Union Resources Limited

ABN 40 002 118 872

Financial report
for the half-year ended 31 December 2009

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This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Union Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

CORPORATE DIRECTORY

Directors	Chris Jordinson (Managing Director) James Collins-Taylor Ian Ross John Lemon
Company secretary	John Lemon
Registered office	Level 1 500 Boundary Street Spring Hill QLD 4000 AUSTRALIA Postal address: PO Box 728 Spring Hill QLD 4004 AUSTRALIA Telephone: (07) 3833 3833 Facsimile: (07) 3833 3888 Email: info@unionresources.com.au
Share registry	Link Market Services Limited Level 15 324 Queen Street Brisbane QLD 4000 AUSTRALIA Postal Address: GPO Box 2537 Brisbane QLD 4001 Telephone: (02) 8280 7454 Facsimile: (07) 3228 4999
Auditors	Hacketts DFK, Brisbane, QLD
Solicitors	Steinepreis Paganin, Perth, WA
Stock exchange listing	Union Resources Limited shares and options are quoted on the Australian Securities Exchange as codes "UCL" and “UCLO” respectively.
Website address	www.unionresources.com.au

Your Directors present their report on the consolidated entity consisting of Union Resources Limited ("Union" or "the Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

Directors

The names and details of the Directors of the Company in office during the half-year and until the date of this report are:

J D Collins-Taylor (resigned as Chairman 1 March 2010 but continues as a Director)
F W Reid (resigned as Director 1 March 2010)
I W Ross
J A Lemon
CT Jordinson (appointed Director 1 March 2010)

Review of operations

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). Further, the joint venture partners (Union, Bonaparte and Tungeni) have agreed to negotiate a shareholder agreement to govern the joint venture. As yet, the shareholders' agreement has not been concluded.

In early 2009, Bonaparte announced its maiden independent mineral resource estimate for the 1,000km^2 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% P_2O_5 on EPLs 3414 and 3415. The Inferred Resource is based on a cut-off grade of 15% P_2O_5;

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.

During the half-year ended 31 December 2009

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% P_2O_5
- Inferred Resource of 1,232.0 million wet tonnes (924.0 million dry tonnes) grading 19.3% P_2O_5

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_20_5
Inferred category:	1,507 million dry tonnes at 18.7% P_20_5
Total:	1,581 million dry tonnes at 18.8% P_20_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 million tonnes (dry) at 19.1% P_2O_5), as well as
- an increase in the Inferred Mineral Resource estimate to 449.5 million tonnes (dry) at 18.5%P_2O_5.

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 million tonnes at 18.8% P_20_5

The revised totals show a 10% increase in the Inferred Mineral Resource and a 55% increase in the 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% P_2O_5 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_2O_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_2O_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 m^3 respectively and new dry tonnages conversion factors of 0.80 and 0.71 respectively.

The sampling programme to date has been extensive and has reasonably defined the lateral extent of mineralisation in the upper 2 metres 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 6 metres in some places.

During the latter part of the half-year 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 in 2009, 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 was 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 was 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 quarter ended 31 March 2010 are:

- The next phase of core sampling will be conducted using a vibracoring device with capacity to penetrate to 5 metres of sediment thickness. The vibracorer 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 half-year ended 31 December 2009

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 resolve the Mehdiabad Project dispute.

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 2009, 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.

Impairment of exploration carrying value

As described in Note 9 to the accompanying financial statements the Company's Directors, following discussion with the Company's auditors on the interpretation of relevant accounting standards, and taking note of the recent perceived deteriorating economic and political situation in Iran, have decided to impair the carrying value of the Company's expenditure on exploration associated with the Mehdiabad Project. This means that the exploration expenditure to date which has previously been treated as an asset in the Company's balance sheet will be shown as a loss item in the Company's profit and loss statement for the half year ended 31 December 2009. The Director's decision to do this is in accordance with applicable accounting standards to reflect the perceived uncertainty surrounding the Mehdiabad Project and thereby the Company's ability to recoup all exploration expenditure associated with the Project. It is important to note however that this accounting treatment does not constitute a writing off of the Mehdiabad Project expenditure, and that the impairment does not change the strategy of the Company in its continued efforts to achieve a positive outcome in relation to the Project. It should be made clear that under the accounting standards the impairment can be reversed at a future date if and when the future of the Project becomes more certain. In the meantime, the Company will continue its efforts to resolve the Mehdiabad Project dispute.

3. Fund Raising

No capital raising was undertaken during the half year.

4. Results

The operating loss before impairment losses for the half-year ended 31 December 2009 was $470,072 (December 2008: loss $1,219,355). The net loss after impairment losses and tax for the half-year is $17,886,375 (December 2008: loss $8,163,486).

The Company had determined as at 1 January 2009 that the functional currency of Union Zinc Pty Ltd ("UZPL") is Australian dollars. All items in UZPL were translated as at the date of change, and the resulting translated amounts for non monetary items are treated at their historical costs. This exchange difference arising from the translation of the foreign operation previously classified as equity is not recognised in profit and loss until disposal of the operation.

Outlook

The Company will continue to focus the majority of its efforts on its Namibian phosphate project together with its joint venture partners with a view to achieving production in 2011.

The Company will also continue to attempt to resolve the Mehdiabad Project dispute, failing which it will consider instituting arbitration proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

This report is made in accordance with a resolution of Directors.

C T Jordinson	I W Ross
Managing Director	Director

16 March 2010

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.

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Auditor's Independence Declaration
under Section 307C of the Corporations Act 2001
to the Directors of Union Resources Limited

I declare that, to the best of my knowledge and beliefs, during the half-year ended 31 December 2009 there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

Liam Murphy
Partner
Dated at Brisbane, 16 March 2010

AUDIT & ASSURANCE

HACKETTS DFK
ABN « 33 873 151 348

Liability limited by a scheme approved under Professional Standards Legislation

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Notes	Half-year 2009 $	Half-year 2008 $
Revenue from continuing operations	3	47,958	20,267
Other Income	4	142,928	12,091
Expenses, excluding finance costs	5	(660,958)	(1,250,500)
Finance costs		-	(1,214)
Impairment loss on Venture Axess Group	7	(42,624)	-
Impairment loss on Mehdiabad Project	9	(17,373,679)	(6,944,130)
Profit/(loss) before income tax		(17,886,375)	(8,163,486)
Profit/(loss) from continuing operations		(17,886,375)	(8,163,486)
Profit/(loss) for the half-year		(17,886,375)	(8,163,486)
Profit/(loss) for the half-year is attributable to the members of Union Resources Limited		(17,886,375)	(8,163,486)
Other comprehensive income			
Foreign currency translation reserve		3,419	6,860,352
Available-for-sale investment revaluation reserve		200,223	-
Total other comprehensive income for the period, net of tax		203,642	6,860,352
Total comprehensive income for the period		(17,682,733)	(1,303,134)
Profit/(loss) for the period is attributable to:			
Owners of the parent		(17,886,375)	(8,163,486)
Total comprehensive income for the period is attributable to:			
Owners of the parent		(17,682,733)	(1,303,134)
		Cents	Cents
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		(0.95)	(0.90)
Diluted earnings per share		(0.95)	(0.90)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Notes	December 2009 $	June 2009 $
ASSETS			
Current assets			
Cash and cash equivalents		2,277,033	3,346,626
Trade and other receivables		62,074	125,608
Available-for-sale financial assets	7	-	52,400
Total current assets		2,339,107	3,524,634
Non-current assets			
Available-for-sale financial assets	8	210,000	-
Other financial assets		52,729	97,989
Investments accounted for using the equity method		128,264	50,419
Exploration and evaluation	9	709,367	17,748,898
Property, plant and equipment		16,933	19,545
Intangibles	10	798,023	837,982
Total non-current assets		1,915,316	18,754,833
Total assets		4,254,423	22,279,467
LIABILITIES			
Current liabilities			
Trade and other payables		269,734	360,152
Other financial liabilities		448,190	-
Provisions		53,920	72,828
Total current liabilities		771,844	432,980
Non-current liabilities			
Provisions		11,404	9,486
Other financial liabilities		-	693,982
Total non-current liabilities		11,404	703,468
Total liabilities		783,248	1,136,448
Net assets		3,471,175	21,143,019
EQUITY			
Contributed equity		95,710,673	95,714,458
Reserves	11	2,048,603	1,830,287
Accumulated losses		(94,288,101)	(76,401,726)
Total equity		3,471,175	21,143,019

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Half-year	
	2009	2008
	$	$
Total equity at the beginning of the half-year	21,143,019	18,859,645
Other comprehensive income	203,642	6,860,352
Net income recognised directly in equity	203,642	6,860,352
Profit/(loss) for the half-year	(17,886,375)	(8,163,486)
Total comprehensive income for the half-year attributable to the owners of the parent	(17,682,733)	(1,303,134)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	(3,785)	391,982
Option premium, net of transaction costs	14,674	42,587
Total equity at the end of the half-year	3,471,175	17,991,080

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Half-year	
	2009 $	2008 $
Cash flows from operating activities		
Receipts from customers	56,093	70,448
Payments to suppliers and employees	(794,861)	(1,247,309)
Payments for exploration and evaluation	(265,291)	(130,445)
Goods and services tax refunded	-	10,975
Interest received	46,964	20,266
Interest paid	-	(1,214)
Net cash (outflow) from operating activities	(957,095)	(1,277,279)
Cash flows from investing activities		
Payments for investments in associates	(77,845)	-
Proceeds from sale of investments	-	10,656
Proceeds from loans	-	-
Proceeds from security deposits	45,260	-
Repayment of borrowings	(60,961)	-
Payments for financial liabilities	(15,714)	-
Payments for property, plant and equipment	-	1,436
Payments for exploration and evaluation	-	-
Net cash (outflow) from investing activities	(109,260)	12,092
Cash flows from financing activities		
Proceeds from issue of ordinary shares and options	-	391,011
Share issue costs	(13,092)	(55,443)
Net cash (outflow) inflow from financing activities	(13,092)	335,568
Net (decrease) increase in cash and cash equivalents	(1,079,447)	(929,619)
Cash and cash equivalents at the beginning of the half-year	3,346,626	1,181,218
Effects of exchange rate changes on cash and cash equivalents	9,854	-
Cash and cash equivalents at end of the half-year	2,277,033	251,599

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. Basis of preparation of half-year report

This general purpose financial report for the half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 - *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Union Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not previously applied

The group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of income statement with statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity;
- the adoption of the separate income statement/single statement approach to the presentation of the statement of comprehensive income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third statement of financial position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Operating Segments

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the statement of comprehensive income and statement of financial position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

Foreign Currency Translation

The Company determined that as at 1 January 2009 the functional currency of Union Zinc Pty Ltd ("UZPL") is Australian dollars. All items in UZPL were translated as at the date of change, and the resulting translated amounts for non monetary items are treated at their historical costs. Exchange difference arising from the translation of the foreign operation previously classified as equity is not reconised in profit and loss until disposal of the operation. It is noted that during the December 2008 half-year the financial statements were prepared on the basis that the fuctional curency of UZPL was US dollars.

2. Going concern

The financial statements are prepared on a going concern basis. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

The ability of the consolidated entity to continue as a going concern is dependent upon additional capital being raised to finance its exploration and development commitments on the Namibian Sea Phosphate Project, Mehdiabad Project and on-going operational expenditure and working capital commitments.

3. Revenue from continuing operations

	Half-year	
	2009	2008
	$	$
Interest	47,958	20,267

4. Other Income

	Half-year	
	2009	2008
	$	$
Foreign currency gain	142,928	-
Sales proceeds investments	-	10,656
Sales-fixed assets	-	1,436
Total other income	142,928	12,092

5. Profit/(loss) for the half-year

	Half-year 2009 $	Half-year 2008 $
Expenses, excluding finance costs, included in the income statement classified by nature		
Audit fees	31,366	74,400
Consulting fees		
- Other consulting	114,724	161,370
- Legal fees	21,016	-
Total Consulting fees	135,740	161,370
Director related expenses		
- Board fees	85,030	126,055
- Reimbursable expenses	4,420	13,375
- Share based payments to directors	14,673	42,587
Total Director related expenses	104,123	182,017
Depreciation and amortisation expense	2,474	7,374
Employee benefits		
Employee benefits expense	239,317	503,998
Employee benefits expense – Iran representative office	327	16,757
Total Employee benefits	239,644	520,755
Foreign exchange losses (net)	-	3,191
General administration expenses	30,586	79,768
General administration expenses – Iran representative office	7,216	23,881
Insurance		
- Directors & officers indemnity insurance	1,622	21,742
- General and public liability	1,957	1,499
Total Insurance expenses	3,579	23,241
Marketing and promotion expenses	1,518	647
Rental expense relating to operating leases		
- Occupancy expenses	27,048	78,222
- Occupancy expenses – Iran representative office	1,446	13,731
Total Rental expenses relating to operating leases	28,494	91,953
Share registry / meeting costs	43,035	44,148
Telephone	16,950	12,756
Travel	16,233	24,999
Total expenses	660,958	1,250,500

6. Segment information

For management purposes, the group is organised into business units based on their products and activities and has two reportable operating segments as follows:

The Zinc segment being the exploration for and evaluation of zinc resources.

The phosphate segment being the exploration for and evaluation of phosphate resources.

December 2009	Phosphate Exploration & Evaluation $	Zinc Exploration & Evaluation $	Corporate $	Eliminations $	Consolidated $
Other revenue	-	-	47,958	-	47,958
Other income	-	-	142,928	-	142,928
Total segment revenue	-	-	190,886	-	190,996
Segment result	-	(20,018,185)	(508,130)	2,639,940	(17,886,375)
Income tax benefit					-
Loss for the year					-
Segment assets	1,635,634	54,244	21,116,390	(18,551,845)	4,254,423
Segment liabilities	(547,720)	(25,535,922)	(783,248)	26,083,642	(783,248)
Acquisition of property, plant and equipment and other exploration assets	343,148	-	1,822	-	44,970
Depreciation and diminution in asset values	-	531	1,943	-	2,474
Other segment information					
Investments in associates	128,264	-	-	-	128,264
Impairment	-	17,373,679	42,624	-	17,416,303
June 2009					
Other revenue	-	-	29,931	-	29,931
Other income	-	-	12,583	-	12,583
Total segment revenue	-	-	42,514	-	42,514
Segment result	-	(1,888,855)	(2,219,210)	(5,055,274)	(9,163,340)
Income tax benefit					-
Loss for the year					-
Segment assets	1,263,620	17,425,766	21,746,301	(18,156,220)	22,279,467
Segment liabilities	(724,040)	(25,475,222)	(1,116,140)	26,178,954	(1,136,448)
Acquisition of property, plant and equipment and other exploration assets	364,029	77,341	1,027	-	442,397
Depreciation and diminution in asset values	-	1,226	9,623	-	10,850
Other segment information					-
Investment in associates	50,419	-	-	-	-
Impairment	-	6,944,130	-	-	6,944,130

7. Current assets – Available-for-sale financial assets

	December 2009 $	June 2009 $
Equity securities-unlisted at fair value	182,672	192,448
Provision for impairment of equity securities	(182,672)	(140,048)
	-	52,400

8. Non Current assets – Available-for-sale financial assets

	December 2009 $	June 2009 $
Options listed at fair value	210,000	-

The fair value of the options has been determined directly by reference to the published price quotations in an active market.

9. Non-current assets – Exploration and evaluation expenditure

Sandpiper Namibian Phosphate Project

	December 2009 $	June 2009 $
Balance at beginning of period	375,219	11,190
Expenditure capitalised	334,148	364,029
Balance at end of period	709,367	375,219

Carrying value of Sandpiper Project, Namibia

As at 31 December 2009, the Company has incurred $709,367 of capitalised exploration and evaluation expenditure on the Sandpiper Project in Namibia. The costs have been incurred in the wholly owned subsidiary, Sea Phosphates (Namibia) Pty Limited as it is this company that holds the exploration licenses. The ultimate recovery of these costs is dependent upon the successful development and commercial exploitation, sale of respected areas of interest or acceptance of the capitalised expenditure on the transfer of these tenements under the Joint Venture Agreement with Bonaparte Diamond Mines NL ("BDM") and Tungeni Investments.

The Company has received in-kind contributions totalling approximately $101,561 in relation to the provision of engineering, conceptual design and evaluation services for the Sandpiper Project in Namibia. The Directors have decided not to capitalise the value of the in-kind contributions provided to date for the Sandpiper Namibian Phosphate Project.

9. Non-current assets – Exploration and evaluation expenditure (continued)

Mehdiabad Project

	December 2009 $	June 2009 $
Balance at beginning of period	17,373,679	17,405,928
Expenditure capitalised	-	77,341
Effects of movement in exchange rates (i)	-	6,834,540
Provision for impairment (i), (ii)	(17,373,679)	(6,944,130)
Balance at end of period	-	17,373,679
Total exploration and evaluation expenditure	709,367	17,748,898

(i) Effects of movements in exchange rates/provision for impairment

The Mehdiabad Project is recorded in the books of Union Zinc Pty Ltd ("UZPL") (Union's wholly owned subsidiary company) in US dollars. As disclosed in note 1 the Company changed the accounting policy regarding the functional currency of UZPL, as the Directors are of the opinion that Australian dollars more accurately reflects the nature of UZPL's operations now that expenditure on UZPL's exploration and evaluation assets has significantly reduced. The date of the change in functional currency of UZPL was 1 January 2009.

During the previous half year, the movement in exchange rate against the US dollar resulted in an increase in the carrying value of value of the Mehdiabad Project by A$6,834,540 as at 31 December 2008, and an accompanying movement in the foreign currency translation reserve. In 31 December 2008 half-year the Directors recognised an impairment loss of A$6,944,130 (US$4,796,311) against the carrying value of the Mehdiabad Project.

The Company has applied the change in functional currency of UZPL to Australian dollars prospectively from the date of the change being 1 January 2009. The capitalised exploration and evaluation expenditure balance as at 1 January 2009 is treated as the cost of this asset going forward.

(ii) Carrying value of the Mehdiabad Project

Capitalised exploration and evaluation expenditure relates to the Mehdiabad Project which operates as an incorporated joint venture through Mehdiabad Zinc Company ("MZC"). The Company holds 25% of the issued shares in MZC and when contributions convertible to equity in MZC are added, has a beneficial interest in excess of 40%. Up to 30 June 2009, contributions made to the joint venture that are considered as exploration and evaluation expenditure were capitalised.

As at 31 December 2009, only US$9.7 million (A$10.9 million) of the US$16.8 million (A$18.8 million) contributions subject to earn-in rights made to MZC have been entered into the accounts of MZC as loans to be converted to equity. As at the date of this report it is not possible to estimate when the remainder of the outstanding expenditure will also be entered into the accounts of MZC as loans to be converted to equity, or when the shareholders of MZC shall approve the conversion of the loans to equity. The Company is of the view that MZC and some of its shareholders are breaching the agreements through which the Company maintains its interest in MZC by not supporting the procedures required under Iranian law to enable MZC to enter the outstanding expenditure into the accounts of MZC as loans to be converted to equity, in accordance with the agreements. Supporting Union's view is confirmation received from the Ministry of Economics and Finance in Iran received on 13 January 2007 that the Group's investment in the project up until March 2006, totalling US$14 million, has been independently reviewed and approved by the Ministry and is now protected in Iran from expropriation under the Foreign Investment and Protection Act.

A letter dated 28 November 2006 was received on 5 December 2006 from the Iranian Mines and Mining Industries Development and Renovation Organization ("IMIDRO"), an Iranian government partner in the Mehdiabad zinc-lead-silver project, purporting to terminate four of the five agreements under which the Company maintains its interest in MZC.

The Company is of the opinion that it has complied with all of its obligations under the agreements and that no grounds exist for the purported termination.

9. Non-current assets – Exploration and evaluation expenditure (continued)

IMIDRO's subsidiary company IMPASCO, which currently holds the Exploitation Licence for the Mehdiabad Project, has been called upon by MZC to transfer the Exploitation Licence to MZC as required under the agreements and to date has failed to do so. At the same time, the Company has continued to negotiate with its counterparts to the Mehdiabad Project in an effort to resolve the dispute.

At the time of the purported termination by IMIDRO of several of the agreements governing the Project, Union held a political risk insurance policy in respect of its investment in MZC ("the Policy") with the Australian Government Export Finance and Insurance Corporation ("EFIC"). Following the purported termination Union notified EFIC of the purported termination. The limit of liability under the Policy is US$4.5 million. In April 2009, Union submitted a claim for compensation under the Policy arising out of the expropriation of Union's interest in the Project. The claim was rejected by EFIC in October 2009. Union is still considering its options in relation to the matter, one of which is to take legal action against EFIC to secure payment by EFIC under the policy.

For some time Union has been negotiating to resolve the Mehdiabad Project dispute and preparing for arbitration hearings to be held by the International Chamber of Commerce, if required. If agreement is reached on a new organisation of MZC, a substantial reorganisation of MZC will be required to reflect the new conditions under which the project will be operated. In addition, the conversion of Union's past expenditure to equity in the reorganised MZC will have to be recognised by MZC shareholders.

As at 30 June 2009 the value of the Company's exploration and evaluation expenditure on the Mehdiabad Project (through UZPL) was $17,748,898. The Company had been capitalising such expenditure and including it in the Company's balance sheet as an asset in the expectation that the Company would recoup the expenditure upon future development of the Mehdiabad Project. If the Company had continued to adopt the same accounting treatment the figure for exploration and evaluation expenditure on the Mehdiabad Project in the Company's balance sheet as at 31 December 2009 would have been $18,087,612. Following discussion with the Company's auditors on the interpretation of relevant accounting standards, and taking note of the recent perceived deteriorating economic and political situation in Iran, the Company's Directors have decided to impair the carrying value of the Company's expenditure on exploration and evaluation associated with the Mehdiabad Project. This means that the exploration expenditure to date which has previously been treated as an asset in the Company's balance sheet is now shown as a loss item in the Company's profit and loss statement for the half year ended 31 December 2009. The Directors' decision to do this in accordance with applicable accounting standards reflects the ongoing uncertainty surrounding the Mehdiabad Project and the Company's ability to recoup all exploration expenditure associated with the Project. It is important to note however that this accounting treatment does not constitute a writing off of the Mehdiabad Project expenditure. The impairment can be reversed at a future date if and when the future of the Project becomes more certain. In the meantime, the Company will continue its efforts to resolve the Mehdiabad Project dispute.

10. Intangible Assets

	December 2009 $	June 2009 $
Balance 1 July	837,982	837,982
Reduction of purchase consideration	(39,959)	-
Balance 31 December	798,023	837,982

The intangible assets relate to exploration licences acquired as a result of the purchase of Sea Phosphates (Namibia) Pty Ltd.

11. Reserves

	December 2008 $	June 2009 $
Option premium reserve	1,291,125	1,276,451
Available-for-sale investment revaluation reserve	200,223	-
Foreign currency translation reserve	557,255	553,836
	2,048,603	1,830,287

Movements:

	Half-year 2009 $	2008 $
Option premium reserve		
Balance 1 July	1,276,452	1,207,499
Fair value of options issued to Directors	14,673	42,587
Balance 31 December	1,291,125	1,250,086
Available-for-sale investment revaluation reserve		
Balance 1 July	200,223	(22,834)
Balance 31 December	200,223	(22,834)
Foreign currency translation reserve		
Balance 1 July	553,836	(6,307,947)
Currency translation differences arising during the half-year	3,419	6,860,352
Balance 31 December	557,255	552,405

Nature and purpose of reserves

Option premium reserve
The share-based payments reserve is used to recognise:
- The fair value of options issued to employees and Directors
- The fair value of options issued as consideration for goods or services rendered

Available-for-sale investment revaluation reserve
Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve.

Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve. The reserve is recognised in the income statements when the net investment is disposed of.

12. Equity securities issued

The following equity securities have been issued during the half year ended 31 December 2009:

Date	Details	No of shares	Paid up value ($)
1July 2009	Opening balance	1,851,612,435	95,714,458
17 July 2009	Shares issued to Managing Director as partial payment for remuneration for June 2009	2,423,494	9,306
30 September 2009	Issued to Empire Securities as payment for services rendered	31,449,604	220,147
	Less: Transaction costs arising on share issue	-	(233,238)
31 December 2009	Closing balance	1,885,485,533	95,710,673

13. After balance date events

On 1 March 2010 Dr Frank Reid tendered his resignation as Managing Director. Dr Reid will continue to serve as General Manager Operations until 31 May 2010.

On 1 March 2010 Mr James Collins-Taylor resigned as the Company's Chairman of Directors but will remain on the Board as a Director.

On 1 March 2010 Mr Chris Jordinson was appointed on a temporary basis as the Company's new Managing Director.

14. Commitments and Contingencies

The consolidated entity has a deferred settlement commitment to pay $448,190 to the vendors of Sea Phosphates (Namibia) Pty Ltd ("SPL") in order to complete the acquisition transaction.

The parent company is also required to issue to the vendor of SPL the additional consideration of 9,000,000 options over ordinary shares in Union and grant the Vendor a royalty capped at US$10,000,000, equal to 3% of the gross product derived from the ore mined on the EPLs on 1 July 2010.

As disclosed in Note 9, the consolidated entity has capitalised exploration costs of $17.4 million relating to the Mehdiabad Project. The consolidated entity has impaired the carrying value of the Mehdiabad Project by $17.4 million to reflect the ongoing uncertainty surrounding the Mehdiabad Project. The Company is currently in negotiations with its Iranian counterparties regarding the status of the project. The ultimate recovery of the carrying value of the capitalised exploration costs is contingent upon the outcomes of the negotiations and any further action the Company may take, which may include arbitration or insurance claims.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

    a) give a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity; and
    b) complying with the Accounting Standard *AASB 134 Interim Financial Reporting* and the Corporations Regulations 2001.

2. in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

this declaration was made in accordance with a resolution of the board of Directors.

C T Jordinson
Managing Director

16 March 2010

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF UNION RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Union Resources Limited and its controlled entities. The half-year financial report comprises the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, for the company and the entities it controlled at the half-year or from time to time during the period, together with a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Union Resources Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Union Resources Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Union Resources Ltd and its controlled entities is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of Union Resources Ltd and its controlled entities' financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Hackett

HACKETTS DFK
Dated at Brisbane, 16 March 2010

L J Murphy
Partner