



Union Resources Limited

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Wednesday, 26 October 2011

Company Announcements Office
Australian Securities Exchange

QUARTERLY ACTIVITIES STATEMENT FOR PERIOD ENDED 30 SEPTEMBER 2011

HIGHLIGHTS

ASX RELEASE
Wednesday, 26 October 2011
ASX Code: UCL

**Recent Price Sensitive
Announcements:**

Issued Capital:

Ordinary Shares 2.42bn

Top 40 Shareholders:

Hold 81.5%

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
Steve Gemell
Chris Jordinson

Namibian Sandpiper Phosphate Project

- Appointed the General Project Manager;
- Mineral resource upgraded:

Resource Category	10% Cut off		15% Cut off	
	Million tonnes	P ₂ O ₅ Grade	Million tonnes	P ₂ O ₅ Grade
Indicated	74	20.6%	74	20.6%
Inferred	1,877	18.4%	1,717	19.0%

- Continued, on schedule, progress of Definitive Feasibility Study; including:
 - Mobilisation of bulk sampling/trial mining grab system;
 - Completion of 265 ton bulk sampling programme ; and
 - Commencement of pilot processing plant construction

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 - A\$3.36 million on hand and US\$1.24 million (UCL share: US\$0.62 million) in the joint venture company Namibian Marine Phosphate (Pty) Limited;
- Mr Steve Gemell has been appointed as a Director of the Company; and
- Small Shareholder unmarketable parcel buy back announced.

Background

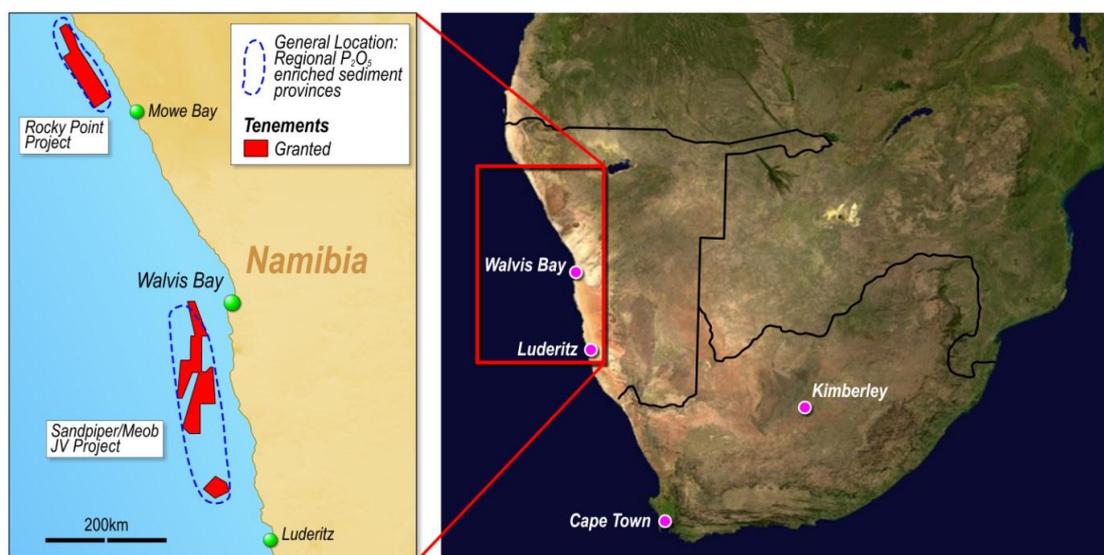
Union Resources Limited (“Union” or “the Company”) is focused on:

1. exploration and development of the offshore Namibian Sandpiper Phosphate Project with joint venture partners Minemakers Limited (ASX: “MAK”) (“Minemakers”) and Tungeni Investments cc (Namibian partner) (“Tungeni”) 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 (ASX: “UCL”) (42.5%), Minemakers (42.5%), and Tungeni (15%), through the joint venture company NMP, continued to progress the Definitive Feasibility Study (“DFS”) for the Sandpiper Marine Phosphate Project.



Mr. David Wellbeloved appointed as the General Project Manager

NMP has appointed Mr. David Wellbeloved as the General Project Manager of the Joint Venture to strengthen the current management team and to advance the DFS. David has a wealth of experience in project management, development, construction and commissioning of major projects throughout Southern Africa.

David has a BSc and MSc in Engineering (Metallurgy), a Master of Business Leadership and nearly 30 years experience as a metallurgist and engineer. David has worked as a metallurgist and most recently was the Technical Director of Kalahari Resources, being responsible for the development of the US\$1.4bn Northern Cape smelter at Coega, South Africa. Prior to working for Kalahari Resources David was the Business Development Manager for Bateman Metals Limited. In addition, David’s experience includes working on a wet phosphate process plant in South Africa, and the production of phosphoric acid by thermal processes.

David has settled into the role of General Project Manager and is actively working with the team to advance the DFS. David's initial focus, given his experience, has been to get an understanding of the metallurgical and engineering components of the DFS, including working with Bateman to ensure NMP achieves the simplest and highest quality possible beneficiated commercial product. David will be based in Namibia on completion of the DFS to oversee the project development through to commencement of Production.

Definitive Feasibility Study

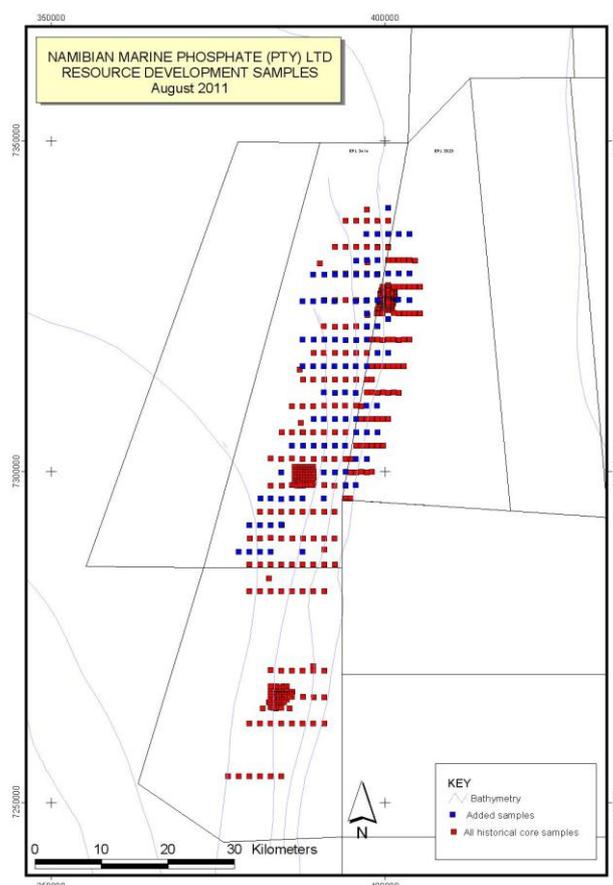
Progress

During the quarter, the DFS continued to progress on schedule for completion in Q1 2012 and various announcements with regards to the progress were made including:

- a significant Inferred Mineral Resource upgrade;
- fabrication and mobilisation of the mechanical grab - based bulk sampling/trial mining system (BSTMS) and
- commencement and completion of the bulk sampling programme.

Resource upgrade and development

The completion of a further regional infill sampling programme by NMP in the northern part of the Sandpiper Project area led to an increase of the Inferred Mineral Resource estimate for the Sandpiper Project. The overall results are in line with expectations and confirm the potential world class dimensions of the Sandpiper Project.



The revised estimate indicates that the estimated phosphate Mineral Resources now stand at:

Resource Category	10% Cut off		15% Cut off	
	Million tonnes	P ₂ O ₅ Grade	Million tonnes	P ₂ O ₅ Grade
Indicated	74	20.6%	74	20.6%
Inferred	1,877	18.4%	1,717	19.0%

Samples were recovered from 100 new sample sites on a regional infill sample grid located in the northern half of the Sandpiper Project Area to supplement the existing regional sampling dataset. This sample area also incorporates the Initial Target Mining Area which is located in water depths of less than 225m for development using the Jan De Nul dredger, "Cristobal Colon". An upgraded (heavier) gravity coring system was used which achieved overall greater penetration than the initial phase of regional resource sampling completed in 2009, with an average sampling penetration depth of 1.65m (previously 1.22m) into the phosphorite mineralization and maximum penetration of just over 3m in water depths between 180m and 300m. A total of 374 sub-samples were taken from the 100 new cores and submitted for analysis.

The broader aims of the regional infill sampling programme were:

- to demonstrate mineralisation continuity in the Initial Target Mining Area located in the northern part of the project area at a depth of <225m and covering an area of approximately 25km x 8km;
- to identify areas of consistent thickness and mineralisation with average grade above 20% P₂O₅ in the upper levels of the deposit; and
- to confirm the preferred area for further follow-up sampling to upgrade from the current Inferred Mineral Resources to the higher category of Indicated Mineral Resource Estimates to support a 25 year mine development plan for the DFS").

The resource development work programme is now continuing to focus on the upgrade of the Inferred Mineral Resources in the initial target mining area to the higher categories of Indicated and Measured Mineral Resources to support the financial modeling of the DFS around a target mine life of 25 years.

Bulk Sampling/Trial Mining System

The Bulk Sampling/Test Mining System ("BSTMS") was designed and built as a modular system and was used to complete the DFS bulk sampling programme in the Initial Target Mining Area. The BSTMS was installed on the vessel Smit Madura which was chartered for the work programme. The BSTMS performed well with a 95% success rate in sample recovery and has now been demobilized in Walvis Bay following the successful completion of the Bulk Sampling Programme. The BSTMS is a purpose-built 2.0m³ mechanical grab and associated launch and recovery system (LARS) which successfully recovered approximately 265 tonnes of phosphate ore from the seabed.



A-frame, 2.0m³ grab and hopper in the workshop

The vessel MV Smit Madura sailed from Cape Town to the Sandpiper Project area in early October 2011 to undertake the bulk sampling programme as a major component of the ongoing DFS. The MV Smit Madura was built in 1988 and was re-equipped in 2004 and has the dimensions LOA – 50.00m, LOA (B.P.) - 43.50m, a 14.30m beam and a maximum draft of 5.70m. The deck dimensions and capabilities include dead weight 882.32 M/T, clear deck space 281.0m² (total area), clear deck length 24.0m, clear deck breadth 11.7m and deck strength 240t @ 5t/m² max loading stress.



Bulk Sampling System on Smit Madura

The team on board included two senior NMP personnel who supervised the work programme comprising the launch and recovery of 105 grab loads weighing approximately 265 tonnes of product material that was collected and stored on deck in 1.0 tonne bulker bags.

Once the bagged product was offloaded in Walvis Bay, it was transported to the MINTEK processing facility in Johannesburg, where a pilot processing plant facility is situated. The pilot plant testwork is intended to confirm the layout of the industrial beneficiation process flow and the final plant will then be used for the production of around 150 tonnes of phosphate rock concentrate product, to be made available for marketing trials, in line with the DFS programme. The pilot plant test trials are due to commence at MINTEK in the last week of October 2011.



MV Smit Madura loaded and heading into Walvis Bay

Pilot Plant

The construction of the pilot plant has commenced at the MINTEK facility in Johannesburg under the guidance of Bateman and NMP representatives. The pilot plant is expected to be commissioned and in operation during the last week of October 2011, in accordance with the DFS timetable.

The pilot plant will treat and beneficiate the 265 tonnes of product collected during the bulk sampling programme with the following objectives:

- confirm that the proposed process can be up-scaled to full commercialization; and
- provide sufficient product for the marketing trials.

Marine Dredging

The Phase 1 marine dredging study has continued during the quarter, which includes detailed engineering for construction of the extended drag head, to access the seabed to 225m depth.

Phase 2 construction works will follow and Installation works (fitting of the drag head on the vessel Cristobal Colon) will be included in a separate dredging works contract. The Phase 1 engineering works also include a detailed engineering scale model as well as a Deepwater Dredging Feasibility Study to investigate systems that can access seabed sediments to a water depth of 275m for longer term operations by NMP. The Phase 1 marine dredging study will be completed in late 2011 upon which the Phase 2 construction works will be commissioned.

Beneficiation and Process Plant design

Bateman continue to progress the beneficiation study and process plant design for the DFS and have now embarked on Phase 2 of the DFS programme. The results of Phase 1 of the DFS programme will be completed and reported by NMP in Q4 – 2011.

The phases comprising the Bateman contracted work are:

- | | |
|----------------|--|
| <i>Phase 1</i> | laboratory test-work to confirm process parameters; |
| <i>Phase 2</i> | supervision of Pilot test-work to produce a bulk concentrate for marketing and design input; |

<i>Phase 3</i>	basic engineering for the process plant
<i>Phase 4</i>	front end engineering design for the process plant; and
<i>Phase 5</i>	compilation of the DFS.

The 800kg ore sample previously delivered to the Bateman laboratory in Israel has been utilized to complete Phase 1 of the Laboratory test-work to confirm material characterization and process parameters. The 265 tonne bulk sample recovered and delivered to MINTEK will be used complete the Phase2 beneficiation pilot study and produce a bulk concentrate to be used for design input and also to support marketing trials.

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

Product Marketing

The product from the pilot plant work programme will be utilised to further the marketing programme of the DFS.

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 test-work 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% - 20% P₂O₅ up to 26% to 28% P₂O₅ 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, continue to carry out the necessary scoping and consultation processes for finalisation of the Environmental Management Programme Report (“EMPR”).

During September 2011 the public consultation process was commenced with meetings held in Windhoek and Walvis Bay. A number of matters were raised at the public scoping meetings and Enviro Dynamics, appointed independent consultant experts and the NMP team are currently addressing the points raised.

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 has been 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 schedule and the financial modelling;
- complete the processing of the 265 tonne bulk sample through the pilot plant and produce the marketing sample;
- carry out additional processing test work (particularly flotation) to investigate possible further enhancement of the final rock concentrate;
- complete test work 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;
- continue the follow up from the environmental public scoping meetings held in Windhoek and Walvis Bay
- complete the Environmental Impact Assessment ("EIA")
- investigate and commence discussions with regard the available financing options for the development of the project

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.

In line with the announcement to the ASX by Union dated 21 February 2011 MZC has continued to negotiate a Memorandum of Understanding (“MOU”) with IMIDRO, as agreed at the meeting held on 21 December 2010 at the Office of the President (Iran).

During the Quarter

During the quarter a news release by AFP News Agency (citing a report by Russian newspaper *Kommersant Daily*) was made on 20 September 2011, the contents of which are set out below:

“MOSCOW (AFP)--Russia and Iran are creating a \$1.2 billion joint venture between state company Russian Technologies and Tehran state Bank Saderat to tap into Iran's colossal zinc deposits, Kommersant daily reports Tuesday. The joint venture will build a mining complex and develop the Mehdiabad mine, according to a Sept. 11 protocol from the Russian-Iranian trade commission meeting. At the meeting, Iran's Foreign Minister Ali Akbar Salehi and Russian Energy Minister Sergei Shmatko agreed to cooperate on the project. Russian Technologies will participate in the project together with a Turkey-Seychelles company Kapsad International, while Iran will be represented in the venture by Bank Saderat, a major institution blacklisted by the U.S. Treasury and the United Nations Security Council. A source close to the negotiations told Kommersant that the project is worth up to \$1.2 billion, with most funds expected to come from Iran. The Mehdiabad deposit in central Iran is believed to contain 15.7 million metric tons of zinc and 5.0 million tons of lead, according to Australian company Union Resources Ltd. (UCL.AU) that was given a license to exploit the mine in 2006. Since then, the Australian project was frozen due to political risks, Kommersant said.

*(END) Dow Jones Newswires
September 20, 2011 02:24 ET (06:24 GMT)”*

In recent meetings held in Tehran, representatives of MZC and Union met with both IMIDRO and the Office of the President, seeking further clarification on the press release of 20 September 2011 and the MZC and Union position in this regard. In the meeting with IMIDRO both MZC and Union Representatives were advised that there is no MOU in place with Bank Saderat, despite the assertion in the article published by AFP News Agency (citing a report by Russian newspaper *Kommersant Daily*) made on 20 September 2011.

In addition to the above advice, there was a statement made by the then IMIDRO Chief Mr. Samedinjad when questioned about the existence of an agreement between IMIDRO and Bank Saderat by the Iranian Labour News Agency (“ILNA”) in a newspaper article on 30 July 2011 to which he responded *“I don’t know why such news has been published in this regard only Bank Saderat announced that it is ready for investment in this mine but there is no agreement in this regard and there is no MOU.”*

In line with the announcement to the ASX by Union dated 21 February 2011, MZC and Union representatives are continuing to negotiate a Memorandum of Understanding (“MOU”) with IMIDRO, as agreed at the meeting held on 21 December 2010 at the Iranian Office of the President, where a directive was signed by the parties to enter into an MOU and then formalise the necessary agreements.

Corporate

Cash position

The Company has A\$3.36 million cash on hand excluding the funds held in the Joint Venture Company Namibian Marine Phosphates (Pty) Limited which totalled US\$1.24 million (UCL share US\$0.62 million).

Appointment of Mr Stephen Gemell as a non-executive Director

Mr Stephen Gemell BE Mining (Hons). FAusImm (CP) MAIME, MMICA has been appointed as a non-executive director of the Company.

Mr Gemell has over 35 years of experience in the Australasian, African, European and Americas mining industry. Mr. Gemell's experience includes both underground and open-cut mining covering project evaluation, feasibility studies, development and operational management and supervision. In addition, Mr Gemell has acted as an independent expert or technical auditor for both mining companies and financial institutions. He has been Principal of Gemell Mining Engineers, an independent multi-discipline consultancy, since its formation in Kalgoorlie in 1984. Mr Gemell has held executive and non-executive directorships in listed mining companies and is currently a non-executive director of Argent Minerals Limited., Eastern Iron Limited, Indochine Mining Limited and UXA Resources Limited.

Mr. Gemell also has experience in Namibia and will greatly assist the Company in progressing the Namibian Sandpiper Phosphate Project and in the Company's operations generally.

Small Shareholder Sale

In order to prepare the Company for the funding requirements for the development of the Sandpiper Phosphate Project in Namibia, a number of corporate matters have been commenced to rationalize the Company's member register.

The Company is aware that some shareholders in the Company have very small holdings of shares in the Company and would be willing to sell their shares, except for the fact that they cannot easily trade such a small parcel of shares on the ASX, or the cost of brokerage may make it uneconomic for them to do so.

The Company's Directors have decided to utilise the procedure provided for in clause 11 of the Company's constitution. Under clause 11 the Company is entitled to write to each shareholder who holds less than a marketable parcel of shares i.e. less than \$500 worth of shares in the Company based on the closing price of the Company's shares on the ASX in the Company and give the shareholder the option to elect to continue to hold his/her shares in the Company. If the shareholder does not elect to continue to hold his/her shares the Company is entitled to sell the shareholder's shares, and account to the shareholder for the proceeds of the sale.

The record date for determining which Shareholders have less than a marketable parcel of shares (and whom the Company has subsequently written to) was the close of business on Tuesday, 4 October 2011.

For further information, please contact:

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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.