



Union Resources Limited

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Company Announcements Office
Australian Securities Exchange

QUARTERLY ACTIVITIES STATEMENT FOR PERIOD ENDED 30 JUNE 2010

HIGHLIGHTS

- **Namibian Sandpiper–Meob Phosphate Project**
 - The Scoping Study is on schedule for completion in calendar Quarter 3, 2010
 - Batemans attrition test work has shown positive results in reducing contaminant gangue Fe (iron), Al (Aluminium) and Mg (Magnesium) contained in the P₂O₅ concentrate
 - Bulk samples required for stage 2 of the Batemans testwork have been delivered to Batemans for additional test work
 - Test work samples for additional resource assessment have been collected
 - The Joint Venture is fully funded to the completion of the Scoping Study

- **Mehdiabad Project**
 - Despite the impairment of the assets in the half year accounts, Union's representatives are still progressing negotiation with the Iranian authorities to seek a mutually beneficial solution to the ownership issues

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. continuing to work with the relevant Iranian parties to seek a mutually beneficial solution to the ownership issues relating to the Mehdiabad Project.

Offshore Namibian Phosphate Project

Background

The Offshore Namibian Phosphate Project has progressed to the scoping stage of the development of the project. The Scoping Study is now well underway and is supported by a large well defined offshore resource base.

As previously reported, the resources categorisation of the Offshore Namibian Phosphate Project is as follows:

Independent estimates of the phosphate Mineral Resources were reported 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.

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.

During the Quarter ended 30 June 2010

The Scoping Study is scheduled to be completed in calendar Quarter 3, 2010.

Work is progressing well and this includes:

- a) Batemans testwork is ongoing and the results are discussed further below.
- b) a larger sample for further process work has been recovered and delivered to Batemans
- c) sampling through greater thicknesses of the ore body for both ore reserve optimisation and expansion is ongoing
- d) establishment of an environmental base line study which is necessary for approval of a Mining Licence.

The environmental baseline study has been agreed in consultation with the Company's JV partners and work is well advanced.

Bateman Advanced Technologies Limited as part of the Project Scoping Study has produced encouraging initial results.

Heavy liquid separation studies show that the phosphate rich size fraction (-1mm to +0.074mm) can be enriched up to 26% P₂O₅, from whole rock samples with an average grade of 18-21% P₂O₅ using standard gravity separation techniques.

In addition, preliminary wet screening and attrition tests have shown trends favoring a slight improvement in the P₂O₅ concentrate grade along with partial removal of the contaminant gangue including iron (Fe), magnesium (Mg), aluminium (Al) and insoluble matter into the slimes waste stream (tailings) from the phosphate rich size fraction.

Further attrition tests are now being carried out at higher energy conditions to assess whether the increase in energy improves the grade in concentrate and the further removal of contaminant gangue.

The attrition and heavy liquid test work results indicate that the trends are coherent per layer in the two layers comprising the ore horizon and that the shelly layer 1 (top layer) and layer 2 (middle layer) are able to be blended as composites. From the results to date it would appear that layer 2 is more responsive to heavy liquid separation mainly due to more complete liberation of the phosphate particles versus layer 1 size fractions. The results indicate that there is significant enrichment of layer 2 size fractions particularly at the coarsest and finest sizes, ie. 1.00mm x 0.50mm and 0.150mm x 0.074mm. Layer 3 when present (bottom layer) is a marine clay with a low concentration of phosphatic material which forms a natural footwall to the deposit.

Heavy liquid separation studies show that the phosphate rich size fraction can be enriched up to 26% P₂O₅ using standard gravity separation techniques.

The attrition test work and heavy liquid separation analysis is ongoing, however the results to date confirm the historical data from previous work carried out and provide further encouragement that the P₂O₅ concentrate grade can be improved along with contaminant gangue being satisfactorily reduced.

The Bateman Advanced Technology Limited work final report setting out the test work results is expected to be issued in calendar Quarter 3, 2010.

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 continuing the Scoping Study. Major ongoing activities include but are not limited to:

- The Bateman Engineering scope of work is continuing and is currently scheduled to be completed in Q3 - 2010.
- Completing the core sampling using a vibracoring device with capacity to penetrate to 5m of sediment thickness. The vessel completing this task is currently being deployed from Luderitz.
- Work will continue on the environmental evaluation of the Project, taking into account the findings of the preliminary study. Additional grab samples have been collected and samples taken during the vibracoring programme and will also be utilised for this purpose.

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 ended 30 June 2010

Union continued to hold discussions with the relevant Iranian parties in an effort to resolve the Project dispute and progress the Project.

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. Further communications have subsequently been entered into with EFIC with a view to resolving the dispute in a satisfactory manner.

Corporate

Cash as the end of the June 2010 quarter after the transfer of the Company's contribution to the Joint Venture to fund the work being undertaken in the Scoping Study was A\$524,000. During the quarter, expenditure on exploration activities totalled A\$65,000, whilst there was no expenditure on mining development.

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.

For further information, please contact:

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