



Union Resources Limited

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Company Announcements Office
Australian Securities Exchange

MEHDIABAD PROJECT – POLITICAL RISK INSURANCE CLAIM

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 Bonaparte Diamond Mines NL and Tungeni Investments cc; and
2. Resolution of the dispute concerning and the potential development of the Mehdiabad Base Metal Project (“the Mehdiabad Project”) located in Central Iran.

Background to Lodgement of the Claim with EFIC

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 Mehdiabad Project.

As previously advised, IMIDRO purported to terminate several agreements (the “Agreements”) governing the Mehdiabad Project in December 2006 and the Iranian Ministry of Industries and Mines, in contravention of the Agreements, has failed to transfer the relevant Exploitation Licence to MZC. 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.

As also previously advised, at the time of the purported termination by IMIDRO referred to above, Union held a political risk insurance policy in respect of its investment in the Mehdiabad Project with the Export Finance and Insurance Corporation (“EFIC”). The limit of liability under the Policy is US\$4.5 million. On 30 April this year Union lodged a claim with EFIC under the Policy for compensation for expropriation of the Company’s interest in MZC.

Rejection of Claim

Late yesterday (1 October) 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 considering its options, one of which is to take legal action against EFIC to secure payment by EFIC under the Policy.

Yours faithfully

UNION RESOURCES LIMITED

A handwritten signature in black ink, appearing to read 'J. Collins-Taylor', with a stylized flourish at the end.

James Collins-Taylor
Chairman