whereby Tri Origin Minerals Limited (TRO) may earn a 60% interest in EL 5812 from Universal Resources Ltd (URL). EL 5812 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.

No work was undertaken on the Burra Project.

Corporate

During the year the Company received the balance of funds subscribed to the Company's converting note issue.

6,000,000 unlisted options were granted, 1,250,000 unlisted options were cancelled, and 190,000 unlisted options were exercised.

Events occurring after balance date

No other matters or circumstances have arisen since 30 June 2007 that has significantly affected, or may significantly affect:

(a) the Consolidated Entity's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Consolidated Entity's state of affairs in future financial years.

Likely developments and expected results of operations

Further information as to likely developments in the operations of the Consolidated Entity and the likely results of these operations would, in the opinion of the directors, be prejudicial to the interests of the Consolidated Entity.

Environmental regulation

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

Information on directors

Name	Director's Experience	Special Responsibilities
P A J Ingram BSc, FAusIMM, MGSA, FAICD	Peter Ingram is a geologist with over 40 years experience in the mining and mineral exploration industries within Australia, including over 29 years experience in public company management. In addition to previously being the Managing Director of Metana Minerals NL, Chairman of Glengarry Resources NL and a director of Dragon Mining NL, Eastmet Limited and Australia Oriental Minerals NL, Mr Ingram was a founding councillor of the Association of Mining and Exploration Companies (AMEC). He is an Honorary Life Member and past President of AMEC. Mr Ingram held no other directorships of ASX listed companies during the last three years.	Chairman and Managing Director
C T Ansell FCA, MAICD	Mr Ansell is a Fellow of the Institute of Chartered Accountants and a professional company director. He has been a director of various mining companies for 24 years and is currently a director of De Grey Mining Limited and Castle Minerals Ltd. During the last three years Mr Ansell held directorships in the following ASX listed companies: Azure Minerals Ltd Croesus Mining NL Dragon Mining NL	Non-Executive Director Chairman of the Audit & Remuneration Committees
J A Walls B.Sc.(Geoph Eng), MSEG	Mr Walls worked for 16 years as a geophysicist in the oil exploration industry in both the USA and Australia, becoming Australian Area Manager in 1968 for a major international geophysical contractor servicing Australian and international oil companies. In 1970 Mr Walls became involved in mineral exploration and has been involved in several exploration discoveries, including the Yaamba Basin oil shale deposits in Queensland. Mr Walls established his own drilling company in 1973. He is a director of Australian Consolidated Exploration Pty Ltd and Australia Oriental Minerals NL. He is now an Australian citizen.	Non-Executive Director

Company Secretary

D J Kelly BComm, CPA, MAICD	Mr Kelly is an accountant with over 30 years experience in industry and public practice. He currently consults to both public and private companies in the capacity of Company Secretary and provides management and administration services for them. He has wide managerial experience including serving for a period as managing director of a public listed exploration company.	Company Secretary Member of the Audit & Remuneration Committees

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

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

	Ordinary Shares	Options
P A J Ingram & M W H Hoyle		
As tenants in common	80,100	-
P A J Ingram	4,753,478	-
C T Ansell	290,000	-
J A Walls	805,910	-

Further information on directors' share and option holdings are contained in Note 25 of the Financial Report.

Meetings of directors

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2007 and the numbers of meetings attended by each director.

	Full Meetings of Directors		Audit Committee		Remuneration Committee	
	Number held whilst in office	Number attended	Number held whilst in office	Number attended	Number held whilst in office	Number attended
Directors						
P A J Ingram	13	13	*	*	*	*
M Hulmes	13	13	*	*	*	*
C T Ansell	13	13	2	2	2	2
J A Walls	13	11	*	*	*	*
Company Secretary						
D J Kelly			2	2	2	2

The directors have formed an Audit committee comprising a director Mr C Ansell and Company Secretary Mr D Kelly. The committee was formed on 20 June 2003 and met during the period ended 30 June 2007 on 2 occasions.

The directors have formed a Remuneration committee comprising a director Mr C Ansell and Company Secretary Mr D Kelly. The committee met during the period ended 30 June 2007 on 2 occasions.

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

Remuneration Report

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

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements
D. Share-based compensation
E. Additional information

The information provided under headings A to D includes remuneration disclosures that are required under Accounting Standard AASB 124: *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001*, which have not been audited.

A. Principles used to determine the nature and amount of remuneration (audited)

The remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board reviews the remuneration packages and policies applicable to the directors and other officers of the Consolidated Entity on an annual basis. The Board seeks independent advice on remuneration policies and practices including recommendations on remuneration packages and other terms of employment for directors and other executives.

Non-executive directors

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

Executives

Executive remuneration packages include base salary and benefits, prescribed superannuation and other non-monetary benefits.

Base salary

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

Other benefit

Executives may receive benefits including payment of professional body membership subscriptions, motor vehicle benefits, business entertainment benefits and reimbursements of reasonable business travel, accommodation and out-of-pocket expenses.

B. Details of remuneration (audited)

Details of the remuneration of each director of Universal Resources Limited and the key management personnel, including their personally-related entities, are set out in the following tables.

The key management personnel of Universal Resources Limited and the Consolidated Entity includes the directors as per page 24 and the following officers:

M W H Hoyle - General Manager Exploration

S W Michael – Chief Financial Officer

T Quaife – Project Manager (Resigned 22 December 2006)

D J Kelly – Company Secretary

Remuneration Report (continued)

	Short-term Benefits		Post-employment Benefits	Share-based Payments	
	Cash Salary and Fees	Non-monetary Benefits	Superannuation	Options	Total
Name	$	$	$	$	$
2007					
Non-executive directors					
C T Ansell	45,000	4,449	5,400	-	54,849
J A Walls	40,000	4,449	-	-	44,449
Executive directors					
P A J Ingram	116,630	12,470	124,945	-	254,045
M Hulmes	244,499	16,756	41,625	24,903	327,783
Other key management personnel					
M W H Hoyle	209,132	11,368	18,822	78,325	317,647
S W Michael *	113,079	837	10,177	116	124,209
T Quaife**	122,206	7,466	48,058	13,705	191,435
D J Kelly	48,333	4,449	-	21,695	74,477
Total	**938,879**	**62,244**	**249,027**	**138,744**	**1,388,894**

* Mr S W Michael was appointed as Chief Financial Officer on 4 December 2006.

** Mr T Quaife resigned as Project Manager on 22 December 2006.

	Cash Salary and Fees	Non-monetary Benefits	Superannuation	Options	Total
2006					
Non-executive directors					
C T Ansell	30,000	5,522	2,700	-	38,222
J A Walls	30,000	5,522	-	-	35,522
K J Foots	5,000	713	-	-	5,713
Executive directors					
P A J Ingram	203,496	11,539	18,315	-	233,350
M Hulmes	38,761	855	3,489	68	43,173
Other key management personnel					
M W H Hoyle	165,000	8,831	14,850	-	188,681
T Quaife	208,002	6,038	18,720	53,895	286,655
D J Kelly	40,000	5,522	-	38,574	84,096
Total	**720,259**	**44,542**	**58,074**	**92,537**	**915,412**

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

Remuneration Report (continued)

C. Service agreements (audited)

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

P A J Ingram

Pursuant to an employment agreement dated 30 May 2006:

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

Remuneration package of $180,000 to include base salary payable in cash or as cash and non-financial benefits as agreed between the Company and the executive and, in addition, statutory superannuation and the provision of a motor vehicle. Remuneration package to be reviewed annually. Four weeks annual leave.

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

M Hulmes (Resigned 6 September 2007)

Pursuant to an employment agreement dated 8 May 2006:

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

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

- 2,000,000 options exercisable at 15 cents and expiring 30 June 2011, vesting of said options subject to the completion of satisfactory commissioning of the Roseby mining and treatment operation by 31 March 2008 or such other date as agreed by the Board of the Company;
- 2,000,000 options exercisable at 17.5 cents and expiring 30 June 2011, vesting of said options to occur on 30 September 2008 provided that the Company's share price performance has matched or exceeded a suitable ASX resource index, which is to be agreed between the Company and the executive; and
- 2,000,000 options exercisable at 20 cents and expiring 30 June 2011, vesting of said options to occur on 8 May 2009 provided that the Company's share price performance has matched or exceeded a suitable ASX resource index, which is to be agreed between the Company and the executive.

Termination – By either party giving not less than eight weeks notice of termination.

M W H Hoyle

Pursuant to an employment agreement dated 11 April 2006:

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

Remuneration package of $180,000 to include base salary payable in cash or as cash and non-financial benefits as agreed between the Company and the executive and, in addition, statutory superannuation and the provision of a motor vehicle. Remuneration package to be reviewed annually. Four weeks annual leave.

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

Remuneration Report (continued)

S W Michael

Pursuant to an employment agreement dated 30 June 2007:

Term – No fixed term.

Remuneration package of $200,000 to include base salary payable in cash or as cash and non-financial benefits as agreed between the Company and the executive and, in addition, statutory superannuation. Remuneration package to be reviewed annually. Four weeks annual leave. In addition the agreement provides for the allotment of options as follows:

- 1,500,000 options exercisable at 15 cents and expiring 04 December 2011, vesting of said options upon documentation of project finance of the Roseby mining and treatment operation by 31 December 2007 or such other date as is agreed by the Board of Universal Resources Limited;
- 1,500,000 options exercisable at 15 cents and expiring 04 December 2011, vesting of said options at satisfactory commissioning of the Roseby mining and treatment operation by 31 December 2008 or such other date as is agreed by the Board of Universal Resources Limited; and
- 2,000,000 options exercisable at 17.5 cents and expiring 04 December June 2011, vesting of said options to occur on 30 June 2009 provided that the Company's share price performance has matched or exceeded the ASX small resources index.

Termination – Immediate upon receiving written notice from the Company in the case of the executive being guilty of gross misconduct or criminal offences, or in the event of the executive's death. The agreement may also be terminated by the executive with four weeks notice or immediately upon a material change in responsibilities by the Company without consent and be entitled to payment of 12 months remuneration.

T Quaife (Resigned 22 December 2006)

Pursuant to an employment agreement dated 29 August 2005:

Term – two years or extended to completion of construction and commissioning of the Roseby Project.

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

- $30,000 upon completion of the final feasibility study for the Roseby Project within the agreed time and budget;
- $50,000 upon commissioning of the mining and treatment operation at the Roseby Project to agreed specifications;
- 1,000,000 options exercisable at 20 cents and expiring 14 September 2010, vesting of said options subject to the completion of the final feasibility study for the Roseby Project within the agreed time and budget; and
- 1,000,000 options exercisable at 20 cents and expiring 14 September 2010, vesting of said options subject to the commissioning of the mining and treatment operation at the Roseby Project to agreed specifications.

Termination – Immediate upon receiving written notice from the Company, in the case of the executive becoming bankrupt, is guilty of gross misconduct or criminal offences, or in the event of the executive's death. The agreement may also be terminated by the executive with 30 days notice. The Company may also terminate the agreement by giving two months notice upon any of the following occurring:

1. The Roseby Project is demonstrated not to be economically viable;
2. The Company is unable to secure funding to develop the Roseby Project;
3. The Company elects, in its absolute discretion, not to proceed with the development of the Roseby Project.

Termination fees are payable based on the length of the contract served.

Remuneration Report (continued)

D J Kelly

Pursuant to a revised letter agreement dated 3 January 2007 the services of Mr Kelly are provided to the Company at the rate of $60,000 pa payable monthly in arrears. The arrangement can be terminated by Mr Kelly by the giving of 2 months notice or by the Company without notice, if due to standard contractual conditions of serious misconduct or being guilty of criminal offences. In the event of redundancy or termination, with the exception of termination for serious misconduct, Mr Kelly is entitled to a retirement benefit equal to two years base fees.

D. Share-based compensation (audited)

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

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

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

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

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

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

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

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

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

	Number of Options Granted During the Year		Number of Options Vested During the Year	
	2007	2006	**2007**	2006
Directors of Universal Resources Limited				
P A J Ingram	-	-	-	-
M Hulmes	-	6,000,000	-	-
C T Ansell	-	-	-	-
J A Walls	-	-	-	-
Other key management personnel				
M W H Hoyle	**1,000,000**	-	**1,000,000**	-
S W Michael	**5,000,000**	-	-	-
T Quaife	-	2,000,000	**1,000,000**	-
D J Kelly	-	1,000,000	**500,000**	-

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

Directors' Report

(continued)

Remuneration Report (continued)

E. Additional information (unaudited)

Share-based compensation: options

Further details relating to options are set out below:

Name	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	D Value at lapse date $	E Total of columns B-D $
P A J Ingram	-	-	-	-	-
M Hulmes	-	-	-	-	
C T Ansell	-	-	-	-	-
J A Walls	-	-	-	-	-
M W H Hoyle	24.66 %	78,325	-	-	78,325
S W Michael	62.79 %	209,409	-	-	209,409
T Quaife	-	-	-	69,225	69,225
D J Kelly	-	-	-	-	-

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B.

B = The value at grant date calculated in accordance with Accounting Standard AASB 2: *Share-based Payments* of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Loans to directors and key management personnel

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

Options

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

Date options granted	Expiry date	Issue price of shares	Number under option
14 September 2005	14 September 2010	$0.15	2,385,000
12 March 2007	12 March 2012	$0.15	1,000,000
30 June 2007	04 December 2011	$0.15	3,000,000
30 June 2007	04 December 2011	$0.175	2,000,000
06 September 2007	05 September 2011	$0.15	800,000

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

Indemnification and Insurance of Directors and Officers

Indemnification

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

(a) a third party (other than the Company or a related body corporate) unless the liability arises out of conduct involving a lack of good faith; and

(b) costs and expenses incurred in successfully defending civil or criminal proceedings or in connection with an application, in relation to such proceedings, in which relief is granted under the *Corporations Act 2001*.

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

Insurance

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

Proceedings on behalf of the Company

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

Non-audit services

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

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in *Professional Statement F1*, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risk and rewards.

Fees paid to BDO Kendalls Corporate Tax (WA) Pty Ltd	
• taxation services	$15,660
Fees paid to Horwath Securities (WA) Pty Ltd	
• corporate advisory services	$28,079
Fees paid to BDO Kendalls Audit & Assurance (WA) Pty Ltd	
• meeting attendance	$553
	$44,292

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 76.

Auditor

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

Directors' Report
(continued)

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

P A J Ingram

Chairman

This 26th day of September 2007 at Perth, Western Australia

Income Statements

(For the year ended 30 June 2007)

		Consolidated Entity		Company	
		2007	2006	**2007**	2006
	Note	$	$	$	$
Revenue from continuing operations	5	**830,867**	248,504	**830,867**	247,554
Employee benefits expense	6	**(2,135,577)**	(1,700,300)	**(2,135,577)**	(1,700,300)
Depreciation and amortisation expenses	6	**(195,105)**	(128,217)	**(195,105)**	(128,217)
Finance costs	6	**(154,019)**	(43,295)	**(154,019)**	(43,295)
Exploration expenditure written off	6, 13	**(4,439,525)**	(6,663,679)	**(4,439,525)**	(6,663,679)
Evaluation expenditure written off	6, 13	**(2,744,191)**	(2,894,587)	**(2,744,191)**	(2,894,587)
Impairment of exploration property	6, 13	**(51,227)**	-	**(51,227)**	-
Office and administration expenses		**(953,630)**	(743,753)	**(953,630)**	(743,753)
Loss on sale of fixed assets	6	**(16,976)**	(281)	**(16,976)**	(281)
Loss before income tax		**(9,859,383)**	(11,925,608)	**(9,859,383)**	(11,926,558)
Income tax (expense)/benefit	7	**342,165**	-	**342,165**	-
Loss after income tax		**(9,517,218)**	(11,925,608)	**(9,517,218)**	(11,926,558)
Loss attributable to equity holders of Universal Resources Ltd		**(9,517,218)**	(11,925,608)	**(9,517,218)**	(11,926,558)
Earnings per share					
Basic loss per share (cents)	35	**(2.09)**	(4.91)		
Diluted loss per share (cents)	35	**(2.09)**	(4.91)		

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

Balance Sheets

(As at 30 June 2007)

	Note	Consolidated Entity 2007 $	Consolidated Entity 2006 $	Company 2007 $	Company 2006 $
CURRENT ASSETS					
Cash and cash equivalents	8	**8,371,859**	15,493,987	**8,371,857**	15,493,985
Receivables	9	**631,657**	5,850,802	**631,657**	5,850,802
Total current assets		**9,003,516**	21,344,789	**9,003,514**	21,344,787
NON-CURRENT ASSETS					
Receivables	10	**166,386**	106,662	**59,724**	5,599
Other financial assets	11	**2,000**	2,000	**9,909,144**	9,903,456
Property, plant and equipment	12	**468,951**	283,514	**468,951**	283,514
Exploration and evaluation assets	13	**14,832,524**	12,602,917	**5,031,371**	2,801,853
Total non-current assets		**15,469,861**	12,995,093	**15,469,190**	12,994,422
TOTAL ASSETS		**24,473,377**	34,339,882	**24,472,704**	34,339,209
CURRENT LIABILITIES					
Trade and other payables	14	**3,057,871**	2,959,450	**3,057,871**	2,959,450
Borrowings	15	**717,882**	885,136	**717,882**	885,136
Provisions	16	**101,782**	109,815	**101,782**	109,815
Other	17	**-**	5,605	**-**	5,605
Total current liabilities		**3,877,535**	3,960,007	**3,877,535**	3,960,007
NON-CURRENT LIABILITIES					
Borrowings	18	**797,725**	1,811,236	**797,725**	1,811,236
Provisions	19	**97,280**	75,597	**97,280**	75,597
Other	20	**-**	1,400	**-**	1,400
Total non-current liabilities		**895,005**	1,888,233	**895,005**	1,888,233
TOTAL LIABILITIES		**4,772,540**	5,848,240	**4,772,540**	5,848,240
NET ASSETS		**19,700,837**	28,491,642	**19,700,164**	28,490,969
EQUITY					
Contributed equity	21	**53,382,526**	52,777,452	**53,382,526**	52,777,452
Reserves	22	**248,918**	127,579	**248,918**	127,579
Accumulated losses	23	**(33,930,607)**	(24,413,389)	**(33,931,280)**	(24,414,062)
TOTAL EQUITY		**19,700,837**	28,491,642	**19,700,164**	28,490,969

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

Statements of Changes in Equity

(For the year ended 30 June 2007)

		Consolidated Entity		Company	
		2007	2006	2007	2006
	Note	$	$	$	$
Total equity at the beginning of the financial year		**28,491,642**	19,247,440	**28,490,969**	19,247,717
Share options		**121,339**	127,579	**121,339**	127,579
Loss for the financial year		**(9,517,218)**	(11,925,608)	**(9,517,218)**	(11,926,558)
Total recognised income and expense for the financial year		**(9,395,879)**	(11,798,029)	**(9,395,879)**	(11,798,979)
Transactions with equity holders in their capacity as equity holders					
Contributions of equity net of transaction costs		**605,074**	21,042,231	**605,074**	21,042,231
Total equity at the end of the financial year		**19,700,837**	28,491,642	**19,700,164**	28,490,969

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statements

(For the year ended 30 June 2007)

	Note	Consolidated Entity 2007 $	Consolidated Entity 2006 $	Company 2007 $	Company 2006 $
Cash flows from operating activities					
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,509,660)**	(1,000,564)	**(1,509,572)**	(1,000,564)
Interest received		**701,973**	201,747	**701,973**	201,747
Interest paid		**(592)**	(67)	**(592)**	(67)
Payments for security deposits		**(59,725)**	43,921	**(59,724)**	44,871
Net cash outflows from operating activities	33	**(868,004)**	(754,963)	**(867,915)**	(754,013)
Cash flows from investing activities					
Payments for property, plant & equipment		**(423,678)**	(186,373)	**(423,678)**	(186,373)
Payments for available-for-sale financial assets		**-**	(4,000)	**-**	(2,000)
Payments for exploration and evaluation		**(10,421,726)**	(9,456,602)	**(10,421,726)**	(9,456,602)
Payments for investments		**-**	-	**(5,688)**	-
Proceeds from sale of available-for-sale financial assets		**-**	5,895	**-**	2,945
Proceeds from sale of fixed assets		**13,237**	3,900	**13,237**	3,900
Net cash outflows from investing activities		**(10,832,167)**	(9,637,180)	**(10,837,855)**	(9,638,130)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**5,428,500**	17,157,070	**5,428,500**	17,157,070
Costs of share issues		**(80,000)**	(1,426,839)	**(80,000)**	(1,426,839)
Proceeds/(repayment) of borrowings		**(770,457)**	2,870,130	**(770,457)**	2,870,130
Repayment of funds advanced to subsidiaries		**-**	-	**5,599**	-
Net cash inflows from financing activities		**4,578,043**	18,600,361	**4,583,642**	18,600,361
Net increase (decrease) in cash and cash equivalents		**(7,122,128)**	8,208,218	**(7,122,128)**	8,208,218
Cash and cash equivalents at the beginning of the financial year		**15,493,987**	7,285,769	**15,493,985**	7,285,767
Cash and cash equivalents at the end of the financial year	33	**8,371,859**	15,493,987	**8,371,857**	15,493,985

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

Notes to the Financial Statements

(For the year ended 30 June 2007)

1. Summary of significant accounting policies

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

(a) Basis of preparation of financial report

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

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Universal Resources Limited comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in Accounting Standard AASB 132: *Financial Instruments: Presentation and Disclosure*.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The impact of any changes is not significant.

Historical cost convention

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

Critical accounting estimates

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

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

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Universal Resources Limited (''Company'' or ''parent entity'') as at 30 June 2007 and the results of all subsidiaries for the year then ended. Universal Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

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

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

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

1. Summary of significant accounting policies (continued)

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

(c) Segment reporting

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

(d) Revenue recognition

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

(e) Income tax

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

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

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

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

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

(f) Leases

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

(g) Acquisition of assets

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

1. Summary of significant accounting policies (continued)

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

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

(h) Impairment of assets

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

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

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

A reversal of an impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

(i) Cash and cash equivalents

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

(j) Trade receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(k) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

1. Summary of significant accounting policies (continued)

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(l) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

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

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

1. Summary of significant accounting policies (continued)

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

(m) Fair value estimation

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

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

(n) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

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

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

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

Notes to the Financial Statements
(continued)

1. Summary of significant accounting policies (continued)

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(q) Employee benefits

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

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

(ii) Long service leave

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

(iii) Retirement benefit obligations

The Group contributes to various defined contribution funds for its employees.

Contributions to the defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments

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

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

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

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

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

1. Summary of significant accounting policies (continued)

(r) Financial instruments issued by the Group

i) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

ii) Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

iii) Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(s) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(t) Exploration and evaluation expenditure

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

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

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

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

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

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

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

1. Summary of significant accounting policies (continued)

- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

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

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(u) Goods and services tax

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

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

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

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

(v) New accounting standards and interpretations

Certain new Australian Accounting Standards, amendments to standards and interpretations that have recently been issued, but are not yet mandatory for financial reporting years ended on 30 June 2007, have not been adopted. There are no anticipated changes to Universal Resources Limited's accounting policies in future periods as a result of these changes. Below is a summary of recently amended or issued Accounting Standards relevant to Universal Resources Limited:

1. Summary of significant accounting policies (continued)

AASB reference	Title and Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Company
2005-10	AASB 132: *Financial Instruments: Disclosure and Presentation,* AASB 101: *Presentation of Financial Statements,* AASB 114: *Segment Reporting,* AASB 117: *Leases,* AASB 133: *Earnings Per Share,* AASB 139: *Financial Instruments: Recognition and Measurement,* AASB 1: *First-time adoption of AIFRS*	No change to accounting policy required. Application will not affect any of the amounts recognised in the financial report, but will affect some disclosures.	1 January 2007	1 July 2007
New standard	AASB 7: *Financial Instruments: Disclosures*	No change to accounting policy required. Application will not affect any of the amounts recognised in the financial report, but will require significant disclosures in relation to financial instruments.	1 January 2007	1 July 2007
Interpretation 10	Interim Financial Reporting and Impairment AASB 134: *Interim Financial Reporting,* AASB 136: *Impairment of Assets, and* AASB 139: *Financial Instruments: Recognition and Measurement*	There will be no impact because the entity has not previously made any impairment write-downs on these items during an interim reporting period (or has not subsequently reversed such impairment write-downs).	1 November 2006	1 July 2007
Interpretation 11	AASB 2: *Group and Treasury Share Transactions*	There will be no impact because at the reporting date the entity has not issued any equity instruments to employees of subsidiaries.	1 March 2007	1 July 2007
2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038)	Most changes relate to certain Australian-specific disclosures not being required. The entity does not intend to adopt any reinstated options for accounting treatment when the standard is adopted. As such, there will be no future financial impacts on the financial statements.	1 July 2007	1 July 2007
Revised standard	AASB 123: *Borrowing Costs*	The transitional provisions of this standard only require capitalisation of borrowing costs on qualifying assets where commencement date for capitalisation is on or after 1 January 2009. As such, there will be no impact on prior period financial statements when this standard is adopted.	1 January 2009	1 July 2009
New standard	AASB 101: *Presentation of Financial Statements*	As these changes result in a reduction of Australian-specific disclosures, there will be no impact on amounts recognised in the financial statements.	1 January 2007	1 July 2007

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

2. Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of directors. The board identifies and evaluates financial risks in close co-operation with management and provides written principles for overall risk management.

(a) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, prudent oversight of future funding requirements and maintaining ongoing contact to facilitators of further funding.

(b) Cash flow and fair value interest rate risk

The group has significant interest-bearing assets subject to floating interest rates. The Group's funding requirements do not rely materially upon interest income thus mitigating the risk of changes in interest rates.

3. Critical accounting estimates and judgments

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

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

(a) Impairment of assets

In accordance with accounting policy Note 1(h) the Group, in determining whether the recoverable amount of each cash generating unit is the higher of fair value less costs to sell or value-in-use against which asset impairment is to be considered, undertakes future cash flow calculations which are based on a number of critical estimates and assumptions including forward estimates of:

- Mine life including quantities of mineral reserves and resources for which there is a high degree of confidence of economic extraction with given technology;
- Production levels and demand;
- Metal price;
- Inflation;
- US/Australian dollar exchange rates;
- Cash costs of production; and
- Discount rates applicable to the cash generating unit.

3. Critical accounting estimates and judgments (continued)

(b) Exploration and evaluation expenditure

Following impairment analysis on capitalised exploration and evaluation expenditure, including assumptions on maintenance of title, ongoing expenditure and prospectivity, expenditure has been carried forward. This is in accordance with accounting policy Note 1(t) whereby, at this stage either costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. In the event that either of these assumptions no longer hold then this expenditure may, in part or full, be expensed through the income statement in future periods.

(c) Restoration and rehabilitation provisions

As set out in accounting policy Note 1(t), the value of current restoration and rehabilitation provisions are based on a number of assumptions including the nature of restoration activities required and the valuation at the present value of a future obligation that necessitates estimates of the cost of performing the work required, the timing of future cash flows and the appropriate discount rate. Additionally current provisions are based on the assumption that no significant changes will occur in either relevant Federal or State legislation covering restoration of mineral properties. A change in any, or a combination, of these assumptions used to determine current provisions could have a material impact to the carrying value of the provision.

(d) Income tax

The Group is subject to income taxes in Australia and significant judgement is required in determining the ultimate provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of the Groups business for which the ultimate tax determination is uncertain from the moment of incurrence, through the process of lodgement of statutory returns with the appropriate authorities, until a final tax assessment is determined. As such, the Group recognises liabilities for tax, and if appropriate for anticipated tax audit issues, based on whether tax and/or additional tax will be due and payable. Where the tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which the assessment is made.

4. Segment information

(a) Business segments

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

(b) Geographical segments

The Consolidated Entity operates only in Australia.

	Consolidated Entity		Company	
	2007	2006	2007	2006
	$	$	$	$

5. Revenue

Revenue from continuing operations				
Other income				
Interest received	**800,356**	201,747	**800,356**	201,747
Rent income	**25,001**	43,453	**25,001**	43,453
Sundry income	**5,510**	1,409	**5,510**	1,409
Profit on sale of available-for-sale financial assets	-	1,895	-	945
	830,867	248,504	**830,867**	247,554

6. Expenses

Loss before income tax includes the following specific expenses				
Net loss on disposal of plant & equipment	**16,976**	281	**16,976**	281
Depreciation & amortisation				
Plant & equipment	**202,111**	133,822	**202,111**	133,822
Lease incentive	**(7,006)**	(5,605)	**(7,006)**	(5,605)
	195,105	128,217	**195,105**	128,217
Exploration and evaluation expenditure written off	**7,183,716**	9,558,266	**7,183,716**	9,558,266
Impairment of exploration property	**51,227**	-	**51,227**	-
Rental expense relating to operating leases	**124,505**	118,822	**124,505**	118,822
Employee benefits expense				
Employee benefit	**2,008,177**	1,572,721	**2,008,177**	1,572,721
Share-based payments	**127,400**	127,579	**127,400**	127,579
	2,135,577	1,700,300	**2,135,577**	1,700,300
Interest expense	**154,019**	43,295	**154,019**	43,295

	Consolidated Entity		Company	
	2007	2006	2007	2006
	$	$	$	$
7. Income tax				
(a) Current income tax benefit (expense)	-	-	-	-
Adjustment in respect of current income tax of prior periods	342,165	-	342,165	-
Total tax benefit (expense)	342,165	-	342,165	-
(b) Profit (loss) from continuing operations before income tax	(9,859,383)	(11,925,608)	(9,859,383)	(11,926,558)
Income tax benefit (expense) calculated at 30%	2,957,815	3,577,682	2,957,815	3,577,967
Tax effect of amounts that are not tax deductible (taxable) in calculating Taxable income:				
Deferred tax assets relating to tax losses and temporary differences not recognised	(2,957,815)	(3,577,682)	(2,957,815)	(3,577,967)
	-	-	-	-
Overprovision in prior year	342,165	-	342,165	-
Income tax benefit (expense) attributable to operating loss	342,165	-	342,165	-

The franking account balance at year end was nil. (30 June 2006: nil)

(c) Deferred tax assets and liabilities not recognised relate to the following:

Deferred tax assets				
Tax losses	9,275,915	7,262,178	9,275,915	7,262,463
Other temporary differences	334,130	391,004	334,130	391,004
Deferred tax liabilities				
Other temporary differences	-	-	-	-
Acquisition of subsidiary	(1,860,276)	(1,860,238)	-	-
Net deferred tax assets	7,749,769	5,792,944	9,610,045	7,653,467

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

(d) Tax Consolidation

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

8. Current assets – cash and cash equivalents

Cash at bank and on hand	2,230,019	2,211,648	2,230,017	2,211,646
Deposits at call	6,141,840	13,282,339	6,141,840	13,282,339
	8,371,859	15,493,987	8,371,857	15,493,985

	Consolidated Entity		Company	
	2007	2006	2007	2006
	$	$	$	$

9. Current assets – receivables

Other debtors	**595,884**	5,705,970	**595,884**	5,705,970
Deposits	**200**	105,899	**200**	105,899
Prepayments	**35,249**	38,933	**35,249**	38,933
Accrued income	**324**	-	**324**	-
	631,657	5,850,802	**631,657**	5,850,802

Other debtors consist of refunds due from the Australian Taxation Office for Goods and Services Tax and research and development tax offset claims, and cash management trust distributions receivable at 30 June 2007.

10. Non-current assets – receivables

Security deposits	**166,386**	106,662	**59,724**	-
Loan to a controlled entity	**-**	-	**-**	5,599
	166,386	106,662	**59,724**	5,599

11. Non-current assets – other financial assets

Investment in controlled entity	**-**	-	**9,907,143**	9,901,456
Available-for-sale shares	**2,000**	2,000	**2,000**	2,000
	2,000	2,000	**9,909,143**	9,903,456

12. Non-current assets – property, plant and equipment

Plant and equipment				
Plant & equipment at cost	**649,071**	499,026	**649,071**	499,026
Less: accumulated depreciation	**(378,022)**	(246,746)	**(378,022)**	(246,746)
Total plant & equipment	**271,049**	252,280	**271,049**	252,280
Motor vehicles				
Motor vehicles at cost	**263,579**	77,237	**263,579**	77,237
Less: accumulated depreciation	**(65,677)**	(46,003)	**(65,677)**	(46,003)
Total motor vehicles	**197,902**	31,234	**197,902**	31,234
Total property, plant & equipment	**468,951**	283,514	**468,951**	283,514

Reconciliations

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

Plant and equipment				
Carrying amount at 1 July	**252,280**	194,806	**252,280**	194,806
Additions	**194,083**	186,829	**194,083**	186,829
Disposals	**(16,614)**	(4,601)	**(16,614)**	(4,601)
Depreciation expense	**(158,700)**	(124,754)	**(158,700)**	(124,754)
Carrying amount at 30 June	**271,049**	252,280	**271,049**	252,280
Motor vehicles				
Carrying amount at 1 July	**31,234**	40,302	**31,234**	40,302
Additions	**223,368**	-	**223,368**	-
Disposals	**(13,288)**	-	**(13,288)**	-
Depreciation expense	**(43,412)**	(9,068)	**(43,412)**	(9,068)
Carrying amount at 30 June	**197,902**	31,234	**197,902**	31,234

	Consolidated Entity		Company	
	2007	2006	2007	2006
	$	$	$	$

13. Non-current assets – exploration and evaluation

Exploration properties				
Carrying amount at 1 July	**12,602,917**	12,602,917	**2,801,853**	2,801,853
Exploration properties acquired	**2,280,834**	-	**2,280,745**	-
Exploration expenditure incurred	**4,439,525**	6,663,679	**4,439,525**	6,663,679
Exploration expenditure written off	**(4,439,525)**	(6,663,679)	**(4,439,525)**	(6,663,679)
Impairment of capitalised value	**(51,227)**	-	**(51,227)**	-
Carrying amount at 30 June	**14,832,524**	12,602,917	**5,031,371**	2,801,853
Evaluation properties				
Carrying amount at 1 July	-	-	-	-
Evaluation expenditure incurred	**2,744,191**	2,894,587	**2,744,191**	2,894,587
Evaluation expenditure written off	**(2,744,191)**	(2,894,587)	**(2,744,191)**	(2,894,587)
Carrying amount at 30 June	-	-	-	-
Total exploration and evaluation	**14,832,524**	12,602,917	**5,031,371**	2,801,853

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas.

Impairment of capitalised value of exploration property

Due to lack of exploration activity the Happy Valley (EPM 9611) area of interest was tested for impairment as outlined in Note 1(t). Testing indicated that the carrying value exceeded the recoverable amount. On this basis, the Happy Valley exploration property was written down to nil and an impairment loss of $51,227 has been recognised and expensed through the income statement under “Impairment of exploration property”.

14. Current liabilities – trade and other payables

Trade creditors	**779,213**	2,364,262	**779,213**	2,364,262
Other creditors	**2,045,449**	17,500	**2,045,449**	17,500
Accrued expenses	**15,000**	360,702	**15,000**	360,702
Accrued interest	**218,209**	216,986	**218,209**	216,986
	3,057,871	2,959,450	**3,057,871**	2,959,450

15. Current liabilities – borrowings

Unsecured converting notes accrued interest	**717,882**	885,136	**717,882**	885,136

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 the Australian Stock Exchange over the five trading days prior to maturity date. (refer Note 21 G)

	Consolidated Entity		Company	
	2007	2006	2007	2006
	$	$	$	$

15. Current liabilities – borrowings (continued)

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

	2007	2006	2007	2006
Face value of notes issued	**16,080,000**	22,000,000	**16,080,000**	22,000,000
Other equity securities – value of conversion rights (Note 21 D, G)	**(14,445,023)**	(19,129,870)	**(14,445,023)**	(19,129,870)
	1,634,977	2,870,130	**1,634,977**	2,870,130
Interest expense	**203,478**	43,228	**203,478**	43,228
Interest paid	**(322,848)**	(216,986)	**(322,848)**	(216,986)
	1,515,607	2,696,372	**1,515,607**	2,696,372
Current liability	**717,882**	885,136	**717,882**	885,136
Non-current liability	**797,725**	1,811,236	**797,725**	1,811,236
	1,515,607	2,696,372	**1,515,607**	2,696,372

Interest expense is calculated by applying the effective interest rate of 8.99% (2006: 8.99%) to the liability component.

16. Current liabilities – provisions

	2007	2006	2007	2006
Employee entitlements	**101,782**	109,815	**101,782**	109,815

Further information on employee benefits is set out in Note 36.

17. Current liabilities – other

	2007	2006	2007	2006
Lease incentive	-	5,605	-	5,605

18. Non-current liabilities – borrowings

	2007	2006	2007	2006
Unsecured converting notes accrued interest	**797,725**	1,811,236	**797,725**	1,811,236

Further information on unsecured converting notes accrued interest is set out in Note 15.

19. Non-current liabilities – provisions

	2007	2006	2007	2006
Employee entitlements	**97,280**	75,597	**97,280**	75,597

Further information on employee benefits is set out in Note 36.

20. Non-current liabilities – other

	2007	2006	2007	2006
Lease incentive	-	1,400	-	1,400

	Consolidated Entity		Company	
	2007	2006	2007	2006
	$	$	$	$

21. Contributed equity

A. Share capital

Ordinary shares				
291,500,156 fully paid (2006: 261,354,606)	**38,937,503**	33,647,582	**38,937,503**	33,647,582

B. Other equity securities

Converting notes				
Value of conversion rights (Note 21 G)	**14,445,023**	19,129,870	**14,445,023**	19,129,870
Total contributed equity	**53,382,526**	52,777,452	**53,382,526**	52,777,452

C. Movements in ordinary share capital

Details		No. of Shares	Issue Price $	$
Balance as at 1 July 2005		**227,218,606**		**31,735,221**
Shares issued (Note F.)	(a)	136,000	0.20	27,200
	(b)	34,000,000	0.10	3,400,000
Less: Capital raising costs				(1,514,839)
Balance as at 30 June 2006		**261,354,606**		**33,647,582**
Shares issued (Note F.)	(c)	190,000	0.15	28,500
	(d)	2,488,888	0.18	438,910
	(e)	1,333,333	0.18	235,130
	(f)	311,111	0.18	54,864
	(g)	1,655,555	0.18	291,953
	(h)	500,000	0.18	88,174
	(i)	1,388,888	0.18	242,860
	(j)	833,333	0.18	145,715
	(k)	7,833,333	0.18	1,369,729
	(l)	6,944,443	0.18	1,214,298
	(m)	6,666,666	0.18	1,165,727
Transfer from share-based payments reserve		-		6,061
Add back: Capital raising costs recouped		-		8,000
Balance as at 30 June 2007		**291,500,156**		**38,937,503**

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

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

21. Contributed equity (continued)

D. Movements in other equity securities

Details		$
Balance as at 1 July 2005		-
Converting notes issued (Note G.)(a)		19,129,870
Balance as at 30 June 2006		**19,129,870**
Correction of prior year error		5,043
Converting notes converted (Note G.)	(b)	(389,652)
	(c)	(208,742)
	(d)	(48,706)
	(e)	(259,188)
	(f)	(78,278)
	(g)	(217,449)
	(h)	(130,469)
	(i)	(1,226,410)
	(j)	(1,087,243)
	(k)	(1,043,753)
Balance as at 30 June 2007		**14,445,023**

E. Options

Details of options issued, cancelled and exercised during the year and options outstanding at 30 June 2007 are included in Note 34 to the financial statements. Options carry no rights to dividends and no voting rights.

F. Share issues

a. On 31 December 2005, 136,000 fully paid ordinary shares were issued at 20 cents per share as a result of the exercise of employee options.

b. On 16 January 2006, 34,000,000 fully paid ordinary shares were issued at 10 cents per share via a placement to Australian and international institutional and professional investors.

c. On 02 August 2006, 190,000 fully paid ordinary shares were issued at 15 cents per share as a result of the exercise of employee options.

d. On 11 October 2006, 2,488,888 fully paid ordinary shares were issued at 18 cents per share as a result of the conversion of converting notes.

e. On 26 October 2006, 1,333,333 fully paid ordinary shares were issued at 18 cents per share as a result of the conversion of converting notes.

f. On 08 November 2006, 311,111 fully paid ordinary shares were issued at 18 cents per share as a result of the conversion of converting notes.

g. On 21 November 2006, 1,655,555 fully paid ordinary shares were issued at 18 cents per share as a result of the conversion of converting notes.

h. On 20 December 2006, 500,000 fully paid ordinary shares were issued at 18 cents per share as a result of the conversion of converting notes.

i. On 15 January 2007, 1,388,888 fully paid ordinary shares were issued at 18 cents per share as a result of the conversion of converting notes.

j. On 23 January 2007, 833,333 fully paid ordinary shares were issued at 18 cents per share as a result of the conversion of converting notes.

	Consolidated Entity		Company	
	2007	2006	2007	2006
	$	$	$	$

21. Contributed equity (continued)

k. On 06 February 2007, 7,833,333 fully paid ordinary shares were issued at 18 cents per share as a result of the conversion of converting notes.

l. On 09 March 2007, 6,944,443 fully paid ordinary shares were issued at 18 cents per share as a result of the conversion of converting notes.

m. On 01 May 2007, 6,666,666 fully paid ordinary shares were issued at 18 cents per share as a result of the conversion of converting notes.

G. Converting notes

a. On 23 June 2006, $22 million was raised by way of an issue of 220,000 three year converting notes. Shareholders approved the issue on 23 June 2006. Funds were received during June and July 2006. The notes bear an interest rate of 5%, interest is payable quarterly in arrears.

b. On 11 October 2006, 4,480 converting notes were converted into fully paid ordinary shares.

c. On 26 October 2006, 2,400 converting notes were converted into fully paid ordinary shares.

d. On 08 November 2006, 560 converting notes were converted into fully paid ordinary shares.

e. On 21 November 2006, 2,980 converting notes were converted into fully paid ordinary shares.

f. On 20 December 2006, 900 converting notes were converted into fully paid ordinary shares.

g. On 15 January 2007, 2,500 converting notes were converted into fully paid ordinary shares.

h. On 23 January 2007, 1,500 converting notes were converted into fully paid ordinary shares.

i. On 06 February 2007, 14,100 converting notes were converted into fully paid ordinary shares.

j. On 09 March 2007, 12,500 converting notes were converted into fully paid ordinary shares.

k. On 01 May 2007, 12,000 converting notes were converted into fully paid ordinary shares.

22. Reserves

Share-based payments reserve	**248,918**	127,579	**248,918**	127,579
Movements in reserves				
Share-based payments reserve				
Balance at the beginning of the financial year	**127,579**	-	**127,579**	-
Option expense	**127,400**	127,579	**127,400**	127,579
Transfer to share capital (options exercised)	**(6,061)**	-	**(6,061)**	-
	248,918	127,579	**248,918**	127,579

Nature and purpose of reserves

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

	Consolidated Entity		Company	
	2007	2006	**2007**	2006
	$	$	**$**	$

23. Accumulated losses

Accumulated losses at the beginning of the financial year	**(24,413,389)**	(12,487,781)	**(24,414,062)**	(12,487,504)
Loss after income tax	**(9,517,218)**	(11,925,608)	**(9,517,218)**	(11,926,558)
Accumulated losses at the end of the financial year	**(33,930,607)**	(24,413,389)	**(33,931,280)**	(24,414,062)

24. Financial instruments

(a) Credit Risk Exposure

The credit risk exposure of the Consolidated Entity to financial assets which have been recognised on the Statement of Financial Position is not materially different from the carrying amount net of any provision for doubtful debts.

(b) Interest Rate Risk Exposure

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Consolidated Entity intends to hold the fixed rate assets and liabilities to maturity.

2007	Floating interest rate	Fixed interest maturing in: 1 year or less	1 year to 5 years	over 5 years	Non-Interest Bearing	Total
Financial assets						
Cash	8,351,557	20,000	-	-	302	8,371,859
Receivables	-	-	-	-	798,043	798,043
Investments	-	-	-	-	2,000	2,000
	8,351,557	20,000	-	-	800,345	9,171,902
Weighted average interest rate	6.71%	4.55%	-	-	-	
Financial liabilities						
Payables	-	-	-	-	3,057,871	3,057,871
Borrowings	-	717,882	797,725	-	-	1,515,607
	-	717,882	797,725	-	3,057,871	4,573,478
Weighted average interest rate	-	8.99%	8.99%	-	-	
Net financial assets/(liabilities)	8,351,557	(697,882)	(797,725)	-	(2,257,526)	4,598,424

24. Financial instruments (continued)

2006	Floating interest rate	Fixed interest maturing in: 1 year or less	1 year to 5 years	over 5 years	Non-Interest Bearing	Total
Financial assets						
Cash	7,567,774	7,925,911	-	-	302	15,493,987
Receivables	-	47,078	-	-	5,910,376	5,957,454
Investments	-	-	-	-	2,000	2,000
	7,567,774	7,972,989	-	-	5,912,678	21,453,441
Weighted average interest rate	4.46%	5.57%	-	-	-	
Financial liabilities						
Payables	-	-	-	-	2,959,450	2,959,450
Borrowings	-	885,136	1,811,236	-	-	2,696,372
	-	885,136	1,811,236	-	2,959,450	5,655,822
Weighted average interest rate	-	8.99%	8.99%	-	-	
Net financial assets/(liabilities)	**7,567,774**	**7,087,853**	**(1,811,236)**	-	**2,953,228**	**15,797,619**

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and financial liabilities of the Consolidated Entity approximate their carrying value.

25. Key management personnel disclosures

(a) Directors

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

Executive directors

P A J Ingram, Chairman
M Hulmes, Managing Director

Non-executive directors

C T Ansell
J A Walls

(b) Other key management personnel

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

Name	Position	Employer
M W H Hoyle	General Manager Exploration	Universal Resources Limited
S W Michael	Chief Financial Officer	Universal Resources Limited
T Quaife	Project Manager	Universal Resources Limited
D J Kelly	Company Secretary	Universal Resources Limited

25. Key management personnel disclosures (continued)

	Consolidated Entity		Company	
	2007	2006	**2007**	2006
	$	$	**$**	$
(c) Key management personnel compensation				
Short-term employee benefits	**1,001,123**	764,801	**1,001,123**	764,801
Post-employment benefits	**249,027**	58,074	**249,027**	58,074
Share-based payments	**138,744**	92,537	**138,744**	92,537
	1,388,894	915,412	**1,388,894**	915,412

The Company has taken advantage of the relief provided by *Corporations Regulations 2001* regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found on pages 26 to 31.

(d) Equity instruments disclosures relating to key management personnel

(i) Share holdings

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

2007

Name	Balance at start of year	Acquired during the year	Sold during the year	Balance at end of year
Directors of Universal Resources Limited				
P A J Ingram & M W H Hoyle as tenants in common	80,100	-	-	80,100
P A J Ingram	4,753,478	-	-	4,753,478
M Hulmes	-	-	-	-
C T Ansell	290,000	-	-	290,000
J A Walls	805,910	-	-	805,910
Other key management personnel of the group				
P A J Ingram & M W H Hoyle as tenants in common	80,100	-	-	80,100
M W H Hoyle	2,601,478	-	(2,052,453)	549,025
M W H Hoyle (indirect)	94,000	43,478	-	137,478
S W Michael	-	-	-	-
T Quaife	-	-	-	-
D J Kelly	-	-	-	-

25. Key management personnel disclosures (continued)

2006

Name	Balance at start of year	Acquired during the year	Sold during the year	Balance at end of year
Directors of Universal Resources Limited				
P A J Ingram & M W H Hoyle as tenants in common	80,100	-	-	80,100
P A J Ingram	4,753,478	-	-	4,753,478
M Hulmes	-	-	-	-
C T Ansell	690,000	-	(400,000)	290,000
J A Walls	805,910	-	-	805,910
Other key management personnel				
P A J Ingram & M W H Hoyle as tenants in common	80,100	-	-	80,100
M W H Hoyle	2,913,478	-	(312,000)	2,601,478
M W H Hoyle (indirect)	94,000	-	-	94,000
T Quaife	-	-	-	-
D J Kelly	-	-	-	-

(ii) Option holdings

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

2007

Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year (Expired)	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
Directors of Universal Resources Limited							
M Hulmes	6,000,000	-	-	-	6,000,000	-	6,000,000
Other key management personnel of the group							
M W H Hoyle	-	1,000,000	-	-	1,000,000	1,000,000	-
S W Michael	-	5,000,000	-	-	5,000,000	-	5,000,000
T Quaife	2,000,000	-	-	(1,000,000)	1,000,000	1,000,000	-
D J Kelly	1,000,000	-	-	-	1,000,000	500,000	500,000

25. Key management personnel disclosures (continued)

2006

Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year (Expired)	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
Directors of Universal Resources Limited							
P A J Ingram & M W H Hoyle as tenants in common	40,050	-		(40,050)	-	-	-
P A J Ingram	2,355,000	-	-	(2,355,000)	-	-	-
M Hulmes	-	6,000,000	-	-	6,000,000	-	6,000,000
C T Ansell	315,000	-	-	(315,000)	-	-	-
J A Walls	250,000	-	-	(250,000)	-	-	-
J A Walls (indirect)	100,000	-	-	(100,000)	-	-	-
K J Foots	100,000	-	-	(100,000)	-	-	-
Other key management personnel of the group							
P A J Ingram & M W H Hoyle as tenants in common	40,050	-	-	(40,050)	-	-	-
M W H Hoyle	1,585,000	-	-	(1,585,000)	-	-	-
M W H Hoyle (indirect)	47,000	-	-	(47,000)	-	-	-
T Quaife	-	2,000,000	-	-	2,000,000	-	2,000,000
D J Kelly	-	1,000,000	-	-	1,000,000	-	1,000,000

(e) Loans to key management personnel

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

26. Remuneration of auditors

	Consolidated Entity		Company	
	2007	2006	**2007**	2006
	$	$	**$**	$
Audit services				
Fees paid to BDO Kendalls Audit & Assurance (WA) Pty Ltd				
Amounts received or due and receivable by the auditors for:				
Audit or review of the financial reports of Universal Resources Limited				
• Parent entity	**13,864**	21,588	**13,864**	21,588
• Controlled entity	-	-	-	-
Meeting attendance	**553**	375	**553**	375
Taxation services				
Fees paid to BDO Kendalls Corporate Tax (WA) Pty Ltd				
Amounts received, or due and receivable by the tax agent for:				
Tax compliance services including preparation of Company income tax returns	**15,660**	3,034	**15,660**	3,034

26. Remuneration of auditors (continued)

	Consolidated Entity		Company	
	2007	2006	2007	2006
	$	$	$	$
Corporate advisory services				
Fees paid to Horwath Securities (WA) Pty Ltd				
Amounts received, or due and receivable Horwath Securities (WA) Pty Ltd for:				
Valuation and corporate advices	**28,079**	3,670	**28,079**	3,670
	58,156	28,667	**58,156**	28,667

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

27. 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.

27. Contingent liabilities (continued)

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.

28. Commitments for expenditure

	Consolidated		Parent entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Lease commitments				
Commitments in relation to operating leases for office premises contracted for at the reporting date but not recognised as liabilities, payable:				
Not later than one year	**118,977**	111,223	**118,977**	111,223
Later than one year but not later than five years	**228,175**	247,569	**228,175**	247,569
	347,152	358,792	**347,152**	358,792

Exploration tenements

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

STATE GOVERNMENT AUTHORITY

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
Commitments required to maintain licences				
Not later than one year[1]	**2,495,566**	2,010,000	**2,495,566**	2,010,000
Later than one year but not later than five years[1]	**10,050,759**	8,917,500	**10,050,759**	8,917,500
Later than five years	-	-	-	-

28. Commitments for expenditure (continued)

	Consolidated 2007 $	Consolidated 2006 $	Parent entity 2007 $	Parent entity 2006 $
NATIVE TITLE ACCESS AGREEMENTS				
Commitments required to access exploration				
Not later than one year[1]	**43,000**	-	**43,000**	-
Later than one year but not later than five years[1]	**172,000**	-	**172,000**	-
Later than five years	-	-	-	-
JOINT VENTURE COMMITMENTS				
Commitments required to increase ownership				
Not later than one year[1]	-	-	-	-
Later than one year but not later than five years[1]	-	-	-	-
Later than five years	-	-	-	-
	12,761,325	10,927,500	**12,761,325**	10,927,500

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

Capital Expenditure Commitments

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

Dowmill Pty Ltd ("Dowmill") and Nosebi Mining and Management Pty Ltd ("Nosebi")

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

Notes to the Financial Statements

(continued)

29. Related parties

The directors of the Company during the financial year were:

P A J Ingram	Executive Chairman
M Hulmes	Managing Director
C T Ansell	Non Executive Director
J A Walls	Non Executive Director

Remuneration of directors

Information on remuneration, share holdings and option holdings of directors is disclosed in Note 25 and the Directors' Report.

Transactions with related parties

Transactions between Universal Resources Ltd and related parties in the wholly owned group during the years ended 30 June 2007 and 30 June 2006 are as follows:

	2007	2006
Loans repaid to Universal Resources Ltd by subsidiaries	**(5,599)**	(950)
Shares purchased by Universal Resources Ltd in subsidiaries	**5,688**	-

Wholly owned group

The Consolidated Entity consists of the Company and the entity included in Note 30, which is wholly owned. Transactions between Universal Resources Limited and the controlled entity during the year consisted of a loan advanced by the Company. The inter-group loan is unsecured and interest free for the year, with no fixed repayment dates or terms.

The aggregate amounts receivable from the controlled entity by the Company at balance date are as specified in Note 10.

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

30. Investments in controlled entities

Name of entity	Incorporated	Class of shares	Amount of Investment		Equity Holding	
			2007	2006	2007	2006
Bolnisi Logistics Pty Ltd	Australia	Ordinary	**9,907,144**	9,901,456	**100%**	100%

31. Events occurring after balance date

No other matters or circumstances have arisen since 30 June 2007 that have significantly affected, or may significantly affect:

(d) the Consolidated Entity's operations in future financial years, or

(e) the results of those operations in future financial years, or

(f) the Consolidated Entity's state of affairs in future financial years.

	Consolidated Entity		Company	
	2007	2006	2007	2006
	$	$	$	$

32. Non-cash financing and investing activities

Ordinary shares issued upon conversion of converting notes	5,247,360	-	5,247,360	-

During the financial year, 29,955,550 ordinary shares were issued upon conversion of 53,920 converting notes (2006: not applicable).

33. Notes to cashflow statements

(a) Reconciliation of cash balances comprises:

Cash on hand	302	302	300	300
Cash at bank	2,229,717	2,211,346	2,229,717	2,211,346
Cash on deposit	6,141,840	13,282,339	6,141,840	13,282,339
Total cash and cash equivalents	8,371,859	15,493,987	8,371,857	15,493,985

(b) Reconciliation of loss after income tax expense

Loss after income tax	9,517,218	11,925,608	9,517,218	11,926,558
Depreciation and amortisation	(195,105)	(128,217)	(195,105)	(128,217)
Deferred exploration expenditure written off	(7,183,715)	(9,558,266)	(7,183,715)	(9,558,266)
Impairment of exploration property	(51,227)	-	(51,227)	-
Net gain/(loss) on sale of available-for sale financial assets	-	1,895	-	945
Employee options	(127,401)	(127,579)	(127,401)	(127,579)
Employee benefits allocated to exploration	(1,234,308)	(1,166,060)	(1,234,308)	(1,166,060)
Loss on sale of fixed assets	(16,976)	(281)	(16,976)	(281)
Increase/(decrease) in receivables	152,580	109,268	152,579	108,319
Decrease/(increase) in payables	12,614	(277,562)	12,614	(277,562)
(Increase) in provisions	(5,761)	(23,423)	(5,761)	(23,423)
Decrease/(increase) in other operating liabilities	85	(420)	(3)	(421)
Net cash outflows from operating activities	868,004	754,963	867,915	754,013

34. Share-based payments

(a) Employee Share Option Plan

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

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

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

34. Share-based payments (continued)

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

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

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

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

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

(b) Option valuation models

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

The model inputs for options granted during the year ended 30 June 2007 included:

M W H Hoyle	
Average weighted share price	16.0 cents
Exercise price	15 cents
Risk free rate	5.74%
Average weighted volatility	77.07%
Expected life of options (years)	2.5
Expected dividend yield	0%
Grant date	12 March 2007
Expiry date	12 March 2012

S W Michael	**Tranche 1**	**Tranche 2**	**Tranche 3**
Average weighted share price	10.0 cents	10.0 cents	10.0 cents
Exercise price	15 cents	15 cents	17.5 cents
Risk free rate	6.25%	6.25%	6.25%
Average weighted volatility	77.59%	77.59%	77.59%
Expected life of options (years)	2.5	3.0	3.2
Expected dividend yield	0%	0%	0%
Grant date	30 June 2007	30 June 2007	30 June 2007
Expiry date	04 December 2011	04 December 2011	04 December 2011

34. Share-based payments (continued)

The model inputs for options granted during the year ended 30 June 2006 included:

T Quaife & D Kelly	
Average weighted share price	15.04 cents
Exercise price	15 cents
Risk free rate	5.12%
Average weighted volatility	78.00%
Expected life of options (years)	2.0
Expected dividend yield	0%
Grant date	14 September 2005
Expiry date	14 September 2010

M Hulmes	**Tranche 1**	**Tranche 2**	**Tranche 3**
Average weighted share price	11.5 cents	11.5 cents	11.5 cents
Exercise price	15 cents	17.5 cents	20 cents
Risk free rate	5.36%	5.36%	5.36%
Average weighted volatility	47.38%	47.38%	47.38%
Expected life of options (years)	3.5	3.8	4.1
Expected dividend yield	0%	0%	0%
Grant date	30 June 2006	30 June 2006	30 June 2006
Expiry date	30 June 2011	30 June 2011	30 June 2011

34. Share-based payments (continued)

(c) Movement in options during the financial year

Movements in the number of options during the past two years were as follows:

Details		No. of Options	Weighted Average Exercise Price $
Balance as at 1 July 2005		**29,356,789**	**0.20**
Exercise of options		(136,000)	0.20
Expiry of options		(29,220,789)	0.20
Issue of options	(Note (d))	3,825,000	0.15
	(Note (d))	2,000,000	0.15
	(Note (d))	2,000,000	0.175
	(Note (d))	2,000,000	0.20
Balance as at 30 June 2006		**9,825,000**	**0.168**
Exercise of options		(190,000)	0.15
Cancellation of options		(1,250,000)	0.15
Issue of options	(Note (d))	1,000,000	0.15
	(Note (d))	1,500,000	0.15
	(Note (d))	1,500,000	0.15
	(Note (d))	2,000,000	0.175
Balance as at 30 June 2007	**(Note (e))**	**14,385,000**	**0.164**

The weighted average share price at the date of excercise of options excercised during the year ended 30 June 2007 was $0.206 (2006: $0.14).

(d) Options issued

The terms and conditions of each tranche of options granted affecting remuneration in previous, this or future reporting periods are as follows:

2007

No. of options	Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
1,000,000	12 March 2007	12 March 2012	$0.15	$0.0783	At any time during the option period
1,500,000	30 June 2007	04 December 2011	$0.15	$0.0389	At completion of financing documentation for Roseby by 31 December 2007 or such other date as is agreed by the Board of Universal Resources Limited.
1,500,000	30 June 2007	04 December 2011	$0.15	$0.0440	At satisfactory commissioning of the Roseby mining and treatment operation by 31 December 2008 or such other date as is agreed by the Board of Universal Resources Limited.
2,000,000	30 June 2007	04 December 2011	$0.175	$0.0425	30 June 2009 provided that the Company's share price performance has matched or exceeded the ASX small resources index.
6,000,000					

34. Share-based payments (continued)

2006

No. of options	Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
425,000	14 September 2005	14 September 2010	$0.15	$0.0319	At any time during the option period
400,000	14 September 2005	14 September 2010	$0.15	$0.0676	14 September 2006
500,000	14 September 2005	14 September 2010	$0.15	$0.0676	14 September 2006 and subject to achievement of best practice compliance
500,000	14 September 2005	15 September 2010	$0.15	$0.059	14 September 2007 and subject to achievement of best practice compliance
1,000,000	14 September 2005	14 September 2010	$0.15	$0.0676	Upon completion of Roseby copper project final feasibility study within agreed time and budget
1,000,000	14 September 2005	14 September 2010	$0.15	$0.0676	Upon commissioning of the mining and treatment operation at Roseby to agreed specifications
2,000,000	30 June 2006	30 June 2011	$0.15	$0.036	At satisfactory commissioning of the Roseby mining treatment operation by 21 March 2008 or such other date as is agreed by the Board of Universal Resources Limited.
2,000,000	30 June 2006	30 June 2011	$0.175	$0.0162	30 September 2008 provided that the Company's share price performance has matched or exceeded a suitable ASX resource index, which is to be agreed between the Company and the option holder.
2,000,000	30 June 2006	30 June 2011	$0.20	$0.01505	8 May 2009 provided that the Company's share price performance has matched or exceeded a suitable ASX resource index, which is to be agreed between the Company and the option holder.
9,825,000					

All options were issued free.

(e) Options outstanding

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

No. of Ordinary shares subject to Option	Expiration Date	Exercise Price
3,825,000	14 September 2010	15 cents
2,000,000	30 June 2011	15 cents
2,000,000	30 June 2011	17.5 cents
2,000,000	30 June 2011	20 cents
1,000,000	12 March 2012	15 cents
3,000,000	04 December 2011	15 cents
2,000,000	04 December 2011	17.5 cents

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

A total of 2,885,000 options were exercisable at 30 June 2007 at a weighted average exercise price of $0.15 (2006: 425,000 options at $0.15).

The weighted average remaining contractual life of share options outstanding at the end of the period was 4.04 years (2006: 4.72 years).

34. Share-based payments (continued)

	Consolidated Entity		Company	
	2007	2006	2007	2006
	$	$	$	$
(f) Expenses arising from share-based payment transactions				
Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:				
Options issued to directors and employees	**127,400**	127,579	**127,400**	127,579

35. Earnings per share

	Consolidated Entity	
	2007	2006
	Cents	Cents
Basic and diluted earnings per share	**(2.09)**	(4.91)

	Consolidated Entity	
	2007	2006
	$	$
Losses used in calculating losses per share		
Net profit (loss) for period	**(9,517,218)**	(11,925,608)
Add: Interest on liability component of converting notes	**144,917**	-
Less: Current and deferred tax relating to that interest	-	-
Earnings used in the calculation of basic and diluted earnings per share	**(9,372,301)**	(11,925,608)

	Consolidated Entity	
	2007	2006
	Number	Number
Weighted average number of share used as the denominator		
Weighted average number of ordinary shares issued	**272,796,135**	242,816,129
Add: Ordinary share resulting from mandatory conversion of converting notes	**174,892,851**	-
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**447,688,986**	242,816,129

There were a further 14,385,000 potential ordinary shares (options) not considered to be dilutive. There are no converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted earnings per share.

36. Employee benefits

	Consolidated Entity		Company	
	2007	2006	**2007**	2006
	$	$	**$**	$
Employee benefits and related on-cost liabilities				
Provision for employee benefits – current (Note 16)	**101,782**	109,815	**101,782**	109,815
Provision for employee benefits – non-current (Note 19)	**97,280**	75,597	**97,280**	75,597
Aggregate employee benefit and related on-cost liabilities	**199,062**	185,412	**199,062**	185,412

There are currently no liabilities for termination benefits that are expected to be settled more than 12 months from the reporting date.

Details of the Universal Resources Limited Employee Share Option Plan are set out in Note 34.

37. Company Details

The registered office of the Company is:

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

The principal places of business are:

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

Universal Resources Limited
92 Uhr Street
CLONCURRY QLD 4824

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes of the Consolidated Entity and the Company and the additional disclosures included in the Directors' Report designated as audited, are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Consolidated Entity's and the Company's financial position as at 30 June 2007 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date ; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 26 to 31 of the Directors' Report comply with Accounting Standard AASB 124: *Related Party Disclosures* and the *Corporations Regulations 2001*.

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

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

P A J Ingram

Chairman

Dated at Perth on this 26th day of September 2007

BDO Kendalls

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF UNIVERSAL RESOURCES LIMITED

Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report

We have audited the accompanying financial report of Universal Resources Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the headings A to D in the "Remuneration Report" in the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

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

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

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

BDO Kendalls

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Universal Resources Limited in accordance with Section 307c, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion on the Financial Report

In our opinion the financial report of Universal Resources Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001; and*

(c) the consolidated financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained under the headings A to D in the "Remuneration Report" of the directors' report comply with Accounting Standard AASB 124.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

C Burton

Chris Burton
Director

Perth, Western Australia
Dated this 26th day of September 2007

Auditor's Independence Declaration

BDO Kendalls

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www.bdo.com.au

ABN 79 112 284 787

26th September 2007

The Board of Directors
Universal Resources Limited
Level 2
91 Havelock Street
WEST PERTH WA 6005

Dear Board Members

DECLARATION OF INDEPENDENCE BY BDO KENDALLS TO THE DIRECTORS OF UNIVERSAL RESOURCES LIMITED

As lead auditor of Universal Resources Limited for the year ended 30 June 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 audit; and
- any applicable code of professional conduct in relation to the audit.

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

Yours faithfully
BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

C Burton

Chris Burton
Director

ASX Additional Information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

SHAREHOLDINGS

Substantial shareholders

The following substantial shareholders have lodged notices with the company as at 19 September 2007.

Holders	*Ordinary shares*
Mount Isa Mines Limited	30,000,000
CopperCo Limited	24,857,714

Class of shares and voting rights

At 19 September 2007, there were 3,650 holders of the ordinary shares of the company. The voting rights attaching to the ordinary shares, set out in clause 12.7 of the company's Constitution, are:

Subject to any special rights or restrictions for the time being attaching to any class of Shares.

- on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a Shareholder has one vote; and
- on a poll every person present who is a Shareholder or a proxy, attorney, or Representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall have a fraction of a vote for each partly paid Share. The fraction shall be equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable, excluding amounts credited, provided that amounts paid in advance of a call are ignored when calculating a true proportion.

At 19 September 2007, there were options over 9,185,000 un issued ordinary shares. There are no voting rights attached to the un issued ordinary shares. Voting rights will be attached to the un issued ordinary shares when the options have been exercised.

At 19 September 2007 there were 152,180 converting notes maturing June and July 2009 on issue. These notes are unlisted with no voting rights until converted to ordinary shares.

On-market buy-back

There is no current on-market buy-back.

ASX Additional Information

(continued)

Distribution of Share/Option / Converting Note Holders (as at 19 September 2007)

	Number of holders		
Category	Ordinary shares	Unlisted Options	Unlisted Converting Notes
1 – 1,000	290	-	13
1,001 – 5,000	609	-	9
5,001 – 10,000	606	-	1
10,001 – 100,000	1766	4	4
100,001 and over	379	7	-
	3,650	**11**	**27**

There were 1,002 holders holding less than a marketable parcel of ordinary shares.

Unquoted Securities

The Options on issue were issued as part of an Employee Incentive Scheme and are unquoted.

The unlisted converting notes are held by 27 Registered Holders with Glencore Finance AG holding greater than 20% with a total of 55,000 notes.

Restricted Securities

There were no restricted securities as at 19 September 2007.

ASX Additional Information

(continued)

Twenty Largest Security holders (as at 19 September 2007)

Holder name	Ordinary Shares Number	%
Mount Isa Mines Limited	30,000,000	10.03
CopperCo Limited	24,857,714	8.31
HSBC Custody Nominees (Australia) Limited – A/C 3	15,000,000	5.01
RBC Dexia Investor Services Australia Nominees Pty Limited	7,733,499	2.58
Calyerup Pty Ltd	4,753,478	1.59
ANZ Nominees Limited	3,519,565	1.18
Maria Beatrix Sandbach	3,506,911	1.17
Anthony Finbarr O'Sullivan	3,000,000	1.00
Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/C>	2,913,083	0.97
HSBC Custody Nominees (Australia) Limited	2,852,579	0.95
Zashvin Pty Ltd	2,700,000	0.90
Lake Gold Pty Ltd	1,927,980	0.64
Merrill Lynch (Australia) Nominees Pty Limited	1,544,170	0.52
JP Morgan Nominees Australia Limited	1,516,652	0.51
Nikola Sormaz	1,472,000	0.49
John Stephen Nitschke	1,380,000	0.46
Glenn and Angelina Robins	1,300,000	0.43
Sunshine Hong Kong Pty Ltd	1,300,000	0.43
Irene Margaret Hoyle	1,299,025	0.43
Paul Tsorlinis	1,282,113	0.43
Total	**113,858,769**	**38.03**

Other information

Universal Resources Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Schedule of Tenements

ROSEBY PROJECT

Number	Name	Interest
EPM 8506	Mt Roseby	100%
EPM 9056	Pinnacle	100%
EPM 10266	Highway	100%
EPM 10833	Cameron	100%
EPM 11004	Ogorilla	100%
EPM 11611	Gulliver	100%
EPM 12121	Gulliver East	100%
EPM 12492	Queen Sally	100%
EPM 12493	Quamby	100%
EPM 12529	Cabbage Tree	100%
EPM 13249	Lilliput	100%
EPM 14363	Bannockburn	100%
EPM 14365	Corella	100%
EPM 14535	Roseby Infill	100%
EPM 14545	Murrumba	100%
EPM 14556	Coolullah	100%
EPM 14822	River Gum	100%
MDL 12	Little Eva	100%
MDL 80	Roseby	100%
MDL 81	Bedford	100%
MDL 82	Green Hills	100%
MDL 83	L. E. Insurance No 1 & 2	100%
MDL 84	L. E. Insurance No 3	100%
ML 2581	Scanlan 1	100%
ML 2582	Scanlan 2	100%
ML 2583	Scanlan 3	100%
ML 2584	Scanlan 4	100%
ML 2585	Scanlan 5	100%
ML 2600	Dugald River 58	100%
ML 2647	Lady Clayre / Rodex 1	100%
ML 2648	Lady Clayre / Rodex 2	100%
ML 2649	Lady Clayre / Rodex 3	100%
ML 2650	Lady Clayre / Rodex 4	100%
ML 2651	Lady Clayre / Rodex 5	100%

ROSEBY PROJECT

Number	Name	Interest
ML 2652	Rodex 6	100%
ML 2653	Rodex 7	100%
ML 2654	Rodex 8	100%
ML 2655	Rodex 9	100%
ML 7497	Longamundi	100%
ML 90048	Longamundi 2	100%
ML 90052	Scanlan 7	100%
ML 90053	Scanlan 8	100%
ML 90054	Scanlan 9	100%
ML 90055	Caroline Revised	100%
ML 90056	Rodex 10	100%
MS 2874	Longamundi	100%
MS 3072	Little Eva	50%
MLA 90162	Scanlan	100%
MLA 90163	Longamundi	100%
MLA 90164	Blackard	100%
MLA 90165	Little Eva	100%
MLA 90166	Village	100%

QUEENSLAND REGIONAL PROJECTS

Number	Name	Interest
EPM 8059	Cameron River	100%
EPM 9611	Happy Valley	100%
EPM 14362	Malbon Vale	100%
EPM 14364	Waggaboonyah	100%
EPM 14366	Bushy Park	100%
EPM 14367	Spider	100%
EPM 14369	Dronfield	100%
EPM 14370	Malakoff	100%
EPM 14371	Mt Angelay	100%

NEW SOUTH WALES PROJECTS

Number	Name	Interest
EL 5692	Burra	90%
EL 5812	North Woodlawn Joint Venture	90%

UNIVERSAL RESOURCES

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