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ASX Market Announcements

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UPDATED DFS CONFIRMS IMPROVED POTENTIAL OF THE SANDPIPER MARINE PHOSPHATE PROJECT

UCL Resources Limited **(ASX – "UCL")** is pleased to announce the updated positive technical and financial outcomes from the independent Definitive Feasibility Study **("DFS")** on the Sandpiper Marine Phosphate Project **("Sandpiper" or "the Project")**.

The Sandpiper Project is located offshore from the Namibian coast and is held by the joint venture company, Namibian Marine Phosphate (Pty) Limited ("**NMP"**). NMP is owned by UCL (42.5%), Omani registered Mawarid Mining LLC (42.5%) and Namibian registered Tungeni Investments (Pty) Ltd (15%).

<u>Results of Updated positive Definitive Feasibility Study</u>

The updated Definitive Feasibility Study **("DFS")** highlights 3 areas of improvement compared to the previous announcement made in April 2012, they are:

- Steady state cash unit costs (assuming a 3.0Mtpa operation) **FOB cost** (ex Walvis Bay) – **US$52.05** (January 2013, excl. royalties) compared to US$59.70 (March 2012, excl. royalties)
- Reduction in the capital cost to **US$323.2m** from US$326.3m
- An improved selling price (**average of US$116.60/t** compared to US$105.10/t).

NMP continues to work with the Namibian Stakeholders and the Ministry of Environment and Tourism ("MET") to advance the marine Environmental Impact Assessment ("EIA") and Environmental Management Plan Report ("EMPR"). Various meetings have been held with the parties to address the specific concerns raised by Ministry of Fisheries and Marine Resources ("MFMR") and other related industries within the Walvis Bay area. The final marine EIA and EMPR were lodged with MET in March 2012 and NMP has since met with the fishing industry stakeholders and MFMR scientists to expand the original pre-dredging verification programme which is included in the EMPR. These consultation processes have now been completed. The revised verification programme and synopsis of meeting outcomes was submitted to MET in December 2012.NMP is currently awaiting the completion of the internal review and assessment process by MET for the grant of the Marine Environmental Contract.

Operating cost estimates

The reduction in operating costs from US$59.70/t of concentrate produced to US$52.05/t of concentrate reflects lower power usage and pumping costs, as a direct result of the reduced quantity of slurry (and water) to be transferred from the buffer pond to the process plant area. This is as a result of the overflow of approximately 10% by volume of the fine material during the dredging process. In addition the operating costs are also positively impacted by the drop of the South African rand against the United States dollar, as a large proportion of the Projects costs are Namibian based.

Capital cost estimates

Capital costs to first production for a 3.0 Mtpa operation are estimated at:

	Pre-production
Capital Costs	US$258.8m
EPCM	US$23.5m
Contingency	US$40.9m
Total Capital Cost	US$323.2m

The small reduction in capital costs (US$326m to US$323m) largely reflects significantly increased capital installation costs resulting from a revised offer from Namwater for supply of the project's fresh water washing requirements offset against the drop of the South African rand against the United States dollar, which has had a positive impact on the Southern African based capital expenditure components.

DRA optimisation study

In addition to but not included in the updated DFS, DRA Mineral Projects (Pty) Ltd carried out a capital and operating cost optimization study which has highlighted a number of areas where reductions can also be achieved, thereby possibly further enhancing the project economics.

These areas include:

- Undertaking staged construction of tailings storage facilities on an as-needed basis. The DFS costs include a single stage construction to cover the entire 20 years of operation, which is not general industry practice.
- Reducing the number of buffer ponds from three to two without affecting the operation as a result of revised water balance.
- Reducing the screening building height by including a traditional thickener structure (potential cost and environmental improvement).
- Sourcing spirals from a local supplier and adopting triple start units.
- Changing the transportation method of material (buffer pond to plant site) from pipeline to conveyor allowing centralisation of all processing facilities at the plant site and so reducing power requirement and installations at the buffer pond (potential cost and environmental improvement).
- Possibly moving the buffer pond closer to the beneficiation plant which would result in reduced capital expenditure due to a shorter pipeline (or conveyor), smaller pump sizes and less power requirements.

Product pricing

CRU were requested by NMP to update their previous report, given it was prepared in February 2012. In updating the Report, CRU's opinion of the Rock Phosphate market was more positive as the anticipated downturn they anticipated during the course of 2012 did not materialize to the extent they predicted. As a result the average price of the product to be sold by NMP into the direct application ("DAPR"), single super phosphate ("SSP") and phosphate acid ("PA") markets in equal proportion resulted in an increase from an average US$105.10 to an average US$116.60 per tonne of beneficiated rock sold [over the project period].

CRU's analysis has indicated that the price of rock phosphate produced from Bayovar mine in Peru is the most appropriate benchmark by which to estimate prices for Sandpiper product.[1] In estimating future prices for the Sandpiper Project, CRU have determined discounts to the Bayovar price based on comprehensive value-in-use analysis across each of the three target market segments.

CRU recommended that NMP apply the following discounts to the product range, which UCL included in the updated financial summary:

- DAPR – 5%
- SSP – 9.9%
- PA and blend material – 20%

Financial summary

The economic evaluation of the base case in the DFS was completed using a discounted cash flow analysis on a real basis, using the revenue, operating cost and capital cost assumptions derived in the DFS, tax assumptions based on the current Namibian corporate tax regime and an after tax discount rate of 10%. This economic evaluation projected the following outcomes on a geared basis:

Item	Units	April 2012	April 2013
Mine life	Years	20	20
DFS accuracy	+/-	-5%/+15%	-5%/+15%
Annual steady-state processing throughput	Mtpa	5.0	5.0
Annual steady-state concentrate production	Mtpa	3.0	3.0
Life of mine production	Mt	57.4	57.4
Pre-production capital costs	US$ million	US$326.3m	US$323.2m
Life-of-mine average concentrate sales price[2]	US$ / tonne concentrate	US$105.1/t	US$116.6/t
Average steady state cash unit operating cost	US$ / tonne FOB Walvis Bay	US$59.70/t	US$52.05/t
Royalty rate	%	2.0%	2.0%
Namibian corporate tax rate	%	36.0%	36.0%
Discount rate	% post-tax real	10.0%	10.0%
Project NPV (geared)	US$ million	US$297.1m	US$498.0m
Project IRR (geared)	%	23.6%	26.4%
Payback (ungeared following commencement of production)	Years	3 yrs 6 mths	3 yrs 9 mths

Figures are presented in US$ in real terms assuming a base date of January 2013, unless otherwise stated. The results reflect 100% of the Sandpiper Project and are stated on a geared basis.

[1] CRU strategies, January 2013
[2] Detailed pricing assumptions are provided above

TECHNICAL DISCLOSURES

Cautionary Statement Regarding Forward-Looking Information

All statements, trend analysis and other information contained in this report relative to markets for UCL's trends in resources, recoveries, production and anticipated expense levels, as well as other statements about anticipated future events or results constitute forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. Forward-looking statements are subject to business and economic risks and uncertainties and other factors that could cause actual results of operations to differ materially from those contained in the forward-looking statements. Forward-looking statements are based on estimates and opinions of management at the date the statements are made. UCL does not undertake any obligation to update forward-looking statements even if circumstances or management's estimates or opinions should change. Investors should not place undue reliance on forward-looking statements.

Chris Jordinson

Managing Director

About UCL Resources

UCL Resources Limited (ASX:UCL) is developing, and has a 42.5% interest in, the Sandpiper Marine Phosphate Project off the coast of Namibia. Sandpiper is believed to be the world's largest individual marine phosphate resource, with sufficient resources to support a 20-year mine life. Production is expected to begin in the third quarter of 2015. UCL also has an interest in the Mehdiabad Zinc Project in Iran.

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