

## NEWPORT TO ACQUIRE TWO LARGE PHOSPHATE PROJECTS IN BRAZIL

The Board of Newport Mining Limited (“**Newport**” or “**Company**”) is pleased to advise that the Company has entered into a conditional agreement to acquire two highly prospective and potentially large-scale phosphate projects (“**Projects**”) located in Brazil.

Previous exploration activities including drilling and rock chip sampling completed by the National Bureau of Mines (“**DNPM**”) in association with the Brazilian Geological Survey (“**CPRM**”) will provide a solid platform to compile an initial Mineral Resource estimate that can be reported in accordance with the JORC Code in mid 2010.

### Highlights:

- The Lucena Phosphate Project (“**LPP**”) has an initial exploration target of 40 to 50 million tonnes at an average grade of 10% to 14%  $P_2O_5$  based on a compilation of historical drilling by CPRM<sup>1</sup>.
- The Mata da Corda Phosphate Project (“**MCPP**”) has outcropping mineralisation with historical rock chip results of up to 23.2%  $P_2O_5$  and is ready for drill testing.
- Initial land position of approximately 83,361 hectares with additional areas identified, providing the potential to expand exploration target.
- Projects located close to existing infrastructure including roads, water, power and ports.
- A highly experienced in-country technical team has been assembled to commence drilling and other exploration activities in the coming weeks.
- Brazil imports 49% of its phosphate needs and both projects are located near potential domestic primary customers and major fertiliser blenders.

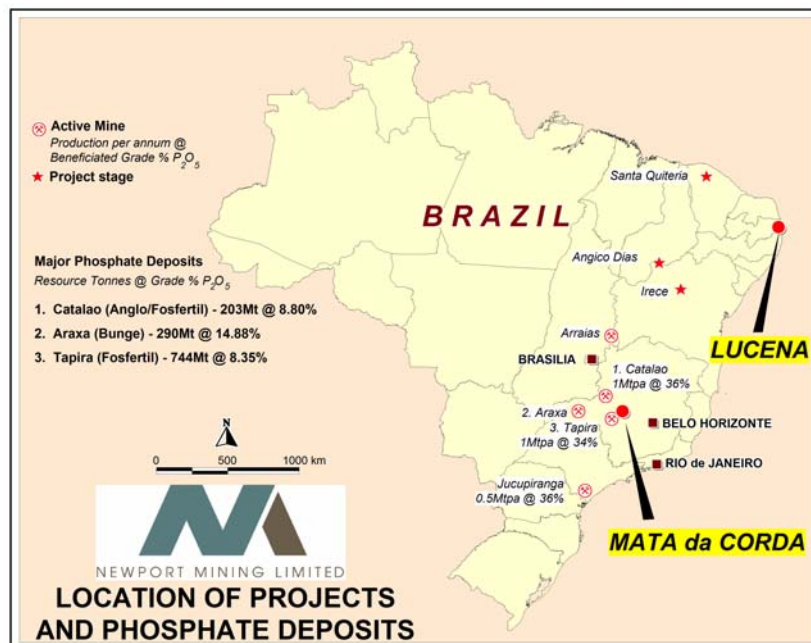


Figure 1: Location of the MCPP and LPP in Brazil

*The acquisition of the Projects will occur by Newport acquiring a 100% of Aguia Metais Ltda (“**Aguia**”). Aguia is a 100% owned subsidiary of Falcon Metais Ltda (“**Falcon**”), a private company held within the Forbes & Manhattan Group.*

*The commercial terms of the acquisition, which is subject to approval by Newport shareholders, include the issue of 10 million ordinary shares at settlement, with further ordinary shares to be issued upon achievement of milestones involving independent delineation, classification and reporting of mineral resources in accordance with the JORC Code and/or NI 43-101 guidelines (see Commercial Terms section for further details).*

*In addition, Newport has a 3 year exclusivity period with Falcon, whereby if Falcon, or an associate or related corporation of Falcon, obtains an interest in a phosphate project or right to obtain an interest in a phosphate project that is wholly or partially within Brazil, such interest must be offered to Newport at the cost incurred by the party acquiring the interest.*

*The Board is also pleased to announce that Mr Simon Taylor has been appointed Managing Director of Newport, effective immediately. Mr Taylor is a geologist and a founding Director of Newport. Most recently Mr Taylor was a resource analyst with a major focus on the phosphate sector.*

*Newport also intends, subject to shareholder approval, to undertake a placement of 10 million ordinary shares each at an issue price of \$0.15 to raise \$1.5 million to fund initial working capital on the Projects. The placement will be arranged by principals of Forbes & Manhattan Inc.*

#### **About Forbes & Manhattan Inc.**

*Forbes & Manhattan Inc. (“**F&M**”) is a private merchant bank based in Toronto, Canada with offices and operations internationally. F&M uses its team and capital to incubate, finance and manage public and private companies in the junior resource sector. F&M has an extremely successful track record of identifying high quality assets in the mining/resource sector and advancing them from discovery through to production. There are currently over 25 companies in the F&M group, with a combined market capitalisation of approximately \$2 billion. F&M’s goal is to unlock value by developing resource assets within a 3 to 5 year time horizon.*

**Enquires: Simon Taylor – Managing Director**  
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<sup>1</sup> The statement referring to the potential quantity and grade of the target is based on the results of historical exploration activities undertaken by CPRM during the 1960’s to 1980’s, including 47 drill holes of which 22 drill holes within the project and immediate surrounds returned mineralisation. The potential tonnage range and average grade is conceptual in nature and insufficient work has been completed to report a Mineral Resource in accordance with the JORC Code (2004). It is uncertain if further exploration work will result in the determination of a Mineral Resource.

## Brazilian Phosphate Projects

Newport has entered into a conditional agreement to acquire the MCPP and LPP located in Brazil.

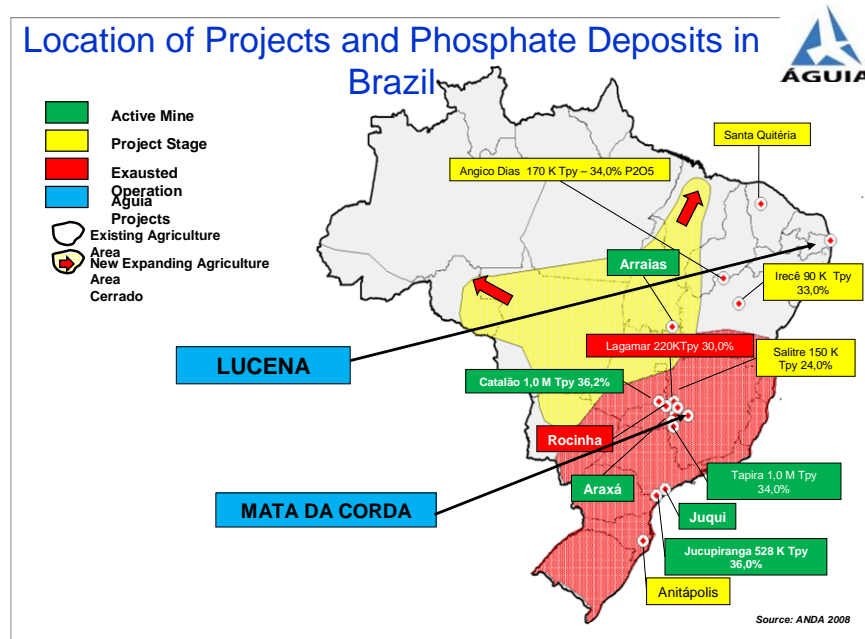


Figure 2: Location of Projects relative to major phosphate mines/projects and agricultural areas in Brazil

### Mata da Corda Phosphate Project

The MCPP is located within 150km of the three largest phosphate mines in Brazil; Araxá – Bunge (290Mt @ 14.88% P<sub>2</sub>O<sub>5</sub>), Tapira – Fosfertil (744Mt @ 8.35% P<sub>2</sub>O<sub>5</sub>) and Catalão – Anglo/Fosfertil (203Mt @ 8.80% P<sub>2</sub>O<sub>5</sub>). These three mines account for 95% of the phosphate rock production in Brazil. Within this existing transportation corridor there are 32 major bulk fertilizer blenders. Capacity upgrades are planned for all three mines.

The MCPP covers approximately 10,000 hectares (100km<sup>2</sup>) and sits in the middle of the agricultural and industrialized heartland of the southeast region of Brazil in the state of Minas Gerais (English Translation = General Mining State) some 250km to the west of Belo Horizonte.

The property was identified as potentially attractive to Agüia because of the historical phosphate occurrences reported by CPRM in the late 1960's and early 1970's. After an initial analysis of these occurrences, the geology and its distribution, Agüia staked the MCPP in August 2008. This triggered a staking rush in the area with Amazon Mining Ltd (late August 2008) and Vale (September 2008) staking to the north, south and west.

The MCPP is located next to excellent logistics and infrastructure (roads, water, railway, energy) and is near potential primary (agriculture) customers, fertilizer blenders and is on the main transportation route for the expanding agricultural districts of Mato Grasso Brazil.

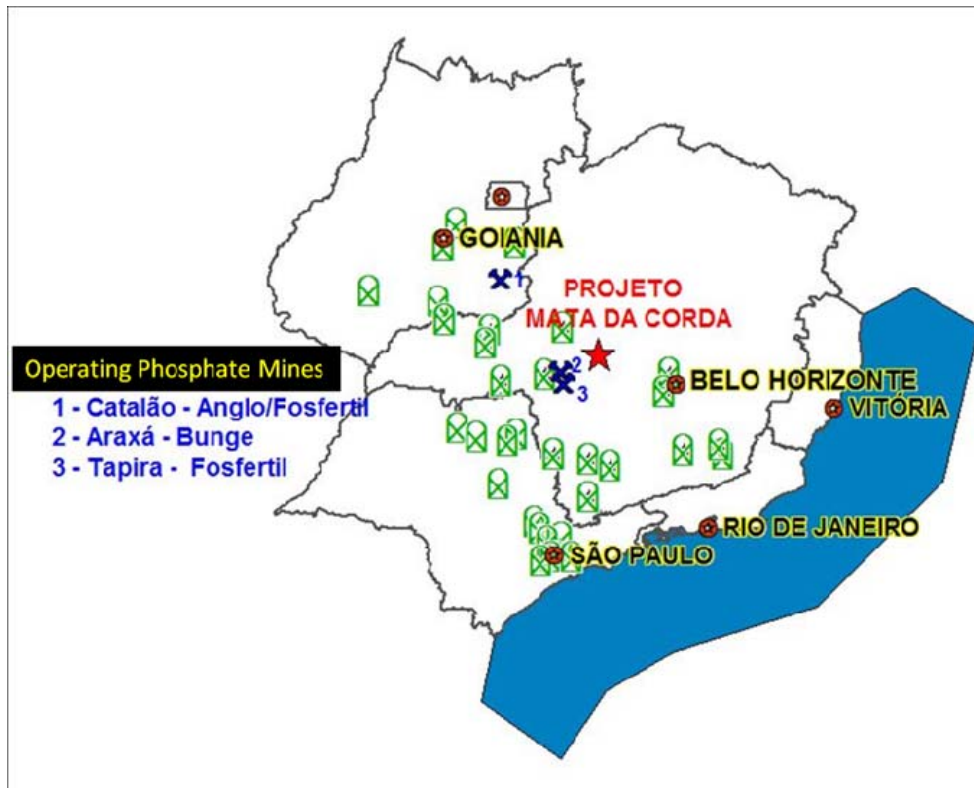


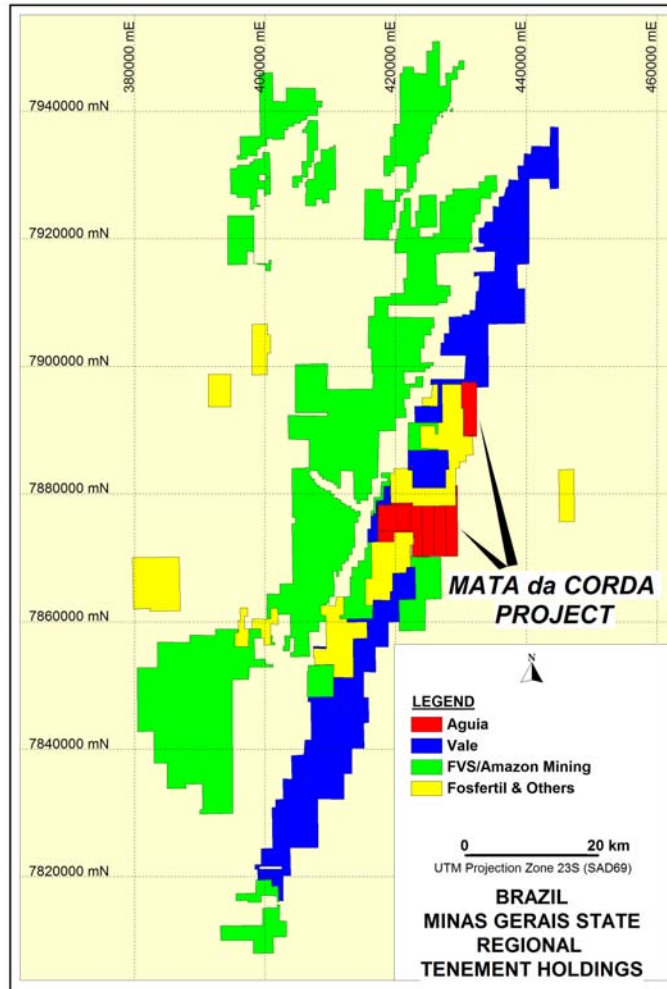
Figure 3: Location of MCPP relative to operating phosphate mines (blue) and major fertilizer bulk blenders (green) in southeast Brazil

#### Previous Exploration

The MCPP region was initially explored for phosphates between 1968 and 1971 by the DNPM in association with the CPRM. This historical program included geological mapping of 450km<sup>2</sup> at 1:25,000 scale, 90 pits, 1,760 meters of diamond drilling (37 holes) and 870m<sup>3</sup> of trenches, which collectively generated 1,256 geochemical samples.

The outcome of this program was the identification of seven small deposits located in the vicinity of the Project, most of which were mined in artisanal quarries with the phosphate rock used locally as a direct application fertilizer. Since this period no systematic exploration has been performed in the region as most of the initiatives were concentrated in the surrounding carbonatite pipes where phosphate is currently mined.

In August 2008 Aguiá, based on a new interpretation of the local geology, staked an area of ~10,000 hectares covering a prospective zone including historical phosphate occurrences.



**Figure 4: Location of MCPP tenements relative to other tenement holders**

### *Geology and Mineralisation*

Tectonically the project area sits within the southernmost portion of the Neoproterozoic Brasilia Mobile Belt and includes a variety of highly deformed and metamorphosed rocks mostly of sedimentary origin.

The area comprises tightly folded slates and phyllites of the Serra da Saudade Formation (Neoproterozoic) which are overlain by Cretaceous rocks of the Areado and Mata da Corda Formation. The contact between the Neoproterozoic and the Cretaceous rocks is well defined by a discrete angular and erosive unconformity.

Aguia claims strategically cover a zone with some 80km of unconformity to which most of the historical occurrences are associated.

Phosphate mineralization in the MCPP region is related to a whitish to pale yellow rock displaying either a brecciated or more massive fabric. The bulk of the mineralization occurs as a horizontal bed along the unconformity zone, with a thickness that can vary from 1 to up to 15 meters. Phosphate was mined in the region in several artisanal quarries for local use as a direct application fertilizer. Most of these quarries occur adjacent to the unconformity zone in regions where the overlying sandstone was eroded allowing the mineralization to outcrop. However no systematic exploration was performed along the unconformity zone.



**Figure 5: Occurrence of phosphate bed along unconformity zone extending into MCPP area**



**Figure 6: Example of phosphate mineralization within MCPP showing strong reaction with ammonia molybdate (field test for phosphate)**

<b>Phosphate Occurrences Within Agua Claims</b>			
<b>Sample</b>	<b>UTM_E</b>	<b>UTM_N</b>	<b>P<sub>2</sub>O<sub>5</sub> (%)</b>
1	425,680	7,877,028	<b>12.90</b>
2	422,704	7,877,142	<b>7.10</b>
3	423,245	7,876,602	<b>13.40</b>
4	423,064	7,876,605	<b>13.10</b>
5	422,984	7,876,700	<b>12.10</b>
6	422,833	7,876,669	<b>12.20</b>
8	422,413	7,878,553	<b>14.30</b>
10	422,581	7,877,451	<b>10.70</b>
11	422,287	7,877,526	<b>23.20</b>
12	422,256	7,877,437	<b>12.30</b>
13	421,721	7,876,427	<b>7.50</b>
17	422,599	7,872,575	<b>9.60</b>

**Table 1: Grab sample results within MCPP at surface taken by CPRM and DNPM**

### **Lucena Phosphate Project**

The LPP covers 73,361 hectares (733km<sup>2</sup>) all located within a 50km radius around the city of João Pessoa, capital of the Paraíba state in north eastern Brazil.

The Property was identified based on historical phosphate occurrences reported by the CPRM (Brazilian Geological Survey). After initial analysis of the occurrences, geology and distribution the available areas were staked along the northern sector of the Paraíba Belt within the same geological setting that hosts several phosphate deposits discovered by CPRM. No systematic exploration work has been conducted since the historical government program.

The property hosts excellent logistic and infrastructure including roads, water, railways, energy and is located near fertilizer blenders and transportation hubs including the Cabedelo port facilities which can be accessed via 65km of paved roads.

## Previous Exploration

The LPP area was first investigated by the CPRM in the late seventies to early eighties where several intercepts containing  $P_2O_5$  were defined during the drilling exploration program. This program identified also the Recreio - Acais Deposit located further south (25km) from the Project area and Goiania deposit located 50km northward from Olinda.

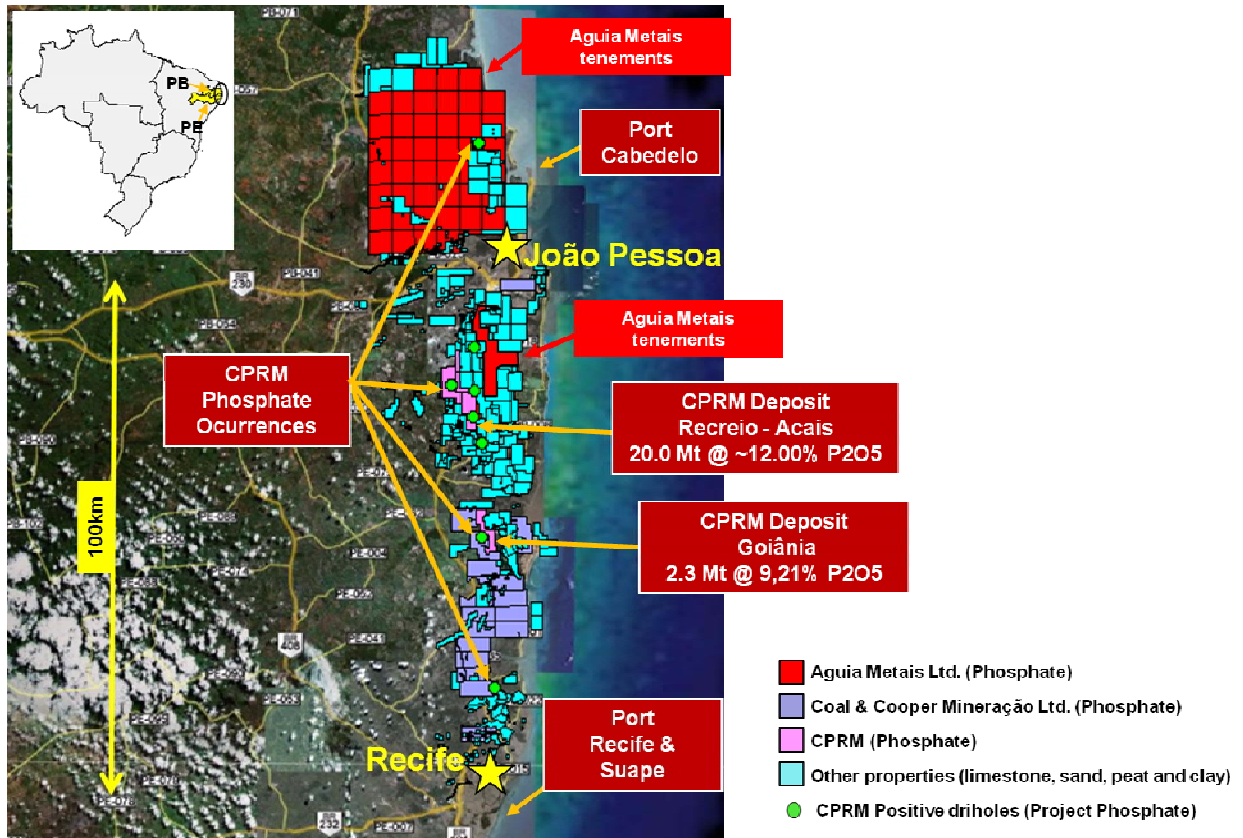


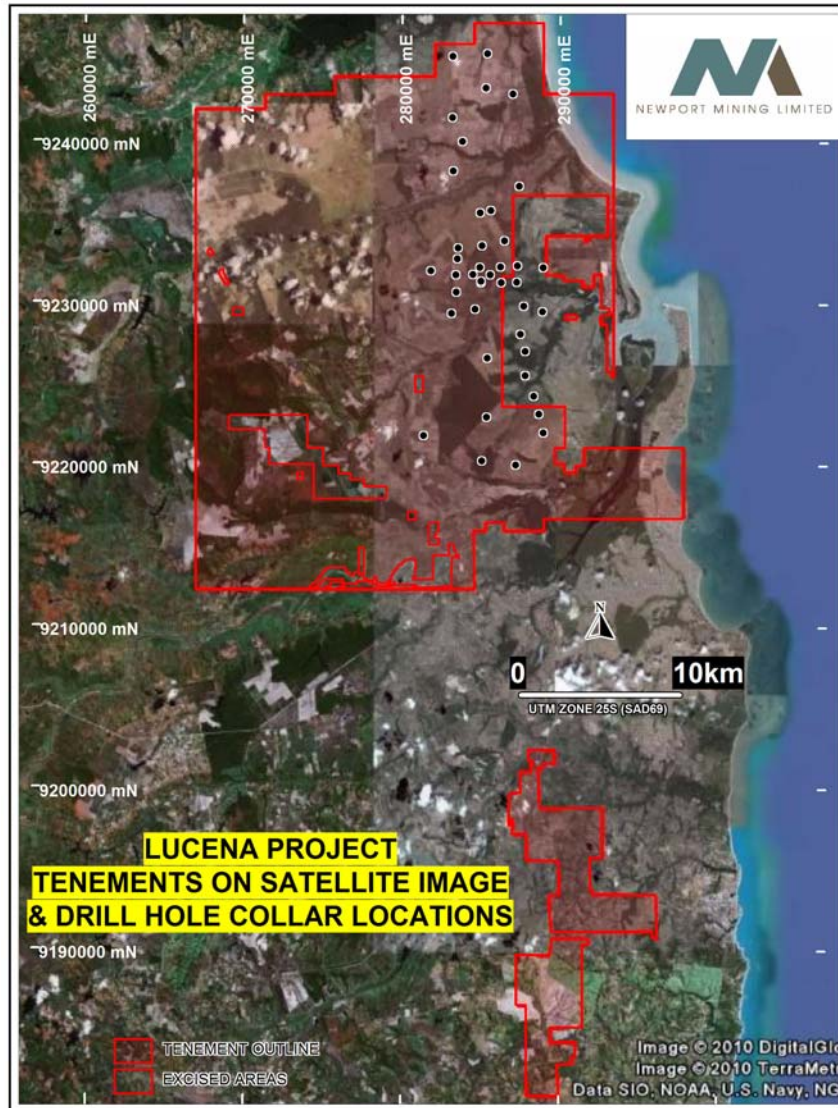
Figure 7: LPP location map showing existing phosphate deposits nearby.

## Geology and Mineralisation

LPP is located within the Pernambuco-Paraiba basin consisting of Cretaceous-Paleocene sediments (sandstones, limestone) covered by the Pleistocene Barreiras Group (sandstone). The basin averages 25km in width and has a maximum thickness of 400 metres. Structurally the sediments are horizontal with slight dip to the east (4 to 25m per km).

The mineralization is typical of sedimentary phosphorite deposits associated with upwelling zones with low sedimentation rate and can be associated with zones where cold water meets warmer waters allowing the precipitation of phosphate. Phosphorite is a variety of sedimentary rock composed by 10% of phosphate, usually francolite  $Ca_5[(F,O)(PO_4,CO_3)_3]$  - that represents a "fibrous apatite and fluorapatite".

From the 47 holes drilled, 22 drill holes within the project area and immediate surrounds intercepted significant phosphate ( $P_2O_5$ ) mineralisation. The main mineralized interval is located at the bottom of the Gramame Formation (limestone) near the top of the Itamaraca Formation (sandstone). The depth of the mineralization varies from 15 to 94 meters depth with thickness in the range of 0.5 to 7.0 metres. The grades found vary from 3.1% to 21.85%  $P_2O_5$ .



**Figure 8: LPP tenements and historical drilling**

**Exploration Programs**

A review of all historic exploration results is currently underway. Further exploration will involve confirmatory mapping, rock chip sampling, trenching and drilling.

With continued positive results infill drilling will proceed with an aim of proving up a Mineral Resource at both projects to a JORC/NI 43-101 standard.



## Brazilian Phosphate Market

Brazil is Latin America's biggest economy and a net importer of its phosphate needs. Agriculture accounts for a significant part of Brazil's economic growth due to large areas of suitable land for agriculture and large renewable freshwater resources. Brazil has been over reliant on imports partly due to underinvestment in the agricultural sector.

More recently, on 23 January 2010, Vale agreed to buy Bunge's fertilizer assets in Brazil for \$US3.8 billion in cash.

Company	Project	Status	Mineralization	Resources (kt)	Cut Off. Grade P <sub>2</sub> O <sub>5</sub> (%)	Aver. Grade P <sub>2</sub> O <sub>5</sub> (%)
Fosfertil	Salitre	Exploration	Magmatic – Supergenic	852,000	5.00	10.74
Fosfertil	Tapira	Operating	Magmatic - Supergenic	744,000	5.00	8.35
Galvani	Rocinha	Exploration	Metasediments	415,000	-	10.00
Bunge	Araxá	Operating	Magmatic - Supergenic	290,000	-	14.88
Fosfertil	Catalão	Operating	Magmatic - Supergenic	203,000	5.00	8.80
Bunge	Cajati	Operating	Magmatic - Primary	90,000	-	5.50
Bunge	Anitápolis	Implementation	Magmatic - Supergenic	53,500	5.00	8.20
Galvani	Irecê	Operating	Sediments	37,000	5.00	17.73
Galvani	Angico dos Dias	Operating	Orthomagmatic - Supergenic	15,000	-	15.40
Galvani	Lagamar	Operating	Metasediments	5,000	-	30.00

*Table 2: Most important phosphate projects in Brazil*

## Commercial Terms of the Acquisition

Newport has entered into an agreement to acquire 100% of Agua for consideration as follows:

- (i) 10,000,000 fully paid ordinary shares in the capital of Newport (“**Newport Shares**”);
- (ii) 20,000,000 A class converting performance shares (“**CPS**”), which convert into 20,000,000 Newport Shares upon the completion of an independent JORC and/or NI 43-101 compliant combined Mineral Resource Estimate including all categories of resources as defined by the JORC or NI 43-101 guidelines of not less than 30,000,000 tonnes with a grade of not less than 10% P<sub>2</sub>O<sub>5</sub> or the equivalent at the MCPP or LPP within 3 years of being issued; and
- (iii) 20,000,000 B class CPS, which convert into 20,000,000 Newport Shares upon the completion of an independent JORC and/or NI 43-101 compliant combined Mineral Resource Estimate including all categories of resources as defined by the JORC or NI 43-101 guidelines of not less than 70,000,000 tonnes with a grade of not less than 10% P<sub>2</sub>O<sub>5</sub> or the equivalent at the MCPP or LPP within 3 years of being issued

The sale and purchase of Aguia pursuant to the terms of the agreement is conditional upon and subject to:

- (i) Newport undertaking a placement, to be arranged by principals of Forbes & Manhattan, Inc. of at least 10,000,000 Newport Shares each at an issue price of \$0.15 or a placement on such other terms as otherwise agreed by Falcon and Newport.
- (ii) Newport completing technical, financial and legal due diligence investigations in relation to Falcon, Aguia, the Projects, and being satisfied in its absolute discretion with the results of that due diligence.
- (iii) Newport being satisfied, inter alia, that Aguia has unencumbered title to the Claims.
- (iv) Newport's shareholders passing all resolutions as are required under the ASX Listing Rules, the constitution of Newport and the Corporations Act to give effect to the transactions contemplated by this Agreement.
- (v) Newport complying with the ASX Listing Rules and the Corporations Act in order for Completion to occur.
- (vi) ASX approving the terms and conditions of the CPS.

These Conditions are for the benefit of Newport and must be satisfied or waived by 30 June 2010.

On Completion (and subject to such persons providing and not having withdrawn their consents to act as directors) Falcon has the right to appoint up to two directors of Newport, on terms and conditions usual to the industry.

## **Appointment of Managing Director**

Mr Simon Taylor has been appointed Managing Director of Newport, effective immediately.

Mr Taylor is a geologist with 18 years experience throughout Australia in gold, base metals and nickel having held senior geologist and exploration manager positions for numerous ASX listed resource companies. He has gained considerable experience in exploration, project assessment and joint venture negotiations.

He is a founding member of Geeland Pty Ltd providing consulting services to resource companies and financial corporations as a resource analyst. Mr Taylor's corporate experience includes project appraisal, advice on placements and fundraising. Mr Taylor is a member of the Australian Institute of Geoscientists.

Mr Taylor will receive a monthly retainer of \$18,000 (inclusive of superannuation) and an annual bonus of \$100,000 to be paid upon the successful completion of key performance indicators as determined by the Board of Directors.

Mr Taylor will also be granted the following options, subject to the necessary approvals:

- 500,000 incentive options exercisable at \$0.15 each on or before 30 June 2012, vesting after 6 months service;
- 500,000 incentive options exercisable at \$0.20 each on or before 30 June 2013, vesting after 12 months service; and
- 1,000,000 incentive options exercisable at \$0.30 each on or before 31 December 2013, vesting after 24 months service.

## **Capital Raising**

Newport also intends, subject to shareholder approval, to undertake a placement of 10 million ordinary shares each at an issue price of \$0.15 to raise \$1.5 million to fund initial working capital on the Projects. The placement will be arranged by principals of Forbes & Manhattan Inc.

## **Due Diligence Requirements and Settlement**

Shareholders and potential investors should note that prior to Newport executing the conditional agreement with Falcon, it conducted a high level review and assessment of the information provided in respect of the projects.

Newport will now be undertaking a more comprehensive due diligence process (including title, environmental and other risks) with respect to the acquisition of Aguia, however it should be noted that the usual risks associated with start up companies undertaking exploration and development activities in the phosphate sector will remain at completion of this due diligence process.

Shareholders and investors should also be aware that the agreement to acquire Aguia is conditional on a number of events (refer above). Accordingly there is a risk that the transaction contemplated by this announcement may be changed or not be completed.

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Simon Taylor, who is a member of the Australian Institute of Geoscientists. Mr Taylor is a full-time employee of Newport Mining Limited. Mr Taylor has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code"). Mr Taylor consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*