UCL Resources Limited

ABN 40 002 118 872

Financial report
for the half-year ended 31 December 2011

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DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of UCL Resources Limited ("UCL" or "the Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2011.

Directors

The names and details of the Directors of the Company in office during the half-year and until the date of this report are:

I W Ross
CT Jordinson
G Nakazibwe-Sekandi
S Gemell

Review of operations

Background
UCL Resources Limited ("UCL" or "the Company") is focused on:

1. exploration and development of the offshore Namibian Sandpiper Marine Phosphate Project ("Sandpiper Project") with joint venture partners Minemakers Limited (ASX & TSX: "MAK" and NSX: MMS) and Tungeni Investments cc ("Tungeni"); and
2. the development of the Mehdiabad Base Metal Project ("the Mehdiabad Project") located in Central Iran.

A. Offshore Namibian Phosphate Project

During the 6 months ended 31 December 2011 the Joint Venture Partners, through the Joint Venture Company, Namibian Marine Phosphates (Pty) Limited ("NMP"), made significant progress, including:

- Granting of the Mining Licence (ML 170)
- Increasing the mineral resource
- Collecting a bulk sample of 265t
- Commissioning and operating the Pilot Plant

Post the 6 month period further progress was made, This included:

- Lodgement of the draft Environmental Impact Assessment and the Environmental Management Plan
- Release by Bateman Advanced Technologies Limited ("Bateman") of the final Laboratory Test work Report
- Increase in the mineral resource

NMP announced two increases in the mineral resource, the first on 31 August 2011 and the second on 28 February 2012.

The first upgrade in the mineral resource, with the new estimated resources categorisation at a 15% P_2O_5 cut-off covering the northern half of the project area:

Resource Category	15% Cut off	
	Million tonnes	**P_2O_5 Grade**
Indicated	73.9	20.57%
Inferred	1,717.0	19.00%
Total	1,790.9	

The revised estimate announced on 28 February 2012 in the northern half of the initial 8km x 20km target area independently prepared by geostatistical consultant Dr Alwyn E Annels, FIMMM, C.Eng. estimated the mineral resources at:

Resource Category	**15% Cut off**	
	Million tonnes	**P_2O_5 Grade**
Measured	4.1	20.45%
Indicated	220.3	20.13%
Inferred	1,607.8	18.9%
	1,832.2	

The Sandpiper deposit comprises two main layers with phosphate mineralisation. The upper layer (Layer 1) tends to be relative shelly, grading downwards into a second generally higher grade sandy layer (Layer 2) which overlies a poorly mineralised footwall clay.

Indicated and Measured Mineral Resources have been calculated for the initial target recovery area in ML170 using combined assay and thickness data for Layers 1 and 2.

2D Inverse Distance Weighting (IDW) methods (to the power 3) were used to interpolate thicknesses, grade, specific gravities and moisture content for 200 m N-S x 200 m E-W blocks. Extrapolation has been constrained by the search parameters used. The dimensions of the search areas were controlled by examination of the distribution and trends of data, the numbers of samples captured and by the results of current geostatistical studies.

Mining Licence No 170 ('ML170') was issued for a period of 20 years from July 2011 and covers an area of 223,310.4 hectares (2,233.1 square kilometres). ML170 has a number of terms and conditions relating to work program and obligations, environment and certain additional conditions including offshore bunkering, statutory deductions for employees and mandatory notifications prior to commencement of any mining activities.

In addition to ML170, NMP holds a remaining six exploration permits surrounding the ML area, covering over 4,700 square kilometres.

The Bulk Sampling/Test Mining System ('BSTMS'), designed and built as a modular system, was used to carryout a bulk sampling program in the initial target mining area. The BSTMS is a purpose-built two cubic-metre mechanical grab and associated launch and recovery system (LARS), which successfully recovered approximately 265 tonnes of phosphate ore from the seabed., Once delivered to shore at Walvis Bay, the sample was then transported by road to Bateman's MINTEK facility in Johannesburg ("MINTEK").

The pilot plant constructed at the MINTEK facility commenced processing of the bulk sample material in November 2011 and the task was completed in January 2012 under the guidance of Bateman and NMP representatives.

The results achieved met upper expectations to produce final beneficiated product of approximately 27.5% – 28% P_2O_5 from a ROM feed grade of approximately 18%-19% P_2O_5. The pilot plant produced approximately 125 tonnes of phosphate rock concentrate product in total, which will be available for supply to potential end users. The product from the pilot plant work program will be utilised to further the marketing program of the DFS.

Bateman continues to progress the Definitive Feasibility Study ('DFS') beneficiation study and process plant design for the DFS, and are now in the final phase - Phase 5, which is the compilation of the DFS.

The phases comprising the DFS that Bateman have worked through include:

Phase 1 – laboratory test-work to confirm process parameters;
Phase 2 – supervision of Pilot testwork to produce a bulk concentrate for marketing and design input;
Phase 3 – basic engineering for the process plant;
Phase 4 – front end engineering design for the process plant; and
Phase 5 – compilation of the DFS.

The completion of the DFS is scheduled for the end of the first quarter of 2012.

Post the half year and in accordance with the terms of the granted Mining Licence ('ML 170') and in compliance with the Namibian Environmental Management Act (No. 7 of 2007) ('the Act'), NMP lodged the Draft Environmental Impact Assessment ('EIA') and Environmental Management Plan ('EMP') prepared by environmental consultants J Midgley and Associates in association with Namibian environmental consultants Enviro Dynamics, and externally reviewed by CSIR Consulting and Analytical Services: Environmental Management Services ('CSIR').

The key issues addressed in the EIA were determined through a scoping process as prescribed by the Act that included the participation of government authorities, the public, business, NGO's and the EIA team. The following aspects were covered in the EIA:

- Governance;
- The EIA process;
- Biogeochemical impacts;
- Benthic impacts;
- Marine fauna – flora impacts;
- Cumulative impacts;
- Socio-economic impacts, and
- Project impacts.

The EIA also includes the full reports, and findings therefrom, of four independent specialist studies that were undertaken to address the specific potential impacts on:

1. Fish, fisheries, seabirds and marine mammals;
2. Water column dynamics;
3. Macrobenthos; and
4. Jellyfish.

The market focus for use of the Sandpiper phosphate concentrate product, or 'Namphos' concentrate, is as follows:

- Direct application phosphate rock (DAPR) – tests by Bateman on concentrate characteristics have indicated that the rock phosphate is a highly reactive rock concentrate and should be suitable for direct application in appropriate soil and climate conditions;

- Single Super Phosphate ('SSP'); Bateman has completed the testwork on the suitability of the rock to be used in SSP, the results of which were positive; and

- Rock phosphate for Phosphoric Acid production – as set out in the Scoping Study, the concentration from the initial ore grade of 18 per cent – 20 per cent P2O5 up to 26 per cent to 28 per cent P2O5 has been shown to be commercially viable for the production of phosphoric acid.

B. **Mehdiabad Base Metal Project**

During the 6 months ending 31 December 2011 the Company continued to work with the Iranian authorities to seek an amicable solution to the dispute over the purported termination of Agreements. As previously advised, Iranian Mines and Mining Industries Development and Renovation Organization ("IMIDRO") purported to terminate several agreements governing the Project in December 2006, and since that time the parties have been negotiating in an effort to resolve the impasse and progress the Project.

MZC continues to work with IMIDRO to enter into a Memorandum of Understanding ("MOU") for the operation of the Mehdiabad Zinc Project. The MOU was initiated as a result of a high level meeting held on 21 December 2010 at the Office of the President, where a directive was signed by the parties to enter into an MOU and then formalise the necessary agreements.

3. Fund Raising

No capital raising was undertaken during the half year.

4. Results

The net loss for the half-year is $676,620 (December 2010: loss $527,947).

Outlook

The Company will continue to focus the majority of its efforts on its Sandpiper Project together with its joint venture partners with a view to achieving production in 2013.

The Company will also continue to attempt to resolve the Mehdiabad Project dispute, failing which it will consider instituting arbitration proceedings.

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 5.

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

C T Jordinson
Managing Director

I W Ross
Director

Tuesday, 13 March 2012

The information in this Report that relates to the Mineral Resources for the Namibian Phosphate Project is based on information compiled and reviewed by Roger J. Daniel, B.Sc. (Hons) Geology, London, Pr.Sci.Nat., who is a full-time employee of the Company and who is a Member of The Australian Institute of Mining and Metallurgy. Mr Daniel has sufficient experience deemed relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Daniel consents to the inclusion in the Report of the matters based on his information in the form and context in which it appears.

lawler partners chartered accountants

AUDITORS INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT

TO THE DIRECTORS OF UCL RESOURCES LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2011. There have been:

a) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and

b) No contraventions of any applicable code of professional conduct in relation to the review.

Lawler Partners

LAWLER PARTNERS	**CLAYTON HICKEY**
Chartered Accountants	Partner

Dated this 13th day of March 2012

Sydney

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Notes	Half-year 2011 $	2010 $
Revenue from continuing operations	3	29,113	6,175
Audit Fees		(34,179)	(22,500)
Consulting fees		(49,333)	(29,390)
Employee benefits expense		(294,172)	(102,268)
Directors Fees		(56,000)	(18,473)
General Administrative expense		(76,768)	(159,895)
Legal Expenses		(25,453)	(5,567)
Rental expense relating to operating leases		(14,031)	(31,386)
Share registry / meeting costs		(66,222)	(43,704)
Travel		(54,322)	(4,480)
Other Expenses		(21,505)	(123,053)
Finance costs		(20,622)	(5,827)
Share of profit of associates and jointly controlled entity accounted for using the equity method		6,874	12,421
Loss before income tax		(676,620)	(527,947)
Loss from continuing operations		(676,620)	(527,947)
Income tax		-	-
Loss for the half-year		(676,620)	(527,947)
Loss for the period is attributable to:			
Owners of the parent		(676,620)	(527,947)
Other comprehensive income			
Exchange differences on translation of foreign operations		(288,808)	10,909
Gain on the revaluation of available-for-sale financial assets		(60,000)	80,000
Total other comprehensive income for the period, net of tax		(348,808)	90,909
Total comprehensive income for the period		(1,025,428)	(437,038)
Loss for the period is attributable to:			
Owners of the parent		(676,620)	(527,947)
Total comprehensive income for the period is attributable to:			
Owners of the parent		(676,620)	(527,947)
		Cents	Cents
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		(1.08)	(0.02)
Diluted earnings per share		(1.08)	(0.02)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	December 2011 $	June 2011 $
ASSETS			
Current assets			
Cash and cash equivalents		**2,175,610**	4,452,797
Trade and other receivables		**62,438**	68,747
Available-for-sale financial assets		**90,000**	150,000
Total current assets		**2,328,048**	4,671,544
Non-current assets			
Other financial assets		**6,930**	50,583
Investments accounted for using the equity method		**5,124,718**	3,616,957
Property, plant and equipment		**10,533**	11,952
Total non-current assets		**5,142,181**	3,679,492
Total assets		**7,470,229**	8,351,036
LIABILITIES			
Current liabilities			
Trade and other payables		**283,891**	311,677
Borrowings		**500,000**	-
Provisions		**49,127**	27,149
Total current liabilities		**833,018**	338,826
Non-current liabilities			
Borrowings		**-**	500,000
Total non-current liabilities		**-**	500,000
Total liabilities		**833,018**	838,826
Net assets		**6,637,211**	7,512,210
EQUITY			
Contributed equity		**101,687,383**	101,687,383
Reserves		**1,719,402**	1,917,781
Accumulated losses		**(96,769,574)**	(96,092,954)
Total equity		**6,637,211**	7,512,210

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Group	Note	Ordinary Share Capital	Retained Earnings	Reserves	Total
Balance at 1 July 2010		**95,710,673**	**(95,047,492)**	**1,948,012**	**2,611.193**
Comprehensive income					
Loss for the period		-	(527,947)		(527,947)
Other comprehensive income for the period				90,909	90,909
Total comprehensive income for the period			**(527,947)**	**90,909**	**(437,038)**
Balance at 31 December 2010		**95,710,673**	**(95,575,439)**	**2,038,921**	**2,174,155**
Balance at 1 July 2011		**101,687,383**	**(96,092,954)**	**1,917,781**	**7,512,210**
Comprehensive income					
Loss for the period			**(676,620)**		**(676,620)**
Other comprehensive income for the period				**(348,808)**	**(348,808)**
Total comprehensive income for the period			**(676,620)**	**(348,808)**	**(1,025,428)**
Employee share options – value of employee services				**150,429**	**150,429**
Balance at 31 December 2011		**101,687,383**	**(96,769,574)**	**1,719,402**	**6,637,211**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 201

	Half-year	
	2011 $	2010 $
Cash flows from operating activities		
Receipts from customers	-	3,482
Payments to suppliers and employees	(648,427)	(604,457)
Interest received	80,169	7,517
Net cash (outflow) from operating activities	(568,258)	(593,458)
Cash flows from investing activities		
Payments for investments in associates	(1,678,789)	(149,539)
Proceeds from loans	-	500,000
Proceeds from security deposits	-	-
Repayment of borrowings	-	-
Payments for financial liabilities	-	-
Net cash (outflow) from investing activities	(1,678,789)	350,461
Cash flows from financing activities		
Share issue costs	(30,140)	-
Net cash (outflow) inflow from financing activities	(30,140)	-
Net (decrease) increase in cash and cash equivalents	(2,277,187)	(242,997)
Cash and cash equivalents at the beginning of the half-year	4,452,797	531,203
Effects of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at end of the half-year	2,175,610	288,205

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. Basis of preparation of half-year report

This general purpose financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 - *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by UCL Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

2. Going concern

The financial statements have been prepared on the going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Directors acknowledge that in order to continue to finance its exploration and development commitments on the Namibian Sea Phosphate and Mehdiabad Projects, and ongoing operational expenditure and working capital commitments, this necessitates further capital raisings or alternative fund raising activity such as joint venture arrangements. The Directors are confident of being able to raise capital based on the following assumptions:

- There have been previous successful equity raisings, including the Underwritten Renounceable Rights Issue in April 2011
- The Company has up to date Financial Projections highlighting events that require additional funding, ensuring strategies are in place well before the funding is required
- The Sandpiper Marine Phosphate Project, which is UCL's primary asset has a completed Scoping Study which indicated the Asset value exceeds the cost base recorded in the Accounts of UCL
- The Sandpiper Marine Phosphate Project has been significantly de-risked during the process of carrying out the soon to be completed Definitive Feasibility Study

In consideration of the above, the Directors have determined that it is foreseeable that the Company will continue to operate as a going concern and that it is appropriate the accounts be prepared on this basis.

In the event the Company is unable to achieve the actions noted above, the Company may not be able to continue as a going concern, and it may be required to realise its assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise as a result of cessation or curtailment of normal business operations.

3. Revenue from continuing operations

	Half-year	
	2011 $	2010 $
Interest	55,634	-
Foreign exchange losses	(26,251)	6,175
	29,113	6,175

4. Segment information

For management purposes, the group is organised into business units based on their products and activities and has two reportable operating segments as follows:

The Zinc segment being the exploration for and evaluation of zinc resources.

The phosphate segment being the exploration for and evaluation of phosphate resources.

For the half year ended 31 December 2011:	Phosphate Exploration & Evaluation $	Zinc Exploration & Evaluation $	Corporate $	Eliminations $	Consolidated $
Other revenue	-	-	55,634	-	55,634
Other income	-	-	(26,521)	-	(26,521)
Total segment revenue	-	-	29,113	-	29,113
Segment result	(6,874)	(1,368,825)	952,633	1,009,685	676,620
Income tax benefit	-	-	-	-	-
Loss for the 6 months	-	-	-	-	676,620
As at 31 December 2011:					
Segment assets	5,124,718	-	2,345,511	-	7,470,229
Segment liabilities	-	(25,761,783)	(833,018)	25,761,783	(833,018)
Acquisition of property, plant and equipment and other exploration assets	-	-	-	-	-
Depreciation and diminution in asset values	-	-	1,419	-	1,419
Other segment information	-	-	-	-	-
Investment in associates	1,507,761	-	-	-	1,507,761
Write-off of exploration assets	-	-	-	-	-
Share of profit of associates	6,874	-	-	-	6,874
For the half year ended 31 December 2010:					
Other revenue	-	-	6,175	-	6,175
Other income	-	-	11,870	-	11,870
Total segment revenue	-	-	18,045	-	18,045
Segment result	12,421	(4,428,254)	(540,096)	4,488,645	(467,284)
Income tax benefit	-	-	-	-	-
Loss for the year	-	-	-	-	(467,284)
As at 30 June 2011:					
Segment assets	3,618,466	53,192	4,679,378	-	8,351,036
Segment liabilities	-	(25,761,783)	(824,309)	25,747,266	(838,826)
Acquisition of property, plant and equipment and other exploration assets	-	-	-	-	-
Depreciation and diminution in asset values	-	-	1,250	-	1,250
Other segment information	-	-	-	-	-
Investment in associates	2,366,779	-	-	-	2,366,779
Write-off of exploration assets	53,896	-	-	-	53,896
Share of loss of associates	1,509	-	-	-	1,509

5. Equity securities issued

The following equity securities have been issued during the half year ended 31 December 2011:

Date	Details	No of shares	Paid up value ($)
1July 2011	Opening balance	2,424,195,686	101,687,383
13 December 2011	UCL Share consolidation 1 for 30	(2,343,388,612)	-
31 December 2011	Closing balance	80,807,074	101,687,383

On 13 December 2011, the Company consolidated its share capital in a ratio of one (1) new share for every thirty (30) shares held.

6. After balance date events

On 20 February 2012, Minemakers Limited ("Minemakers") announced an unsolicited and conditional takeover bid for the Company. The offer proposed that Minemakers would offer each UCL shareholder 9 Minemakers shares for every 10 UCL shares held.

The Board of UCL has rejected the offer as inadequate and opportunistic.

7. Commitments and Contingencies

There have been no changes on the commitments or contingencies as outlined in the 30 June 2011 annual report.

8. Related Parties Transactions

Transactions between related parties occur on normal commercial terms and conditions and are no more favourable than those available to other parties unless otherwise stated. During the half year loan transactions occurred between the Parent Entity and it wholly owned subsidiaries.

Transactions and balances between the Company and its subsidiary were eliminated in full in preparation of Consolidated Financial Statements of the Group.

9. Estimates and Judgements

There has been no change in the estimates since the Group's last Annual Report.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

    a) giving a true and fair view of the financial position as at 31 December 2011 and the performance for the half-year ended on that date of the consolidated entity; and
    b) complying with the Accounting Standard *AASB 134 Interim Financial Reporting* and the Corporations Regulations 2001.

2. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

This declaration was made in accordance with a resolution of the board of Directors.

C T Jordinson
Managing Director

Tuesday, 13 March 2012

INDEPENDENT REVIEW REPORT

TO THE MEMBERS OF UCL RESOURCES LIMITED

REPORT ON THE HALF YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of UCL Resources Limited (the consolidated entity) which compromise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the director's declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Auditing Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of UCL Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

INDEPENDENT REVIEW REPORT

TO THE MEMBERS OF UCL RESOURCES LIMITED

REPORT ON THE HALF YEAR FINANCIAL REPORT (Continued)

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year report of UCL Resources Limited does not present fairly, in all material respects, the financial position of the consolidated entity as at 31 December 2011, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 in the half-year financial report which indicates that the ability of UCL Resources Limited to continue as a going concern is dependent upon additional capital being raised to finance its exploration and development commitments on the Namibian Sea Phosphate Project, Mehdiabad Project and ongoing operational expenditure and working capital commitments. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Lawler Partners

LAWLER PARTNERS
Chartered Accountants

CLAYTON HICKEY
Partner

Dated this 13th day of March 2012

Sydney