31 October 2003

Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
Sydney NSW 2000

Dear Sirs

QUARTERLY REPORT SEPTEMBER 2003

BASE METAL INVESTMENTS

MEDHIABAD BASE METAL PROJECT IRAN: (33% UCL)

- During the quarter the focus has been in commencing the bankable feasibility study and in seeking funding for the project.
- Progress made this quarter includes:
  
  (a) Whittle Pit Optimisation has been completed by Australian Mine Design and Development Pty Ltd. UCL and its technical consultants have completed an updated economic study for the project based on the Whittle Pit results.
  
  (b) A geo-statistical study to determine the drill space required for conversion of the resource to a mineable reserve has been completed by Hellman and Schofield. Drilling contractors are now preparing bids for the first part of a 9000 metre program required to convert the resource into a Measured Resource.
  
  (c) A study has commenced to determine whether a local decommissioned zinc smelter can be used as an acid leach plant, to “fast track” development of a 20-30,000 tonnes per annum operation. If feasible then this would form Stage 1 of the development, acting as a “pilot” to gain operations experience for the full scale development.
  
  (d) A comprehensive program of metallurgical test work on the zinc oxide ore has been awarded Hydrometallurgy Research Laboratories.

- Union Capital Ltd (UCL) holds a 33% beneficial interest in the Medhiabad Base Metal Project. During the quarter, this interest, which hitherto had been within the structure of an unincorporated Joint Venture, become incorporated through the registration of the Medhiabad Zinc Company (MZC) in Iran on 30th July 2003.
• With the registration of MZC now complete, the Ministry of Mines and Industry have been asked to transfer the Exploration Licence to the company, that it held in trust for the unincorporated joint venture under the Foundation Agreement signed with the Ministry in 1999.

• During the quarter UCL has completed the Final Exploration Report (in 12 volumes) detailing all the past exploration, which has been submitted to the Ministry to obtain a new Discovery Certificate, which under Iranian Law then allows the Exploitation Licence to be issued.

• During the quarter Mr Masoud Fanian commenced duties as the Managing Director of MZC. Masoud has degrees in geology and industrial management and has been involved in the management of coal and iron ore mines. He was Managing Director of NISCO Alloy Division from 1992-97. Masoud is highly regarded as a professional project manager and highly respected within the Yazd Province. UCL remains the Project Manager.

• Mehdiabad is considered to be among the “super-giant” zinc deposits. It is thought to be the world’s largest undeveloped zinc resource, with 15.7 million of zinc “in-situ”. The geological resource is 218 million tonnes at 7.2% zinc, 2.3% lead and 51 g/t silver.

• The Whittle Pit Optimisation studies suggest that it will be economics to extract a larger, but lower grade “in pit” resource of 281 million tonnes at an average grade of 5.2% from an open pit over a period of 26 years. The tonnage to be mined comprises 121 million tonnes of oxide ore at 4.3% zinc with no cut-off applied and 160 million tonnes of sulphides at 6.2% zinc and 2% lead with a 3% zinc cut-off applied at a combined strip ratio of 4.8 to 1.

• In addition there is substantial resources remaining outside the Whittle Pit boundary, particularly to the north, that will require extraction by underground techniques from the base of the pit. These resources are likely to extend the life of the project beyond 40 years.

• The geostatistical studies found that a drill spacing of 100 metres will result in achieving a Measured Resource for this project, with a higher density only being required on the edges of the deposit and in any areas of structural complexity. In total a further 9000 metres of drilling will be required to raise the resource to a Measured Reserve. A “first stage” drilling program (total 1660 metres) is currently being organised to at least upgrade the first stage pit to a Measured Resource. It is expected that drilling contracts for this work will be let in the next month.

• Preliminary metallurgical test work has shown that zinc metal can be leached and extracted from the oxide deposit. It is anticipated that a combination of tank leaching, heap leaching and dump leaching will be used for the oxide ore. However, the ultimate cut off grades and the final circuit for each process will be determined by the results of the current metallurgical test work. The optimum pit study shows that it might be economical to leach oxide ore with grades as low as 1.25% Zn. For the sulphide ore, it is proposed to firstly produce a concentrate, which will then be acid leached.

• It is proposed that the leachate from all operations will be combined in the zinc plant after neutralisation. The first step in the zinc plant will be purification to remove contaminates metals by either solvent extraction or zinc dust.
techniques. This step will be followed by electrowinning to recover the zinc metal. The current program of metallurgical test work will determine the best method of purification and optimise the zinc plant circuitry, ahead of detail plant design.

- A three phase production expansion profile appears to best suit the deposit size, economics and risk management of the project. The likely cost of production (based on current dollars) is expected to be in the order of US$450 per tonne per tonne of zinc metal, placing Mehdiabad among the world’s lowest cost future zinc producers.

- If the addition of the possible pilot plant option currently under study, fits the project it is expected that the project will be developed in four stages over a period of about 10 years. The second stage will be designed to achieve a production of 160,000 tonnes of zinc metal per annum. The third stage will be an expansion to 320,000 tonnes per annum zinc metal and the fourth and final stage will be to produce 500,000 tonnes of zinc metal and 120,000 tonnes of lead concentrate a year. The total capital cost is expected to be US$600 million.

- The base case straight line Net Present Value (NPV) for the project is US$446 million, using a zinc price of US$850 per tonne. However, the recent increase in the price of zinc metal to US$900 per tonne, has increased the NPV to US$543 million.

- Clearly very little of UCL’s share of the NPV is actually reflected in the company’s share price. It is reasonable to assume the continued positive progress towards the ultimate establishment of a strong cash flow from this project over the next few years, will result in considerable long term corporate growth. The projected operational cash surplus for the total project is US$45 million per annum when the First Main Stage is operational and over US$200 million per annum when the plant is fully developed.

- During the quarter UCL has held preliminary discussions with a number of Middle Eastern based investment organisations and lending institutions, towards obtaining either equity or loan funds for the project. These discussions have been encouraging and it is possible that the majority of the development funds required can be sourced from the region.

GOLD INVESTMENTS:

GOLD AURA LIMITED (50% UCL)

- UCL holds a 50% interest in listed Junior Gold Explorer Gold Aura Limited (GOA). GOA is focused on exploring advanced gold projects in North Queensland and Papua New Guinea and details of activities for the quarter are set out in the separate GOA quarterly report.

- GOA is planning a drilling and trenching program to evaluate high-grade gold zones within the Gilded Rose Gold Project in North Queensland where there is a potential resource of 200-300,000 ounces.

- GOA is evaluating a number of high-grade intersections at the Gameta Gold Project on Fergusson Island, PNG.
TELECOMMUNICATION INVESTMENTS:

EASTERN TELECOM (22% UCL)

- The UCL interest is held within wholly owned subsidiary Union Management Ltd (UML). As advised previously, UCL is currently seeking a buyer for UML. A number of parties have expressed interest in buying UML.

JABMAIL LIMITED (100% UCL)

- After several years of technology development, Jabmail is finally completing its product platform to enable it to address broader and higher-value commercial opportunities. Referred to as the Jabmail Enterprise Application Server, this core engine will be supplemented by a series of industry specific Jabmail Business Application Packs. The key differentiator between the Enterprise Server and earlier Jabmail technology is a more stable technical architecture and closer adherence to standards-based Internet protocols. The architecture will provide a robust delivery platform for business specific applications.

- The Jabmail Business Application Packs will be progressively released throughout the 2003-2004 financial year. The first two will be Jabmail Shareholder Express and Jabmail Invoice Express.

- The Jabmail Shareholder Express service is an innovative email service designed to automate the management, delivery and monitoring of corporate communications such as announcements, reports etc for shareholders of listed companies. The service provides facilities to ensure listed companies comply with the new CLERP 9 requirements impacting electronic communications to shareholders.

- The Jabmail Invoice Express is a secure email bill presentation and payment system. Targeted to small to medium companies, it provides invoice, statement and secure payment options by email.

- Jabmail Invoice Express is suitable for clients who wish to evaluate electronic bill presentment and payment services and associated business cost savings, prior to implementing more extended and tailored billing and payment facilities, which can be incorporate direct interface to in house accounting systems, online e-payment and other innovations provided for by Jabmail Enterprise Application Server platform.

Yours faithfully

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