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Company Announcements Office
Australian Securities Exchange

QUARTERLY ACTIVITIES STATEMENT FOR PERIOD ENDED 30 JUNE 2009

Background

Union Resources Limited ("Union" or "the Company") is focused on:

1. exploration and development of the offshore Namibian Sandpiper–Meob Phosphate Project with joint venture partners Bonaparte Diamond Mines NL and Tungeni Investments cc; and
2. the development of the Mehdiabad Base Metal Project ("the Mehdiabad Project") located in Central Iran.

A. Offshore Namibian Phosphate Project

Background

In June 2008 Union acquired Namibian company Sea Phosphates (Namibia) Pty Limited ("SPL") which 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.

During the quarter ended 31 December 2008, Union entered into a joint venture agreement ("the JVA") with another ASX-listed Australian Company, Bonaparte Diamond Mines NL ("Bonaparte") and Namibian company Tungeni Investments cc ("Tungeni") to jointly develop Union's, Bonaparte's and Tungeni's combined marine phosphate tenements off the coast of Namibia.

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

In January of this year, following sampling undertaken in late 2008, Bonaparte announced its maiden independent mineral resource estimate for the 1,000km² EPL 3323 marine phosphate tenement in the Meob Project area off the coast of Namibia.

During the Quarter

In April Union announced, as a result of the sampling program undertaken during the quarter ended 31 March, that:

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

Further positive assay results were received from sampling from EPLs 3414 and 3415 in May. Detailed results for all samples are attached in Appendix 1.

The Company received a Project Assessment Report prepared by the Jan de Nul Group for the proposed dredging operations in the joint venture area. (Jan de Nul is the biggest dredging contractor in the world operating the youngest, most modern and versatile fleet). Jan de Nul's report indicated that the dredging, storing on board and ashore of the Sandpiper phosphate material does not create a challenge from an engineering viewpoint, and the suction depth of its mega hopper Cristobal Colon can easily be extended to reach 225m water depth. On the basis of the Jan de Nul Report material can be delivered to port storage for processing at US\$26 per tonne. Union believes the Jan de Nul Report is important in demonstrating the economics of dredging the Namibian deposits.

On 9 April approval was received from the Namibian Minister of Mines and Energy for the renewal of EPLs 3414 and 1415, and they were subsequently renewed on 1 July. Renewal of the EPLs paves the way for application for a Mining Licence, which is planned in the next six months.

The Company reached agreement with the vendor to it of the shares in SPL to defer payment of the larger part of the purchase price for the SPL shares.

The Company continued to negotiate the terms of the shareholders' agreement between itself, Bonaparte and Tungeni to regulate their rights and obligations as shareholders in the joint venture company.

Post Quarter

On 27 July Union announced a maiden Indicated Resource Statement and a substantial increase on the Inferred Resource on EPL 3414.

A summary of the results is:

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

An executive copy of the commissioned expert's resource report is attached as Appendix 2.

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\$15 million on exploration and feasibility activities relating to the Project.

As previously advised, IMIDRO purported to terminate several agreements governing the Project in December 2006. Union stated then, and is still firmly of the opinion, that the agreements were invalidly terminated. Since that time Union has been negotiating with various Iranian parties in an effort to resolve the impasse and progress the Project. At the same time, Union has been exploring the possibility of resolving the matter through arbitration and has made initial preparations for instituting arbitration proceedings should that become necessary

During the Quarter

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

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.

C. Takeover Bid for Bonaparte Diamond Mines NL

During the Quarter the Company made a takeover bid for Bonaparte Diamond Mines NL which closed on 29 June 2009. The Company received acceptances in respect of 15,066,203 shares in BON representing 7.91% of the issued shares in BON, however due to a procedural non-compliance in respect of the takeover bid the Company was unable to process any takeover acceptances received.

D. Rights Issue

The Company conducted a fully underwritten 3 for 4 non-renounceable rights issue to raise up to approximately \$3,931,200 from eligible shareholders. Application funds totalling \$1,430,114 were received from eligible shareholders and the Underwriter accounted for the balance.

E. 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 \$227,000.

E. Mining Production and Development

No mining production or development were undertaken.

Yours faithfully

UNION RESOURCES LIMITED



Dr Frank Reid
Managing Director

The information contained in this report relating to exploration results and mineral resources for the Sandpiper-Meob Joint Venture Project is based on information compiled by Mr. Michael Woodborne (M.Sc, AusIMM, AIG, Pr.Sci.Nat). Mr. Woodborne is employed by Bonaparte Diamond Mines NL. Mr. Woodborne 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'. Mr. Woodborne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

APPENDIX 1

Core No	E	N	Water Depth (m)	Mineralised Layer thickness (cm)	Total Core Length (cm)	Combined Whole Rock XRF % P2O5 assay across phosphatic mineralised layer	Footwall penetrated
1528	389299	7297932	255	140	183	21.75	y
1529	387701	7293896	262	109	157	20.81	y
1530	386098	7293870	272	169	169	21.35	
1531	384498	7293873	285	172	172	20.25	
1532	382886	7293932	294	179	179	20.57	
1533	381302	7293867	302	126	126	20.85	
1534	379745	7289876	309	183	183	20.11	
1535	381305	7289862	302	182	182	19.97	
1536	382919	7289943	292	156	156	21.48	
1537	384550	7291845	282	159	159	20.27	
1537 dupl sub sample	384550	7291845	282	159	159	20.90	
1538	384460	7289881	279	184	200	20.81	y
1539	386132	7289896	265	102	156	20.65	y
1540	382647	7283797	282	80	80	21.52	
1541	386095	7269877	235	86	86	19.11	
1542	384499	7269873	245	195	195	19.81	
1543	382893	7269943	265	12	31	17.11	y
1551	389289	7300698	260	180	180	23.25	
1552	388911	7300699	262	150	150	23.19	
1553	388492	7300688	263	190	190	22.87	
1554	388103	7300687	266	167	167	23.63	
1555	387701	7300708	269	157	157	22.84	
1556	387313	7300714	271	193	193	22.42	
1557	386882	7300709	273	57	57	20.60	
1557 R	386882	7300709	273	190	190	21.26	
1558	386497	7300708	275	156	156	21.10	
1559	386500	7300313	279	178	178	21.62	
1560	386892	7300318	273	204	204	21.74	
1561	387315	7300290	271	179	179	21.79	
1562	387683	7300309	268	190	190	21.32	
1563	388077	7300309	265	190	190	21.76	
1564	388485	7300310	262	213	213	22.21	
1565	388902	7300315	260	147	147	22.00	
1566	389284	7300314	257	195	207	21.13	y
1567	389312	7299920	256	192	202	21.54	y
1568	388890	7299905	257	90	90	21.24	
1569	388484	7299922	262	207	207	21.24	
1570	388082	7299904	263	183	183	21.58	
1571	387673	7299896	268	134	134	21.45	
1572	387296	7299907	271	176	176	21.05	
1573	386882	7299908	272	195	195	21.35	
1574	386460	7299910	276	201	201	21.13	
1575	386488	7299508	276	173	173	21.72	
1576	386872	7299502	274	176	176	20.69	
1577	387277	7299507	270	140	140	20.73	
1578	387673	7299484	268	95	95	19.89	
1579	388073	7299513	265	194	194	21.34	
1580	388474	7299511	264	180	180	22.20	
1581	388886	7299507	260	191	191	21.88	
1582	389305	7299512	257	183	202	20.99	y
1583	389302	7299113	258	95	95	20.52	
1584	388878	7299097	259	168	168	21.83	
1585	388494	7299096	262	206	206	21.54	
1586	388083	7299098	266	215	215	20.47	
1587	387690	7299108	270	181	181	20.70	
1588	387298	7299106	271	179	179	21.24	
1589	386902	7299107	274	222	222	20.89	
1590	386471	7299079	277	179	179	20.70	
1591	386493	7298707	276	205	205	21.86	

APPENDIX 1 (cont'd)

Core No	E	N	Water Depth (m)	Mineralised Layer thickness (cm)	Total Core Length (cm)	Combined Whole Rock XRF % P2O5 assay across phosphatic mineralised layer	Footwall penetrated
1592	386894	7298703	275	184	184	21.83	
1593	387265	7298700	269	184	184	22.54	
1594	387667	7298713	268	171	171	23.11	
1595	388061	7298703	267	160	160	23.35	
1596	388491	7298690	262	170	170	22.77	
1597	388877	7298713	261	189	202	22.89	y
1598	389290	7298700	258	165	196	21.79	y
1599	389288	7298284	255	153	203	22.43	y
1600	388855	7298292	256	170	181	21.23	y
1601	388480	7298300	262	180	180	21.25	
1602	388063	7298280	265	165	165	21.55	
1603	387667	7298301	266	197	197	21.24	
1604	387269	7298301	270	200	200	21.05	
1605	386875	7298304	273	180	180	21.06	
1606	386503	7298299	276	167	167	21.43	
1607	386500	7297900	275	181	181	21.08	
1608	386910	7297883	272	204	204	21.73	
1609	387314	7297903	269	181	181	21.19	
1610	388096	7297889	263	183	183	21.11	
1611	388490	7297905	262	207	207	21.72	
1612	388896	7297899	258	90	152	20.49	y
1616	384897	7266700	244	65	65	18.73	
1617	383327	7266698	251	210	210	19.89	
1618	383711	7266688	249	165	165	20.35	
1619	384138	7266708	247	45	45	18.74	
1620	384524	7266700	245	220	220	19.41	
1621	383302	7266306	251	155	155	20.21	
1622	383721	7266304	248	215	215	20.20	
1623	384107	7266307	248	190	190	19.36	
1624	384487	7266309	246	180	180	19.70	
1625	384900	7266296	245	50	50	18.16	
1629	384876	7265908	245	180	180	18.10	
1630	384123	7265903	247	160	160	18.86	
1631	383721	7265904	247	150	150	20.00	
1632	384976	7265920	251	175	175	20.82	
1633	383305	7265520	251	110	110	19.30	
1634	383706	7265503	250	180	180	19.55	
1635	384126	7265507	247	180	180	20.53	
1636	384546	7265495	245	50	50	16.84	
1637	384886	7265509	243	210	210	19.92	
1661	383305	7265090	251	220	220	20.03	
1663	384114	7265106	248	180	180	20.93	
1664	384492	7265098	248	150	150	18.71	
1665	384922	7265085	244	210	210	19.26	

Notes:

- 1 Mineralised layer extends from seafloor to the footwall
- 2 Assay results are whole rock assays from interval sampling in the mineralised layer only and do not include footwall material
- 3 Cores penetrating to footwall are marked with a "y". All other cores terminated in the mineralised layer and did not fully penetrate to footwall
- 4 All cores are vertical penetrating gravity cores that penetrate from seabed to variable depth below the seafloor
- 5 The geographical grid reference system is WGS84, UTM

APPENDIX 2

**UPDATED ESTIMATION OF PHOSPHATE
RESOURCES FOR THE SANDPIPER/MEOB JOINT
VENTURE PROJECT IN EPL 3414,
NAMIBIA**

For

**A.S.S Investments Ninety Two (Pty) Limited
Tungeni Investments cc
Union Resources Limited
Bonaparte Diamond Mines (Namibia) (Pty) Ltd**

Prepared by

DR A. E. ANNELS C.ENG, FIOM³

(COMPETENT PERSON)

DATE: 25th July 2009

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EXECUTIVE SUMMARY

1.0 INTRODUCTION

In October 2008, Bonaparte Diamond Mines (Namibia) (Pty) Ltd ("Bonaparte"), Tungeni Investments cc ("Tungeni") and Union Resources Limited ("Union") concluded a joint venture agreement to form the Sandpiper/Meob Phosphate Joint Venture. Exclusive Prospecting Licence (EPL) 3414 lies within the Sandpiper portion of this JV area. Gravity core sampling for Inferred Mineral Resource estimation has now been completed in this area as has a 10 km² area of close spaced core sampling for Indicated Mineral Resource estimation.

The Sandpiper/Meob Phosphate Joint Venture interests comprise Bonaparte (42.5%), Union (42.5%) and Tungeni (15%). Bonaparte has been approached by the JV to manage the marine exploration and resource development programme.

The writer of this report and Competent Person in relation to the application of the JORC Code, was appointed by Bonaparte to produce an independent assessment and classification of the insitu resources of EPL 3414 using the data available as of 29th June 2009. This estimate updates that made in a previous report dated 15th April 2009 and entitled "Resource Estimation of Phosphate Resources for the Sandpiper/Meob Joint Venture Project in EPL's 3323, 3414 & 3415, Namibia", produced for Bonaparte Diamonds Tungeni Joint Exploration Venture Exploration (Pty) Ltd by Dr A. E. Annels. Reference should thus be made to this document for more detailed information concerning the local geology and the sampling techniques employed.

2.0 GEOLOGY

The phosphatic horizon, which overlies a grey-green clay of Miocene age, is subdivided into two distinct layers; an upper 0.1 to 1.0 m thick shelly phosphorite identified as Holocene in age and demonstrating a downward fining sequence and a lower 0.05 to >2.0 m (up to 5.5m in some Gencor vibrocores) thick clayey phosphorite identified as Pleistocene in age.

The phosphatic material within the sediment is predominantly comprised of unconsolidated fine sand sized phosphorite oolites and pellets, falling in the 100 to 500 micron grain size range (mostly 150 to 250 microns). These pellets are formed of concentric phosphate layers and predominantly comprise calcium carbonate and P₂O₅.

3.0 SAMPLING

Details of the sampling method using a gravity corer and all the associated procedures are to be found in the April 2009 report.

Sampling during the 2008/9 programmes has been largely concentrated in the eastern and central portions of EPL 3414 where water depths are between 200 and 300m and thus potentially mineable given additional modifications to the proposed dredging vessel. A strike length of 60km has been covered by E/W lines spaced 4000m apart with some intermediate sample locations close to old Gencor vibrocorer holes. Spacing along lines is close to 1600m. A total area of close to 600km² has thus been sampled at a spacing that is considered adequate for the assignment of an Inferred Mineral Resource status. A total of 94 holes were successfully drilled at this wide spacing though other locations were occupied but were not successful.

In addition, a focus area of approximately 10 km² has been sampled on a 400m grid in the southern half of the licence. A total of 63 close spaced holes were drilled in this area to augment 4 wide spaced holes previously drilled in the same area though one of these was a repeat hole.

The gravity corer comprises a 1.5m long dart section, which weighs 110kg, and a 3m long steel core barrel with plastic inner barrel. The corer has a hollow mid section that can be filled with cement to increase the weight of the corer to over 300kg. The corer is lowered to within 15m of the seabed and then allowed to freefall the remaining 15m to impale the seabed before being pulled out of the sediment. The core is then recovered in the plastic inner tube on the vessel.

4.0 PREVIOUS EXPLORATION

Union Resources Ltd, now part of the Sandpiper/Meob JV, record that phosphates were originally discovered in EPL 3414 in the 1970s during regional marine surveys. In 1992 and 1994 Gencor drilled 50 vibrocorer holes, mainly in EPL 3414 and 3415 and at waters depths of between 200 and 300m. Though data only exists for 38 of these holes, the results were very encouraging with grades between 15 and 22% P₂O₅ and thicknesses in 8 holes in EPL 3414 lying between 2.62 and 5.05m, Peripheral areas displayed thicknesses of between 1 and 2.0 m. The spacing of these holes was, however, too large to demonstrate continuity of the phosphate horizon.

5.0 RESULTS OF CURRENT SAMPLING

An examination of an isopach map produced for EPL 3414 and using new gravity core data, reveals that a continuous 9 Km wide zone, in which phosphatic sediments exceed 100 cm in thickness, exists which has a NNE trend over almost the entire strike length of the licence. Within this zone the full thickness of phosphate is not known as holes have generally penetrated to depths of less than 200cm and the majority have thus not intersected the underlying grey-green clay. There is thus a considerable upside potential especially as Gencor holes penetrated to depths of up to 5m within this zone.

There is a significant improvement in overall grades of the combined phosphate horizon into the southern half of the licence and especially to the south of the "Focus Area" in which close sampling has taken place allowing an Indicated Mineral Resource to be determined.

6.0 RESOURCE ESTIMATION

An Inferred Mineral Resource has been calculated for the licence area using combined assay and thickness data for Layers 1 and 2. A total of 170 holes were used in this respect but 14 of these were in adjacent areas (EPL 3323 and 3415). These holes assisted in the modelling of areas close to licence borders. 2D Inverse Distance Weighting (IDW) methods were used to interpolate thicknesses, metal accumulations and grades into 1000 x 1000m blocks.

In the case of the "Indicated Resource Area", block modelling of the gravity core data was also undertaken using 2D IDW methods but this time on the upper and lower layers separately and then the results were combined to produce an overall resource. A total of 70 samples were used most of which are on a 400 x 400m grid.

In both cases, extrapolation has been constrained by boundary files representing the perimeter of the resource under evaluation. 2D search areas were used whose

dimensions were controlled by examination of the distribution and trends of data and by the results previous geostatistical studies.

For the purpose of converting volumes to wet tonnages in this report, a conservative estimate of 1.68 tonnes/m³ has been applied. However, it should be pointed out that this is an average that incorporates material from both Layers 1 and 2. Work is currently underway to sub-divide material from these two layers and take separate measurements for each layer so that in future different SGs can be applied.

The average moisture content of each layer has also been determined from which the ratio of the dry and wet weights has been calculated. An average factor of 0.75 has thus been applied to wet tonnages to derive a dry tonnage for both layers.

7.0 QA/QC PROCEDURES AND RESULTS

The quality of sampling and analysis has been monitored using a QA/QC protocol which includes the following.

- a) Twin drilling to test the reproducibility of sample data at a specific location.
- b) Duplicate sampling and analysis of core to determine the combined sampling and analytical precision.
- c) Repeat analysis of samples in the laboratory to determine the analytical precision.
- d) Analysis of commercially available accredited standards with each batch of routine samples to determine analytical accuracy (especially important as, in this case, where samples have not been sent to a referee laboratory).
- e) Analysis of blanks to monitor potential contamination in the sample preparation process.

This study was reported in the June 2009 report on EPL 3323 for Bonaparte to which the reader is referred. In all cases, the results were found to be satisfactory, though some concerns were expressed concerning problems associated with the calibration of the XRF equipment in the laboratory. These are currently being addressed.

8.0 RESOURCE CLASSIFICATION

Though the density of sampling in most of EPL 3414 is too low to allow anything but an Inferred status to be applied, within the "Indicated Resource Area" the density of sampling (400 x 400m) is more than adequate to allow the assignment of an Indicated Mineral Resource classification. Variographic studies are now available which indicate that geostatistical ranges for thickness, metal accumulation and grade are generally in excess of 450m and as high as 900m, in the case of some directional variograms. The boundary between Inferred and Indicated Mineral Resources in terms of sample spacing is set at the point at which no serial correlation (Covariance) exists between samples. This spacing is represented by the geostatistical range. The level of geological understanding and knowledge of this area of the Namibian continental shelf is also more than adequate to support an Indicated status as are the results of QA/QC procedures which are described earlier in Section 7.

The gravity core sampling has clearly defined the existence of a significant phosphate deposit in terms of areal extent and thickness, at grades which are potentially economic.

9.0 STATEMENT OF MINERAL RESOURCES

9.1 CURRENT RESOURCE STATEMENT FOR EPL 3414

Based on the information presented above and in the attached report, all the Mineral Resources estimated for the gravity cored areas of EPL 3414 are considered to be fully JORC compliant. Estimates are rounded to reflect the level of confidence in these resources at the present time.

Resources listed in Table 9.1 are based on a flexibly applied 15% block cut-off grade and on average wet tonnage factors of 1.68 tonnes per cubic metre. These are converted to dry tonnages using a factor of 0.75.

Table 9.1 Statement of Mineral Resources (Phosphate) for EPL 3414, Namibia

Classification	Resource	Wet Tonnes	Dry Tonnes	Grade % P ₂ O ₅
Indicated	Layer 1	17,171,000	12,878,000	20.67
Indicated	Layer 2	30,080,000	22,560,000	22.29
Indicated	Combined Total	47,251,000	35,438,000	21.70
Inferred*	Combined	1,232,000,000	924,000,000	19.3

*Note: The Inferred Mineral Resources relate to an area of 583 Km² and are **exclusive** of the Indicated Mineral Resources that relate to an additional area of 16 Km².

9.2 COMBINED RESOURCE ESTIMATES FOR JV LICENCES

Resource estimates in the combined JV licences are constantly being updated as more sampling and analysis is completed. The tables below show the current status of this exercise but another update is anticipated during the summer of 2009 which will further enhance the Indicated Mineral Resources available to the JV partners.

Estimates are rounded to reflect the level of confidence in these resources at the time of reporting.

Resources listed in Tables 9.2 and 9.3 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. 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. Both Inferred and Indicated Mineral Resources are considered to be fully JORC compliant.

Table 9.2 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	113.9	85.4	19.6	April 09
3415	Core	Central	203.5	152.6	17.2	April 09
3415	Core	South	91.2	68.4	19.0	April 09
3414	Core	All	1,232.0	924.0	19.3	July 09
		Combined	1,819.0	1,364.2	18.7	

Table 9.3 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	16.235	12.176	20.52	June 09
3414	Core	Detailed	47.251	35.438	21.70	July 09
		Combined	63.486	47.614	21.40	

10.0 CONCLUSIONS

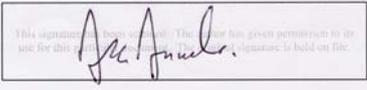
- 1) Sampling, core logging and petrographic analyses appear to have been undertaken with great care though these procedures have not been directly witnessed by the Competent Person.
- 2) QA/QC procedures have been followed and the results have been examined by the Competent Person and have been found to be compatible with the level of confidence expected for JORC compatible Mineral Resources and in particular for the assignment of an Indicated status.
- 3) The drill spacing of 400 x 400m is adequate to allow the upgrading of Inferred to Indicated Mineral Resources and, given better depth penetration, will enable the nature of the paleo-topographic controls on phosphate accumulation to be defined.
- 4) The case has been made for the assignment of an Inferred Mineral Resource status to 583Km² of EPL 3414 and of Indicated Mineral Resource status to a further 16 Km² and both are compliant with the guidelines of the JORC Code.
- 5) There has been a significant improvement in the tonnage and grade of the Inferred Mineral Resource since the previous study in December 2008.
- 6) The resource estimates presented are considered to be conservative in terms of tonnage as phosphate is known to continue below those intersections which failed to reach the underlying grey-green clay.
- 7) Grades of areas with >100cm of phosphatic sediment are remarkably uniform averaging close to 20% in Layer 1 and 22% in Layer 2.

11.0 RECOMMENDATIONS

The following recommendations are made for consideration by the JV partners.

- 1) Attempts should be made to improve depth penetration in Layer 2.
- 2) Measurements of Specific Gravity are currently being made separately on Layer 1 and Layer 2 so that different tonnage factors can be applied to each during resource estimation and also different conversion factors to obtain dry tonnages. Once sufficient measurements are available, the relationship of SG to grade in each layer should be investigated and, if positive, a formula should be derived and used to produce a tonnage factor for each block in the resources.
- 3) An update of the results of QA/QC procedures should be undertaken once all assays for the current sampling programme are available.

- 4) A study of the implications of the Gencor drilling for additional resources should be made once the issue of coordination is resolved.
- 5) The location of additional future holes for upgrading more resources to Indicated status should be based on the distribution of Inferred blocks with a combined thickness in excess of 100cm and lying at water depths of less than 250m. In addition the results of 4) above should be taken into account.



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Dr Alwyn E. Annels C.Eng, FIOM³

Competent Person

25th July 2009