



# UCL Resources Limited

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Wednesday, 31 October 2012

Company Announcements Office  
Australian Securities Exchange

## QUARTERLY ACTIVITIES STATEMENT FOR PERIOD ENDED 30 SEPTEMBER 2012

**ASX Code:** UCL

**Recent Announcements:**

- Rights Issue completed
- Maiden Ore Reserve Estimate
- Mehdiabad Zinc Agreement
- Minemakers sell their Sandpiper interest to Marawid Mining LLC
- UCL takeover bid for Minemakers lapsed

**Issued Capital:**

Ordinary Shares 100.6m

**Top 40 Shareholders:**

Hold 88.12%

**Largest Shareholders:**

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

**Directors:**

Ian Ross  
Gida Nakazibwe-Sekandi  
Steve Gemell  
Mohammed Al Barwani  
Chris Jordinson

**Company Secretary:**

John Lemon

### HIGHLIGHTS

#### Namibian Phosphate (Sandpiper Project)

- Maiden Ore Reserves Estimate
- Advancement of environmental approvals and permitting
- Marketing plan continued
- Preliminary debt discussions advanced

#### Mehdiabad Project

- 25 year Production Agreement concluded

#### Corporate

- Cash - A\$2.81 million on hand;
- Underwritten rights Issue concluded;
- 2012 Annual Report released

#### Important post-quarter events

- Minemakers Limited agree to sell Sandpiper interest to Marawid Mining LLC
- UCL scrip and cash takeover offer for Minemakers lapses

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## Introduction

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

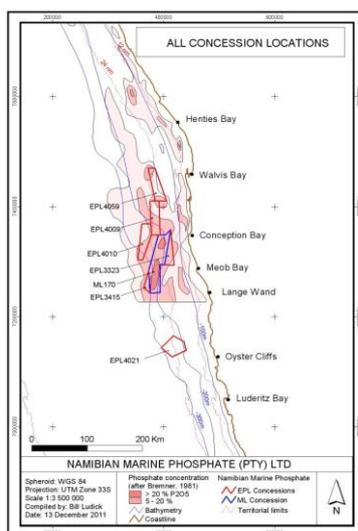
1. exploration and development of the offshore Namibian - Sandpiper Marine Phosphate Project (“Sandpiper Project”) with joint venture partners Minemakers Limited (ASX & TSX: “MAK”, NSX: “MMS”) (“Minemakers”) and Tungeni Investments cc (Namibian joint venture partner) (“Tungeni”) through the joint venture company Namibian Marine Phosphate (Pty) Ltd (“NMP”); and
2. planning the strategic development of the Mehdiabad Zinc Project in Iran.

### Namibian Marine Phosphate Project (“Sandpiper Project” or “the Project”)

#### Introduction

The Sandpiper Project is located offshore from the Namibian coast and is held by the joint venture company, NMP. NMP is owned by UCL (42.5%), Minemakers (42.5%) and Tungeni (15%). Post the end of the September quarter Minemakers announced that it had agreed to sell its 42.5% interest in the Sandpiper Project to Marawid Mining LLC.

The Sandpiper Project is comprised of an extensive submarine deposit of phosphatic sand, mixed with seashells and mud, lying on the sea bed approximately 60 kilometres off the coast of Namibia.



This deposit was initially discovered in the 1970's but was not commercially developed due to economic and technical constraints at that time. Over the past four years changes in the phosphate market as well as advances in dredging technology have enabled NMP's team and consultants to develop the Sandpiper Project concept based on a relatively simple beneficiation process which allows recovery of a commercially acceptable phosphate concentrate from the phosphatic sands. NMP has conducted intensive sampling and testing of this beneficiation process, including pilot plant testing at the Mintek facility in Johannesburg, South Africa to demonstrate the technical and commercial viability of the project.

Initially it is intended that the phosphate concentrate produced will be sold to the agricultural industry to be used for direct application on soil and to third party fertilizer manufacturers for input into refined products. Consequently, the Project Definitive Feasibility Study (“DFS”) has been limited to examining the production of beneficiated phosphate concentrate. However, as Namibia's infrastructure develops, it is intended that NMP will assess the opportunity to develop a downstream processing operation (i.e. fertilizer and phosphoric acid production), which could occur in-country.

## Maiden Ore Reserve Estimate

90% of the previously announced Measured Mineral Resources and 75% of the indicated Mineral Resources contained in the Initial Target Recovery Area have been converted to Proved and Probable Reserves respectively:

<b>Ore Reserves</b>	<b>Mt</b>	<b>P<sub>2</sub>O<sub>5</sub></b>
Proved	54.07	20.83%
Probable	78.69	20.12%
<b>Total proved and probable</b>	<b>132.76</b>	<b>20.41%</b>

Remaining mineral resources

<b>Mineral Resources</b>	<b>Mt</b>	<b>P<sub>2</sub>O<sub>5</sub></b>
Indicated	80	19.82%
Inferred	1,608	18.90%
<b>Total Mineral Resources</b>	<b>1,688</b>	

The Mineral Resource and Ore Reserve estimates were prepared in compliance with JORC and NI 43-101 standards. 2D Inverse Distance Weighting ("IDW") methods (to the power 3) were used to interpolate thicknesses, grade, specific gravities and moisture content for 200m N-S x 200m E-W blocks. Extrapolation has been constrained by the search parameters used. The dimension of the search areas were controlled by examination of the distribution and trends of data, the numbers of samples captured and the results of current geostatistical studies.

Reserve estimations were also calculated on a 200m x 200m resource block basis with a variable SG and moisture ratio based on grade as was determined for the Resource estimation. The individual block cut-off grade was determined on the basis of profit. The calculations and parameters that were used in determining the reserve estimates are detailed in the press release dated 27 August 2012.

The calculations and parameters used in the reserve estimates were applied to all the existing Measured as well as Indicated Resource blocks within the initial target recovery area. The reserve however contained unprofitable blocks. The uneconomical blocks were removed on a cluster basis. Those individual sub-economic blocks surrounded by profitable blocks were retained in the ore reserve to reflect mine planning practicalities.

## Environmental Progress

In accordance with relevant Namibian legislation the Environmental Impact Assessment ("EIA") and Environmental Management Plan Report ("EMPR") for the marine activities are being reviewed by the Namibian Ministry of Environment and Tourism. In relation to the onshore approvals, the public scoping component for the land based operations has been completed and the draft EIA/EMPR is being finalised for submission and public review.

During the quarter, meetings were held with the Prime Minister and Ministers of other relevant departments, together with the Governor of the Erongo Region. The Ministry of Fisheries and Marine Resources has expressed concern about the possible impact of NMP's dredging operations on the fishing industry. Following a determination by the Prime Minister, the Governor of the Erongo Region set up a consultative meeting process between NMP's marine consultants and scientists of the Fisheries Department. A satisfactory position is expected to be negotiated in due course.

## Future Work

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

- Finalise the optimisation of capex and final front end engineering design;
- negotiate contracts for dredging, EPCM, and key staff positions;
- construct the extended dredge arm by Jan De Nul;
- continue discussions with potential off-take parties to establish interest for sale of the Namibian concentrate for producing either phosphoric acid or SSP;
- continue with procurement of environmental clearances;
- continue discussions with regard to the available financing options for the development of the project; and
- sustain an effective dialogue with key stakeholders in Namibia to update them on progress of the project and ensure their continuing support.

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## **Mehdiabad Base Metal Project**

### **Introduction**

The Mehdiabad Project is carried on by UCL, Karoun Dez Dasht("KDD") and Itok GmbH ("Itok") through an incorporated Iranian joint venture company, Mehdiabad Zinc Company ("MZC"). UCL has to date invested in excess of US\$16.8 million on exploration and feasibility activities relating to the Project.

As previously advised, Iranian Mines & Mining Industry Development & Renovation Organisation ("IMIDRO") purported to terminate several agreements governing the Project in December 2006. UCL stated then, and is still firmly of the opinion, that the agreements were invalidly terminated. Since that time UCL has been negotiating with various Iranian parties in an effort to resolve the impasse and progress the Project.

In line with the announcement to the ASX by UCL 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).

### **Production Agreement**

In an announcement dated 7 September 2012 UCL announced that MZC had concluded a 25 year production agreement with IMIDRO. The agreement paves the way the way for development of an operation at the Mehdiabad zinc and lead project which will produce up to 200,000 tonnes of zinc per annum in the form of ingots and concentrate. Under the agreement, IMIDRO has agreed to assist with obtaining any permit, certificate or confirmation required for the project.

UCL's board intends to consider the impairment carried out in December 2010 during the preparation of the company's accounts for the period ended 31 December 2012 in consultation with the Company's auditors. UCL remains committed to the development of the Mehdiabad zinc project. However, given the current political environment in Iran, it may be some time before development can proceed and the project can add value to the Company.

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## Corporate

### Cash position

The Company has A\$2.81 million cash on hand.

During the quarter UCL completed an Underwritten Rights Issue, raising A\$2.3 million.

### Sale of Minemakers 42.5% stake in Sandpiper Project to Mawarid Mining LLC

Post the end of the quarter on 4 October 2012 Minemakers announced that it has entered into an agreement with UCL's cornerstone shareholder Mawarid Mining LLC ("MML") for MML to acquire Minemakers' interest in the Sandpiper Project and the Rocky Point Project for approximately A\$25 million ("Sandpiper Transaction").

UCL welcomed the Sandpiper Transaction and MML's continued interest in the Sandpiper Project. It is confident that MML's involvement will help fast track development of the Sandpiper Project and looks forward to working with MML in this regard.

UCL notes that MML has indicated that:

- (a) the Sandpiper Transaction is subject to approval by Minemakers shareholders;
- (b) Minemakers agreed to procure that each of its directors recommend that Minemakers shareholders vote in favour of the Sandpiper Transaction, unless the director reasonably determines that providing such a recommendation to Minemakers shareholders would breach its fiduciary or statutory duties;
- (c) Minemakers has agreed to pay MML a break fee of \$250,000 if a director of Minemakers changes their recommendation to Minemakers shareholders to vote in favour of the Sandpiper Transaction;
- (d) Minemakers has agreed to procure that each of its directors will vote all shares they hold or control in favour of the Sandpiper Transaction; and
- (e) Minemakers has entered into 'no shop' and 'no talk' obligations in favour of MML in respect of Minemakers' interest in the Sandpiper Project and the Rocky Point Project.

As the Sandpiper Transaction would trigger the defeating condition to UCL's Offer set out in part 11(a)(iv)(B) of Annexure A to UCL's replacement bidder's statement, UCL agreed to waive that defeating condition to the extent necessary to allow the Sandpiper Transaction to proceed. Other than as noted above, UCL did not waive any of the conditions to its Offer.

UCL decided not to extend its Offer beyond the final closing date of 15 October 2012.

If the Sandpiper Transaction does not complete for any reason, UCL would again investigate all options for consolidating the ownership of the Sandpiper Project. This may involve making a further takeover bid for Minemakers and UCL reserves its right to make such a bid.

### UCL scrip and cash takeover offer for MAK

Post the end of the quarter on 16 October 2012 UCL confirmed that the offers made under its takeover bid for Minemakers lapsed at 5:00pm on 15 October 2012.

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For further information, please contact:

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### **Competent Person Statement**

*The information in this announcement that relates to Mineral Resources and Ore Reserves for the Sandpiper Marine Phosphate Project is based on information compiled by Mr Roger Daniel who is a member of the Australasian Institute of Mining and Metallurgy. Mr Daniel is a full-time employee of the Company. Mr Daniel has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Daniel consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.*

### **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.*

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