



# Union Resources Limited

A.B.N. 40 002 118 872

Tel: +61 2 9233 4750  
Fax: +61 2 9233 4749

Suite 2, Level 2, Watson House, 300 George Street  
Sydney, NSW, Australia

Postal Address:  
PO Box 1494  
Sydney  
NSW 2001  
Australia

Friday, 29 July 2011

Company Announcements Office  
Australian Securities Exchange

## QUARTERLY ACTIVITIES STATEMENT FOR PERIOD ENDED 30 JUNE 2011

### ASX RELEASE

Friday, 29 July 2011 ASX

Code: UCL

#### Recent Price Sensitive Announcements:

- Namibian Phosphate JV Progress
- Renounceable Rights Issue
- Iranian Project Update

#### Issued Capital:

Ordinary Shares 2.42 bn

#### Top 20 Shareholders:

Hold 76.9%

#### Largest Shareholders:

- Twynam Agricultural Group Pty Limited
- Minemakers Limited
- JP Morgan Nominees Australia Limited
- Donwillow Pty Limited

#### Directors:

Ian Ross  
John Lemon  
Gida Nakazibwe-Sekandi  
Chris Jordinson

#### • Namibian Sandpiper Phosphate Project

- Mining Licence granted
- Deeper penetration sampling completed
- New resource model underway
- Definitive Feasibility Study is continuing
- Marine-based environmental work undertaken

#### • Mehdiabad Project

- Union's representatives are still progressing negotiation with the Iranian authorities to seek a mutually beneficial solution to the ownership issues

#### • Corporate

- Cash of A\$4.5 million on hand and US\$1.1 million (UCL share US\$0.56 million) in the Joint Venture Company Namibian Marine Phosphates Pty Limited
- Patersons Securities Limited completed and published a detailed Research Note detailing the Company and Projects

## Background

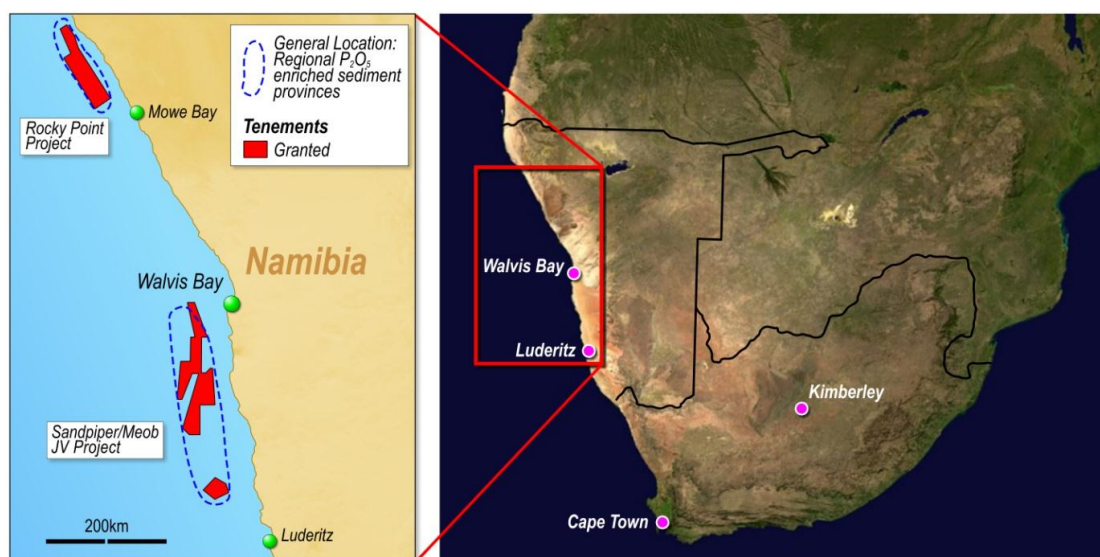
Union Resources Limited (“Union” or “the Company”) is focused on:

1. exploration and development of the offshore Namibian Sandpiper Phosphate Project with joint venture partners Minemakers Limited (ASX - “MAK”) and Tungeni Investments cc (Namibian partner) through the joint venture company Namibian Marine Phosphate (Pty) Ltd (“NMP”); and
2. continuing to work with the Iranian authorities to seek a mutually beneficial solution to the ownership issues relating to the Mehdiabad Project.

## Offshore Namibian Phosphate Project

### Background

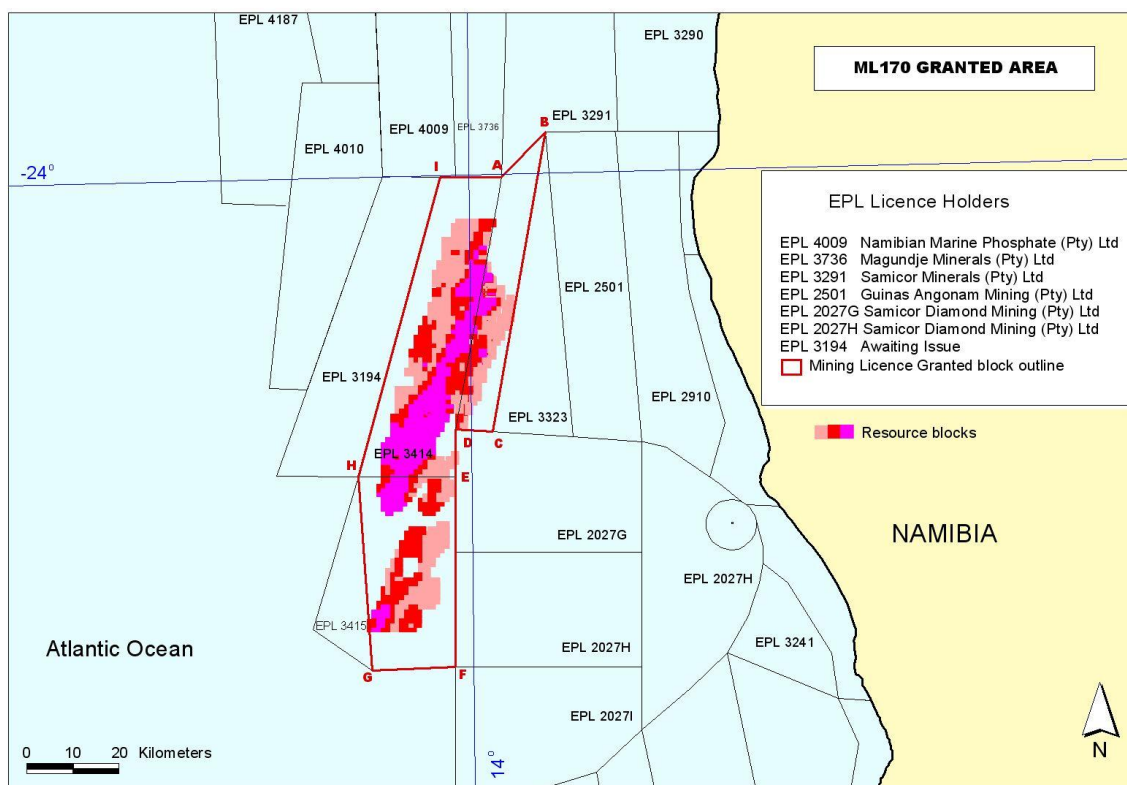
Joint Venture partners Union Resources Limited (ASX: “UCL”) (42.5%), Minemakers Limited (ASX: “MAK”) (42.5%), and Tungeni Investments cc (“Namibian Partner”) (15%), through the Joint Venture Company, Namibian Marine Phosphate Pty Limited (“NMP”) for the Sandpiper Marine Phosphate Project (“Phosphate Project”), continued to progress the Phosphate Project Definitive Feasibility Study (“DFS”).



### Mining Licence Granted

The issue and acceptance of the Notice of Preparedness to Grant Mining Licence No 170 (“ML170”) as announced on 15 July 2011 is a significant step in the advancement of the Sandpiper Phosphate Project and a critical component of the DFS.

ML170 has been issued for a period of 20 years from the date of acceptance and covers a total area of 223,310.4 ha. (2,233.1km<sup>2</sup>). ML170 has a number of terms and conditions relating to work programme and obligations, environment and certain additional conditions including, offshore bunkering, statutory deductions for employees and mandatory notifications prior to commencement of any mining activities.. These terms are standard for Namibian MLs in the marine environment and NMP believes the terms and conditions are reasonable and satisfactory.



Granted Mining Licence Area including Resource blocks

## Definitive Feasibility Study (“DFS”)

### Planning and Progress Meeting

Appointed DFS lead consultants, Bateman Advanced Technologies Limited (“Bateman”) co-ordinated a DFS planning and progress meeting with key sub-consultants, in Johannesburg, South Africa on Tuesday, 17<sup>th</sup> May 2011. Bateman are co-ordinating the overall DFS study and managing the component aspects of specialist work to be undertaken by the various sub-consultants.

The meeting was convened in Johannesburg as a major component of the DFS, the beneficiation Pilot Study, is to be carried out at the MINTEK facility in Johannesburg and supervised by Bateman. MINTEK are specialists in mineral and metallurgical technology and have a world renowned minerals processing facility in Randburg.

### Marine Dredging

The Marine Dredging Study is being carried out by Jan de Nul N.V. (“JDN”) of Belgium. JDN is designated the “Preferred Supplier” throughout the DFS and until the commercial and contractual terms for the production Dredging Works are agreed.

The Marine Dredging Study includes the detailed engineering works (for construction of the extended drag head to access the seabed to 225m depth) and construction works. Installation works (fitting of the drag head on the vessel Cristobal Colon) will be included in a separate Dredging Works Contract. The engineering works include

the detailed engineering scale model as well as a Deepwater Dredging Feasibility Study to access seabed sediments to a depth of 275m. The Marine Dredging Study will be completed in late 2011 upon which the Construction works will be commissioned.

### **Beneficiation and Process Plant design**

Bateman is progressing the Beneficiation Study and Process Plant Design for the DFS which includes 5 phases of work:

- Phase 1* - Laboratory test-work to confirm process parameters
- Phase 2* - Supervision of Pilot test-work 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
- Phase 5* - Compilation of a Definitive Feasibility Study

An 800kg ore sample from the project area has been delivered to Bateman at their laboratory in Israel to complete Phase 1 of the Laboratory test-work to confirm material characterization and process parameters. For the Phase 2 Pilot test-work, a 150 ton ore sample will be recovered and delivered to MINTEK to complete the beneficiation pilot study and produce a bulk concentrate to be used for design input and also to support marketing trials.

It is envisaged that the MINTEK Pilot Plant facilities will be used to produce larger volumes of phosphate concentrate to facilitate any requirements for full plant process trials by potential off take candidates for production of phosphoric acid or related fertilizer products.

The compilation of the Definitive Feasibility Study is scheduled for completion in the first quarter of 2012.

### **Bulk Sampling/Trial Mining System**

The detailed design for the Bulk Sampling/Test Mining System (BSTMS) has been completed by Triton Naval Architects of Cape Town, South Africa and the fabrication contracts have been issued. Construction is now in progress to enable the bulk sample to be delivered to MINTEK for the Pilot test-work. The BSTMS system, once constructed, will be installed and mobilised from Cape Town and then exported to Namibia to complete sampling/test mining as required.

The BSTMS is designed as a modular system that can be used from any vessel with a suitable open back deck and load capacity to ensure maximum flexibility for system utilization. The BSTMS will have capacity to recover phosphate ore from the seabed using a 2m<sup>3</sup> grab to accumulate quantities varying from a few hundreds to a few thousand tonnes of material, which will satisfy requirements to provide sample for the DFS as well the Marketing programme and also to complete trial mining operations.

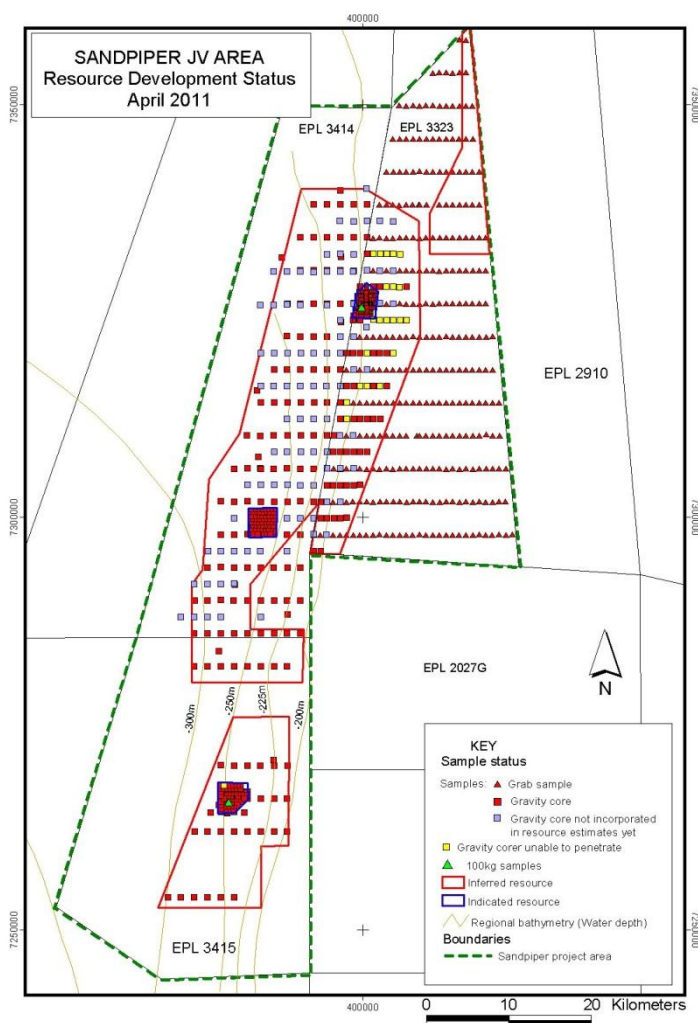
### **Resource Development**

The DFS resource development work is ongoing and the regional sampling in-fill programme over the northern half of the ML170 area was recently completed. An additional 81 core samples have been recovered and overall these cores have penetrated deeper than those of the initial coring programme upon which the first Indicated Mineral Resource estimate was compiled.

For the cores done in EPL 3414, which forms the bulk of the target development area, the older cores averaged 1.4m penetration and ranged from 0.25 to 2.4m in length. The new cores average 2.28m and range from 1.24 to 3.07m

From the 81 cores recently completed, 297 sub-samples were recovered and have now been submitted for assay. The assay results will be used to provide an upgraded regional Inferred Mineral Resource estimate, which is anticipated to be completed in July 2011.

Initial results from 15 cores are consistent with previous results and within expectations. Sampling will now continue on a work programme designed to upgrade and increase the current Indicated Mineral Resource base within the initial target development area at water depths of <225m.



Resource Development status

## Product Marketing

The International Fertilizer Association (“IFA”) held its annual conference in Montreal, Canada in late May 2011 and NMP attended along with its technical consultant to commence the marketing of the concentrated product to the end users in the fertilizer industry. A number of meetings were held with positive feedback. As a consequence, NMP has been requested to provide initial concentrate samples from the Bateman

Phase 1 test-work to various end users for testing. Post the completion of the 150 ton Pilot Study at MINTEK, NMP will have approximately 70 tons of concentrate available and can then provide larger bulk marketing samples to end users for further test-work.

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

- Direct application product – Recent tests by Batemans on concentrate characteristics have indicated that it is a highly reactive rock concentrate and should be suitable for direct application in appropriate soil and climate conditions;
- Single Super Phosphate (“SSP”) – Batemans have completed the test-work on the suitability of the rock to be used in SSP, the results of which were positive; and
- Rock Phosphate – As set out in the Scoping Study, the concentration of the initial ore grade of 18% - 20% P<sub>2</sub>O<sub>5</sub> up to 26% to 28% P<sub>2</sub>O<sub>5</sub> has been shown to be commercially viable for the production of Phosphoric Acid.

### **Environmental Studies**

The marine-based environmental work in support of the conditions of the Mining Licence ML170 is in progress and Namibian environmental consultants, Enviro Dynamics, have been appointed to carry out the necessary scoping and consultation processes for finalisation of the environmental management programme report.

In addition, with the identification of the preferred sites for the land based buffer pond and processing plant works, the environmental assessment process for these areas can now be initiated and progressed in parallel with other components of the DFS.

### **Future Work**

The work programme for the NMP Joint venture is as follows:

- complete the upgrade of mineral resource estimates to support the DFS production and commercial modelling
- Complete the collection of the 300t bulk sample required for the Pilot Plant testwork and Marketing
- Carry out additional processing test work to further enhance the final rock concentrate to be produced.
- Complete testwork on concentrate for production of the target set of fertiliser products
- Continue discussions with potential off-take parties to establish interest for sale of the Namibian concentrate for producing either Phosphoric Acid or SSP.
- Conduct and complete the DFS

### **Mehdiabad Base Metal Project**

#### **Background**

The Mehdiabad Project is carried on by 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\$16.8 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 various Iranian parties in an effort to resolve the impasse and progress the Project. At the same time, Union has been exploring the possibility of resolving the matter through arbitration and has made initial preparations for instituting arbitration proceedings should that become necessary.

### **During the Quarter**

Union continued to hold discussions with the relevant Iranian parties in an effort to resolve the Project dispute and progress the Project. However, no substantive progress was made.

### **Corporate**

The Company has A\$4.5 million cash on hand excluding the funds held in the Joint Venture Company Namibian Marine Phosphates Pty Limited which totalled US\$1.1 million (UCL share US\$0.56 million) .

Patersons Securities Limited completed and published a research note featuring the Company and related projects in early June 2011. A full copy of the Research Note is available on our website.

For further information, please contact:

Chris Jordinson  
Managing Director  
Mobile: 0411 224 712  
Email: [chris.jordinson@unionresources.com.au](mailto:chris.jordinson@unionresources.com.au)

*The information in this report that relates to Mineral Resources for the Namibian Sandpiper Phosphate Project is based on information compiled by Roger J. Daniel, B.Sc. (Hons) Geology, London, Pr.Sci.Nat., a full-time employee of the Company, 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.*