



# Union Resources Limited

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Company Announcements Office  
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## MEHDIABAD PROJECT - UPDATE

The Mehdiabad Project is carried on by Union Resources Limited ("Union"), Iranian Mines and Mining Industries Development and Renovation Organization ("IMIDRO") and the company Itok GmbH ("Itok") through an incorporated Iranian joint venture company, Mehdiabad Zinc Company ("MZC"). Union has to date invested in excess of US\$15 million on exploration and feasibility activities relating to the Project.

As previously advised, IMIDRO purported to terminate several agreements governing the Project in December 2006. Union stated then, and is still firmly of the opinion, that the agreements were invalidly terminated. Since that time Union has been negotiating with the relevant Iranian parties in an effort to resolve the impasse and progress the Project. Most recently, Union held talks last weeks with its Iranian counterparts.

It has come to Union's attention that the Managing Director of IMIDRO's wholly owned subsidiary Iran Mines Procurement and Supply Company ("IMPASCO") has been quoted in the international press as stating that an agreement has been reached for Union to build a zinc production plant and for an official contract governing the matter to be signed within the next two months.

As stated above, Union has been pursuing a resolution of the dispute. Following negotiations in May of this year Union and its Iranian counterparts entered into a memorandum of understanding. A second memorandum of understanding was entered into on 10 December which expands upon the first memorandum of understanding.

The memoranda of understanding provide for MZC to build a plant to process Mehdiabad ore, receive priority supply of the ore, and deal with related mining issues, with the Exploitation Licence to be held by IMIDRO or its nominee. Progress has been made in the negotiation of this matter, but several key issues remain to be resolved before a final binding agreement can be concluded, the most important of which are the transfer price of the ore and the effective control of the mining program. Possible solutions to these issues have been proposed and are currently under review by Union.

Yours faithfully

**UNION RESOURCES LIMITED**

Dr Frank Reid  
Managing Director