



Union Resources Limited

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Company Announcements Office
Australian Securities Exchange

QUARTERLY ACTIVITIES STATEMENT FOR PERIOD ENDED 31 DECEMBER 2009

Background

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. the development of the Mehdiabad Base Metal Project ("the Mehdiabad Project") located in Central Iran.

A. Offshore Namibian Phosphate Project

Background

Union's wholly owned Namibian subsidiary company Sea Phosphates (Namibia) Pty Limited ("SPL") holds two Exclusive Prospecting Licences nos. 3414 and 3415 ("the EPLs") issued by the Namibian Ministry of Mines and Energy for Phosphates and Precious Stones. The EPLs lie approximately 60km offshore from the coast of Namibia between Walvis Bay and Luderitz, and make up Union's Sandpiper Project.

In late 2008, Union entered into a joint venture agreement ("the JVA") with Australian Company, Bonaparte Diamond Mines NL ("Bonaparte") (now a wholly owned subsidiary of ASX-listed company Minemakers Limited) and Namibian company Tungeni Investments cc ("Tungeni") to jointly develop Union's, Bonaparte's and Tungeni's combined marine phosphate tenements off the coast of Namibia.

Under the terms of the JVA, licenses held by Union in its Sandpiper Project and those held by Bonaparte/Tungeni in their Meob Project are to be transferred to a Joint Venture company to be held 42.5% each by Bonaparte and Union and 15% by Tungeni. The Meob Project holds licenses adjacent to Union's Sandpiper Project.

In early 2009 Bonaparte announced its maiden independent mineral resource estimate for the 1,000km² EPL 3323 marine phosphate tenement in the Meob Project area off the coast of Namibia.

In April 2009 Union announced that:

1. its sampling program had yielded an Inferred Resource for the purposes of the JORC Code of 593.4 million wet tonnes of phosphate at a grade of 18.1% P₂O₅ on EPLs 3414 and 3415. The Inferred Resource is based on a cut-off grade of 15% P₂O₅;
2. combined with Bonaparte's previously announced Inferred Mineral Resource estimate for EPL 3323 the cumulative Inferred Mineral Resource estimate for the three primary JV tenements (3414, 3415 & 3323) stands at some 789.5 million wet tonnes comprising 611.1 million wet tonnes at 18.1% (from gravity core samples) and 178.4 million wet tonnes at 15.6% (from grab samples); and
3. the results are indicative of a potential major world class phosphate deposit.

In July 2009 Union announced a maiden Indicated Resource Statement and a substantial increase on the Inferred Resource on EPL 3414.

A summary of the results is:

- Indicated Resource of 47.2 million wet tonnes (35.4 million dry tonnes) grading 21.7% P₂O₅
- Inferred Resource of 1,232.0 million wet tonnes (924.0 million dry tonnes) grading 19.3% P₂O₅

Subsequently in September 2009 the total phosphate mineral resource position for the Sandpiper Meob JV project was further increased with the inclusion of remaining assay results from the completed programme of lateral and infill sampling.

Independent estimates of the phosphate Mineral Resources now stand at:

Indicated category:	73.9 million dry tonnes at 20.57% P ₂ O ₅
Inferred category:	1,507 million dry tonnes at 18.7% P ₂ O ₅
Total:	1,581 million dry tonnes at 18.8% P ₂ O ₅

Independent assessment of the assay results from the final set of samples in EPL3415 recovered in the initial sampling programme delivered revised final resource estimates including:

- a new area of Indicated Mineral Resource of 26.3 Mt (dry) at 19.1% P₂O₅, as well as
- an increase in the Inferred Mineral Resource estimate to 449.5Mt (dry) at 18.5%P₂O₅.

At completion of this initial sampling and resource development programme the total mineral resource estimate in the Indicated and Inferred categories for the three key tenements sampled to date now stands at 1,581 Mt at 18.8% P₂O₅

The revised totals show a 10% increase in Inferred Mineral Resource and a 55% increase in Indicated Mineral resource compared to the previous interim totals.

The defined resources exceed by 58% the original programme delineation target of 0.5 - 1 billion tons at greater than 15% P₂O₅ and have also confirmed the historical coring and regional mapping data relating to provenance, lateral continuity and grade of the deposit.

Detailed resource estimates are provided in Tables 1 and 2 below.

Table 1 Inferred Mineral Resources (Phosphate) JV Licence Areas

EPL	Sample Type	Resource Area	Wet Tonnes x 10 ⁶	Dry Tonnes x 10 ⁶	Grade (% P ₂ O ₅)	Date Reported
3323	Grab	West*	128.9	96.7	16.4	Dec 08
3323	Grab	North East	49.5	37.1	13.4	Dec 08
3415	Core	North	138.0	103.5	19.8	Sept 09
3415	Core	Central+South	461.0	346.0	18.1	Sept 09
3414	Core	All	1,232.0	924.0	19.3	July 09
		Combined	2009.4	1,507.3	18.7	

Table 2 Indicated Mineral Resources (Phosphate) JV Licence Areas

EPL	Sample Type	Resource Area	Wet Tonnes x 10 ⁶	Dry Tonnes x 10 ⁶	Grade (% P ₂ O ₅)	Date Reported
3323	Core	West	16.2	12.2	20.5	June 09
3414	Core	Detailed	47.3	35.4	21.7	July 09
3415	Core	Detailed	35.4	26.3	19.1	Sept 09
		Combined	98.9	73.9	20.6	

Note: Resources listed in Tables 1 for grab sampled areas are based on a 10% block cut-off grade while those for cored areas are based on a 15% block cut-off. For those core based resources produced prior to September 2009, average wet tonnage factors of 1.70 tonnes per cubic metre have been applied and these were converted to dry tonnages using a factor of 0.75. - Mineral Resources listed in EPL3415 calculated in August 2009 are based on a flexibly applied 15% block cut-off grade and on a minimum mining thickness of 25 cm. Average wet tonnage factors of 1.68 tonnes per cubic metre are applied to Inferred Mineral Resources which are converted to dry tonnages using a factor of 0.75. In the case of Indicated Mineral Resources, Layer 1 and 2 tonnages are produced using new SGs of 1.75 and 1.69 tonnes per m3 respectively and new dry tonnages conversion factors of 0.80 and 0.71 respectively.

The sampling programme to date has been extensive (see Figure 1 below) and has reasonably defined the lateral extent of mineralisation in the upper 2m of the deposits within the key licence areas. The gravity coring did not attain full penetration of the phosphatic sediments particularly in EPL3414 and 3415 where historical sampling records by previous operators has shown thicknesses of up to 6m in some places.

During the Quarter ended 31 December 2009

Further work was undertaken on preparing a vibracore sampler for sampling through greater thicknesses of the ore body for both ore reserve expansion and establishment of an environmental base line study which will be necessary for approval of a Mining Licence. The Company previously reported that this work was to be undertaken during the quarter, however unexpected technical difficulties have meant that this has been delayed.

After completion of a preliminary benthic macrofauna study covering the area of the JV EPLs the scope of the environmental baseline study has been agreed in consultation with the Company's JV partners.

The scope of work for an extension of the existing process studies produced by previous holders of the EPLs has been agreed with Bateman Engineering. This study is scheduled to be undertaken during the first quarter in calendar 2010. It is intended that this work will inform the design of the processing plant to be undertaken during an ensuing feasibility study. The intention is to keep the process of rock phosphate production as simple, and therefore as cost effective, as possible. In addition the vibracore samples will be used to secure a larger sample for further process work once the initial test work is completed.

Preliminary analysis of geochemistry of the deposit has led to a better understanding of the nature of the deposit and has provided input and some focus for the upcoming process study to be undertaken by Bateman Engineering in the first quarter of calendar 2010.

The Company continued to refine its marketing efforts particularly in ensuring a full understanding of matching Namibian ore to current Phosphoric Acid plants.

Future Work

Once the process study by Bateman Engineering is completed the Joint Venture has committed to commercial evaluation of the world class Namibian Marine phosphate deposits and is currently conducting a scoping study on their development. Major activities during the current quarter ended 31 March 2010 will be:

- The next phase of core sampling will be conducted using a vibracoring device with capacity to penetrate to 5m of sediment thickness. This is currently being constructed and will be deployed as soon as this is completed.
- Work will continue on the environmental evaluation of the Project, taking into account the findings of the preliminary study. Material from the vibracoring process will be utilised for this purpose.
- In the first half of 2010 a further bulk sampling program will be undertaken for larger scale processing evaluation

B. Mehdiabad Base Metal Project

Background

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 Project.

As previously advised, IMIDRO purported to terminate several agreements governing the Project in December 2006. 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

During the Quarter

During the quarter Union continued to hold discussions with the relevant Iranian parties in an effort to resolve the Project dispute and progress the Project, however no substantive progress was made.

The political situation in Iran continues to be difficult, and there appears little prospect of any improvement in the short term. Nevertheless, the Company has continued to work with IMIDRO and IMIDRO's subsidiary IMPASCO to try to maintain the Mehdiabad Project. The Company submitted a proposal for IMPASCO's consideration which outlined how the Project may proceed without the Exploitation Licence being transferred to MZC. After initially indicating that the proposal was acceptable IMPASCO has now asked the Company to revisit the terms of the proposal.

On 30 April 2009 Union lodged a claim with the Australian Government Export Finance and Insurance Corporation (EFIC) under the Company's political risk insurance policy with EFIC seeking compensation for expropriation of the Company's interest in the Mehdiabad

Zinc Company which carries on the Mehdiabad Zinc Project. On 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 taking advice in relation to the matter and considering its options.

C. Expenditure on Exploration Activity

Direct expenditure by the Company on exploration and other activities in relation to the Namibian Sandpiper-Meob Phosphate Project during the quarter was \$189,682.

D. Mining Production and Development

No mining production or development was undertaken.

Yours faithfully

UNION RESOURCES LIMITED



Dr Frank Reid
Managing Director

The information in this report that relates to the Mineral Resource estimates for the Sandpiper/Meob Joint Venture Project is based on information reviewed by Mr Roger Daniel, who is not an employee of Union Resources Limited (Mr Daniel is self-employed). 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 report of the matters based on his information in the form and context in which it appears.

FIGURE 1 LOCATION OF MINERAL RESOURCE AREAS

