



Union Resources Limited

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Company Announcements Office
Australian Securities Exchange

QUARTERLY ACTIVITIES STATEMENT FOR PERIOD ENDED 31 MARCH 2010

HIGHLIGHTS

- **Namibian Sandpiper–Meob Phosphate Project**
 - The Scoping Study has commenced and is well underway
 - Planned additional sampling required for the Scoping Study test work is underway
 - Planned test work samples for additional resource assessment is underway
 - 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
- **Corporate**
 - The Managing Director Dr Frank Reid resigned during the quarter and has been replaced by Mr Chris Jordinson
 - The Company is in the process of reviewing the progress and setting revised timelines for previous delays incurred in progressing both the Namibian and Iranian Projects
 - Cash at the end of the March 2010 quarter is A\$1,216,609

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 Iranian authorities 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	2,009.4	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 31 March 2010

The Scoping Study is well underway and the results of the study are now anticipated to be released to the market in Q3 – 2010.

The delays with the technical difficulties have now been overcome and the vessel commissioned to carry out the required test work is based in Luderitz. The test work includes the use of the vibracore sampler for:

- securing a larger sample for further process work once the initial test work is completed;
- sampling through greater thicknesses of the ore body for both ore reserve optimisation and expansion; and
- establishment of an environmental base line study which will be 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.

The scope of work has commenced and is well underway for the programme to be completed by Bateman Engineering. The results achieved from the work completed by Batemans will assist in the design of the processing plant to be undertaken during the ensuing feasibility study. The intention is to keep the process of rock phosphate production as simple and cost effective, as possible.

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 process study being undertaken by Bateman Engineering.

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 based in Luderitz.
- Work will continue on the environmental evaluation of the Project, taking into account the findings of the preliminary study. Additional grab samples will be taken during the vibracoring programme and will also be utilised for this purpose.
- In the first half of 2010 a further bulk sampling program will be undertaken for larger scale processing evaluation.

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 31 March 2010

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

In the Company's financial statements for the half-year ended 31 December (which were lodged with ASX on 16 March 2010) 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, decided to impair 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 is 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 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 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.

Union continues to work with the Iranian authorities to seek a mutually beneficial solution to the ownership issues.

Corporate

During the quarter Dr Frank Reid resigned as managing Director and he has been replaced by Mr Chris Jordinson.

Cash as the end of the March 2010 quarter after the transfer of the Company's contribution to the Joint Venture to fund the work being undertaken in the Scoping Study is A\$1,216,609.

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 A\$427,992.

Mining Production and Development

No mining production or development was undertaken.

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.