

Quarterly Activities Report

- for the Period ending 30 June 2009

ASX Announcement
31 July 2009

MKY Resources Limited
ACN 099 247 408

1. Summary

The last quarter has been focussed on corporate transactions and a significant amount of management time was devoted to synthesising several opportunities along with the development of the recently announced merger with Callabonna Uranium Limited ('Callabonna').

Discussions continued with several groups regarding a possible deal on MKY's Cape York bauxite projects.

In addition to corporate activity, we continued to aggressively review our ground position in Queensland to determine what remaining potential existed on our leases outside the Georgetown area. As a result of this, numerous project leases and applications were relinquished, we formally withdrew from the Wally 2 project and one new tenement application was lodged.

A regional reconnaissance exploration program was designed to follow up the remaining targets generated on our existing granted tenements and access notifications were issued to support this program. A significant amount of time was devoted to pushing the tenements under application through the departmental processes and the Mount Denison tenement is now in the notification period which means that granting of this tenement is quite close.

2. Corporate Activity

a. Callabonna Uranium Merger

The focus this quarter was on the development and finalisation of a multi-faceted agreement for the merger (through acquisition) with Callabonna. This deal was recently announced and provides substantial upside for MKY shareholders including:

- A cornerstone investor SK Energy Co. Ltd that has agreed to provide an additional \$2 million in capital to MKY Resources.
- Drill ready projects in the Frome Embayment area of South Australia as well as complementary projects in the Northern Territory.
- A strengthened board and management team

Although the deal was only executed in this current quarter it was the main focus through the previous quarter and therefore will be reported in detail in this report.

Callabonna Uranium is a uranium explorer with a number of projects in the highly prospective Frome Embayment area of South Australia, the Arunta region of the Northern Territory and the Georgina Basin of the Northern Territory. The company's flagship Curnamona Project is close to the producing mine at Beverley and advanced projects (Oban, Honeymoon and 4 Mile), has "drill-ready" sandstone channel uranium targets defined by airborne electro-magnetics and is supported by an extensive tenement position (3533km²).

The transaction, which is conditional on shareholder approval, will create a new focussed uranium exploration company with a very attractive portfolio of properties in South Australia, the Northern Territory and Queensland. It combines a strong Board and a management team with extensive operational and technical management experience. Together they bring a track record of exploration success, project financing capability and shareholder value creation. Additionally the deal also brings a cornerstone investor, SK Energy Co. Ltd (a subsidiary of SK Holdings one of Korea's largest companies) ("SK Energy"), who have committed to provide an additional \$2 million capital to MKY.

Under the terms of the agreement MKY will issue 477 million MKY shares in exchange for the 39.5 million current issued shares in Callabonna Uranium. Completion of the agreement is conditional on:

- the conversion of five convertible notes in Callabonna Uranium held by SK Energy into shares in Callabonna Uranium then SK Energy agreeing to the sale of those shares to MKY in exchange for an additional 60 million shares in MKY and the discharge by SK Energy of the fixed and floating charge over Callabonna.
- MKY receiving a commitment from SK Energy International ('SKEI') to subscribe for 120 million fully paid ordinary shares plus 60 million options (each exercisable at 2.5 cents within two years from the date of grant) for a consideration of \$2.0 million.
- MKY obtaining all necessary regulatory and shareholder approvals to give effect to the acquisition of Callabonna Uranium.

As part of the deal, MKY Resources has also executed agreements with SK Energy which:

- Grant SK Energy International the right, subject to Australian laws, to purchase at least 20% of the Company's uranium concentrate production on terms no less favourable to SK Energy International than the terms granted to any third party (*Commercial Agreement*).
- Commit SK Energy International to subscribe for 120 million fully paid ordinary shares plus 60 million options (each exercisable at 2.5 cents within two years from the date of grant) for a consideration of \$2.0 million (*Subscription Agreement*).
- Appoint SK Energy as exclusive sales and marketing agent for future uranium sales in the Republic of Korea. (*Korean Marketing Agency Agreement*). This appoints SK Energy as a marketing agent and asks that they conduct marketing activities in Korea on behalf of MKY however, the terms of any sales contracts must be approved by MKY.

SK Energy International is a part of the SK Energy Co. Ltd Group, one of the most significant enterprises in the Asia Pacific energy marketplace. Founded in 1962 as Korea's first oil refiner, SK Energy Co. Ltd, a subsidiary of SK Holdings, is Korea's largest, and Asia's fourth largest oil refiner and is one of the world's leading energy and petrochemical companies with 5,084 employees, US\$24 billion in sales and 26 offices spanning the globe.

See the MKY website and previous announcements for further details of the Callabonna Uranium projects and the proposed Board of Directors. In addition to the previously announced Board members we are pleased to report that Mr Hyunsoo (Hans) Kim has been confirmed as the SK Energy appointed Director to join the board of the new company. See below for Mr Kim's biography.

Hyunsoo (Hans) Kim - SK Energy Appointed Director

Hyunsoo (Hans) Kim graduated from Seoul National University with a Bachelor of Economics degree in 1991 and then earned an MBA degree from Duke University in 2002.

In 1994, Mr. Kim joined SK Energy, the largest energy and petrochemical company in Korea. He had initially worked for Corporate Planning Division, where he participated in the activities such as strategic planning and corporate restructuring for the entire SK conglomerate.

Mr. Kim was assigned to the Office of the Board of Directors of SK Energy in 2004 and contributed to the significant improvement in corporate governance of the company.

Mr. Kim joined Coal & Mineral Resources Division in early 2008 and is currently the Managing Director of SK Australia Pty. Ltd.

More detail in respect of the acquisition agreement and placement to SK Australia will be contained in the notice of meeting, information memorandum and resolutions to consider and if though fit approve the transactions, that will be dispatched to MKY shareholders in the next few weeks.



b. Cape York Bauxite Projects

Several parties have expressed their interest in these projects. They remain a lower priority for MKY as we focus more on our uranium projects going forward however the company will continue to pursue potential buyer or farm-in partner.

3. Exploration and Development Activity

A thorough review of our tenement position in Queensland was completed to determine the remaining potential of our older tenements outside of the Georgetown area. Targets were generated for follow-up in the King Junction, SE Croydon, North Head and Gilbert River leases. The review also led to:

- relinquishment of 4 granted tenements,
- withdrawal from our option to acquire Wally 1 and 2,
- withdrawal of 3 applications.

A regional reconnaissance exploration program to follow up the remaining targets on our existing granted tenements will commence in the coming weeks pending relevant acceptance of our Notice of Entry and Native Title Activity Notices.

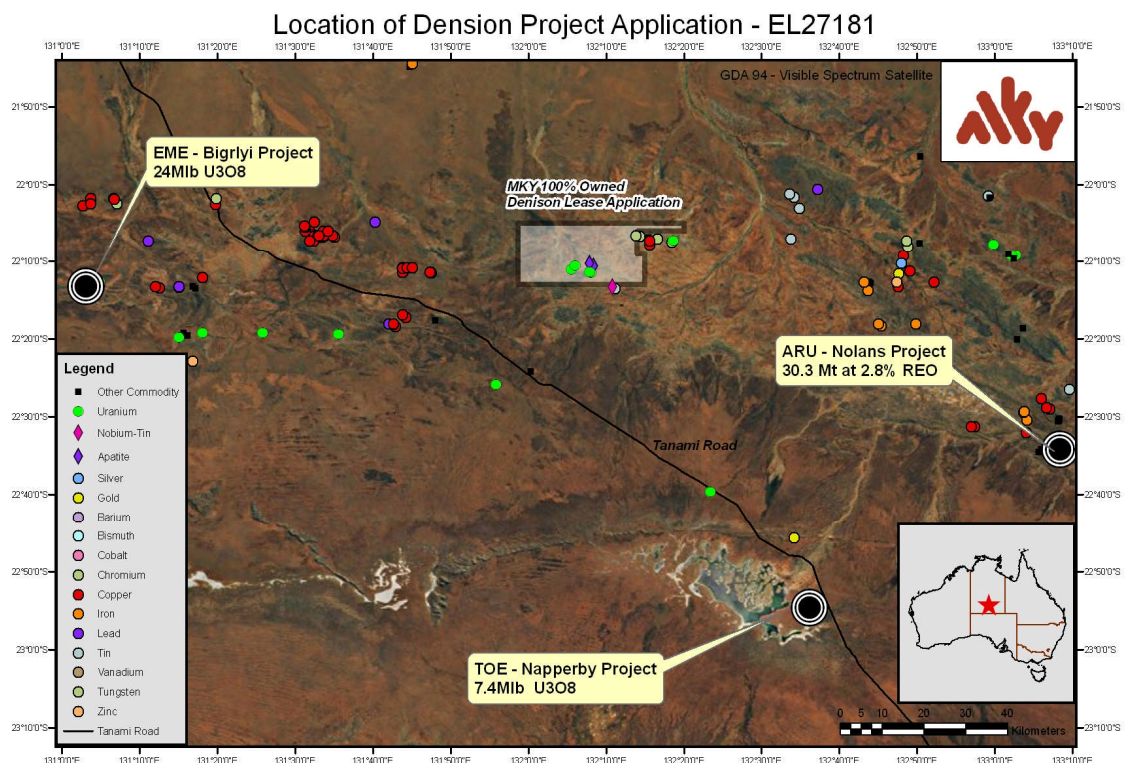
Denison Project - Arunta Region, Northern Territory

(100% MKY)

We were notified that the Denison Project ELA 27181, had progressed to the "Notification" stage. This stage will take several months following which the company will be free to initiate reconnaissance ground activities.

Background

The Denison project covers 422 km² in the Arunta Block some 250km north west of Alice Springs. There are four known uranium and two known apatite occurrences within the area of the licence application. The abandoned Mount Adam Tin-Niobium mine is located less than one kilometre to the south.



The region is highly prospective for uranium mineralisation with numerous deposits occurring in a range of geological settings within the region. These include;

- ▶ Nolan's Rare Earth Element (REE) Project (Arafura Resources),
- ▶ Bigrlyi Uranium deposit (Energy Metal's managed JV) and the
- ▶ Napperby Uranium deposit (Toro Energy).



The lease is surrounded by numerous active exploration projects belonging to Toro Energy, Deep Yellow and Scimitar.

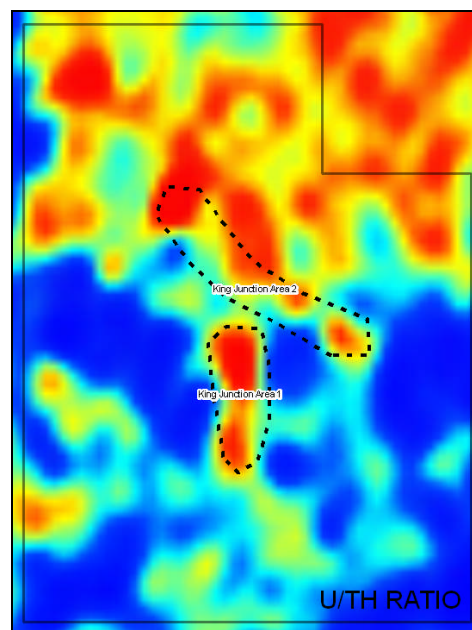
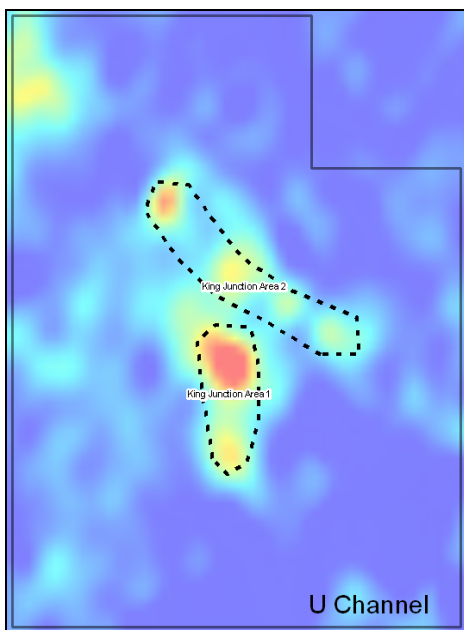
King Junction Project (EPM 16291) – Queensland

(100% MKY)

A review of all MKY's granted tenements and applications in Queensland was completed. This included significant work in utilising geophysical data sets and reprocessing of this data, generated several target areas within the portfolio.

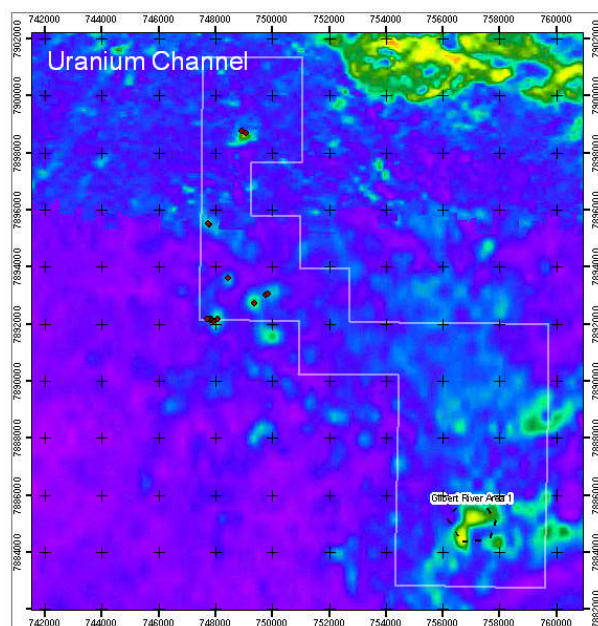
Within the King Junction project, airborne radiometric data indicate a strong untested uranium channel anomaly (See figure below) which is coincident with elevated U/Th ratio. The state geological map indicates the anomaly maybe associated with the contact between the Akara Granite orthogneiss and metamorphosed (reduced) Rosser Schist.

This anomaly will be followed up in the field in the coming weeks. Potential exists for stratigraphic replacement uranium mineralisation and also veining associated with the regional igneous system.



Gilbert River Project (EPM 16256) – Queensland

(100% MKY)



A previous project review identified numerous rock chip samples taken by MKY on anomalies in the north of the area returned highly elevated rare earth elements (REE's) and uranium (up to 311ppm U₃O₈) values. These samples came from basal sediments (Jurassic) sitting directly on top of Proterozoic basement.

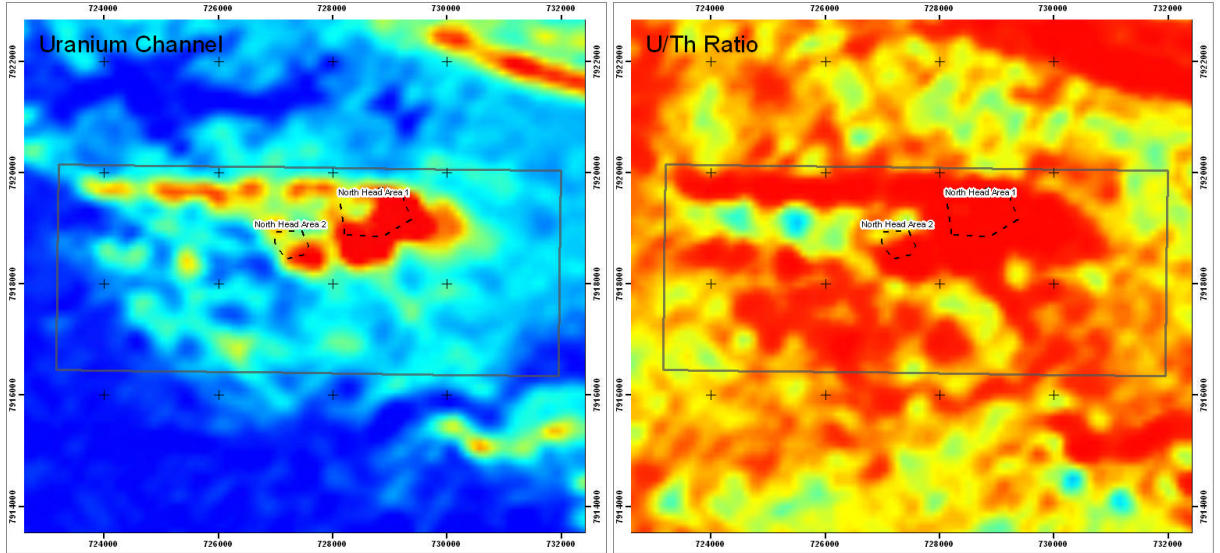
A major untested U anomaly also exists in the far south-eastern portion of the lease area. It is hosted within sediments bounded by the Gilbert River. (See the figure below for sample locations (in red) and the untested anomaly to the south of the lease area).

Follow-up of the anomalous sample areas in the north and the southern anomaly will be conducted in the next few weeks.

North Head Project (EPM 16123) – Queensland

(100% MKY)

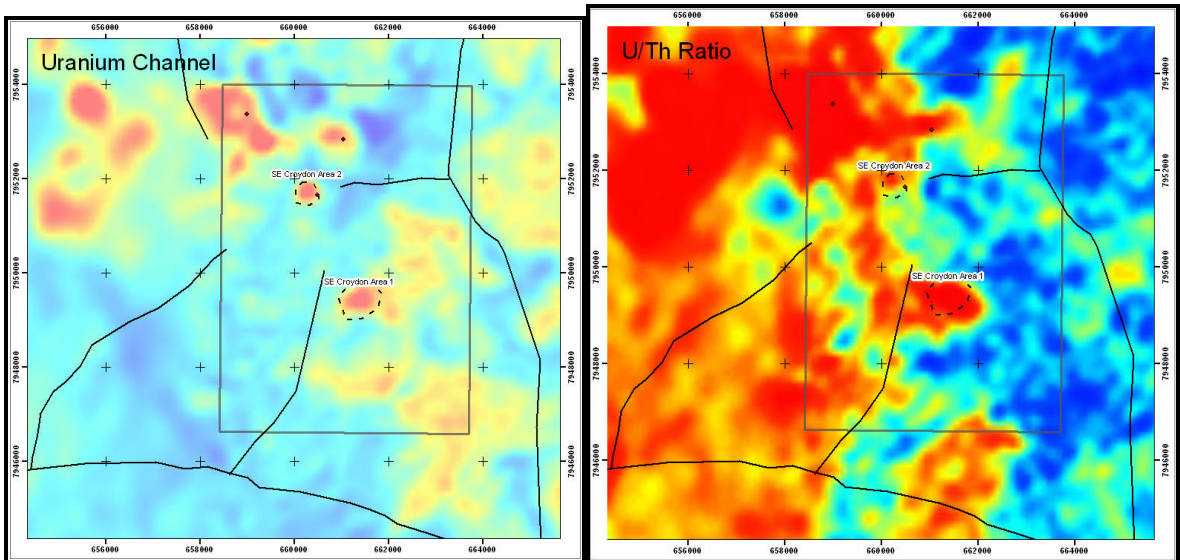
A largely strata-bound uranium anomaly with corresponding elevated uranium/thorium ratios has been identified for follow up in the North Head project. See figures below.



SE Croydon Project (EPM16149) – Queensland

(100% MKY)

Additionally several uranium channel anomalies with elevated U/Th ratios were also identified in the SE Croydon project area for follow-up sampling. See the images below for details of the anomalies.



Tenement Update Summary

The following tenements were relinquished:

- Stewart Creek (EPM15137),
- Palmer (EPM15540)
- Terrible Creek (EPM16146).
- Mt Mulgrave B (EPM16691)



Additionally, MKY formally withdrew from the Wally1 (EPM 13966) and Wally 2 (EPM 14315) projects and withdrew applications EPC 1395 West Palmer, EPM 17833 Mapoon A and EPM 19834 Mapoon B.

Lodged:

Landowner Notice of Entry and Native Title Exploration Activity Notice were lodged for the following leases:

- EPM 16291
- EPM 16123
- EPM 16149
- EPM 16256

Reports

The following reports were lodged during the quarter:

EPM15137 Stewart Creek

- Partial Relinquishment 2009
- Annual Final 2009

EPM15540 Palmer

- Partial Relinquishment 2009
- Annual Final 2009

EPM16146 Terrible Creek

- Annual Final 2009

EPM16123 North Head

- Annual 2009

EPM16149 SE Croydon

- Annual 2009

The information in this report that relates to Exploration Results, Mineral Resources, or Ore Reserves is based on information compiled by Stephen McCaughey. Mr McCaughey has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking. This qualifies Mr McCaughey 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 Stephen McCaughey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

