



# Union Resources Limited

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Company Announcements Office  
Australian Securities Exchange

## QUARTERLY ACTIVITIES STATEMENT FOR PERIOD ENDED 30 SEPTEMBER 2010

### HIGHLIGHTS

- **Namibian Sandpiper–Meob Phosphate Project**
  - The Shareholders Agreement dated 30 July 2010 was executed
  - Exploration Licences 3414 and 3415 have been transferred to the Joint Venture company Namibian Marine Phosphate (Pty) Ltd, post 30 September 2010
  - Scoping Study results are currently being compiled for release in early November 2010
- **Mehdiabad Project**
  - Despite the impairment of the assets in the half year accounts, Union's representatives are still progressing negotiation with the Iranian authorities to seek a mutually beneficial solution to the ownership issues
- **Corporate**
  - Cash at the end of the quarter was A\$181,744

## Background

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

1. exploration and development of the offshore Namibian Sandpiper–Meob 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

The Offshore Namibian Phosphate Project has progressed to the scoping stage of the development of the Project. The Scoping Study is being compiled for release in early November.

It is supported by a large well defined offshore resource base.

Independent assessment of the assay results from the final set of samples in EPL3415 recovered in the initial sampling programme delivered revised final resource estimates including:

- a new area of Indicated Mineral Resource of 26.3 Mt (dry) at 19.1% P<sub>2</sub>O<sub>5</sub>, as well as
- an increase in the Inferred Mineral Resource estimate to 449.5Mt (dry) at 18.5%P<sub>2</sub>O<sub>5</sub>.

As previously reported, the estimated resources categorisation of the Offshore Namibian Phosphate Project is as follows:

<b>Indicated category:</b>	73.9 million dry tonnes at 20.57% P <sub>2</sub> O <sub>5</sub>
<b>Inferred category:</b>	1,507 million dry tonnes at 18.7% P <sub>2</sub> O <sub>5</sub>
<b>Total:</b>	1,581 million dry tonnes at 18.8% P <sub>2</sub> O <sub>5</sub>

Detailed resource estimates are provided in Tables 1 and 2 below.

**Table 1 Inferred Mineral Resources (Phosphate) JV Licence Areas**

EPL	Sample Type	Resource Area	Wet Tonnes x 10 <sup>6</sup>	Dry Tonnes x 10 <sup>6</sup>	Grade (% P <sub>2</sub> O <sub>5</sub> )	Date Reported
3323	Grab	West*	128.9	96.7	16.4	Dec 08
3323	Grab	North East	49.5	37.1	13.4	Dec 08
3415	Core	North	138.0	103.5	19.8	Sept 09
3415	Core	Central+South	461.0	346.0	18.1	Sept 09
3414	Core	All	1,232.0	924.0	19.3	July 09
		<b>Combined</b>	<b>2009.4</b>	<b>1,507.3</b>	<b>18.7</b>	

**Table 2 Indicated Mineral Resources (Phosphate) JV Licence Areas**

EPL	Sample Type	Resource Area	Wet Tonnes x 10 <sup>6</sup>	Dry Tonnes x 10 <sup>6</sup>	Grade (% P <sub>2</sub> O <sub>5</sub> )	Date Reported
3323	Core	West	16.2	12.2	20.5	June 09
3414	Core	Detailed	47.3	35.4	21.7	July 09
3415	Core	Detailed	35.4	26.3	19.1	Sept 09
		<b>Combined</b>	<b>98.9</b>	<b>73.9</b>	<b>20.6</b>	

*Note: Resources listed in Tables 1 for grab sampled areas are based on a 10% block cut-off grade while those for cored areas are based on a 15% block cut-off. For those core based resources produced prior to September 2009, average wet tonnage factors of 1.70 tonnes per cubic metre have been applied and these were converted to dry tonnages using a factor of 0.75. - Mineral Resources listed in EPL3415 calculated in August 2009 are based on a flexibly applied 15% block cut-off grade and on a minimum mining thickness of 25 cm. Average wet tonnage factors of 1.68 tonnes per cubic metre are applied to Inferred Mineral Resources which are converted to dry tonnages using a factor of 0.75. In the case of Indicated Mineral Resources, Layer 1 and 2 tonnages are produced using new SGs of 1.75 and 1.69 tonnes per m3 respectively and new dry tonnages conversion factors of 0.80 and 0.71 respectively.*

## **SCOPING STUDY**

### **Sandpiper Meob JV Phosphate Project, Namibia**

NMP has received all of the supporting independent reports for the finalisation of the Scoping Study for a rock phosphate mining, beneficiation and export operation. The final Scoping Study document will be released in early November 2010.

The Scoping Study covers:

#### **i) Marine Mining/Dredging**

The marine mining/dredging study was carried out by IHC Marine and Mineral Projects ("IHC/MMP") in conjunction with the Jan de Nul Group ("JDN"), who are one of the world's largest dredging contractors and owners of a large dredging fleet with vast experience in dredging, reclamation, marine mining and off shore services. IHC/MMP has confirmed that the dredging option, as put forward by JDN, employing the vessel the Cristobal Colon to a depth of 225m is currently recommended as the preferred option for recovery and transport of the phosphate sediments to shore.

#### **ii) Shore Transfer**

The transfer of slurry from the dredge vessel to an onshore buffer/receiving pond has been included as part of the marine mining/dredging process provided in the cost price from the contractor. The shore transfer involves a flexible pipe being attached to the vessel and the mined material is then pumped to shore as is commonly used in the dredging industry.

Slurry consultants Patterson and Cooke have carried out the land based study which include buffer ponds, a pump station and overland pipeline which allows the slurry of mined material to be pumped from the onshore buffer pond point to the proposed process plant location at Walvis Bay, which is around 15kms north of the shore transfer point.

#### **iii) Processing**

As previously announced, the processing testwork carried out by Bateman Advanced Technologies Limited ("Batemans") has indicated that through conventional sizing, screening and attrition processes the mined material can be concentrated to 26% P<sub>2</sub>O<sub>5</sub> and, in addition, the attrition testwork also showed a partial removal of the contaminant gangue including iron (Fe), magnesium (Mg), aluminium (Al) and insoluble matter into the slimes.

Batemans has also looked at further enhancing the quality and grade of final product concentrate through a calcination process.

The recommended process flow for beneficiation has been completed and Batemans is currently finalising the capital and operating costs for the proposed process and plant design.

Chemical testwork completed to date shows that the Namibian rock concentrate can be used to make either Phosphoric Acid or Single Super Phosphate ("SSP").

iv) **Port and Bulk Handling**

The port of Walvis Bay has been engaged and meetings have been held with both Namport and local bulk handling agencies where it has been confirmed that the port has the capacity to handle, store and load the final product onto ships for final delivery to the customer.

v) **Land and Water Access**

The Walvis Bay Municipality has approved in principle the allocation of land and fresh water requirements which are well within the design parameters for the proposed process plant.

vi) **Dry Kiln Phosphoric Acid**

In addition, NMP has agreed to provide JDC Phosphate ("JDC") a sample for testing in JDC's pilot plant. JDC has reviewed the general composition of the Namibian phosphate deposits and advised of its apparent suitability for JDC's dry kiln process. If suitable, the dry kiln process has significant potential for low cost production of super concentrated Phosphoric Acid. The connection with JDC arises from the agreement signed earlier this year with MAK in relation to their Wonarah phosphate project in Australia.

vii) **Environment**

A draft report on the environmental risk assessment has been produced. In addition, a baseline study on samples from the northern end of the main mineralised area, incorporating the initial target mining/dredging area is under way and will be further developed as part of the Feasibility Study and in support of a Mining Lease Application.

## **Future Work**

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

- Complete and submit the Mining Lease Application ("MLA") and then work with the relevant Namibian Government Departments to progress the MLA to completion of the process.
- Complete the financial analysis for the Scoping Study.
- Commence the planning, costing and timeline for the development of a Definitive Feasibility Study.
- Carry out additional test work to further enhance the final rock concentrate to be produced.
- Establish discussions with potential off-take parties to establish interest for sale of the Namibian concentrate for producing either Phosphoric Acid or SSP.

## **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.

The political situation in Iran continues to be difficult, and there appears little prospect of any improvement in the short term. Nevertheless, the Company has continued to work with IMIDRO and IMIDRO's subsidiary IMPASCO to try to resolve the Mehdiabad Project dispute.

On 30 April 2009, Union lodged a claim with the Australian Government Export Finance and Insurance Corporation (EFIC) under the Company's political risk insurance policy with EFIC, seeking compensation for expropriation of the Company's interest in the Mehdiabad Zinc Company which carries on the Mehdiabad Zinc Project. On 1 October 2009, Union received notification from EFIC that in EFIC's opinion the acts or omissions described in Union's claim do not constitute expropriation and therefore EFIC will not meet Union's claim under the Policy. EFIC provided no reasons for its assertion and Union is currently taking advice in relation to the matter and considering its options.

Union continues to work with the Iranian authorities and has participated in a number of meetings with the Iranian authorities to seek a mutually beneficial solution to the ownership issues.

### **Corporate**

Cash as the end of the quarter was A\$181,744. The Company is currently considering capital raising options.

For further information, please contact:

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*The technical information in this release is based on information from interim reports from Bateman Advanced Technology Limited and was compiled and reviewed by Roger J. Daniel, B.Sc. (Hons) Geology, London, Pr.Sci.Nat., technical consultant to 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.*