



ACN 078 606 434

## Target's Statement

The Independent Directors of Bonaparte Diamond Mines NL recommend, in the absence of a superior proposal from Union Resources Limited, that you

# REJECT

the offer by

**Union Resources Limited**

**TO ACQUIRE ALL OF YOUR SHARES IN BONAPARTE DIAMOND  
MINES NL**

*The independent expert has concluded that the Union Offer is fair and  
reasonable to non-associated Bonaparte Shareholders*

**BLAKISTON & CRABB**

LAWYERS

Legal Adviser

**Kings Park Capital Pty Ltd**

Corporate Adviser

*This is an important document. If you do not understand it or are in doubt as to how to act, you  
should consult your financial or other professional adviser immediately.*

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## KEY DATES

<b>Date of this Target's Statement</b>	28 May 2009
<b>Date for Union to give Notice of Status of Conditions</b>	22 June 2009
<b>Scheduled close of Offer Period (unless extended or withdrawn)</b>	29 June 2009

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## TABLE OF CONTENTS

<b>SECTION 1</b>	<b>REASONS TO REJECT THE OFFER</b>	<b>1</b>
1.1	MAJOR SHAREHOLDER UNLIKELY TO ACCEPT THE UNION OFFER	1
1.2	LOW LEVELS OF LIQUIDITY	2
1.3	POTENTIAL TAX CONSEQUENCES	2
1.4	COMPARATIVE VALUES OF THE MINEMAKERS OFFER AND THE UNION OFFER	2
1.5	LIMITED ACCESS TO ADDITIONAL EXPLORATION ASSETS	3
1.6	PRIORITY OF THE SANDPIPER/MEOB PHOSPHATE PROJECT	3
1.7	ACCESS TO FINANCIAL RESOURCES AND GLOBAL EQUITY MARKETS	4
1.8	RISKS ASSOCIATED WITH ACCEPTING THE UNION OFFER	4
1.9	RISKS ASSOCIATED WITH REJECTING BOTH THE UNION OFFER AND THE MINEMAKERS OFFER	4
<b>SECTION 2</b>	<b>FREQUENTLY ASKED QUESTIONS ABOUT THE UNIONOFFER</b>	<b>5</b>
<b>SECTION 3</b>	<b>RISKS ASSOCIATED WITH THE UNION OFFER AND BEING A UNION SHAREHOLDER</b>	<b>9</b>
3.1	RISKS ASSOCIATED WITH THE UNION OFFER	9
3.2	RISKS ASSOCIATED WITH BEING A UNION SHAREHOLDER	10
3.3	OTHER RISKS THAT ARISE FROM THE OFFER	10
<b>SECTION 4</b>	<b>WHAT ARE MY CHOICES?</b>	<b>12</b>
4.1	ACCEPT THE UNION OFFER	12
4.2	REJECT THE UNION OFFER	12
4.3	SELL YOUR SHARES	12
<b>SECTION 5</b>	<b>SOME OTHER ISSUES ARISING FROM THE UNION OFFER</b>	<b>13</b>
5.1	COMPULSORY ACQUISITION	13
5.2	TAX CONSEQUENCES	13
<b>SECTION 6</b>	<b>WHAT YOU SHOULD KNOW ABOUT BONAPARTE</b>	<b>15</b>
6.1	OVERVIEW OF BONAPARTE	15
6.2	OVERVIEW OF OTHER PROJECTS	20
6.3	BONAPARTE 'S KEY PARTNERS AND RELATIONSHIPS	21
6.4	BONAPARTE'S STRATEGY FOR THE CREATION OF WEALTH FOR ITS SHAREHOLDERS	21
<b>SECTION 7</b>	<b>ADDITIONAL INFORMATION</b>	<b>22</b>
7.1	DETAILS OF DIRECTORS	22
7.2	DIRECTORS' INTENTIONS WITH RESPECT TO THEIR OWN BONAPARTE SHARES	22
7.3	INTERESTS OF DIRECTORS	22

7.4	POTENTIAL IMPACT OF OFFER ON BONAPARTE'S MATERIAL CONTRACTS	24
7.5	IMPACT OF OFFER ON BONAPARTE OPTIONS	24
7.6	CHANGES IN THE FINANCIAL POSITION OF BONAPARTE	24
7.7	RISK FACTORS OF HOLDING YOUR BONAPARTE SHARES	24
7.8	MATERIAL CONTRACTS	29
7.10	PUBLICLY AVAILABLE INFORMATION	34
7.11	MATERIAL LITIGATION	34
7.12	NO OTHER MATERIAL INFORMATION	34
<b>SECTION 8</b>	<b>APPROVAL OF TARGET'S STATEMENT</b>	<b>36</b>
<b>SECTION 9</b>	<b>DEFINITIONS AND INTERPRETATION</b>	<b>37</b>
9.1	DEFINITIONS	37
9.2	INTERPRETATION	40

## IMPORTANT INFORMATION

This document is the Target's Statement dated 28 May 2009 given by Bonaparte Diamond Mines NL ("Target" or "Bonaparte" or "Company") under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement. A copy of this Target's Statement has been lodged with ASIC and ASX. Neither ASIC nor ASX nor any of their respective officers takes any responsibility for the contents of this Target's Statement.

The Directors recommend that you read this Target's Statement in full and seek independent advice if you have any queries in respect of the Union Offer. This Target's Statement does not take into account the individual investment objectives, financial situation and particular needs of each Bonaparte Shareholder and it does not contain personal advice. Bonaparte encourages you to seek independent financial and taxation advice before making a decision as to whether or not to accept or reject the Union Offer for your Bonaparte Shares.

### Defined Terms

A number of defined terms are used in this Target's Statement. These terms are defined in Section 9.

### Forward Looking Statements

This Target's Statement contains various forward looking statements. Statements other than statements of historical fact may be forward looking statements. Bonaparte believes that it has reasonable grounds for making all statements relating to future matters attributed to it in this Target's Statement. Bonaparte Shareholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of Bonaparte. Actual results, values, performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward looking statement. None of Bonaparte, its officers or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any results, values, performance or achievements expressed or implied in any forward looking statement, except to the extent required by law. Shareholders should not place undue reliance on any such statement. The forward looking statements in this Target's Statement only reflect views held as at the date of this Target's Statement. Any forward looking statement in this Target's Statement is qualified by this cautionary statement.

### Risk Factors

Shareholders should note that there are a number of risks attached to their investment in Bonaparte.

Please refer to Section 7.7 (Risk Factors) for further information on those risks.

## **KEY FACTORS FOR BONAPARTE SHAREHOLDERS TO CONSIDER**

### **WHY YOUR INDEPENDENT DIRECTORS RECOMMEND YOU**

### **REJECT THE UNION OFFER AND ACCEPT THE MINEMAKERS OFFER IN THE ABSENCE OF A SUPERIOR PROPOSAL**

- Major shareholder (Minemakers) unlikely to accept the Union Offer
- Low levels of liquidity of Bonaparte Shares and Union Shares
- Potential tax consequences of accepting the Union Offer
- Comparative values of the improved Minemakers Offer and the Union Offer
- Limited access to additional exploration assets as a Union shareholder
- Priority of the Sandpiper/Meob Phosphate Project
- Increased access to financial resources and global equity markets as a Minemakers shareholder
- Other risks in accepting the Union Offer

### **Other Bonaparte Directors**

Mr Ted Ellyard, Mr Andrew Drummond and Mr Dennis Wilkins have not made a recommendation in relation to the Union Offer because they are also directors of Minemakers, a rival bidder of Union.

### **Taxation Consequences**

In making a decision whether to accept the Offer, Shareholders should also have regard to the fact that the disposal of Bonaparte Shares may have taxation consequences. Shareholders should seek their own independent advice as to any such taxation consequence (please refer to Section 5.2 of the Target's Statement and section 8 of the Bidder's Statement).

## LETTER FROM THE INDEPENDENT DIRECTORS

Dear Shareholder

Union Resources Limited announced an all scrip takeover bid for all of the Shares in Bonaparte on 17 April 2009. The consideration being offered under the Union Offer is 9 Union Shares for every 1 of your Bonaparte Shares. By now you should have received a Bidder's Statement and First Supplementary Bidder's Statement from Union mailed to you on 27 May 2009. The Union Offer is currently due to close on 29 June 2009. Union is currently running a fully underwritten renounceable rights issue for \$3.9m, the closing date for which has been extended to 9 June 2009.

The Union Offer is in addition to the current Minemakers Offer announced on 5 March 2009. The original Minemakers bid offered 1 Minemakers Share for every 10 of your Bonaparte Shares. On 27 May 2009, Minemakers announced that it would increase the consideration under the Minemakers Offer to 1 Minemakers Share for every 9 of your Bonaparte Shares, if Minemakers achieves a 90% acceptance level for the Minemakers Offer. In addition, the Minemakers Offer period was extended to 10 June 2009. On the same day, Minemakers also announced a share purchase plan for existing and new shareholders registered on 12 June 2009, offering them opportunity to subscribe to up to \$15,000 of Minemakers Shares at 43 cents per share (being 80% of VWAP for past 5 days on which sale were recoded immediately prior to 27 May 2009) with a one free option for every two Minemakers Shares purchased, each option exercisable at 75 cents on or before 31 May 2010. The share purchase plan offer is open from 19 June 2009 to 3 July 2009.

In light of the common directorships of your Chairman Mr Ted Ellyard, Joint Managing Director Mr Andrew Drummond and Executive Finance Director Mr Dennis Wilkins, all of whom are also directors of Minemakers, various steps have been taken to ensure the independence and integrity of the takeover response processes. These steps have been undertaken by Mr Michael Woodborne, who is the Joint Managing Director of Bonaparte and a paid officer of the Company, and Non-Executive Director Mr John Robertson.

For the purposes of this response to Union's Offer, Mr Woodborne and Mr Robertson are considered independent directors.

The Independent Directors appointed BDO Kendalls Corporate Finance (WA) Pty Ltd ("**BDO**") to assess both the Union Offer and the Minemakers Offer.

In its report dated 15 May 2009 BDO valued the Union Offer at 5.8 cents per Bonaparte Share and the Minemakers Offer at 5.2 cents per Bonaparte Share. Since the valuation, Minemakers announced a revision to its offer terms. The Independent Directors have not re-engaged BDO to reassess the revised Minemakers Offer. However, using the same valuation methodologies that BDO adopted for the independent expert's report dated 15 May 2009, the revised Minemakers Offer, subject to Minemakers receiving a 90% acceptance level, values the Minemakers Offer (as at 8 May 2009, being the last valuation date used by BDO in its report) at 6.44 cents per Bonaparte Share compared to the valuation by BDO of the Union bid at between 5.4 cents per Share and 6.3 cents per Share. BDO attributed a value to Bonaparte of 4.9 cents per Share to 5.6 cents per Share based on the original Minemakers Offer.

In making their recommendation on the Union Offer, the Independent Directors have considered the opinion of BDO along with the valuation of the Union Offer and the Minemakers Offer.

On review of relevant issues and recent developments, the Independent Directors of Bonaparte unanimously recommend you reject the Union Offer and accept the Minemakers Offer for the reasons outlined in Section 1 of this Target's Statement.

Furthermore, your Independent Directors intend to reject the Union Offer and accept the Minemakers Offer for Shares that they own or control, in the absence of a superior proposal. The common directors have already indicated their intention, to accept the Minemakers Offer for Shares that they own or control.

The Independent Directors note that there are risks associated with either rejecting or accepting the Union Offer or the Minemakers Offer. The Independent Directors encourage Bonaparte Shareholders to consider the risks associated with the Union Offer outlined in Sections 1.8, 3 and 7.7 of this Target's Statement and risks associated with the Minemakers Offer outlined in Sections 1.6, 3 and 7.7 of the Target Statement issued on 8 April 2009.

The Independent Directors will assess any opportunities that may arise to obtain a superior proposal for your Bonaparte Shares and deal with any such opportunities in a manner consistent with their statutory and fiduciary duties. At the date of this Target's Statement, Bonaparte has not received any other proposals other than the Union Offer and the Minemakers Offer and there is no guarantee that a superior proposal will be received. There is no guarantee that there will be any increase in the consideration offered by Union or a further increase by Minemakers.

The Independent Directors recommend that you seek independent financial or other professional advice if in doubt as to what to do. Your Directors will immediately inform you of any relevant developments in relation to their discussions with interested parties.

Yours sincerely



Michael Woodborne  
Managing Director



John Robertson  
Independent Non-Executive Director



**SECTION 1 REASONS TO REJECT THE OFFER**

In respect of the Union Offer, the Independent Directors appointed BDO to prepare an Independent Experts Report for provision to Shareholders to assist them in deciding whether to recommend to Shareholders to accept or reject the Union Offer.

BDO concluded in respect of the Union Offer *"the Union Offer is fair because the value of nine Union shares is greater than the value of a Bonaparte share. In this regard, the Union Offer is a superior offer to the Minemakers Offer because the value of the Union Offer is greater than the value of the Minemakers Offer. We consider the Offer to be reasonable because RG 111.11 states that an offer is reasonable if it is fair."* BDO also commented that *"Each of the Union offer and the Minemakers offer presents different advantages and disadvantages to Shareholders"* and *"Shareholders are advised to consider the differences of each bid when making a decision to accept the Union Offer, accept the Minemakers Offer or not to accept either offer"*.

In formulating a recommendation, the Independent Directors have considered the opinion of BDO as well as other key issues relevant to the Union Offer and compared this to the valuation of the Minemakers Offer as well as other key issues and recent developments relevant to the Minemakers Offer.

The Independent Directors have considered the following:

- (a) the fact that at the date prior to the date of this Target's Statement, Minemakers has received acceptance for 64% of Bonaparte's issued capital;
- (b) the increased consideration that Minemakers is offering in the event that the Minemakers Offer reaches a 90% acceptance level; and
- (c) other key issues such as the liquidity of shares in each of the companies, potential access to capital, the underlying assets of each company and the potential tax consequences for Bonaparte Shareholders should neither bid prevail,

in conclusion, the Independent Directors are of the unanimous opinion that Bonaparte Shareholders should, in the absence of a superior proposal, reject the Union Offer and accept the Minemakers Offer for the reasons set out below.

**1.1 MAJOR SHAREHOLDER UNLIKELY TO ACCEPT THE UNION OFFER**

While Minemakers is entitled to accept the Union Offer, BDO consider it unlikely that Minemakers would accept the Union Offer and Minemakers has not made any indications that it is likely to do so. Minemakers has already acquired 64% of the Bonaparte Shares.

Minemakers already has effective control of Bonaparte, consequently Union is unlikely be able to exercise any significant influence over the decisions of Bonaparte.

The Independent Directors draw your attention to the fact the Bonaparte Shareholders (other than Minemakers) currently hold a minority of the issued capital of Bonaparte. This is unlikely to change (unless Minemakers accepts the Union Offer which is itself

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considered unlikely). There are risks associated with being a minority shareholder (whether directly or indirectly), these risks are outlined further in Sections 1.8, 3 and 7.7 of this Target's Statement.

## 1.2 **LOW LEVELS OF LIQUIDITY**

BDO cautions that Union's Shares demonstrate a low level of liquidity with 8.83% of Union's current issued capital being traded during the last 90 trading days. BDO comments further that it is possible the liquidity of Union's Shares will not improve if its Offer is accepted by Bonaparte Shareholders because the liquidity of Bonaparte Shares is also low. Comparatively, Bonaparte's level of liquidity for the same period was 5.23% and Minemakers' level of liquidity for the same period was 37.27%.

A high level of liquidity could indicate greater market coverage and could provide Shareholders with a more consistently valued shareholding. As a result, the Independent Directors believe that Bonaparte Shareholders would benefit from a higher level of liquidity, which on a historical basis, the Minemakers Shares provide.

## 1.3 **POTENTIAL TAX CONSEQUENCES**

BDO cautions that, if Union acquires less than 80% of the Bonaparte Shares then it is possible that the exchange of Bonaparte Shares for Union Shares will be considered a taxable event by the Australian Tax Office. The same situation is true for the Minemakers Offer unless Minemakers acquires at least 80% of the Bonaparte Shares.

Depending on the circumstances of individual Bonaparte Shareholders, a capital gain may be realised during that financial year in which the Shares are exchanged. Given Minemakers present interest in Bonaparte and the likelihood that Minemakers will not accept the Union Offer, there is a risk if you accept the Union Offer that some Shareholders will be exposed to capital gains tax. Similarly, if you accept the Minemakers Offer and Minemakers does not acquire greater than 80% then there is a risk that some Shareholders will be exposed to capital gains tax.

Shareholders are strongly advised to seek their own independent taxation advice when deciding to accept the Union Offer.

## 1.4 **COMPARATIVE VALUES OF THE MINEMAKERS OFFER AND THE UNION OFFER**

In its Independent Expert's Report dated 15 May 2009, BDO valued the Union Offer at 5.8 cents per Bonaparte Share and the Minemakers Offer at 5.2 cents per Bonaparte Share.

On 27 May 2009, Minemakers announced that it would increase the consideration under the Minemakers Offer to 1 Minemakers Share for every 9 of your Bonaparte Shares if Minemakers achieved a 90% acceptance level for the Minemakers Offer.

The Independent Directors have not re-engaged BDO to reassess the revised Minemakers Offer, however, using the same valuation methodologies that BDO adopted for the Independent Expert's Report on 15 May 2009, the revised Minemakers Offer, subject to Minemakers receiving a 90% acceptance level, values the

Minemakers Offer (as at 8 May 2009 being the last valuation date used by BDO in its report) at 6.44 cents per Bonaparte Share.

As a result, the Independent Directors recommend that Bonaparte Shareholders accept the Minemakers Offer in order to be able to access the higher value consideration being offered by Minemakers.

#### 1.5 LIMITED ACCESS TO ADDITIONAL EXPLORATION ASSETS

Apart from the 42.5% interest in the Sandpiper/Meob Phosphate Project, Union states its assets as including an interest in the Mehdiabad Base Metal Project in Iran. This interest is the subject of a dispute.

While Union has stated that it is committed to the development of the project, pending the outcome of the current negotiations and given the current political environment in Iran, it may be some time before the development of the Mehdiabad Project can proceed (see section 4.2(b) of the Union Bidder's Statement). Bonaparte Shareholders will therefore, not have exposure to any immediate potential gain from any other advanced phosphate or other mineral projects and will also not be exposed to a broader suite of commodities under exploration should they accept the Union Offer. Comparatively, Minemakers has a broader range of assets including 100% ownership of the Wonarah Phosphate Project, which it is actively developing, as well as a number of other mineral prospects in Tasmania and Western Australia.

#### 1.6 PRIORITY OF THE SANDPIPER/MEOB PHOSPHATE PROJECT

Union has stated that "*the primary reason why the Board believes that UCL acquiring a significant interest in Bonaparte is of benefit to UCL Shareholders is that BON would remain as a separate legal entity, rather than a wholly owned subsidiary of Minemakers and the directors of BON would be bound to run the company for benefit of all BON shareholders, not just for the benefit of Minemakers. UCL as a substantial shareholder would support the development of the Sandpiper/Meob Phosphate Project as a priority rather than the project suffer for competition for resources with Minemakers Wonarah Project*". Union has commented further "*Minemakers has stated its intention in the covering letter to its second supplementary bidder's statement and dated 21 April 2009 that its strategy is to use BON's funds to continue evaluation of the Sandpiper-Meob Project in 2009.*" and "*Once these existing cash reserves [of Bonaparte] are exhausted, further funding will be reliant on either BON raising additional funds, securing debt finance or Minemakers yielding free cashflow from its Wonarah project which is not anticipated to occur until 2010 at the earliest...*"

In light of these comments, the Independent Directors are of the opinion that the Sandpiper/Meob Joint Venture project will be developed under the joint venture agreement and on its merits as a potential phosphate deposit of global significance, which opinion is supported by the results of the current work programme. Notwithstanding the relative merits of Sandpiper/Meob Project versus the Wonarah Project, the projects must ultimately be advanced in terms of priority and funding according to their economic benefit. Shareholders will be leveraged to that investment.

## 1.7 ACCESS TO FINANCIAL RESOURCES AND GLOBAL EQUITY MARKETS

In order to continue with the development of the Sandpiper/Meob Phosphate Project, Bonaparte may be required to raise additional equity and/or debt capital in the future. The Independent Directors believe that acceptance of the Minemakers Offer will provide access to more potential financing options than acceptance of the Union Offer for the following reasons:

- Minemakers has a more diversified asset portfolio than Union;
- as noted in Section 1.2 above, Minemakers has a greater level of liquidity in its shares than Union, and the Independent Directors consider greater liquidity can indicate wider market coverage; and
- Minemakers has a significantly larger market capitalisation than Union, potentially providing easier access to funding as larger capitalised companies may be considered attractive to investors.

## 1.8 RISKS ASSOCIATED WITH ACCEPTING THE UNION OFFER

There are risks associated with rejecting the Union Offer (and rejecting the Minemakers Offer). These risks include:

- The Bonaparte Share price potentially falling if both offers are unsuccessful.
- There is a risk that Bonaparte may not be able to raise capital to progress planned exploration expenditure in the future, or may not be able to raise capital at a share price better than its historical performance.

## 1.9 RISKS ASSOCIATED WITH REJECTING BOTH THE UNION OFFER AND THE MINEMAKERS OFFER

- There are risks associated with holding Bonaparte Shares and being a minority shareholder. These risks are outlined in Sections 3.1 and 7.7 of this Target's Statement.

## SECTION 2 FREQUENTLY ASKED QUESTIONS ABOUT THE UNIONOFFER

In this Section answers are provided to some commonly asked questions about the Offer. This Section should be read together with the rest of this Target's Statement. This Section is not intended to comprehensively answer all questions that may arise in relation to the Offer nor address all issues that are relevant to Bonaparte Shareholders.

<b>Question</b>	<b>Answer</b>
<i>Should I accept the Union Offer?</i>	<p>No. Your Independent Directors unanimously recommend that you reject the Union Offer, and accept the Minemakers Offer in the absence of a superior proposal.</p> <p>If there is any change to this recommendation your Independent Directors will inform you. Further details regarding your Independent Directors' recommendation are contained in Section 1 of this Target's Statement.</p>
<i>How do I ACCEPT the Offer?</i>	Follow the instructions in the acceptance form accompanying the Bidder's Statement.
<i>How do I REJECT the Offer?</i>	<p>To reject the Offer, you do not need to do anything. Do not respond to any calls or correspondence from Union.</p> <p>You should note, however, that if Union at a later date acquires further Bonaparte Shares, such that Union has a relevant interest in 90% of the Bonaparte Shares, Union may be entitled to compulsorily acquire the Bonaparte Shares that it does not own.</p>
<i>What do the Directors intend to do with their Bonaparte Shares?</i>	The Independent Directors intend to reject the Offer and accept the Minemakers Offer for Shares that they own or control, in the absence of a superior proposal. The common directors have already indicated their intention, to accept the Minemakers Offer for Shares that they own or control.
<i>What is the Offer for my Bonaparte Shares?</i>	The consideration being offered by Union under the Offer is 9 new Union Shares for every 1 Bonaparte Share you own.
<i>Who is Union Resources Limited</i>	Union is listed on the ASX. The company claims as its only exploration assets the 42.5% interest in the Sandpiper/Meob Phosphate Project offshore Namibia, which is a joint venture with Bonaparte and Tungeni, and an interest in the Mehdiabad zinc project in Iran. Union's interest in the Mehdiabad Project is the subject of a dispute and Union has lodged an insurance claim against that interest.
<i>What are the conclusions of the Independent Expert's report?</i>	BDO, the Independent Expert has concluded that the Union Offer is fair and reasonable to the non-associated Bonaparte Shareholders.

Question	Answer
<p><i>What choices do I have?</i></p>	<p>As a Bonaparte Shareholder, you can:</p> <ul style="list-style-type: none"> <li>• <b>ACCEPT</b> the Union Offer – a course of action your Independent Directors do not recommend. Once you accept, you are locked in unless the limited withdrawal rights under the Offer apply. You will not receive any consideration until after the Offer becomes unconditional; or</li> <li>• <b>REJECT</b> the Union Offer by doing nothing; or</li> <li>• <b>SELL</b> your Bonaparte Shares on market (unless you have previously accepted the Union Offer and have not validly withdrawn your acceptance in the limited circumstances where this is permitted).</li> </ul> <p><b>YOUR INDEPENDENT DIRECTORS RECOMMEND YOU REJECT THE UNION OFFER AND ACCEPT THE MINEMAKERS OFFER, IN THE ABSENCE OF A SUPERIOR PROPOSAL.</b></p>
<p><i>What if I want to sell my Bonaparte Shares on market?</i></p>	<p>During the Offer Period, you may sell your Bonaparte Shares through the ASX for cash (less brokerage), provided you have not accepted the Union Offer for those Bonaparte Shares.</p> <p>You should contact your broker for information on how to sell your Bonaparte Shares on ASX and your tax adviser to determine your tax implications of such a sale.</p>
<p><i>When do I have to decide?</i></p>	<p>If you wish to accept the Union Offer you need to do so before its scheduled closing date. Union has stated that its Offer is scheduled to close on 29 June 2009, unless it is extended or withdrawn.</p> <p>If you wish to reject the Union Offer, you do not need to do anything.</p>
<p><i>What happens if I accept the Offer now?</i></p>	<p>If you accept the Union Offer now, you will give up your rights to sell your Bonaparte Shares on market or otherwise deal with them (for example, by accepting a higher offer from another bidder if such an offer is made) unless the limited withdrawal rights apply at the applicable time and you validly withdraw your acceptance.</p> <p>The Union Offer is conditional and if you accept the Offer while it is still conditional you will not receive the consideration under the Offer until 1 month after the Offer becomes unconditional (or 21 days after the end of the Offer Period, if earlier).</p>
<p><i>If I accept the Offer, can I withdraw my acceptance if I change my mind?</i></p>	<p>You may only withdraw your acceptance if:</p> <ul style="list-style-type: none"> <li>• the conditions of the Offer are not fulfilled or waived by the times specified in the Bidder's Statement; or</li> <li>• Union extends the Offer Period for more than 1 month and</li> </ul>

Question	Answer
	the Offer remains subject to 1 or more of the conditions at the time (see section 9.4(g) of the Bidder's Statement).
<b><i>What happens if Union increases its Offer?</i></b>	If you accept the Union Offer now and Union subsequently raises its Offer Price you will receive the higher price if the Offer has become unconditional.
<b><i>What are the conditions of the Offer?</i></b>	<p>The Offer is subject to numerous conditions. These are summarised below:</p> <ul style="list-style-type: none"> <li>• Union obtaining regulatory approval (if required) (see section 9.8(a)(1) of the Bidder's Statement;</li> <li>• non-existence of certain rights (see section 9.8(a)(11) of the Bidder's Statement;</li> <li>• no material adverse effect (see section 9.8(a)(iii) of the Bidder's Statement); and</li> <li>• no prescribed occurrences (see section 9.8(a)(iv) of the Bidder's Statement).</li> </ul> <p>Full terms of the conditions are set out in section 9.8 of the Bidder's Statement.</p>
<b><i>When will Union advise as to the status of the conditions?</i></b>	<p>Section 9.8(e) of the Bidder's Statement indicates that the Bidder will give a Notice of Status of Conditions by 22 June 2009.</p> <p>The Bidder is required to set out in this Notice of Status of Conditions:</p> <ul style="list-style-type: none"> <li>• whether the Offer is free of any or all of the conditions;</li> <li>• whether, so far as the Bidder knows, any of the conditions have been fulfilled on the date the notice is given; and</li> <li>• the Bidder's voting power in Bonaparte.</li> </ul> <p>If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period and the Bidder is required to give notice that states the new date for the giving of the Notice of Status of Conditions.</p> <p>If a condition is fulfilled (so that the Offer becomes free of that condition) before the date on which the Notice of Status of Conditions is required to be given, the Bidder must, as soon as practicable, give the ASX and Bonaparte a notice that states that the particular condition has been fulfilled.</p>
<b><i>What happens if the conditions are not satisfied or waived?</i></b>	If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You will then be free to deal with your Bonaparte Shares as you choose even if you have

Question	Answer
	previously accepted the Offer.
<p><b><i>How can Union extend the Offer Period?</i></b></p>	<p>While the Offer is subject to conditions, Union may extend the Offer Period at any time before giving the Notice of Status of Conditions. However, if the Offer is unconditional (that is, all the conditions are satisfied or waived), Union may extend the Offer Period at any time before the end of the Offer Period.</p> <p>In addition, there will be an automatic extension of the Offer Period, if within the last 7 days of the Offer Period:</p> <ul style="list-style-type: none"> <li>• Union improves the consideration offered under the Offer; or</li> <li>• Union's voting power in Bonaparte increases to more than 50%.</li> </ul> <p>If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.</p>
<p><b><i>Can Union withdraw the Offer?</i></b></p>	<p>Before you accept the Offer, Union may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent. Union may not withdraw the Offer if you have already accepted it. See further section 9.9 of the Bidder's Statement.</p>
<p><b><i>Can I be forced to sell my Bonaparte Shares?</i></b></p>	<p>No. You do not have to accept the Union Offer.</p> <p>You cannot be forced to sell your Bonaparte Shares unless Union acquires a relevant interest in at least 90% of all Bonaparte Shares.</p>
<p><b><i>Does the Offer include my Bonaparte Options?</i></b></p>	<p>No.</p> <p>Further, the Union Offer does not extend to those persons who, during the period from the Register Date to the end of the Offer Period, become registered or entitled to be registered as the holder of Bonaparte Shares (whether or not they are registered or entitled to be registered as the holder of other Bonaparte Shares) due to the conversion of, or exercise of rights attached to, other securities convertible into Bonaparte Shares (including Bonaparte Options) that are on issue at the Register Date (being 13 May 2009).</p>
<p><b><i>What are the risks associated with Bonaparte and its business?</i></b></p>	<p>These risks are detailed in Section 7.7 of this Target's Statement.</p>
<p><b><i>If I have further questions in relation to the Offer what can I do?</i></b></p>	<p>If you have any queries regarding the Union Offer, please contact Bonaparte's registered office on +61 8 9483 3500.</p>



**SECTION 3 RISKS ASSOCIATED WITH THE UNION OFFER AND BEING A UNION SHAREHOLDER**

Shareholders should be aware of the following key risks that arise from:

- (a) the Union Offer; and
- (b) being a Union Shareholder.

**3.1 RISKS ASSOCIATED WITH THE UNION OFFER**

**Conditions of the Union Offer**

As described in Section 2 above, the Union Offer is subject to a number of conditions.

These conditions are outlined in section 9.8 of the Bidder’s Statement. If the conditions of the Union Offer are not satisfied by the applicable date (or waived by Union), the Union Offer will not be free of conditions and therefore, will not proceed.

**Limited withdrawal rights**

You may only withdraw your acceptance if:

- the conditions of the Offer are not fulfilled or waived by the times specified in the Bidder's Statement; or
- Union extends the Offer Period for more than one month and the Offer remains subject to one or more of the conditions at that time (see section 9.4(g) of the Bidder's Statement).

Otherwise, you will be unable to withdraw your acceptance even if the value of Union Shares varies significantly from the date of your acceptance of the Union Offer.

**Minority Ownership Consequences**

If neither Minemakers nor Union acquired a minimum of 90% of Bonaparte then neither are thereafter able to proceed to compulsory acquisition of any remaining shares in Bonaparte. If this occurs then the Bonaparte Shareholders who do not accept either the Minemakers Offer or the Union Offer will become minority shareholders in Bonaparte. Now that Minemakers has acquired more than 50% of the shares in Bonaparte, that company has voting control. Minority Shareholders in Bonaparte can exercise their voting rights, however, those votes will no longer collectively control Bonaparte.

This has a number of possible implications including the following:

- The majority shareholder, Union or Minemakers, will be able to cast the majority of votes at a general meeting of Bonaparte enabling it to control the board and senior management, determine Bonaparte's dividend policy and control the strategic direction of Bonaparte.

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- Subject to the requirements of the Corporations Act and Bonaparte's constitution, the majority shareholder, Minemakers, may appoint nominees to the board of Bonaparte.
- The Independent Directors believe it is reasonably likely that the liquidity of Bonaparte Shares would be lower than at present if a number of Bonaparte Shareholders accept the Union Offer.
- The directors may apply for Bonaparte's removal from the official list of the ASX and the majority shareholder, Minemakers may vote in favour of this. If this occurs, Bonaparte Shares will not be able to be bought or sold on the ASX.
- If the majority shareholder Minemakers, acquires 75% or more of the Bonaparte Shares, it will be able to pass special resolutions of Bonaparte. This will enable that company to amend Bonaparte's constitution.

### **Consideration**

Section 2 of the Bidder's Statement indicates that the consideration being offered under the Union Offer will be 9 Union Shares for every 1 Bonaparte Share. There are risks associated with investing in Union. These risks are discussed in section 10 of the Bidder's Statement and also in Section 3.2 of this Target's Statement.

### **Risks associated with holding Bonaparte Shares**

There are also risks associated with holding Bonaparte Shares and these risks are set out in Section 7.7 of this Target's Statement.

## **3.2 RISKS ASSOCIATED WITH BEING A UNION SHAREHOLDER**

There are certain risks involved in holding Union Shares and those risks are outlined in section 10 of the Bidder's Statement.

## **3.3 OTHER RISKS THAT ARISE FROM THE OFFER**

There are also certain risks that relate to the merger of Union and Bonaparte should the Offer succeed. Union has summarised these risks in section 10 of the Bidder's Statement, which summary includes risks relating to:

- fluctuations in the value of Union Shares;
- liquidity of Union Shares;
- merger integration risks;
- synergy risks;
- taxation risks;
- impairment of goodwill and other intangible assets; and
- Union not having verified the reliability of information in relation to Bonaparte which has been included or omitted from the Bidder's Statement.

The Independent Directors strongly encourage Shareholders to consider section 10 of the Bidder's Statement before deciding their course of action in relation to the Union Offer.

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## **SECTION 4 WHAT ARE MY CHOICES?**

Your Independent Directors recommend that you reject the Union Offer and accept the Minemakers Offer, in the absence of a superior proposal.

### **4.1 ACCEPT THE UNION OFFER**

To accept the Union Offer follow the instructions on completing the acceptance form accompanying the Bidder's Statement.

Once you have accepted the Union Offer, you may only withdraw your acceptance if:

- the conditions of the Offer are not fulfilled or waived by the times specified in the Bidder's Statement; or
- Union extends the Offer Period for more than 1 month and the Offer remains subject to 1 or more of the conditions at the time.

### **4.2 REJECT THE UNION OFFER**

To reject the Offer, you do not need to do anything. Do not respond to any calls or correspondence from Union.

### **4.3 SELL YOUR SHARES**

During the Offer Period, you may sell your Bonaparte Shares through the ASX for cash (less brokerage), provided you have not accepted the Union Offer for those Shares.

You should contact your broker for information on how to sell your Bonaparte Shares on ASX and your tax adviser to determine your tax implications of such a sale.

## SECTION 5 SOME OTHER ISSUES ARISING FROM THE UNION OFFER

### 5.1 COMPULSORY ACQUISITION

If, at the end of the Offer Period, Union has (together with its associates):

- a relevant interest in at least 90% (by number) of Bonaparte Shares; and
- acquired at least 75% (by number) of Bonaparte Shares for which it has made an offer,

then Union will be entitled to compulsorily acquire *any* outstanding Bonaparte Shares for which it did not receive acceptances, on the same terms as the Union Offer. If this occurs, you will be paid the last price offered by Union for Bonaparte Shares before compulsory acquisition began.

Union has stated in section 6.2 of the Bidder's Statement that it intends to compulsorily acquire outstanding Bonaparte Shares if it is entitled to do so.

Union must offer to buy out the remaining Bonaparte Shares held by Bonaparte Shareholders if Union (and its associates) has a relevant interest in at least 90% of the Bonaparte Shares (by number) at the end of the Union Offer Period.

### 5.2 TAX CONSEQUENCES

The income tax implications for a Bonaparte Shareholder of accepting the Union Offer will depend on a number of factors, including:

- whether the Bonaparte Shareholder holds their Bonaparte Shares on capital or revenue account for taxation purposes;
- the nature of the Bonaparte Shareholder (i.e. whether it is an individual, company, trust or complying superannuation fund); and
- the tax residency status of the Bonaparte Shareholder (i.e. Australian tax resident or not).

Depending on the circumstances of individual Bonaparte Shareholders, a capital gain may be realised during that financial year in which the shares are exchanged. Given Minemakers interest in Bonaparte and the likelihood that Minemakers will not accept the Union Offer, it is therefore unlikely that Union will acquire 80% of the Bonaparte Shares. The corollary of this, given the level of acceptance to date for the Minemakers Offer, is that Minemakers only needs acceptances for another 16% of the Bonaparte Shares in order for the majority of Bonaparte Shareholders to attract rollover relief from capital gains tax.

As these consequences differ widely according to each Bonaparte Shareholder's individual circumstances, you are encouraged to seek independent tax advice before making any decision in relation to the Offer. Union has included a general outline of the tax implications of accepting the Offer in section 8 of the Bidder's Statement but

the Independent Directors recommend you discuss the Offer with your own tax adviser.

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## SECTION 6 WHAT YOU SHOULD KNOW ABOUT BONAPARTE

Below is an outline of your Company, its assets and its strategies to realise future value.

### 6.1 OVERVIEW OF BONAPARTE

The Company has a history of involvement in diamond exploration and mining in Australia and southern Africa. However, all such activities have now been suspended due to the collapse in uncut diamond prices, sub-economic viability of the diamond mining projects and/or budgetary constraints in the current world economic climate.

As a result of significant increases in world rock phosphate prices since early 2008, the Company focused its marine expertise on known marine phosphate deposits in some of its offshore licences in Namibia. Bonaparte together with Tungeni applied for additional marine phosphate exploration licences covering approximately 10,000km<sup>2</sup> in total, offshore Namibia during 2008. Most of these applications are now granted. In addition, the Company has been granted licences covering 627km<sup>2</sup> off the coast of Peru where similar marine phosphate deposits occur.

The Company currently regards its 42.5% interest in the Sandpiper/Meob Phosphate Joint Venture off Namibia as your most valuable asset.

Bonaparte, and its then sole joint venture partner, Namibian company Tungeni, began exploration during the first half of 2008 at the Meob Project with the aim of delineating a Mineral Resource.

In October 2008, Bonaparte and Tungeni announced the conclusion of a joint venture agreement with Union to form the Sandpiper/Meob Phosphate Joint Venture. Union held licences neighbouring the Meob Project over an area of historic phosphate exploration known as the Sandpiper Project. The Sandpiper/Meob Phosphate Joint Venture consolidated the high grade core of the offshore phosphate deposit south of Walvis Bay and provides a coherent and singular focus on the efficient exploration and development of the deposit.

The Sandpiper/Meob Phosphate Joint Venture interests comprise Bonaparte (42.5% and contributing), Union (42.5% and contributing) and Tungeni (15% and free carried to a decision to mine) Union and Tungeni are Bonaparte's "Joint Venture Partners".

In April 2009, Bonaparte reported an updated Inferred Mineral Resource estimate of 789.54 million tonnes ("Mt") comprising 611.1 Mt at 18.1% phosphate (P<sub>2</sub>O<sub>5</sub>) from gravity core samples and 178.4 Mt at 15.6% P<sub>2</sub>O<sub>5</sub> from grab samples, in Exclusive Prospecting Licences ("EPL") 3414, 3415 and 3323 in the Sandpiper/Meob Phosphate Project area (see Table 1).

**Table 1: Sandpiper/Meob Project (EPLs 3414, 3415 & 3323) Inferred Mineral Resource**

Resource Area	Sample Type	Volume (x10 <sup>6</sup> m <sup>3</sup> )	Tonnes (x10 <sup>6</sup> )	Grade (%P <sub>2</sub> O <sub>5</sub> )
EPL3414 North	Core	99.0	168.3	17.6
EPL3414 South	Core	9.7	16.5	19.6
EPL3415 North	Core	67.0	113.9	19.6
EPL3415 Central	Core	119.7	203.5	17.2
EPL3415 South	Core	53.7	91.2	19.0
EPL3323 Western	Core	10.4	17.7	18.1
<b>Total Inferred Resource (Core)</b>		<b>359.5</b>	<b>611.1</b>	<b>18.1</b>
EPL3323 Western	Grab	75.8	128.9	16.4
EPL3415 North Eastern	Grab	29.1	49.5	13.4
<b>Total Inferred Resource (Grab)</b>		<b>104.9</b>	<b>178.4</b>	<b>15.6</b>

The information in this document that relates to the Mineral Resource estimate for the Meob Project (EPL3323) is based on information compiled by Dr Alwyn Annels C.Eng, FIOM, who is not an employee of the Company. Dr Annels 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". Dr Annels consents to the inclusion in the Target's Statement of the matters based on his information in the form and context in which it appears. The estimate is made in accordance with JORC Code guidelines and is based on:

- Assay Results from 66 gravity cores samples covering five parts of EPL's 3414 and 3415, collected on a regional grid spacing of 1,600m x 4,000m.
- 96 gravity cores taken from a selected 10km<sup>2</sup> target area on a grid spacing of 500m x 400m with average mineralised layer thickness of 105cm in EPL3323.
- Results from 294 grab samples collected over a regional grid of 800m x 4,000m and extrapolated to a depth of 40cm, in EPL3323
- The wet bulk density value of 1.7 tonnes m<sup>3</sup> was selected as a conservative estimate based on a review of published scientific literature.
- The mineral resource estimates are rounded to reflect the level of confidence in these resources at the present time.
- Resource estimates are based on resource block cut-off grades of 15% for gravity cores and 10% for grab samples.

Further details regarding the Sandpiper/Meob JV Agreement are set out in Section 7.8.

### **Sandpiper/Meob Phosphate Project**

Bonaparte and its Joint Venture Partners are working to bring this very substantial phosphate province to production as rapidly as possible, within the budgetary and capital raising constraints of the Company. Demonstrating the economic viability of the project would realise value for Bonaparte Shareholders and would demonstrate potential for Namibia to be a significant world producer of rock phosphate. The combination of skills within Bonaparte and its Joint Venture Partners, including marine operating skills, and commercial expertise in project management (in Bonaparte) and specific phosphate industry experience (in Union) places the



Sandpiper/Meob Phosphate Joint Venture ideally to develop the Sandpiper/Meob Phosphate Project.

The Sandpiper/Meob Phosphate Joint Venture comprises a total area of approximately 8,000km<sup>2</sup> covering the majority of the high grade core to the regional phosphate deposit to the south of Walvis Bay. Wide-spaced sampling of the continental shelf during the 1970's identified phosphate concentrations of more than 20% by weight over a large area in unconsolidated sea floor sediments.

On 30 April 2009, Union announced receipt of notice from the Ministry of Mines and Energy, Namibia to renew EPLs 3414 and 3415 for a further two years. These tenements, together with exploration licence EPL3323, which was also recently renewed for two years, are the three key tenements covering the main phosphate mineral resource areas in the Sandpiper/Meob JV phosphate project. This development removes any pending tenure related risks and allows for preparation of a mining licence application over the defined resource areas in the exploration licences.

Sampling in the Sandpiper/Meob Phosphate Joint Venture has confirmed that the grades of phosphate in historic sampling are representative. Importantly, developments in dredging technology mean that large volumes of the phosphatic sediments, which lie in water depths between 180m and 300m, are largely within the range of current high volume dredging technologies. In this regard, JV partner Union commissioned a major international dredging contractor, to provide a desktop Project Assessment Report into the viability and estimated cost of offshore dredging based on the characteristics of the Sandpiper/Meob phosphate project. The contractor considered aspects of the dredging and navigational requirements, weather characteristics and port interface in its assessment. It notes that at this stage of engineering the suction depth of an existing trailing suction arm dredge vessel can "easily" be extended to reach 225m water depth. For future detailed engineering, the target depth is set at 250m water depth.

Based on the current Inferred Mineral Resource estimate within the project area, there is approximately 132km<sup>2</sup> that lies at depths less than 225m in the JV project area containing some 238 million tonnes of Inferred Mineral Resource at an average grade of 17.7% P<sub>2</sub>O<sub>5</sub>. On the basis of an annual campaign of dredging, Jan de Nul has proposed a mining and transporting methodology which delivers material pumped to shore storage for Euros 33 per m<sup>3</sup> or US\$26.1\* per tonne. The estimate includes pre and post deployment ship modification and mobilization and is based on dredging technology and a vessel currently in operation.

The Sandpiper/Meob Phosphate Project area has been the subject of substantial previous exploration for phosphate, including a scoping level study in 1994 and later commercial laboratory tests. This work showed that concentrate for an initial pilot plant test could be produced by wet screening and sizing with hydro cyclones. Pilot plant studies conducted in 2004 on a 27% P<sub>2</sub>O<sub>5</sub> Sandpiper concentrate showed that a merchant grade phosphoric acid could be produced via standard phosphoric acid circuits.

### **Recent Work**

The Company commenced a marine phosphate sampling programme in August 2008. Sampling to date has confirmed the quantum, the predictable nature of the phosphate grades and the large extent of the deposit as indicated by earlier sampling.

Sampling has continued in early 2009 and is now entirely by gravity core as it provides greater penetration into the sediments, up to 2m below seafloor, and into a substratum that generally shows higher phosphate grade. Selected 10km<sup>2</sup> areas of higher P<sub>2</sub>O<sub>5</sub> grade are being sampled at a higher density, with the aim of upgrading a portion of the current resource to Indicated Mineral Resource status. This programme of sampling includes areas where historic sampling showed high phosphate grades and thicknesses up to 6m.

Tests on samples show that the highest concentration of phosphate occurs in the fine sediment fraction (less than 1mm) and that simple wet screening to remove fine (<63 microns) and coarse (>1mm) sediment increases the grade to up to 26% P<sub>2</sub>O<sub>5</sub>.

Previous and current work by the Sandpiper/Meob Phosphate Joint Venture to date includes:

- Mineralogical and grain size analysis studies, which suggest that beneficiation to near commercial grades of rock phosphate can be achieved via simple wet screening.
- Geochemical studies, which provide information regarding the potential saleability of the product, although no marketing activities have yet been undertaken.
- Signing of a memorandum of understanding with a major international dredging firm to assess the suitability of the proposed dredging technology for the mining areas.
- Consideration by the Company to investigate the possibility of a low capital cost, direct shipping option with on-board beneficiation to commercial grade rock phosphate.
- Engaging in initial discussions with Coromandel Fertilisers, an Indian fertiliser group that is a potential customer for the rock phosphate.
- Engaging the various Namibian authorities and agencies with the aim of clarifying the process for permitting and to discuss the infrastructure and utilities requirements and mechanisms to upgrade facilities to support the operation.

- Initial discussions with the Port Authority in Walvis Bay regarding available port capacity and availability of infrastructure.

The exploration target for the Sandpiper/Meob Phosphate Project is in excess of 1 billion tonnes averaging 15% to 18% P<sub>2</sub>O<sub>5</sub><sup>1</sup>. This target is expected to be achieved after completion of the remaining gravity core sampling. The Inferred Mineral Resource announced to date (see Table 1) is derived from approximately 600km<sup>2</sup> of the total 1,200km<sup>2</sup> currently being sampled for resource development, and represents only 7.5% of the total 8,000km<sup>2</sup> of the Sandpiper/Meob Phosphate Project area.

Bonaparte believes that the Sandpiper/Meob Phosphate Project has significant advantages over many onshore phosphate deposits. These include:

- Prime access to a very large deposit that has not been previously mined.
- The deposit comprises unconsolidated sand at the seabed. It requires no overburden removal, blasting or crushing.
- The deposit is within the water depth range of 180m to 300m, of which a significant proportion of the deposit is immediately accessible to proven and available dredging technology.
- A simple beneficiation process of screening can be used to potentially produce concentrate grades consistent with requirements of the international markets.
- The deposit is well positioned to infrastructure, with direct access to the port of Walvis Bay.
- Namibia has an active on-going marine mining industry (diamonds) with an established legislative operating regime.
- The deposit is well positioned to access developing phosphate markets, including South America, Africa and India.

### **Future Activities**

The Sandpiper/Meob Phosphate Joint Venture is currently completing the sampling programme, the results of which are expected to increase and upgrade the current Mineral Resource estimate, with emphasis on the well mineralised core of the deposit.

The Sandpiper/Meob Phosphate Joint Venture management team has defined a plan for the immediate advancement of the project with the aim of commencing a scoping study in the second quarter 2009. The scoping study programme is subject to budgetary consideration by the Board and provision of the relevant share of funds from both Bonaparte and Union.

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<sup>1</sup>In terms of clause 18 of the JORC Code, an "Exploration Target" is conceptual in nature. There is insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.

## 6.2 OVERVIEW OF OTHER PROJECTS

### **Marine Phosphates**

#### *Rocky Point Project, Namibia*

This project comprises offshore exploration licences covering 4,000km<sup>2</sup> (3,000km<sup>2</sup> of which is granted and 1,000km<sup>2</sup> in application) of the regionally enriched marine phosphate deposit located north of Walvis Bay, Namibia. The licences cover the core area of a second phosphate deposit, which is geologically similar to the Sandpiper/Meob Phosphate Project. The Company holds 70% in this project and 30% is held by Namibian joint venture partner, Tungeni.

#### *Peru*

The Company was recently awarded seven mineral exploration licences covering a total area of 627km<sup>2</sup> by the Peruvian Ministry of Energy and Mines. The licences cover the continental shelf in water depths between 100m and 300m, where scientific studies during the late 1980s identified the presence of phosphate-enriched sediments. The deposits occur in a similar oceanographic environment to the deposits occurring off Namibia and represent another greenfields opportunity that is strategically positioned with respect to new phosphate markets. The Company beneficially owns 100% of these licences applied for and held in the name of a local Peruvian company by way of a Deed of Trust. Further details relating to this trust arrangement are set out in Section 7.8 of this Target's Statement.

### **Diamonds (land based)**

The Company maintains its interest in diamond mining and exploration via the South African on-shore Matayo project and the Australian Nabberu project. However, no active mining or exploration work is currently being undertaken due to the adverse current global rough diamond market conditions and to budgetary considerations.

#### *Matayo Diamond Mine, South Africa*

The diamond bearing alluvial gravel deposits of the Matayo Diamond Mine (formerly referred to as the Savanna property) are located within remnants of an ancient river channel in the Kimberley area of South Africa. The gravels lie within dolomitic limestone country rock which is prone to formation of uneven bedrock topography creating trap sites for diamonds.

In mid July 2008, the Company completed trial mining and processing of a 16,000 tonne bulk sample from which it recovered 202 diamonds weighing 241 carats including 2 high value gems of 31.60 and 23.50 carats. Sale of diamonds recovered in trial mining realised US\$870,000. Bonaparte exercised its right to acquire 100% of the property in 2008.

Production at Matayo commenced during November 2008 with the aim of providing a modest cash flow to assist in funding Bonaparte's diamond exploration.

In March 2009, the Company announced that it was placing the mine on care and maintenance. The decision was primarily in response to lower rough diamond prices following the current severe global economic downturn but also to lower than anticipated diamond production. Production for the four months of operations was 108 carats of diamonds, including two stones of 10.60 and 7.75 carats.

The Company will monitor diamond price movements and may consider recommencing operations at Matayo in response to any significant improvement in market conditions.

#### *Nabberu, Australia*

The Nabberu Project, E52/2033, covers proven diamondiferous kimberlite intrusions located in the Murchison region of Western Australia.

A geophysical survey was completed and interpretation of results has confirmed the potential for a larger, subsurface intrusive body that may be kimberlite. A drill programme has been planned to test the geophysical interpretation, however, at this time the Company is actively seeking a partner to advance this project while Bonaparte focuses on development of its marine phosphate projects.

### **6.3 BONAPARTE 'S KEY PARTNERS AND RELATIONSHIPS**

With respect to its phosphate projects the Company's key partners are Union and Tungeni, with which joint venture relationships have been formed via the Sandpiper/Meob Phosphate Project and the Rocky Point Project (with Tungeni).

The Company has a 74% shareholding in the Matayo Diamond Mine with the balance being held by an empowerment partner as required under South African legislation. Msix (Pty) Ltd (SA company registration number 2005/017655/07) is the 26% empowerment partner and shareholder in the Matayo (Savanna) Mine.

### **6.4 BONAPARTE'S STRATEGY FOR THE CREATION OF WEALTH FOR ITS SHAREHOLDERS**

Bonaparte has acted to grow wealth for its Shareholders by:

- Seeking to develop projects with potential for early cashflow from mining.
- Pursuing areas of exploration that leverage on the skills within the Company's management and operating team.
- Strategic consolidation and expansion of its interest over the very substantial Namibian marine phosphate deposits in response to the recent increase in phosphate prices by signing the Sandpiper/Meob JV Agreement with Union and Tungeni.
- Acquiring additional marine phosphate exploration and development opportunities off Namibia and Peru that are strategically located with respect to developing phosphate markets.

## SECTION 7 ADDITIONAL INFORMATION

### 7.1 DETAILS OF DIRECTORS

The Directors as at the date of this Target's Statement are:

Name	Position
Mr Ted Ellyard	Chairman
Mr Michael Woodborne	Managing Director
Mr Dennis Wilkins	Finance Director
Mr Andrew Drummond	Non-Executive Director
Mr John Robertson	Non-Executive Director

### 7.2 DIRECTORS' INTENTIONS WITH RESPECT TO THEIR OWN BONAPARTE SHARES

Furthermore, each of your Independent Directors intend to reject the Offer and accept the Minemakers Offer for Shares in which he has a relevant interest, in the absence of a superior proposal.

Mr Ted Ellyard, Mr Andrew Drummond and Mr Dennis Wilkins have not made a recommendation in relation to the Union Offer because they are also directors of Minemakers. However, these three Directors have advised the Company that they have accepted the Minemakers Offer for their Shares totalling 11.7% of the Company.

### 7.3 INTERESTS OF DIRECTORS

#### (a) *Interests in securities in Bonaparte*

The only marketable securities that Bonaparte has on issue are Bonaparte Shares. There are also unlisted Bonaparte Options on issue. As at 28 May 2009, Bonaparte had 190,375,005 Shares and a total of 15,300,000 Options on issue. Each Bonaparte Option is exercisable into one Bonaparte Share.

Details of Bonaparte Shares and Bonaparte Options in which each Director has a relevant interest are as follows:

Director	Bonaparte Shares	Bonaparte Options (Note 1)	Bonaparte Options (Note 2)	Bonaparte Options (Note 3)
Mr Ted Ellyard	Nil	250,000	300,000	1,200,000
Mr Michael Woodborne	2,360,000	1,000,000	1,200,000	1,800,000
Mr Dennis Wilkins	Nil	250,000	150,000	1,000,000
Mr Andrew Drummond	Nil	250,000	250,000	1,000,000
Mr John Robertson	1,250,000	Nil	300,000	1,000,000

Note 1: These Options are exercisable at \$0.20 each on or before 24 July 2009.

Note 2: These Options are exercisable at \$0.20 each on or before 30 June 2010.

Note 3: These Options are exercisable at \$0.30 each on or before 30 September 2012.

(b) ***Dealings in securities in Bonaparte***

Other than the acceptance of the Minemakers Offer by Mr Ted Ellyard, Mr Andrew Drummond and Mr Dennis Wilkins as noted in Section 7.2, no Director acquired or disposed of a relevant interest in any Bonaparte Shares or Bonaparte Options during the four month period ending on the date immediately before the date of this Target's Statement.

(c) ***Interests in securities of Union***

As at the date of this Target's Statement, the no Directors held securities in Union.

(d) ***Dealings in securities of Union***

Other than as referred to below neither Bonaparte nor any Director acquired or disposed of a relevant interest in any securities in Union during the four month period ending on the date immediately before the date of this Target's Statement.

(e) ***Agreements and benefits conditional on or connected with the Offer***

No Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of the Union Offer and no Director is entitled to receive any benefit from Union which is conditional on or connected with the Offer (other than in their capacity as a Bonaparte Shareholders).

(f) ***Contracts with Union***

There are no contracts between any of the Directors and Union.

(g) ***Payments and benefits***

Except as disclosed below, other than a benefit permitted under section 200F of the Corporations Act, no benefit is proposed to be given to a Director:

- in connection with their retirement from office in Bonaparte or a related body corporate of Bonaparte; or
- in connection with the transfer of the whole or any part of the undertaking or property of Bonaparte.

Michael Woodborne is the Managing Director of Bonaparte. Pursuant to a services agreement between Mr Woodborne and Bonaparte if there is an effective change of control of Bonaparte (defined as being a change in control of 50% of the issued capital of Bonaparte), Bonaparte may terminate the services agreement provided that Bonaparte gives at least one month's written notice to Mr Woodborne within a period of six months immediately following the effective change of control. Upon such termination, Mr Woodborne is, according to the terms of his contract entitled to a lump sum payment equal to two years remuneration calculated at the rate which immediately preceded the termination of the services agreement. As at 28 May 2009 Mr Woodborne's total gross salary (including superannuation) is \$238,000 per annum. Mr

Woodborne's contract is due to expire on 15 October 2009 (unless extended by agreement between the parties).

#### **7.4 POTENTIAL IMPACT OF OFFER ON BONAPARTE'S MATERIAL CONTRACTS**

Bonaparte has not identified any material contracts to which it is a party that contain change of control provisions that may be triggered as a result of the Offer or acceptances of the Offer, other than as set out Section 7.3(g) above.

#### **7.5 IMPACT OF OFFER ON BONAPARTE OPTIONS**

The Union Offer has no impact on the Bonaparte Options held directly and indirectly by the Directors. Details of the Bonaparte Options held by the Directors is set out in Section 7.3(a).

#### **7.6 CHANGES IN THE FINANCIAL POSITION OF BONAPARTE**

The most recent published financial information in relation to Bonaparte is contained in the Company's audit reviewed financial report for the half year ended 31 December 2008 which was lodged with the ASX on 18 February 2009.

The material movement since 31 December 2008 to 31 March 2009 has been a reduction of working capital from A\$2.5 million to A\$2.0 million.

#### **7.7 RISK FACTORS OF HOLDING YOUR BONAPARTE SHARES**

There are a number of risks which may have a material and adverse impact on the future operating and financial performance of Bonaparte and the value of Bonaparte Shares. These may be risks that are widespread risks associated with any form of business or specific risks associated with Bonaparte's business and its involvement in the exploration and mining industry. While most risk factors are largely beyond the control of Bonaparte and its Directors, the Company will seek to mitigate the risks where possible, for example by obtaining appropriate insurances and maintaining its key relationships.

The following summary, which is not exhaustive, represents some of the major risk factors which affect Bonaparte. These risk factors ought not to be taken as exhaustive of the risks faced by Bonaparte or by Bonaparte Shareholders. These factors, and others not specifically referred to, may in the future materially affect the financial performance of Bonaparte and the value of Bonaparte Shares.

(a) **Share Price**

There is a risk that the Bonaparte Share price may fall if the Offer is unsuccessful.

(b) **Exploration and Production Risks**

Mineral exploration activities involve a degree of risk and uncertainty. There is no assurance that continued exploration of Bonaparte's concessions will result in



continued discovery of quantities of rock phosphate over and above those previously identified. Even if quantities of rock phosphate are discovered, economic recovery is dependent upon a number of factors, including the particular attributes of the deposit, such as terrain, size and grade, prices and government regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Most of these factors are beyond the control of Bonaparte.

The future viability and profitability of Bonaparte as an exploration and production company will be dependent on a number of factors, including, but not limited to, the following:

- Commodity prices and exchange rates and in particular the price of phosphate and to a lesser extent diamonds.
- Risks inherent in exploration and mining, including, among other things, successful exploration and exploitation of reserves, satisfactory performance of mining operations and competent management. These risks include the commercialisation of marine trailing arm dredging on the continental shelf off Namibia.
- Risks inherent with marine exploration and mining include work conducted being subject to inclement weather and sea conditions.
- Risks associated with the current global economic environment and that the Company may not be able to raise funds by equity issues unless at prices that may dilute the holdings of the current Shareholders.
- Increases in the capital costs occurring as a consequence of global economic conditions, delays, demand for resources and other factors.
- Increases in the price of inputs to the production process, in particular, the price of fuel, consumables, freight, shipping and concentrate treatment charges.
- Retention of key employees. Bonaparte's performance is substantially dependent on its senior management, Directors and key technical personnel to continue to develop and manage Bonaparte's projects. The loss of senior management, Directors and key technical personnel could have a material adverse effect on the business of Bonaparte.
- The risk of material adverse changes in the government policies or legislation of South Africa and Namibia affecting the level of mining and exploration activities undertaken or otherwise affecting the profitability of the Sandpiper Phosphate Project and other future mining operations of Bonaparte.
- Environmental management issues with which the Company may be required to comply from time to time and the potential risk that regulatory environmental requirements or circumstances could impact on the economic performance of the Company's operations.

(c) Estimates of ore reserves and mineral resources

There is a degree of uncertainty attributable to the calculation of Ore Reserves, Mineral Resources and corresponding grades being mined or dedicated to future production. Until Ore Reserves are actually mined and processed, the quantity of Ore Reserves and grades must be considered as estimates only. Nevertheless, Ore Reserves are estimated to various degrees of confidence. In addition, the quantity of reserves or resources may vary depending on prices, operating costs and mining efficiency. Any material change in the quantity of Ore Reserves or Mineral Resources may affect the economic viability of a project.

(d) Marine mining involves significant risks

Commercial mining of marine phosphate deposits has not previously been undertaken anywhere in the world. If mining commences at the Sandpiper/Meob Project it will be the first such mining operation.

The business of offshore mining is subject to a variety of risks such as accidents, extreme marine and weather conditions, natural disasters, environmental hazards, the discharge of toxic chemicals and other hazards. Such occurrences, against which Bonaparte cannot, or may elect not to, insure, may result in damage to or destruction of mining equipment and infrastructure, injuries and loss of life, environmental damage, delayed production, increased production costs and possible legal liability to third parties, any or all of which may have a material adverse effect on Bonaparte's financial position. The mining and processing systems and the vessels to be used are to be at sea all year round, and weather conditions will inevitably have an effect on operations. Other projects of this type have succeeded, but some have experienced problems during operations and cost overruns. Technical problems may affect the operations which may adversely affect profitability.

(e) Tenements

Bonaparte has investigated its rights to explore and exploit its tenements and, to the best of its knowledge, those rights are in good standing. However, no assurance can be given that applicable governments will not revoke, or significantly alter the conditions of, the applicable exploration and mining authorisations and that such exploration and mining authorisations will not be challenged or impugned by third parties. Mining and prospecting licences may be revoked by the applicable government authorities for failure to perform the obligations thereunder. Licences must be renewed periodically. The renewal process involves a review of the licence holder's performance by government authorities.

(f) Sovereign Risk

Namibia and Peru and other developing countries may be subject to political, economic and other uncertainties, some of which may not be found in other countries such as Australia. Future government activities concerning the economy, foreign ownership or the operation and regulation of facilities such as mines or mineral exploration operations, could have a significant effect on the Company.

The Board anticipates that the value of the Company's exploration and mining interests are most likely to be derived from its Namibian and Peruvian operations (although it is noted that these risks may apply in other developing countries that the Company may operate in). As a result, the Company may be exposed to a number of risks customary for international operations including, but not limited to:

- Political Risk

The Company's investment in exploration projects in Namibia and Peru may be exposed to adverse political developments that could affect the economics of the projects in those countries. The tenements comprising the Company's phosphate projects are located off the coast of Namibia and Peru and are subject to the laws and regulations of the respective countries. Although mining in Namibia has a long history and has not been adversely impacted by unreasonable or arbitrary government action, there can be no assurance that Bonaparte's business, operations and affairs will not be materially adversely affected by changes to, or arbitrary application of, Namibian laws and regulations or changes in the political and economic status of Namibia. The same applies to Peru.

However, Namibia and Peru continue to rank well in global political and investment surveys issued by various agencies from time to time.

- Repatriation of funds

Namibia is part of the South African Rand Common Monetary Area ("CMA"). Exchange controls in the CMA require that dividends, loans, repayment of loans and payment of all invoices to parties outside the CMA by companies registered in the CMA require prior approval. The controls, as they relate to Namibia, are applied by the Bank of Namibia. There can be no assurance that Bonaparte will obtain the requisite approvals in the future to repay loans or pay invoices to parties outside the CMA, including companies within Bonaparte's corporate group not resident in the CMA. Thus exchange controls may restrict Bonaparte from repatriating funds and using those funds for other purposes.

- Foreign Exchange Risk

The value or sale price of the commodities that may be produced by the Company (if any) will expose the income of the Company to the changes in the exchange rate.

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- Tenement Status

As the Company holds tenements in different jurisdictions, there is a risk that upon a change of control in the Company the laws of those jurisdictions may provide that certain notifications or consents may be required to be lodged with the governments (or government department or agencies) of those jurisdictions pursuant to local mining legislation. There can be no certainty that any such consents (if required) will be granted.

- (g) Joint Venture Parties, Agents and Contractors

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors or service providers used by the Company in any of its activities.

The Company also relies upon its Joint Venture Partners in the Sandpiper/Meob Phosphate Joint Venture to comply with their respective obligations under the Sandpiper/Meob JV Agreement in order to progress the Sandpiper/Meob Phosphate Project including the commissioning of a bankable feasibility study. Bonaparte relies upon Union to commit funds to the Sandpiper/Meob Phosphate Project. There is a risk that Union and Bonaparte will not or may not be able to commit the required funds which it is obliged to do so. If this occurs the development of the Sandpiper/Meob Phosphate Project will be adversely affected.

- (h) Shareholders' Agreement

By a joint venture agreement dated 21 October 2008, the Company, Union and Tungeni agreed to jointly develop their respective marine phosphate exploration licences off the coast of Namibia, through a new Namibian registered joint venture company. The parties to the joint venture agreed to negotiate the terms of a shareholders' agreement to regulate the rights and obligations of the shareholders in the registered joint venture company, and the management and business activities of that company ("**Shareholders Agreement**" as defined in Section 7.8). Further details regarding the Shareholders' Agreement is set out in Section 7.8.

Given that the Shareholders' Agreement provides for matters such as planning and budgeting for the Sandpiper/Meob Phosphate Joint Venture, until such time as the parties agree to the terms of and execute the Shareholders' Agreement, there may be delays in the development of the Sandpiper/Meob Joint Venture.

- (i) Retention of key business relationships

The Company relies upon strategic relationships with other entities, including Union and also on good relationships with regulatory and government departments.

While the Directors have no reason to believe otherwise, there can be no assurance that the Company's existing relationships will continue to be maintained or that new ones will be successfully formed. Bonaparte, its business, operating results and prospects could be adversely affected by changes to such relationships or difficulties in forming new ones.

(j) Other Risks

The future viability and profitability of Bonaparte are also dependent on a number of other factors affecting performance of all industries and not just the exploration and mining industries, including, but not limited to, the following:

- The ability of Bonaparte to raise equity or debt capital to explore and develop the Sandpiper/Meob Phosphate Project.
- The strength of the equity and debt markets in Australia and throughout the world.
- General economic conditions in Australia, South Africa, Namibia and Peru and their major trading partners and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions.
- Insolvency or other managerial failure by any of the contractors used by Bonaparte in its activities.
- Industrial or other disputes in Australia, South Africa, Namibia and Peru.
- An outbreak of hostilities or a material escalation of hostilities in Australia, South Africa, Namibia and Peru or elsewhere in the world.

## 7.8 MATERIAL CONTRACTS

Set out below are summaries of the material and contracts to which the Company is a party.

### *Sandpiper/Meob JV Agreement*

By a joint venture agreement dated 21 October 2008, the Company, Union and Tungeni agreed to jointly develop their respective marine phosphate exploration licences off the coast of Namibia, through a new Namibian registered joint venture company A.S.S. Investments Ninety Two (Proprietary) Limited ("**PHOSCO**") to be owned 42.5% by the Company, 42.5% by Union and 15% by Tungeni. Under the Sandpiper/Meob JV Agreement, the Company and Union are each entitled to nominate 2 directors to the board of PHOSCO, and Tungeni is entitled to nominate 1 director. The chairman of the board will not have a casting vote and will be rotated on an annual basis and may not be a nominee of the party whose nominee was the immediately preceding chair.

Under the Sandpiper/Meob JV Agreement, the Exclusive Prospecting Licences ("**EPL**") held by Union in its Sandpiper Project (EPL3414 and EPL3415) ("**Union Licences**") and those held jointly by the Company and Tungeni in their Meob Project (EPL3323, EPL4009, EPL4021 and EPL applications EPL4010, EPL4059 and EPL4060) ("**Bonaparte/Tungeni Licences**") will be ceded and transferred to

PHOSCO by due process with the Namibian Ministry of Mines and Energy. The Company and Tungeni must jointly contribute a minimum of 4 granted exploration licences to PHOSCO. In the event that two or more of the EPL applications jointly held by the Company and Tungeni are not granted, they must cede and transfer into PHOSCO such number of their other jointly held Exclusive Prospecting Licences in order to make up the minimum number. EPL 4010 has since been granted on 26 February 2009 and is to be transferred to PHOSCO. With this transfer Bonaparte and Tungeni will have satisfied the minimum contribution required.

The parties agreed in good faith within three months after the incorporation of PHOSCO, to negotiate the terms of a shareholders' agreement to regulate the rights and obligations of the shareholders in PHOSCO, and the management and business activities in PHOSCO ("**Shareholders' Agreement**"). As at the date of this Target's Statement the Shareholders' Agreement has not been executed, but a draft has been issued to Union and Tungeni and the parties are in negotiation to finalise the Shareholders' Agreement as a priority. A summary of the material terms of the Shareholders Agreement as described in the Sandpiper/Meob JV Agreement is set out below.

The Sandpiper/Meob JV Agreement provides for the Company to assist Union to achieve definition and classification of a JORC compliant Mineral Resource in Union's Sandpiper Project licence areas. Under the Sandpiper/Meob JV Agreement the Company will manage this process, as well as provide 50% of all direct costs up to completion of the classification of the Mineral Resource. In addition to these activities, the Company will continue, at its own cost, to complete its 2008 sampling programme within its Meob Project licence area EPL3323 up to classification of a Mineral Resource in accordance with the JORC Code in respect of all or part of this area. Following this classification, the Company will assist PHOSCO to make an application for a mining licence in respect of this area, or as large an area as can be made with the support of the existing sample data.

Under the Sandpiper/Meob JV Agreement, Union will pay all the costs and expenses related to the completion of acquisition of its licences including a US\$500 fee to the vendor, and an existing 3<sup>rd</sup> party interest in the Union licences will be accommodated by Union outside of the Sandpiper/Meob JV Agreement. The parties acknowledge that the obligation to pay the vendor a royalty capped at US\$1 million equal to 3% of gross revenue derived from the sale of product mined in respect of Union licences will be paid by PHOSCO. The Company and Tungeni will be liable for all costs associated with the application and grant of their jointly owned licences which will be contributed to PHOSCO.

Any party to the Sandpiper/Meob JV Agreement may withdraw from the joint venture within two years if Union or the Company and Tungeni jointly, are unable to complete and report classification of at least an Inferred Resource of greater than 50 million tonnes at greater than 10% phosphate concentration, in accordance with the JORC Code in respect of all or part of their respective licences. For Bonaparte and Tungeni this condition has been satisfied in January 2009 with the announcement of the Inferred Resource in EPL3323. The Company and Tungeni jointly may terminate the Sandpiper/Meob JV Agreement if the Union licences which are due to expire on 20 April 2009 are not renewed for a further two years or all or part of these licences are

not converted into mining licences. Union may terminate the Sandpiper/Meob JV Agreement if the Company/Tungeni EPL3323, for which a renewal application has already been submitted, is not renewed for a further two years, or all or part of the licence is not converted into a mining licence. Renewal of EPL3323 has since been issued.

The Sandpiper/Meob JV Agreement is conditional on the approval of its terms by the Minister responsible for the administration of the Minerals (Prospecting and Mining) Act 1992 of Namibia within twelve calendar months following its execution or such later date as the parties may agree in writing.

Under the Sandpiper/Meob JV Agreement, the parties agree that at an appropriate time, they will transfer ownership of PHOSCO to a non-Namibian vehicle in order to facilitate quotation of PHOSCO's shares on the official list of a recognised stock exchange. The parties agree that this should take place within three years of the Sandpiper/Meob JV Agreement, subject to prevailing market conditions, and board approval from PHOSCO, the Company and Union.

#### *Shareholders' Agreement*

Under the Sandpiper/Meob JV Agreement, it is agreed that the Shareholders Agreement will override the memorandum and articles of association of PHOSCO, provide for PHOSCO to operate in accordance with a business plan to be approved by the board of PHOSCO, and establish the basis for business plans, budgets, provision of financial information and the policies to be implemented. Shareholders will be granted pre-emptive rights to invest in PHOSCO while it remains a joint venture entity, with such rights to be removed prior to PHOSCO becoming a listed entity. The Shareholders' Agreement will regulate the issue of new shares in PHOSCO and the disposal of shares by any shareholder by which pre-emptive rights shall apply, and will set out the dispute resolution measures that will apply between the shareholders.

The Shareholders' Agreement will detail the mechanisms for funding of PHOSCO's activities by its shareholders which shall, subject to the classification of resources on various licences, be in equal shares by Union and Bonaparte up until completion of a bankable feasibility study on any of the Union Licences or the Bonaparte/Tungeni Licences, and thereafter by all shareholdings in PHOSCO with a failure to contribute to funding leading to the defaulting shareholder's shareholding in PHOSCO being diluted. The Shareholders Agreement will provide for 15% of each of Union's and Bonaparte's funding up until completion of a bankable feasibility study on any of the Union Licences or the Bonaparte/Tungeni Licences to be treated as a loan to Tungeni which must be repaid by Tungeni to each of Union and Bonaparte from any cashflow and/or dividends receivable from PHOSCO until such loan has been fully repaid, and for 85% of each of Union's and Bonaparte's funding up until mining commences on any of the Union Licences or the Bonaparte/Tungeni Licences to be treated as a shareholder loan. All shareholder loans are to be fully paid out prior to payment for any dividends to shareholders.

The Shareholders' Agreement will also set out the manner for appointments to the board of PHOSCO, the quorum required for board meetings, and establish a Technical Management Committee, comprising two members from each of Union and Bonaparte and 1 member from Tungeni, to oversee work programmes and feasibility studies

leading to commencement of mining operations. The Shareholders Agreement will set out the requirement for decision making by the board and shareholders with specific issues to be determined by a majority vote, a special resolution or unanimous resolution. Unanimous approval of all shareholders will be required for a voluntary surrender or relinquishment of all or part of any tenement area by PHOSCO (being a surrender or relinquishment which is not requiring a majority vote of 65% by two or more non-affiliated parties at either board level (for decisions to be made by the board) or shareholder level (for decisions to be made by the shareholders)).

Bonaparte and Union shall have the right to appoint two members each to the board of directors of PHOSCO and Tungeni shall appoint one member to the board of PHOSCO. The board shall consist of five members. A quorum of the board must include one member appointed by each of Union, Bonaparte and Tungeni. The Shareholders' Agreement will also ensure that Union, Bonaparte and Tungeni will have access to, or be provided on request, all information and material, financial or otherwise provided to a member of the board of PHOSCO.

The Shareholders' Agreement will provide for Bonaparte to be appointed as resource development manager to PHOSCO, through the activities contemplated in the Sandpiper/Meob JV Agreement, and for subsequent development and management of resources and reserves in the mining and exploration licence areas held by PHOSCO until completion of a bankable feasibility study on any of the Union Licence or the Bonaparte/Tungeni Licences. Parties within Union with specialist knowledge of phosphate processing will be appointed to assist PHOSCO through and until the completion of a bankable feasibility study on any of the Union Licences and Bonaparte/Tungeni Licences.

The Shareholders Agreement will further provide for each of Bonaparte and Union to be entitled to a management fee which will be calculated having regard to time allocation billed at consulting rates as set out in the Sandpiper/Meob JV Agreement and direct costs but which management fees levied by each of Bonaparte and Union shall not exceed 15% of actual operating costs for PHOSCO in any one year. Following completion of a bankable feasibility study the parties shall continue to use expertise available in both Bonaparte and Union as needed and on the same commercial terms as outlined above or as otherwise mutually agreed in writing.

#### *Deed of Trust and Indemnity - Peruvian Company to Acquire Tenements*

By a Deed of Trust and Indemnity dated 29 April 2008 between the Company and Ironbark Geoservices S.R.LTDA ("**Ironbark**"), a Peruvian company, Ironbark has agreed to act as trustee for the Company to apply for and hold as trustee licences in offshore Peru. The Trustee must act in accordance with the direction of the Company. The application codes for each application are: Pacifico Uno complementario 01-03067-08, Pacifico Dos 01-02599-08, Pacifico Tres 01-02601-08, Pacifico Cuatro 01-02602-08, Pacifico Cinco 01-03239-08, Pacifico Seis 01-03240-08 and Pacifico Siete 01-03241-08 ("**Applications**"). The Company will pay for all money payable in connection with the Applications.



### *Agreement Sale of Mining Tenements - Baymoon Pty Ltd*

By an agreement dated November 2006 ("**Agreement**") between the Company and Baymoon Pty Ltd ("**Baymoon**"), the Company agreed to sell the following Western Australian tenements and related mining information to Baymoon: EL80/2583, EL80/2823, EL80/3365 and EL80/3366 ("**Tenements**") (both the Tenements and mining information being the "**Mining Assets**"). The consideration for the Tenements is a 20% free carried interest until the completion of a positive bankable feasibility study and the decision to mine by Baymoon. The transfer of the Mining Assets is conditional on obtaining any required consents or approvals and Baymoon will endeavour to obtain such approval as soon as reasonably practicable after completion of the sale. If such approval or consents are not obtained, then the Agreement will terminate. If any of the Company's rights as owner of the Mining Assets are not capable of being legally transferred to Baymoon on completion then such rights are to be exercised by the Company in the name of the Baymoon and the Company must hold such rights in trust for the Baymoon. The Company has the right of first offer in relation to any part of the Tenements that Baymoon proposes to surrender or sell. Both parties have given warranties usual for an agreement of this nature. The transfer of legal title is pending action by Baymoon to complete transfer.

If Baymoon completes a positive bankable feasibility study and decides to mine then it must immediately transfer to the Company a 20% interest in the Mining Assets, following which the parties will enter into a joint venture in respect of those Mining Assets ("**Joint Venture**"). Unless the parties subsequently agree otherwise, under the Joint Venture the parties will contribute to expenditure in and take all minerals won in proportion to their participating interests. Baymoon will be the first manager of the Joint Venture and thereafter the manager shall be appointed by the Management Committee which shall consist of a majority of members from Baymoon. A party may voluntarily dilute its participating interest by however if that interest falls below 5% then the relevant party will be deemed to have withdrawn from the Joint Venture and will be entitled to a 2% gross royalty on the value of all minerals sold.

### *Bronkhorstfontein Project*

In November 2005 the Company entered into an agreement whereby it was granted an option to acquire a majority interest in the South African registered company holding the prospecting permit for the Bronkhorstfontein project. The Company has since elected not to exercise this option and has therefore effectively terminated its option agreement with the project vendors as February 2009.

## 7.9 **CONSENT TO INCLUSION OF STATEMENTS**

Blakiston & Crabb has given, and has not before the lodgement of this Target's Statement with ASIC withdrawn, its consent to being named in this Target's Statement as legal advisers to Bonaparte.

Kings Park Capital has given, and has not before the lodgement of this Target's Statement with ASIC withdrawn, its consent to being named in this Target's Statement as corporate advisers to Bonaparte.

BDO has consented to the inclusion in this Target's Statement of its Independent Expert's report in the form and context in which it appears and BDO has not withdrawn its consent before the lodgement of this Target's Statement with ASIC.

Ravensgate has consented to the inclusion in this Target's Statement of its specialist report in the form and context in which it appears and Ravensgate has not withdrawn its consent before the lodgement of this Target's Statement with ASIC.

Venmyn has consented to the inclusion in this Target's Statement of its specialist report (contained within the Ravensgate report) in the form and context which it appears and Venmyn has not withdrawn its consent before the lodgement of this Target's Statement with ASIC.

Dr Alwyn Annels has given his consent to the inclusion in this Target's Statement of all statements made by him or attributed or derived from those statements in the form and context in which they are included in Section 6 of this Target's Statement and has not withdrawn his consent before the lodgement of this Target's Statement with ASIC.

This Target's Statement also includes statements made by, or statements based on statements made by, Union. Union has not consented to those statements being included in this Target's Statement.

#### **7.10 PUBLICLY AVAILABLE INFORMATION**

This Target's Statement contains statements which are made in or based on statements made in, documents lodged by various parties (including Union) with ASIC, or given to ASX, namely in the Bidder's Statement.

As required by ASIC Class Order CO 01/1543, Bonaparte will make available a copy of these documents (or of relevant extracts from these documents), free of charge, to Bonaparte Shareholders who request it during the Offer Period. To obtain a copy of these documents (or the relevant extracts), Bonaparte Shareholders may telephone the official Bonaparte Shareholder Information Line on +61 8 9483 3500.

#### **7.11 MATERIAL LITIGATION**

As at the date of this Target Statement, Bonaparte is not aware of any current or proposed litigation or dispute that is material.

#### **7.12 NO OTHER MATERIAL INFORMATION**

This Target's Statement is required to include all the information that Bonaparte Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Union Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director.

The Directors are of the opinion that the information that Bonaparte Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Union Offer is:

- the information contained in the Bidder's Statement;
- the information which has been previously disclosed by Bonaparte as a disclosing entity in accordance with its continuous disclosure and reporting obligations to ASX and ASIC;
- the information contained in Union releases to ASX prior to the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

**SECTION 8 APPROVAL OF TARGET'S STATEMENT**

This Target's Statement has been approved by a resolution of the Bonaparte Board.

Signed for and on behalf of Bonaparte Diamond Mines NL.

Dated 28 May 2009

A handwritten signature in black ink, appearing to read "Michael Woodborne", with a long horizontal flourish extending to the right.

Michael Woodborne  
Managing Director

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## SECTION 9 DEFINITIONS AND INTERPRETATION

### 9.1 DEFINITIONS

In this Target's Statement, unless the context otherwise requires:

"**A\$**", "**\$**", or "**AUD**" means the currency of Australia;

"**Advanced Exploration Areas**" means, as defined in the Valmin Code, properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation. A resource estimate may or may not have been made but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to resource status;

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means ASX Limited (ABN 98 008 624 691), and where the context requires, the Australian Securities Exchange;

"**ASX Listing Rules**" means the official listing rules of ASX as amended, varied, modified or waived from time to time;

"**BDO**" means BDO Kendalls Corporate Finance (WA) Pty Ltd ACN 124 031 045;

"**Bidder's Statement**" means the bidder's statement issued by Union dated 1 May 2009;

"**Bonaparte**" or "**Company**" or "**Target**" means Bonaparte Diamond Mines NL ACN 078 606 434;

"**Bonaparte Board**" or "**Board**" means the board of directors of Bonaparte;

"**Bonaparte Options**" or "**Options**" means options to subscribe for Bonaparte Shares which are on issue at the Register Date;

"**Bonaparte Shares**" or "**Shares**" means fully paid ordinary shares in the capital of Bonaparte;

"**Bonaparte Shareholder**" or "**Shareholder**" means a person registered in the register of members of Bonaparte as a holder of one or more Bonaparte Shares;

"**CHESS**" means the Clearing House Electronic Sub register System, which provides for electronic share transfers in Australia;

"**CHESS Holding**" means a holding of Bonaparte Shares on the CHESS Sub register of Bonaparte;

"**cm**" means centimetres;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Development Projects**" means, as defined in the Valmin Code, properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels;

"**Director**" means a member of the Bonaparte Board;

"**EPL**" means exclusive prospecting licence;

"**Exploration Areas**" means, as defined in the Valmin Code, properties where mineralisation may or may not have been identified, but where a Mineral Resource has not been identified;

"**Indicated Resource**" has the meaning ascribed to that term in the JORC Code;

"**Inferred Resource**" has the meaning ascribed to that term in the JORC Code;

"**Independent Directors**" means Mr Michael Woodborne and Mr John Robertson;

"**Independent Expert**" means BDO;

"**JORC Code**" means the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves 2004;

"**Kings Park Capital**" means Kings Park Capital Pty Ltd ACN 128 378 745;

"**km<sup>2</sup>**" means square kilometres;

"**m**" means metres;

"**mm**" means millimetres;

"**Meob Project**" means EPL3323, EPL4009 and EPL4021 and EPL applications EPL4010, EPL4059 and EPL4060;

"**Merged Group**" means Union and its subsidiaries, including Bonaparte and its subsidiaries if the Union Offer is successful;

"**Minemakers**" means Minemakers Limited ACN 116 296 541;

"**Minemakers' Bidder's Statement**" means the bidder's statement issued by Minemakers dated 11 March 2009, the first supplementary bidder's statement issued by Minemakers dated 3 April 2009, the second supplementary bidder's statement issued by Minemakers dated 21 April 2009 and the notice pursuant to section 650D of the Corporations Act dated 27 May 2009;

"**Minemakers Offer**" means the offer by Minemakers for the Bonaparte Shares on the terms contained in section 10 of the Minemakers' Bidder's Statement;

"**Minemakers Share**" means a fully paid ordinary share in the capital of Minemakers;

"**Mineral Resource**" has the meaning ascribed to that term in the JORC Code;

**"Notice of Status of Conditions"** means Union's notice disclosing the status of the conditions of the Offer which is required to be given by subsection 630(3) of the Corporations Act;

**"Offer Period"** means the period during which the Offer remains open for acceptance in accordance with the Bidder's Statement;

**"Offer Price"** means the consideration offered under the Union Offer for each Bonaparte Share. As at the date of this Target's Statement, that consideration is 9 Union Shares for every 1 Bonaparte Shares;

**"Operating Mines"** means, as defined in the Valmin Code, mineral properties, particularly mines and processing plants that, have been commissioned and are in production;

**"Ore Reserve"** has the meaning ascribed to that term in the JORC Code;

**"Pre-Development Projects"** means, as defined in the Valmin Code, properties where Mineral Resources have been identified and the extent estimated (possibly incompletely) but where a decision to proceed with development has not been made;

**"Ravensgate"** means Corvidae Pty Ltd as Trustee for the Ravensgate Unit Trust trading as Ravensgate;

**"Register Date"** means the date set by the Bidder under section 633(2) of the Corporations Act, being 5.00pm (EST) 13 May 2009;

**"Sandpiper Project"** means EPL3414 and EPL3415;

**"Sandpiper/Meob JV Agreement"** means the joint venture agreement dated 21 December 2008 between the Company, Union and Tungeni;

**"Sandpiper/Meob Phosphate Joint Venture"** means the joint venture created by the Sandpiper/Meob JV Agreement;

**"Sandpiper/Meob Phosphate Project"** means the combined Sandpiper Project and Meob Project as governed by the Sandpiper/Meob JV Agreement;

**"Target's Statement"** means this document being the statement of Bonaparte under Part 6.5 Division 3 of the Corporations Act relating to the Offer;

**"Tungeni"** means Tungeni Investments cc;

**"Union"** or **"Bidder"** means Union Resource Limited ACN 002 118 872;

**"Union Offer"** or **"Offer"** means the offer by Union for the Bonaparte Shares on the terms contained in section 10 of the Bidder's Statement;

**"Union Share"** means a fully paid ordinary share in the capital of Union;

"**Valmin Code**" means the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, prepared by the Valmin Committee; and

"**Venmyn**" means Venmyn Rand (Pty) Ltd.

## 9.2 **INTERPRETATION**

In this Target's Statement, unless the context otherwise requires:

- (a) the singular includes the plural and vice versa;
- (b) a reference to an individual or person includes a corporation, firm, partnership, joint venture, association, authority, trust, state or government and vice versa;
- (c) a reference to any gender includes all genders;
- (d) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (e) a term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASTC Settlement Rules, as the case may be;
- (f) unless otherwise specified, a reference to a Section, clause, annexure or schedule is to a Section, clause, annexure or schedule of or to this Target's Statement;
- (g) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;
- (h) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation under, that legislation or legislative provision;
- (i) the words "including", "such as", "particularly" and similar expressions do not imply limitation; and
- (j) headings are for convenience of reference only and do not affect interpretation.



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**FINANCIAL SERVICES GUIDE  
AND  
INDEPENDENT EXPERT'S  
REPORT  
BONAPARTE DIAMOND  
MINES NL  
15 May 2009**



**BDO Kendalls**



## Financial Services Guide

15 May 2009

**BDO Kendalls Corporate Finance (WA) Pty Ltd** ABN 27 124 031 045 ("**BDO Kendalls**" or "**we**" or "**us**" or "**ours**" as appropriate) has been engaged by Bonaparte Diamond Mines NL ("**Bonaparte**") to provide an independent expert's report on the takeover bid from Union Resources Limited to acquire all of the ordinary issued shares in Bonaparte. You will be provided with a copy of our report as a retail client because you are a shareholder of Bonaparte.

### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our **Australian Financial Services Licence, Licence No. 316158**;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

### Information about us

BDO Kendalls Corporate Finance (WA) Pty Ltd is a member firm of the BDO Kendalls network in Australia, a national association of separate partnerships and entities. The financial product advice in our report is provided by BDO Kendalls Corporate Finance (WA) Pty Ltd and not by BDO Kendalls or its related entities. BDO Kendalls and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO Kendalls (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice

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## **Fees, Commissions and Other Benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The combined fee for this engagement is approximately \$40,000.

Except for the fees referred to above, neither BDO Kendalls, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

## **Other Assignments**

We prepared an independent expert's report for Bonaparte dated 7 April 2009 in relation to the takeover offer from Minemakers Limited.

## **Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

We have received a fee from Bonaparte for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

## **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

## **Complaints resolution**

### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Kendalls Corporate Finance (WA) Pty Ltd, PO Box 7426 Cloisters Square, Perth WA 6850.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

### *Referral to External Dispute Resolution Scheme*

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("**FOS**"). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561.

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

## **Contact details**

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

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**BONAPARTE DIAMOND MINES NL**  
**INDEPENDENT EXPERT'S REPORT**  
**TABLE OF CONTENTS**

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1. INTRODUCTION .....	1
2. SUMMARY AND OPINION.....	1
3. BACKGROUND TO THE OFFER .....	4
4. OUTLINE OF OFFER.....	4
5. REPORT REQUIREMENTS.....	5
6. BASIS OF EVALUATION .....	5
7. PROFILE OF BONAPARTE .....	6
8. PROFILE OF UNION .....	8
9. PHOSPHATE INDUSTRY ANALYSIS.....	11
10. DIAMOND INDUSTRY ANALYSIS .....	13
11. VALUATION METHODOLOGIES .....	15
12. VALUATION OF BONAPARTE SHARES .....	18
13. VALUATION OF A UNION SHARE .....	25
14. IS THE OFFER FAIR? .....	27
15. OTHER CONSIDERATIONS.....	28
16. IS THE OFFER REASONABLE? .....	30
17. CONCLUSION .....	31
18. SOURCES OF INFORMATION.....	32
19. INDEPENDENCE.....	32
20. QUALIFICATIONS .....	33
21. DISCLAIMERS AND CONSENTS .....	33

**APPENDIX 1 – GLOSSARY OF TERMS**

**APPENDIX 2 – INDEPENDENT SPECIALISTS MEMORANDUM PREPARED BY  
RAVENSGATE**

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15 May 2009

ABN 27 124 031 045  
AFS Licence No. 316158

The Directors  
Bonaparte Diamond Mines NL  
PO Box 1153  
WEST PERTH WA 6872

Dear Sirs

## **INDEPENDENT EXPERT'S REPORT – BONAPARTE DIAMOND MINES NL**

### **1. INTRODUCTION**

BDO Kendalls Corporate Finance (WA) Pty Ltd ("**BDO Kendalls**") has been engaged by Bonaparte Diamond Mines NL ("**Bonaparte**" or "**the Company**") to prepare an Independent Expert's Report ("**our Report**") to express an opinion as to whether or not the takeover bid for all the ordinary issued shares in Bonaparte by Union Resources Limited ("**Union**") ("**the Offer**") is fair and reasonable to non-associated shareholders ("**Shareholders**") of Bonaparte.

Our Report is to be included in the Target's Statement for Bonaparte to be sent to all Shareholders to assist them in deciding whether to accept or reject the Offer.

### **2. SUMMARY AND OPINION**

#### **2.1 Opinion**

We have considered the terms of the Offer as outlined in the body of this report and have concluded that the Offer is fair and reasonable to Shareholders.

In our opinion, the Offer is fair because the value of nine Union shares is greater than the value of a Bonaparte share. In this regard, the Union Offer is a superior offer to the Minemakers Offer because the value of the Union Offer is greater than the value of the Minemakers Offer.

We consider the Offer to be reasonable because RG 111.11 states that an offer is reasonable if it is fair.

We note that there is currently a competing bid from Minemakers Limited. Each of the Union offer and the Minemakers offer presents different advantages and disadvantages to Shareholders. The table below sets out some of the key differences between each bid. Shareholders are advised to consider the differences of each bid when making a decision to accept the Union Offer, accept the Minemakers Offer or not to accept either offer.

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	Union Offer	Minemakers Offer
Acquisition price	\$0.054 to \$0.063  Preferred value \$0.058	\$0.049 to \$0.056  Preferred value \$0.052
Sandpiper/Moeb Project	Focused on the immediate development of the Sandpiper/Meob Project	Once the cash reserves of Bonaparte are exhausted, intends to develop Sandpiper/Meob Project from cash flows of the Wonarah Phosphate Project which is not yet developed.
Other assets	Holds a 42.5% interest in the Sandpiper/Meob Project. Also holds an interest in a project in Iran that is currently in dispute.	Holds a 100% interest in the Wonarah Phosphate Project which is at feasibility stage. Holds various early stage exploration assets. See the Bidder's Statement dated 11 March 2009 for more details.
90 day volume of shares traded as a percentage of issued capital (liquidity)	8.83%	37.27%
Summary	<p>Accepting this Offer will provide Shareholders with an increased exposure to the Sandpiper/Meob Project. Union is committed to advancing this project as soon as possible and has initiated a capital raising to assist in taking the project to bankable feasibility.</p> <p>Union could achieve synergies through holding 85% of the Sandpiper/Meob Project, however, this would require all Shareholders, including Minemakers, to accept the Offer.</p>	<p>Accepting the Minemakers Offer will provide Shareholders with a diversified asset portfolio with significant exposure to phosphate. Minemakers is committed to advancing its current Australia based phosphate project. Bonaparte will operate as a subsidiary, however, it would appear that Minemakers would not support Bonaparte's development financially until the Wonarah Phosphate Project is profitable.</p>

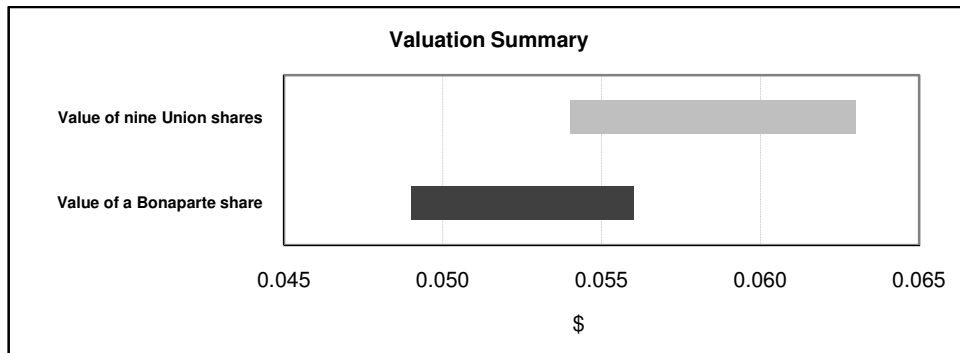
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## 2.2 Fairness

In Section 13 we determined that a Bonaparte share compares to the value of a nine Union shares, as detailed hereunder.

	Value per Share			
	Ref	Low	Preferred	High
Value of a Bonaparte share	12.4	0.049	0.052	0.056
Value of nine Union shares	13.3	0.054	0.058	0.063

The above valuation ranges are graphically presented as follows:



The above pricing indicates that the Offer is fair for Shareholders.

## 2.3 Reasonableness

We have considered the analysis in Sections 15 and 16 of this report, in terms of both

- advantages and disadvantages of the Offer; and
- alternatives, including the position of Shareholders if the Offer does not proceed.

In our opinion, the Offer presents more advantages than disadvantages to Shareholders. Accordingly, we believe that the Offer is reasonable for Shareholders. The advantages and disadvantages should be considered in conjunction with the differences between each bid which are summarised in the table in section 2.1 and how these differences may interact on an individual shareholder's risk and investment profile.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
16.1.1	The Offer is fair	16.2.1	Dilution of Shareholder interest
16.1.2	Access to cash reserves	16.2.2	Major shareholder unlikely to accept
16.1.3	Increased interest in the Sandpiper/Meob Project	16.2.3	Low levels of liquidity in Union's shares
		16.2.4	Potential tax consequences

We have also considered the alternative proposal offered to Shareholders by Minemakers and the position of Shareholders if they choose not to accept the Offer.

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If Shareholders do not accept either the Offer or the Minemakers Offer, they could hold a minority interest in a company with limited liquidity and two significant shareholders (as it is unlikely that Minemakers will accept the Offer as it holds 54.5% of Bonaparte and a joint managing director has been appointed to the Board). There is also the possibility that Bonaparte could be delisted, in which case a Shareholder that did not accept either offer could hold unlisted shares which would limit a Shareholder's ability to dispose of shares held.

### 3. BACKGROUND TO THE OFFER

On 5 March 2009 Minemakers Limited announced a takeover bid for all of the shares of Bonaparte ("the Minemakers Offer"). As at 14 May 2009, Minemakers had secured 54.5% of the issued shares in Bonaparte.

Union does not consider that Minemakers Offer provides sufficient value to Shareholders. In particular, Union is concerned about Minemakers' plans to fund the development of Bonaparte's assets through the free cash flows of one of its projects. Union's concern is that this may delay the development of Bonaparte's assets because Minemakers' project is not in development and it is not certain that there will be any free cash flows.

As a result, following the issue of a Target's Statement by Bonaparte on 8 April 2009, Union announced the Offer on 17 April 2009. The Offer was originally subject to 50.1% acceptance and a capital raising of \$4 million. However, on 29 April 2009 Union announced that these conditions had been waived. Union has announced and commenced an underwritten rights issue to raise approximately \$3.9 million at \$0.005 per share.

Union released a Bidder's Statement on 5 May 2009.

### 4. OUTLINE OF OFFER

The Offer proposed by Union is for Shareholders to receive nine Union shares for every one Bonaparte share held.

The conditions of the Offer are set out below:

- There can be no regulatory actions by any Government agency that will or could delay, restrain, prohibit or impede the Offer or that will or could require the divestment of any material assets of Bonaparte or Minemakers.
- There is no material adverse change in the business, assets, liabilities, financial or operating position, profitability of prospects of Bonaparte.
- Bonaparte does not enter into any commitments, in aggregate, above \$100,000.
- No prescribed occurrences, being those listed in Section 652C of the Corporations Act, are carried out by Bonaparte.
- No other party exercises or purports to exercise a right which would result in moneys being payable, an agreement, interests or rights being modified or terminated, the business of Bonaparte or any subsidiaries being adversely affected or Bonaparte or a subsidiary being required to dispose or offer to dispose or acquire any material assets of Bonaparte as a result of the Offer.



Union has identified that Minemakers is likely to hold a substantial number of Bonaparte shares. Currently, Minemakers holds 54.5% of the issued shares in Bonaparte. Union does not have a minimum acceptance condition.

If they accept the Offer, Shareholders will no longer hold shares in Bonaparte. However, Shareholders will still have an interest in Bonaparte through the shareholding they will receive in Union. The change in Shareholders' interest in Union, assuming a 100% acceptance and a 45.5% acceptance (assuming that Minemakers will not accept the Offer), is set out below. We note that Minemakers has not publicly stated that it does not intend to accept the Offer, however, given that Minemakers has acquired in excess of 50% of the shares in Bonaparte and has requested and Bonaparte has accepted the appointment of a joint managing director, we do not consider it likely that Minemakers will accept the Offer.

	Pre Offer		45.5% Acceptance		100% Acceptance	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Existing Union shareholders	1,851,149,239	100%	1,851,149,239	70%	1,851,149,239	52%
Bonaparte Shareholders	-	-	779,585,645	30%	1,713,375,045	48%
<b>TOTAL</b>	<b>1,834,560,270</b>	<b>100%</b>	<b>2,630,734,884</b>	<b>100%</b>	<b>3,564,524,284</b>	<b>100%</b>

The number of Union shares on issue includes shares to be issued under the rights issue announced on 24 April 2009.

## 5. REPORT REQUIREMENTS

There is no requirement under ASX Listing Rules or Corporations Act Regulations for Bonaparte to engage an independent expert in relation to the Offer.

Notwithstanding the above, Bonaparte engaged BDO Kendalls to prepare this report for provisions to Shareholders to assist them in deciding whether to accept or reject the Offer.

## 6. BASIS OF EVALUATION

### 6.1 Regulatory Guidance

In determining whether the Offer is fair and reasonable, we have had regard to the views expressed by the ASIC in Regulatory Guide 111: Content of Expert Reports (“**RG 111**”). This Regulatory Guide suggests that an opinion as to whether transactions are fair and reasonable should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to affect the Offer.

In our opinion the Offer is a control transaction as defined by RG 111 and we have therefore assessed the Offer to consider whether in our opinion it is fair and reasonable to Shareholders.

### 6.2 Adopted Basis of Evaluation

Having regard to the RG 111 above, BDO Kendalls has completed this comparison in two parts:

- A comparison between the value of one Bonaparte share and the value of nine Union shares (fairness – see Section 14 “Is the Offer Fair?”); and

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- An investigation into other significant factors to which Shareholders might give consideration, prior to accepting the Offer, after reference to the value derived above (reasonableness – see Section 16 “Is the Offer Reasonable?”).

The Offer could be considered “reasonable” if there are sufficient reasons to accept the Offer, notwithstanding that it may not be regarded as “fair” to Shareholders.

## **7. PROFILE OF BONAPARTE**

### **7.1 History**

Bonaparte first listed on the ASX in October 2004 with a primary focus in marine mineral exploration and mining.

Prior to March 2009, Bonaparte was a focussed diamond producing company that maintained a portfolio of highly prospective projects located in the established diamond producing provinces in Southern Africa and Australia. At that time Bonaparte was the only company in Australia conducting marine diamond exploration and one of only a few companies internationally that owns a marine diamond sampling system.

Before Bonaparte suspended its diamond activities in March 2009, Bonaparte had diamond projects in Namibia and South Africa which included the DFI JV mining operations in Namibia, the Savanna mine (74% owned by Bonaparte) in South Africa, which is now placed on care and maintenance and the Vaalbos alluvial diamond project (joint venture with Sydney-on-Vaal Land Restitution Trust, 51.8% owned by Bonaparte) in South Africa which remains subject to the joint venture partners securing a prospecting licence for the 18,000 ha property which has not been issued to date.

With the suspension of diamond mining and exploration activities, Bonaparte has now focussed its efforts on the development of its marine phosphate joint venture projects with Tungeni Investments cc and Union in Namibia. In line with global market trends in demand and price outlook of rock phosphate, Bonaparte has increased its joint venture tenement holdings in two regionally mapped deposits of high phosphate mineralisation on the seabed off the coast of Namibia in water depths of 180m – 300m and is actively exploring these deposits. The Company has also been awarded exploration licences covering 627km<sup>2</sup> in phosphatic sediments off the coast of Peru.

Bonaparte recently announced an increased inferred resource of 611.1 million tonnes at 18.1% phosphate and 178.4 million tonnes at 15.6% phosphate for the Sandpiper/Meob Project.

Details of the projects held by Bonaparte are available in the independent specialist geologist’s report attached as Appendix 2.

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## 7.2 Historical Balance Sheet

Balance Sheet	As at 31 December 2008 \$	As at 30 June 2008 \$	As at 30 June 2007 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2,725,177	4,642,745	1,438,026
Trade and other receivables	186,017	139,486	274,152
<b>TOTAL CURRENT ASSETS</b>	<b>2,911,194</b>	<b>4,782,231</b>	<b>1,712,178</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	1,133,538	571,983	1,120,696
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,133,538</b>	<b>571,983</b>	<b>1,120,696</b>
<b>TOTAL ASSETS</b>	<b>4,044,732</b>	<b>5,354,214</b>	<b>2,832,874</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	377,261	588,721	101,940
Provisions	-	-	43,674
<b>TOTAL CURRENT LIABILITIES</b>	<b>377,261</b>	<b>588,721</b>	<b>145,614</b>
<b>TOTAL LIABILITIES</b>	<b>377,261</b>	<b>588,721</b>	<b>145,614</b>
<b>NET ASSETS</b>	<b>3,667,471</b>	<b>4,765,493</b>	<b>2,687,260</b>
<b>EQUITY</b>			
Contributed equity	18,322,147	18,272,147	10,193,236
Reserves	207,992	(137,717)	(82,278)
Accumulated losses	(14,553,751)	(13,165,914)	(7,337,201)
Parent entity interest	3,976,388	4,968,516	2,773,757
Minority interest	(308,917)	(203,023)	(86,497)
<b>TOTAL EQUITY</b>	<b>3,667,471</b>	<b>4,765,493</b>	<b>2,687,260</b>

**Source:** Annual report for the years ended 30 June 2008 and 30 June 2007 and reviewed accounts for the six months ended 31 December 2008.

The balance sheet above indicates that all exploration expenditure is expensed in Bonaparte's accounts. Bonaparte performed a capital raising during the year ended 30 June 2008. The Company used up almost half of its cash reserves through expenditure and costs related to the Savanna mine and DFI JV.

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### 7.3 Historical Income Statements

Income Statement	Six months ended 31 December 2008 \$	Year ended 30 June 2008 \$	Year ended 30 June 2007 \$
<b>Revenue</b>			
Income	1,201,636	2,279,122	1,358,005
<b>Total Revenue</b>	<b>1,201,636</b>	<b>2,279,122</b>	<b>1,358,005</b>
<b>Expenses</b>			
Depreciation expense	117,952	235,924	305,094
Salaries and employee benefits expense	141,810	346,203	199,150
Impairment expense	33,200	320,100	-
Exploration expenses	440,483	3,781,426	2,248,122
Mining expenses	1,196,793	2,103,266	702,704
Corporate expenses	52,753	414,126	41,639
Occupancy expenses	50,026	64,841	50,355
Administration expenses	154,230	338,583	262,652
Consulting expenses	185,291	341,804	153,707
Investor relations and advertising expenses	20,328	49,081	30,960
Goodwill written-off	-	75,000	-
Share based expense	284,450	82,605	81,780
Other expense	18,051	71,407	35,631
<b>Loss before income tax expense</b>	<b>1,493,731</b>	<b>5,945,244</b>	<b>2,753,789</b>

Source: Annual report for the years ended 30 June 2008 and 30 June 2007 and reviewed accounts for the six months ended 31 December 2008.

The income statements above demonstrate Bonaparte's operations as a diamond miner. The decline in exploration expenditure for the six months ended 31 December 2008 is a result of a decline in mining activities and exploration to conserve cash.

## 8. PROFILE OF UNION

### 8.1 History

Union was incorporated on 31 March 1981 and has been listed on the ASX for over ten years. Union is an exploration company focussed on the Sandpiper/Meob Project that is jointly held with Bonaparte and a project in Iran, the Mehdiabad Base Metal Project, that is currently under dispute. Union shares had also been quoted on the Alternative Investment Market of the London Stock Exchange but they ceased to be quoted from 15 January 2009 as Union stated the costs of maintaining this quotation exceeded the benefits.

The directors of Union are:

- James Collins-Taylor (Chairman);
- Dr Frank Reid (Managing Director);
- Rt Honourable Lord Lamont of Lerwick (Non-Executive Director);
- Ian Ross (Non-Executive Director);
- Karl-Axel Waplan (Non-Executive Director);
- Stephen Gatley (Non-Executive Director); and
- John Lemmon (Executive Director).

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## 8.2 Projects

### Sandpiper/Meob Project

The Sandpiper/Meob Project has been described in more detail in Appendix 2.

### Mehdiabad Base Metal Project

The Mehdiabad Base Metal Project is an Iranian joint venture between Union, Iranian Mine and Mining Industries Development and Renovation Organisation ("IMIDRO") and Itok GmbH. Union has contributed in excess of US\$16 million into the project.

No exploration has been performed on the project since 2007, however, 52,000 metres of diamond drilling has been performed and has identified 32 million tonnes of inferred resource, 222 million tonnes of indicated resource and 140 million tonnes of measured resource comprising an average 4.2% zinc, 1.6% lead and 36% silver at a 2% zinc cut off grade. The drilling also identified an inferred copper resource of 30.1 million tonnes and an indicated copper resource of 42.2 million tonnes with a cut off grade of 0.3%.

Union's participation in the project is currently in dispute after IMIDRO terminated several agreements governing the project. Union currently holds a 25% interest in the joint venture. Union has incurred additional expenditure which the company claims entitle it to more than 40% of the joint venture. It is uncertain if Union will be able to participate in the future of this project.

## 8.3 Shareholders

As at 30 June 2008 the top four shareholders of Union were nominee shareholders holding approximately 557,293,843 shares which represented approximately 52% of Union's issued shares prior to any issue of shares as a result of the announced rights issue.

Union has announced a fully underwritten rights issue to shareholders. This will result in the issue of approximately 786,240,116 shares. The individual shareholdings of Union could change substantially following the rights issue because shareholders have a choice whether or not to participate. Any shares not acquired by Union shareholders will be acquired by the underwriter, Novus Capital Limited.

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#### 8.4 Historical Balance Sheet

Balance Sheet	As at 31 December 2008 \$	As at 30 June 2008 \$	As at 30 June 2007 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	251,599	1,181,218	1,602,178
Trade and other receivables	212,868	256,294	109,390
Financial assets	159,838	159,838	184,849
Current tax assets	-	-	9,193
<b>TOTAL CURRENT ASSETS</b>	<b>624,305</b>	<b>1,597,350</b>	<b>1,905,610</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	117,989	105,695	100,782
Exploration and evaluation	17,437,974	17,417,118	19,287,334
Property, plant and equipment	22,017	28,806	26,428
Intangibles	144,000	144,000	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>17,721,980</b>	<b>17,695,619</b>	<b>19,414,544</b>
<b>TOTAL ASSETS</b>	<b>18,346,285</b>	<b>19,292,969</b>	<b>21,320,154</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	252,690	372,234	480,517
Provisions	90,270	49,812	43,991
<b>TOTAL CURRENT LIABILITIES</b>	<b>342,960</b>	<b>422,046</b>	<b>524,508</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	12,245	11,278	9,915
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>12,245</b>	<b>11,278</b>	<b>9,915</b>
<b>TOTAL LIABILITIES</b>	<b>355,205</b>	<b>433,324</b>	<b>534,423</b>
<b>NET ASSETS</b>	<b>17,991,080</b>	<b>18,859,645</b>	<b>20,785,731</b>
<b>EQUITY</b>			
Issued capital	91,613,295	91,221,313	88,853,091
Reserves	1,779,657	(5,123,282)	(2,946,398)
Accumulated losses	(75,401,872)	(67,238,386)	(65,120,962)
<b>TOTAL EQUITY</b>	<b>17,991,080</b>	<b>18,859,645</b>	<b>20,785,731</b>

**Source:** Annual reports for the years ended 30 June 2008 and 30 June 2007 and reviewed accounts for the six months ended 31 December 2008.

The cash position of Union has declined over the period under analysis. However, since 31 December 2008 Union has raised approximately \$0.5 million through the issue of shares under a private placement and has recently announced a fully underwritten rights issue at \$0.005 raising approximately \$3.9 million.

The value of the exploration and evaluation assets relates to the Mehdiabad Base Metals Project. The ability of Union to realise this value is potentially limited due to the current dispute with the joint venture partners. Union has political risk insurance that could result in a maximum recovery of \$4.5 million should Union not be able to realise the value of this asset through future participation in the joint venture. Therefore, the potential value of this asset is \$4.5 million, assuming any claim for this amount is successful. We note there has been no substantial provision in the accounts for the

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possible non recoverability related to the dispute with the joint venture partners of this project.

Union's auditor has included an inherent uncertainty regarding the company's ability to continue as a going concern and the ability to fully recover the carrying value of the exploration and evaluation costs in their review report for the financial statements for the six months ended 31 December 2008.

The intangible asset as at 31 December 2008 is the only value recorded in the balance sheet that relates to the Sandpiper/Meob Project.

Union's market capitalisation is substantially lower than its net asset value which means that Union's share price may reflect the uncertainty surrounding the Mehdiabad base Metals Project.

## 8.5 Historical Income Statements

	Six months ended 31 December 2008 \$	Year ended 30 June 2008 \$	Year ended 30 June 2007 \$
<b>Income Statement</b>			
<b>Revenue</b>			
Income	32,359	147,833	549,202
<b>Total Revenue</b>	<b>32,359</b>	<b>147,833</b>	<b>549,202</b>
<b>Expenses</b>			
Expenses, excluding finance costs	(1,250,500)	(2,262,572)	(2,255,767)
Finance costs	(1,214)	(2,685)	(1,399)
Impairment loss on Mehbiadad Project	(6,944,131)	-	-
<b>Loss before income tax expense</b>	<b>(8,163,486)</b>	<b>(2,117,424)</b>	<b>(1,707,964)</b>

Source: Annual report for the years ended 30 June 2008 and 30 June 2007 and reviewed accounts for the six months ended 31 December 2008.

The impairment loss included in the financial statements for the six months ended 31 December 2008 related to an adjustment to the Mehbiadad Base Metals Project due to a change in exchange rates that resulted in a corresponding increase in value of the project which Union's directors considered to be impaired.

## 9. PHOSPHATE INDUSTRY ANALYSIS

### 9.1 Demand

Phosphate rock is a general term that refers to rock with a high concentration of phosphate minerals, most commonly of the apatite group. It is the major resource mined to produce phosphate fertilisers for the agriculture sector. Phosphate is also used in animal feed supplements, food preservatives, anti-corrosion agents, cosmetics, fungicides, ceramics, water treatment and metallurgy. Phosphate minerals are often used for control of rust and prevention of corrosion on ferrous materials applied with electrochemical conversion coatings.

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## 9.2 World Production

There is currently no marine phosphate mine in existence. All phosphate mines are land based. Phosphate rock reserves are highly geographically concentrated and thus only exist under control of a small number of countries as noted in the table below.

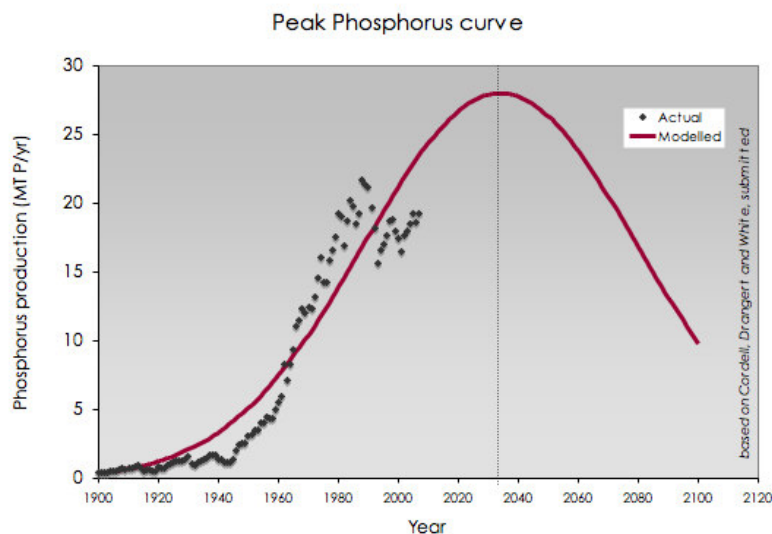
Country	Mine Production		Reserve Tonnes
	2007 (‘000 Metric Tonne)	2008 (‘000 Metric Tonne)	
China	45,400	50,000	4,100,000
United States	29,700	30,900	1,200,000
Morocco and Western Sahara	27,000	28,000	5,700,000
Russia	11,000	11,000	200,000
Tunisia	7,800	7,800	100,000
Brazil	6,000	6,000	260,000
Jordan	5,540	5,500	900,000
Other Countries	23,560	27,800	2,540,000
<b>World Total</b>	<b>156,000</b>	<b>167,000</b>	<b>15,000,000</b>

Source: U.S. Geological Survey, Mineral Commodity Summaries, January 2009

China, the United States and Morocco are the world's largest miners of phosphate rock. Together they produced more than 65% of estimated world production in 2008; however, China and the US struggle to meet their own local demand. China has recently imposed a 135% export tariff to secure domestic fertiliser supply and it is widely considered that US has only 20 to 30 years of domestic supply left.

With the large phosphate producers like the US and China tightening their domestic control on their domestic phosphates, other countries with phosphate deposits will become increasingly important for world phosphate importers and for the global agriculture industry.

Based on the graph below illustrating the supplier of phosphorus over time globally, phosphate production is suggest to peak around 2040; followed by a steep decline as world supply is depleted.



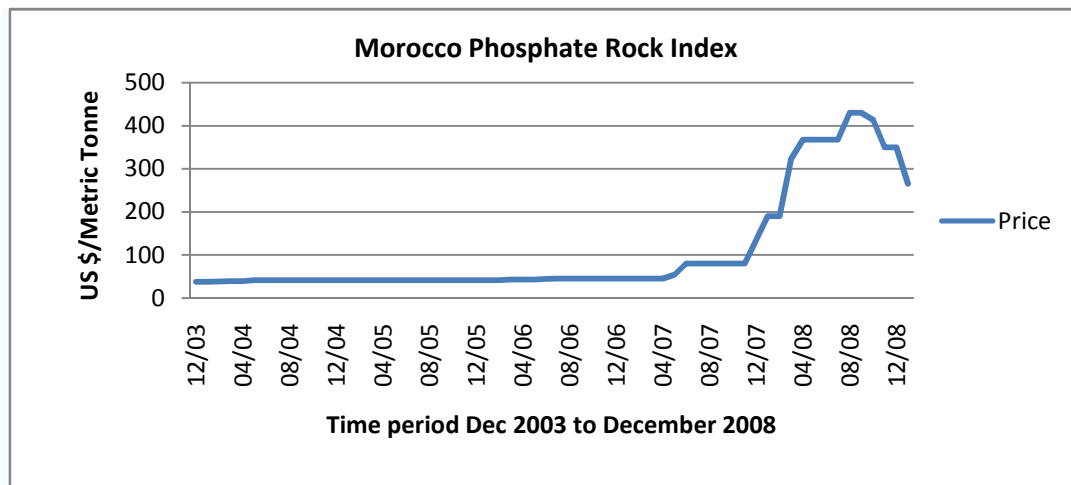
Source: Peak phosphorus 'Hubbert' curve, indicating that production will eventually reach a maximum, after which it will decline (based on Cordell, Drangert and White, 2009)

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### 9.3 Prices

The table below demonstrates the movement in the phosphate rock price over the last five years.



Source: Morocco Phosphate Rock Index (Bloomberg)

For many years prior to 2007, the price of phosphate rock traded around US\$50 to US\$60 dollars. However, as shown in the diagram above, since the beginning of late 2007 and continuing into 2008, the price of phosphate rock increased dramatically due to an increase in agricultural demand and constricted supplies of phosphate rock. High phosphate rock prices created a renewed interest in the exploitation of offshore resources off Mexico and Namibia.

The average spot price reached an average monthly high of US\$430 per metric tonne in August 2008 before falling gradually to US\$265 per tonne in January 2009. The fall in phosphate rock index coincides largely with the global economic downturn.

In the long term, the benefits of lower fertiliser prices, freight costs and oil flows is expected to contribute to an increase in the demand for phosphate rock as the demand for food production increases. The rise in demand will continue to be fuelled by the increase in world population and the emergence of high population countries like China and India, whereby consumer's diets are changing to more meat and dairy products which is generally far more phosphorus intensive than producing grains or vegetables.

Furthermore, the prices of phosphate rock are also affected by the oil price as the production of biofuel is dependent on the use of fertilisers which is dependent on phosphate rock.

## 10. DIAMOND INDUSTRY ANALYSIS

### 10.1 Uses

There are a number of different uses for diamonds based on the category they fall into. Gem diamonds are diamonds of a high quality. Low quality and small gems are used for the low end of the jewellery market. 80% of mined diamonds are unsuitable for use as gemstones and are known as industrial diamonds. They are valued for their heat conductivity and hardness and are used for cutting, drilling, grinding and polishing.

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## 10.2 Demand

The US is the largest market accounting for almost 45% of global demand at present. However, this trend has been declining over the last two years and is expected to fall by about 15% in 2009 as the full impact of the US recession is felt by consumers. With the onset of the global economic downturn affecting the level of unemployment, demand for luxury jewellery has declined substantially as consumers choose to preserve cash.

Despite the slow global economic conditions, slow but steady growth is expected over the medium to longer term. The demand for diamond jewellery in emerging economies like China, India and Russia is expected to grow with the growth in GDP per capita, rising urban household income levels and cultural adaptation. Diamond and jewellery sales in China and India have grown rapidly with the growth in the domestic economy and shift in cultural preference to display wealth and invest in jewellery.

## 10.3 World Production

Annual world production of natural rough diamonds has been steadily increasing over the last 35 years from around 40 million carats in 1970 to 163 million carats in 2006. The chart below shows 2006 global diamond production by value. In 2007, total diamond production worldwide was 160 million carats with an estimated value of US\$14 billion. Global production for 2009 is expected to fall to 120 million carats.

Country	Mine Production	
	2007 (‘000 carat)	2008 (‘000 carat)
Botswana	25,000	25,000
Russia	23,300	23,300
Canada	18,000	18,000
Angola	8,700	10,000
South Africa	6,100	6,100
Congo	5,400	5,400
Namibia	2,200	2,200
Guinea	815	1,100
Other Countries	3,081	3,320
<b>World Total (rounded)</b>	<b>93,000</b>	<b>94,000</b>

*Source: U.S. Geological Survey, Mineral Commodity Summaries, January 2009*

## 10.4 Supply

Supply of diamonds is falling, as a number of existing large mines are entering into declining years. There are no major large emerging mines on the horizon, and DeBeers and Russian stockpiles have been depleted.

Finding economic kimberlites is difficult with less than 1% of all ore bodies discovered being brought into production. There are only approximately 30 major diamond mines globally, and of the annual US\$12 billion world diamond production, only 13 mines produced US\$300 million or more each. In addition, the time taken from the discovery of a kimberlite to the start of production is usually in excess of seven years.

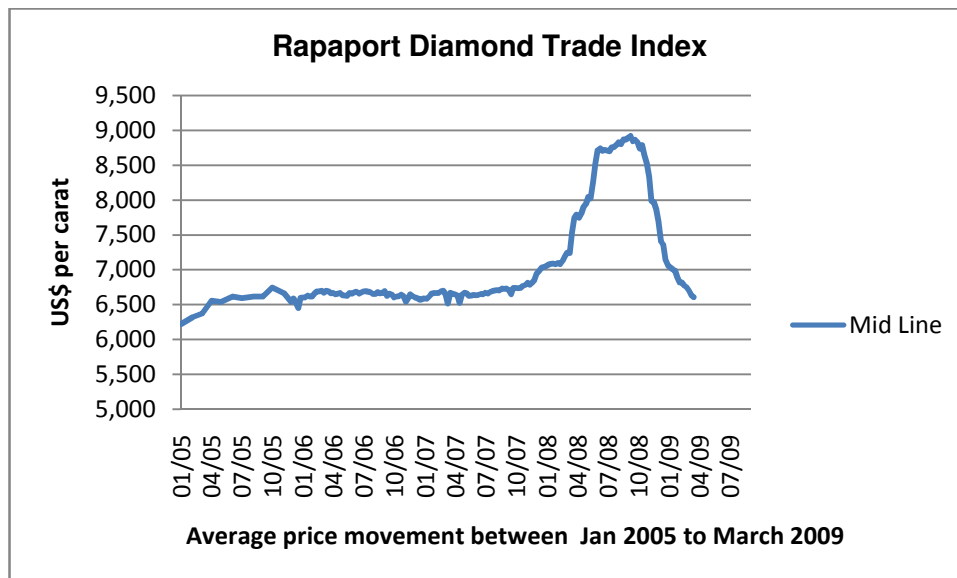
As world economy weathers through the poor economic climate, several major diamond producing companies like De Beers, which accounts for around 40 per cent of global rough diamond supply, have reduced production significantly in accordance with client

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demand in an effort to reduce capital expenditures and off-mine costs. Meanwhile, junior explorers which are either developing or exploring are finding it hard to maintain liquidity and are more likely to merge with other mining operations in order to survive.

## 10.5 Prices

The price of diamonds is largely determined by supply and demand. The average price of rough diamonds increased by almost approximately 40% from January 2005 to the peak noted in September 2008. Based on the Rapaport Diamond trade index graph below that is formulated from the average price for the top 25 best quality 1 carat diamonds, colour between D and H and clarity between internally flawless and very small inclusion, the prices for diamond fell rapidly from September 2008 onwards.



Source: Bloomberg

The price of rough diamonds has fallen largely due to a poor trading performance noted in the retail jewellery sector. Consumers are decreasing their luxury goods expenditures and are moving towards cheaper priced goods as substitutes. This has a flow on effect of reduced cash flows for cutters and polishers of diamonds as receivables take longer to convert to cash. The reduced liquidity at cutting centres and polishing centres in turn affects their ability to repay bad debt and fund new rough or polished diamond purchases. The short term outlook for diamond and it is expected to remain depressed until the global world economy recovers. Over the long term, with the growth in emerging markets, it is expected that demand will outstrip the decreasing level of global diamond supply.

## 11. VALUATION METHODOLOGIES

### 11.1 Methodologies Commonly Used for Valuing Assets and Businesses

#### 11.1.1 Capitalisation of future maintainable earnings (“FME”)

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

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The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (“**EBIT**”) or earnings before interest, tax, depreciation and amortisation (“**EBITDA**”). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

#### **11.1.2 Discounted future cash flows (“DCF”)**

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

#### **11.1.3 Net tangible asset value on a going concern basis (“NTA”)**

Asset based methods estimate the market value of an entity’s securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity’s valuation.

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Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

#### **11.1.4 Quoted Market Price Basis**

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

#### **11.1.5 Alternative Offer**

Where any recent genuine offers have been received for the shares being valued it is appropriate to consider those offers in determining the value of the shares. In considering any alternative offers it is necessary to assess the extent to which the alternative offers are truly comparable and to make adjustments accordingly.

### **11.2 Valuation Approach Adopted for Bonaparte**

The valuation of a target to be included in an independent expert's report should be based on a 100% interest in that target. This means that the valuation should include a premium for control.

We consider a valuation that incorporates a premium for control to be most appropriate for valuing the shares of Bonaparte. Our preferred valuation method is the net asset value. We consider this method to be most appropriate because Bonaparte currently holds a number of mineral assets that are at varying stages of exploration and development and it is these assets that reflect the value of Bonaparte. We have instructed an independent specialist with experience in valuing mineral assets to provide a value of Bonaparte's mineral assets. The independent specialist we have instructed is Ravensgate. Ravensgate's valuation is included in Section 11 and a memorandum is attached as Appendix 2. The memorandum is a summary of a full report that is an update to the report prepared and initially included in our report on the Minemakers Offer. A new report has been prepared because of subsequent events occurring after the original report was issued that could have an influence on the value of Bonaparte's mineral assets. A full version of the report prepared by Ravensgate can be viewed on Bonaparte's website at [www.bonaparte.com.au](http://www.bonaparte.com.au). The only change in the value of Bonaparte's assets and liabilities since our report on the Minemakers Offer relates to the change in the value of the Sandpiper/Meob Project.

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In addition to the net asset valuation we have utilised the quoted market price method in order to provide a comparison to the net asset valuation. The quoted market price method does not include a premium for control, therefore, we have added a premium for control to our quoted market price valuation. In order for a quoted market price valuation to be a reliable indicator of a company's value the shares of that company must trade in a fully informed and appropriately regulated market. The shares of the company must also be liquid, demonstrating deep trading in the company's shares. This valuation is included in Section 11.

Bonaparte is currently subject of an alternative bid from Minemakers. We have also considered the Minemakers Offer when valuing Bonaparte.

We have not used the DCF or FME valuation methods as Bonaparte has significantly change its exploration focus and future cash flows are not able to be reliably forecast.

### 11.3 Valuation Approach Adopted for Union

RG 111.28 indicates that when scrip is being offered as consideration in a takeover bid then the value of the consideration should be based on a minority interest.

We have used the quoted market price method to value the shares of Union. We have selected this method because it does not include a premium for control and represents the value of the shares that Shareholders will receive if they accept the Offer.

## 12. VALUATION OF BONAPARTE SHARES

### 12.1 Net Asset Value of Bonaparte's Shares

The value of Bonaparte's assets on a going concern basis is reflected in our valuation below:

	Ref	Reviewed as at 31 December 2008 \$	Low valuation \$	Preferred valuation \$	High valuation \$
<b>Assets</b>					
Cash and cash equivalents	11.1.1	2,725,177	2,225,177	2,225,177	2,225,177
Trade and other receivables		186,017	186,017	186,017	186,017
Plant and equipment	11.1.2	1,133,538	500,000	906,830	1,133,538
Mineral assets	11.1.3	-	1,350,000	2,380,000	2,490,000
<b>Total Assets</b>		<b>4,044,732</b>	<b>4,261,194</b>	<b>5,698,024</b>	<b>6,034,732</b>
<b>Liabilities</b>					
Trade and other payables		377,261	377,261	377,261	377,261
<b>Total Liabilities</b>		<b>377,261</b>	<b>377,261</b>	<b>377,261</b>	<b>377,261</b>
<b>Net Assets</b>		<b>3,667,471</b>	<b>3,883,933</b>	<b>5,320,763</b>	<b>5,657,471</b>
Shares on issue		190,375,005	190,375,005	190,375,005	190,375,005
<b>Value of a Bonaparte share</b>			<b>0.020</b>	<b>0.028</b>	<b>0.030</b>

We have been advised that there has not been a significant change in the net assets of Bonaparte since 31 December 2008 except for cash which has declined by

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approximately \$500,000. The table above indicates the net asset value of a Bonaparte share is between \$0.020 and \$0.030, with a preferred value of \$0.028.

The following adjustments were made to the net assets of Bonaparte as at 31 December 2008 in arriving at our valuation.

#### **12.1.1 Cash**

We have reduced the cash balance as at 31 December 2008 by \$500,000 to reflect the approximate current cash balance of Bonaparte at the date of this report.

#### **12.1.2 Plant and equipment**

The majority of plant and equipment relates to items used to mine and process diamonds at the Savanna Mine. Given the current decline in diamond prices diamond mining activities have decreased significantly. The value of a large percentage of Bonaparte's plant and equipment is linked to diamond mining. Therefore, we have adjusted our low value of plant and equipment to represent a nominal value of Bonaparte's processing plant and equipment.

In addition to adjusting the low value of plant and equipment, we have also adjusted the preferred value. This is to reflect the potential for accounting book values to be higher than potential market values. We have reduced our preferred value by 20%. The high value of adopted assumes that the book value of the plant and equipment approximates their market value.

#### **12.1.3 Mineral assets**

On 18 March 2009 we instructed Ravensgate to provide a market valuation of the mineral assets held by Bonaparte in order to assist us in assessing the market value of Bonaparte when considering the Minemakers Offer. Following the release of our report, on 21 April 2009 Bonaparte announced a significant increase in the inferred resource at the Sandpiper/Meob Project.

In order to assess the affect this announcement may have on the value of the Sandpiper/Meob Project, we have instructed Ravensgate to provide a new market valuation of the mineral assets held by Bonaparte. The methodology applied to Ravensgate's valuations has not differed from the previous valuation. However, we note that the value of the Sandpiper/Meob Project has increased. This is because Ravensgate's methodology includes a multiple based on the size and potential of the project. Given the change in resource for the project this has resulted in a higher multiple being applied. The original multiple ranged between 1.2 and 2.2 and has been revised to a range of 1.2 to 3.0. There have not been any other material changes in the values of other assets.

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The range of values for each of Bonaparte's mineral assets as calculated by Ravensgate is set out below:

Mineral Asset	Low Value \$m	Preferred Value \$m	High Value \$m
Sandpiper-Meob Project	0.55	1.38	1.38
Rocky Point Project	0.28	0.28	0.28
Pacifico Project	0.30	0.30	0.30
Nabberu Project	0.22	0.22	0.33
Savanna Project	-	0.20	0.20
<b>Total</b>	<b>1.35</b>	<b>2.38</b>	<b>2.49</b>

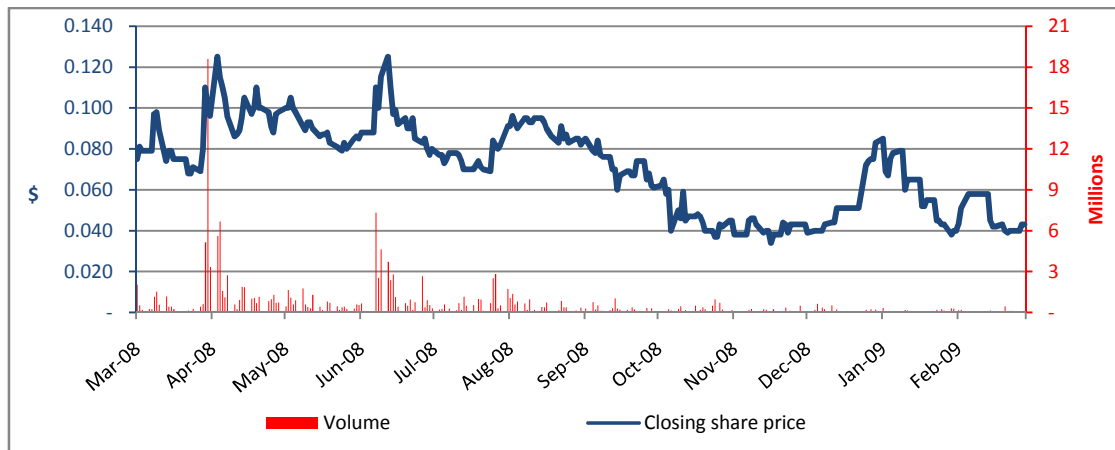
The table above indicates a range of values between \$1.35 million and \$2.49 million, with a preferred value of \$2.38 million

## 12.2 Quoted Market Prices for Bonaparte Shares

### 12.2.1 Pre announcement share price

To provide a comparison to the net asset valuation of a Bonaparte share in Section 11.1, we have also assessed the quoted market price for a Bonaparte share.

The following chart provides a summary of the share price movement over the period from 5 March 2008 to 4 March 2009, being the last date prior to the announcement of the Minemakers Offer. We have used the price prior to the Minemakers Offer in order to exclude any premium that may be included in the share price that could relate to the affects of a takeover and speculation of a premium offer. As a result, our analysis of Bonaparte's share price is unchanged from the analysis in our report of 8 April 2009.



Source: Bloomberg

The daily price of Bonaparte shares from 5 March 2008 to 4 March 2009 has ranged from a high of \$0.15 on 8 April 2008 to a low of \$0.03 on 28 October 2008.

We note that the volume of Bonaparte shares traded over the period has decreased significantly. Bonaparte's share price has trended lower over the period despite positive announcements related to its phosphate assets. This is common to the share prices of many companies following the global financial crisis.

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To provide further analysis of the market prices for Bonaparte shares, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 4 March 2009.

	4 March 2009	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.043				
Weighted Average price		\$0.040	\$0.043	\$0.052	\$0.048

Source: Bloomberg

The above weighted average prices are prior to the date of the announcement of the Minemakers Offer.

In order to demonstrate the liquidity of Bonaparte's shares we have analysed the volume of trading in Bonaparte shares for the period to 4 March 2009 as set out below:

	Cumulative volume	% Issued capital
1 Trading Day	29,100	0.02%
10 Trading Days	827,748	0.43%
30 Trading Days	2,633,448	1.38%
60 Trading Days	5,577,142	2.93%
90 Trading Days	9,955,302	5.23%
180 Trading Days	50,857,387	26.71%

Source: Bloomberg

This table indicates that Bonaparte shares display a low level of recent liquidity, with 5.23% of the Company's current issued capital being traded in a three month period. We note that approximately 20% of Bonaparte's shares were traded in the three months prior to the most recent three month period.

For the QMP method to be reliable there needs to be a 'deep' market in a company's shares. We do not consider that there is a deep market in Bonaparte's shares, as such we believe the quoted market price valuation should only be used as a comparison to an alternative valuation methodology.

Our assessment of the value of a Bonaparte share based on the quoted market price is between \$0.04 and \$0.05. However, the quoted market price excludes a premium for control. Therefore, we have estimated the premium for control that Shareholders could expect to receive in a takeover.

A premium for control can be expected due to the advantages an acquirer will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

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We have reviewed control transactions over certain periods of time and summarise our findings below:

Criteria	Transaction Period	Number of Transactions	Average Deal Value (US\$m)	Average Control Premium
Australian transactions	2008	36	911.5	25.1%
Australian mining transactions	2008	20	640.6	29.3%
Australian phosphate and diamond mining transactions	1998 - 2007	5	69.2	40.1%
Global phosphate and diamond mining transactions	1998 – 2007	12	71.6	42.9%
Global mining transactions	2008	50	909.2	18.5%

Source: Bloomberg

The table above indicates a range of average control premia from 18% to 43%. We note that there was no publicly available information on transactions involving phosphate and diamond mining in 2008.

We have selected a control premium of 30%. In selecting our control premium we have preferred recent Australian mining company transactions.

Applying a control premium to Bonaparte's quoted market share price results in the following quoted market price value including a premium for control:

	Low	High
	\$	\$
Quoted market price value	0.04	0.05
Control premium	30%	30%
<b>Quoted market price valuation including a premium for control</b>	<b>0.05</b>	<b>0.06</b>

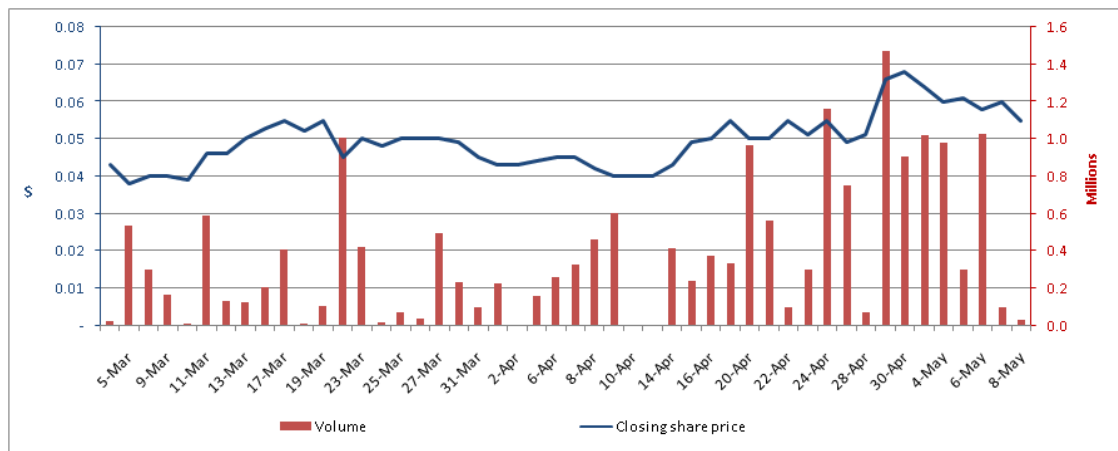
Therefore, our valuation of a Bonaparte share based on the quoted market price method and including a premium for control is between \$0.05 and \$0.06.

### 12.2.2 Post announcement share price

RG111.30 states that trading after a bid is announced may reflect some of the benefits of the combined entity, depending on whether the market has confidence that the transaction will proceed.

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We have included in the graph below the movement in Bonaparte's share price following the announcement of the Minemakers Offer on 5 March 2009 and the announcement of the Union Offer on 17 April 2009.



Source: Bloomberg

The graph above indicates an initial drop in the value of a Bonaparte share following the announcement of the Minemakers Offer. However, the closing share price rose approximately 18% following the release of the Bidder's Statement on 11 March 2009. The share price then returned to levels experienced prior to the Minemakers Offer. However, following the announcement that Union would be making a bid, Bonaparte's share price increased again. Following the release of Union's Bidder's Statement Bonaparte's share price has declined again.

We note that the liquidity of Bonaparte's shares is very low and the value is influenced significantly by small trading volumes.

### 12.3 Alternative Offer

Bonaparte is currently subject to an alternative offer from Minemakers. We provided Shareholders with an independent expert's report on that transaction. Our independent expert's report was included in the Target's Statement dated 8 April 2009. Shareholders are advised to review this report for more details on the Minemakers Offer.

RG 111.54 states that it is open to an expert to consider an amount an alternative bidder may be willing to offer when making a judgement as to value.

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We originally calculated the value of the Minemakers Offer as at 4 March 2009, which was the date the Minemakers Offer was announced. However, as we are considering the value of Bonaparte as at the date of announcement of the Union Offer we have also provided the value of the Minemakers Offer as at that date. In order to provide a complete analysis of the Minemakers Offer we have also considered the value of the Minemakers Offer as at 8 May 2008. These values are set out below:

	Low value per share \$	Preferred value per share \$	High value per share \$
As at 4 March 2009 (date of Minemakers Offer)	0.040	0.046	0.053
As at 16 April 2009 (date of Union's Offer)	0.049	0.052	0.056
As at 8 May 2009 (current value)	0.054	0.058	0.063

The values calculated above are based on the range of 10, 30, 60 and 90 day weighted average prices for each of the dates in question.

Based on the data above we have selected a current offer value of Bonaparte's shares of between \$0.049 and \$0.056, with a preferred value of \$0.052. The Minemakers Offer is based on scrip which means the value of the offer will vary as Minemakers' share price varies. We have selected the value of the Minemakers Offer as at the date prior to the announcement of the Union bid in order to provide a comparison to the Union Offer at similar dates.

#### 12.4 Conclusion of Value of Bonaparte Shares

In Sections 12.1, 12.2 and 12.3 we have discussed the quoted market price, net asset and alternative offer values of a Bonaparte share. These values are summarised below:

	Low value per share \$	Preferred value per share \$	High value per share \$
Quoted market price	0.050	0.055	0.060
Net asset	0.020	0.028	0.030
Alternative offer	0.049	0.052	0.056

The valuations above indicate that the quoted market price of a Bonaparte share is greater than the net asset value of a Bonaparte share. We do not consider Bonaparte's shares demonstrate sufficient liquidity to reflect a reliable valuation. We note that the current offer price from Minemakers is greater than the net asset value of a Bonaparte share. The market value of a company's shares is based on the price a willing buyer will pay for those shares. In the case of Bonaparte, the current offer from Minemakers is indicative of a market price that is available to Shareholders. In addition to this, the Minemakers Offer is for 100% of the shares of Bonaparte and, therefore, represents what a buyer is willing to pay for control of Bonaparte. As a result, we have relied upon the current offer valuation when considering the value of a Bonaparte share. This means that we consider the value of a Bonaparte share to be between \$0.049 and \$0.056, with a preferred value of \$0.052.

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**13. VALUATION OF A UNION SHARE**

**13.1 Pre Announcement Share Price**

The following chart provides a summary of the share price movement over the last 12 months.



Source: Bloomberg

The daily price of Union's shares for the 12 months from 17 April 2008 to 16 April 2009 (last trading day prior to announcement of the scrip offer for Bonaparte) has ranged from a high of \$0.037 on 23 June 2008 to a low of \$0.003 first set on 13 November 2008.

An analysis of Union's share price movement indicates that the high achieved on 23 June 2008 followed Union's acquisition of the interest in the Sandpiper/Meob Project. However, the high was an abnormality and Union's share price closed at \$0.017 the following day. It would appear that the spike in share price was affected by poor liquidity in Union's shares. This is supported by the fact that shares traded on 23 June 2008 represented approximately 24% of total shares traded during the period reviewed.

There has been minimal share volumes traded since Minemakers' bid for Bonaparte up to Union's subsequent bid.

To provide further analysis of the market prices for Union's shares, we have also considered the weighted average market price for 10, 30, 60 and 90 days for the period to 16 April 2009.

Price per share	16-Apr-09	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.004				
Weighted Average price		\$0.004	\$0.004	\$0.004	\$0.004

The above weighted average prices are prior to the date of announcement of the Offer, to avoid the influence of any factors in the price movement of Union's shares that has occurred since the Offer was announced.

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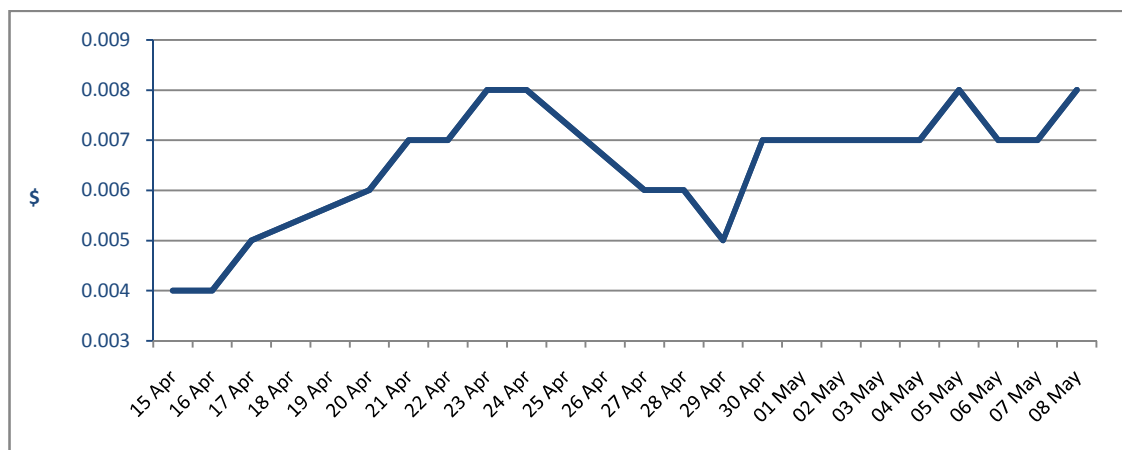
An analysis of the volume of trading in Union's shares for the twelve months to 16 April 2009 is set out below:

	Share Price Low	Share Price High	Cumulative Volume traded	As a % Issued capital
1 Trading Day	\$0.004	\$0.004	595,744	0.06%
10 Trading Days	\$0.004	\$0.004	4,229,785	0.40%
30 Trading Days	\$0.004	\$0.005	11,760,306	1.10%
60 Trading Days	\$0.003	\$0.007	39,068,569	3.67%
90 Trading Days	\$0.003	\$0.007	94,007,978	8.83%
180 Trading Days	\$0.003	\$0.011	195,431,595	18.35%
1 Year	\$0.003	\$0.037	440,722,296	41.39%

The table indicates that Union's shares display a low level of liquidity, with 9% of the company's current issued capital being traded during the last 90 trading days. Our assessment indicates a value for Union's shares of \$0.004.

### 13.2 Post Announcement Share Price

The following chart provides a summary of Union's share price from 15 April 2009 to 8 May 2009.



Source: Bloomberg

The movement in share price includes post announcement pricing. However, we consider that it is appropriate to consider post announcement pricing because there was an announcement by Union on 21 April 2009 relating to the increase in resource at the Sandpiper/Meob Project. As a result of this increase, the independent specialist valuer that we have instructed to value the Sandpiper/Meob Project revised the value of the project upwards. We consider that the value of the Sandpiper/Meob Project is integral to the value of Union's shares. Therefore, we consider that it is appropriate to consider post announcement pricing.

Union's share price post announcement has ranged from \$0.005 to \$0.008. The weighted average closing share price for the period was \$0.007. This price was achieved on an increase in trading over the period resulting in approximately 5% of the total issued share capital of Union being traded.

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To provide further analysis of the market prices for Unions shares, we have also considered the weighted average market price for 10, 30, 60 and 90 days for the period to 16 April 2009.

Price per share	8-May-09	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.008				
Weighted Average price		\$0.007	\$0.006	\$0.006	\$0.006

The weighted average prices above indicate a range of values between \$0.006 and \$0.007.

Union has announced a rights issue at \$0.005 per share to raise approximately \$3.9 million. This is a substantial issue when compared to Union's market capitalisation of approximately \$9 million. We note that substantial capital raisings are typically at a discount to a company's share price. Our research shows this figure to be approximately 14%. This indicates a potential value of Union's shares of approximately \$0.0058 which would support the lower range of values arrived at above.

### 13.3 Conclusion on the Value of a Union Share

In sections 13.1 and 13.2 we have considered the pre and post announcement pricing of Union shares. We consider that the post-announcement pricing of Union shares best reflects the value to Shareholders. As such in our opinion the value of a union share is between \$0.006 and \$0.007. In selecting our value, we have considered that the post announcement share prices of Union will include a change in value that results from investors being aware that Union may acquire Bonaparte which could increase the value of Union's shares, but will also include knowledge of the Sandpiper/Meob Project resource upgrade.

## 14. IS THE OFFER FAIR?

Union is offering nine Union shares for each Bonaparte share. The value of Union shares to be exchanged for a Bonaparte share is set out below:

	Low \$	Middle \$	High \$
Value of a Union share (section 13.3)	0.0060	0.0065	0.0070
Shares exchanged	9	9	9
<b>Value of Union shares to be exchanged</b>	<b>0.054</b>	<b>0.058</b>	<b>0.063</b>

The value of Union shares to be exchanged for each Bonaparte share is compared below:

	Ref	Low \$	Middle	High \$
Value of a Bonaparte share	12	0.049	0.052	0.056
Value of nine Union shares	13	0.054	0.058	0.063

The above table indicates that the Offer is greater than the value of a Bonaparte share. Therefore, the Offer is fair.

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## 15. OTHER CONSIDERATIONS

### 15.1 Alternative Proposal

There is currently alternative offer available to Shareholders. This is the Minemakers Offer, on which we prepared an independent expert's report that was included in the Target's Statement, dated 8 April 2009, sent to Shareholders.

The Minemakers Offer is a scrip for scrip offer valued at between \$0.040 and \$0.053 per Bonaparte share. As at 12 May 2009, Minemakers had acquired approximately 54.5% of Bonaparte's issued shares.

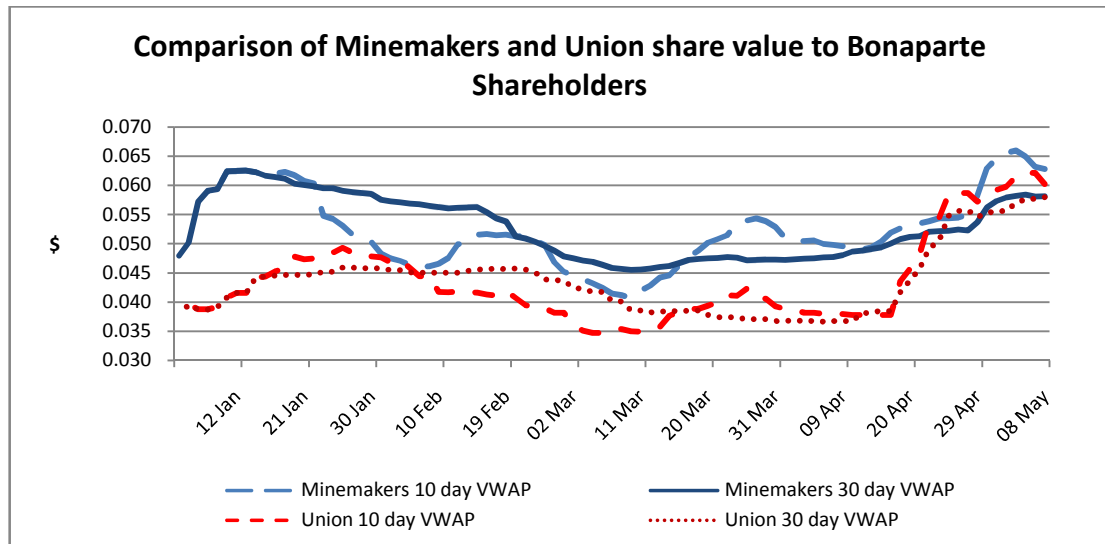
The key differences between the two offers are set out below:

	Union Offer	Minemakers Offer
Acquisition price	\$0.054 to \$0.063 Preferred value \$0.058	\$0.049 to \$0.056 Preferred value \$0.052
Sandpiper/Meob Project	Focussed on the immediate development of the Sandpiper/Meob Project	Once the cash reserves of Bonaparte are exhausted, intends to develop Sandpiper/Meob Project from cash flows of the Wonarah Phosphate Project which is not yet developed.
Other assets	Holds a 42.5% interest in the Sandpiper/Meob Project.	Holds a 100% interest in the Wonarah Phosphate Project which is at feasibility stage. Holds various early stage exploration assets. See the Target's Statement dated 8 April 2009 for more details.
90 day volume of shares traded as a % of issued capital	8.83%	37.27%
Summary	Accepting this Offer will provide Shareholders with an increased exposure to the Sandpiper/Meob Project. Union is committed to advancing this project as soon as possible and has initiated a capital raising to assist in taking the project to bankable feasibility. Union could achieve synergies through holding 85% of the Sandpiper/Meob Project, however, this would require all Shareholders, including Minemakers, to accept the Offer.	Accepting the Minemakers Offer will provide Shareholders with a diversified asset portfolio with significant exposure to phosphate. Minemakers is committed to advancing its current Australia based phosphate project. Bonaparte will operate as a subsidiary, however, it would appear that Minemakers would not support Bonaparte's development financially until the Wonarah Phosphate Project is profitable.

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Both offers are based on the scrip of the acquiring companies. This means that the value of the offers are dependent on the value of the shares of Minemakers and Union. This value will vary over time. This means that one offer could be valued higher than the other at a given point in time but this value could be the inverse at a future point. We have prepared a graph that compares the value to Bonaparte Shareholders of Minemakers' shares and Union's shares based on 10 and 30 day volume weighted averages since 2 January 2009.



The graph above indicates that the historic share price of Minemakers demonstrates a higher value than the historic share price of Union. The significant increase in Union's volume weighted average share price from 16 April 2009 coincides with the announcement of Union's bid for Bonaparte and the announcement of an increase in the resource of the Sandpiper/Meob Project.

## 15.2 Implications of the Offer not Being Accepted

If Shareholders do not want to accept the Offer then they have two options. The first is to continue to hold Bonaparte shares and the second is to accept the Minemakers Offer.

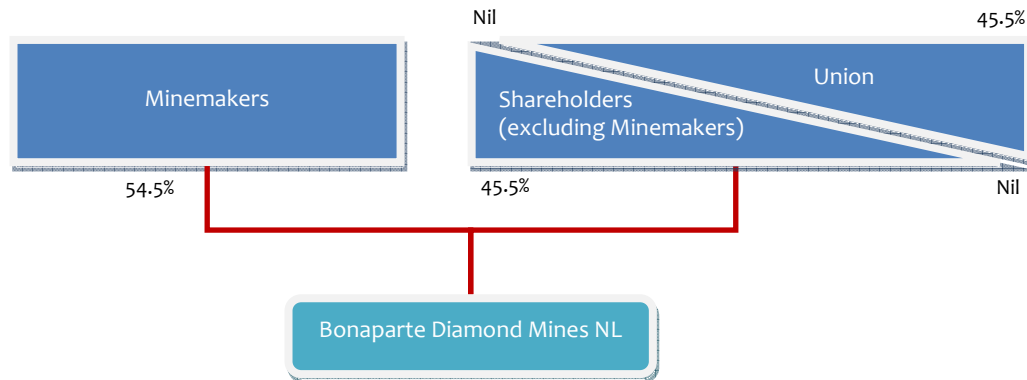
If Shareholders choose not to accept either offer then it is possible that they could hold a small minority interest in a company with two substantial shareholders, being Minemakers and Union. This is because, whilst Minemakers is entitled to accept Union's Offer, it is unlikely that they would do so. However, as a result of the Offer, Union may acquire a substantial interest in Bonaparte. Therefore, any Shareholder that does not accept either offer could be left with a small minority interest.

Even if Union does not acquire a substantial interest in Bonaparte, it is likely that the liquidity of Bonaparte's shares will deteriorate significantly. It is also possible that the value of Bonaparte's shares could reduce as the current value may include a takeover premium which is reflected in the increase in the share price since the announcement of the Minemakers Offer.

If Union, along with Minemakers, acquires enough shares that the ASX considers there is not an orderly and liquid market in Bonaparte's shares then it is possible that the ASX could de-list Bonaparte.

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The potential change in shareholdings after accepting or rejecting the Offer is set out graphically below:



The graphic above is based on Minemakers shareholding as at 12 May 2009 and assumes Minemakers does not accept the Offer or more Shareholders do not accept Minemakers Offer. Any increase in the Bonaparte shares acquired by Minemakers will reduce the percentage of Bonaparte held by Shareholders who do not accept either offer or that Union can acquire.

If Shareholders choose to accept the Minemakers Offer then they should review the Target's Statement related to that offer.

## 16. IS THE OFFER REASONABLE?

We have considered the position of Shareholders if the Offer is approved and have taken into account the following advantages and disadvantages in this assessment.

### 16.1 Advantages

#### 16.1.1 The Offer is fair

As set out in Section 14 the Offer is fair. RG 111.11 states that an offer is reasonable if it is fair.

#### 16.1.2 Access to substantial cash reserves

Bonaparte had approximately \$2.7 million in cash as at 31 December 2008 and will require additional cash if it wants to advance its phosphate projects.

It is likely that Bonaparte would not be able to raise debt funding to assist in exploration. This means that if Bonaparte needed to raise capital it would be through the issue of equity. It is likely that any capital raising would be at a discount to Bonaparte's share price which would dilute Shareholders interest in Bonaparte. Our research shows that the average capital raising for 2009 was done at a discount to a company's share price of approximately 14%. Any share issue at a discount to a company's share price will dilute the interests of that company's shareholders.

Union has announced a fully underwritten rights issue that will raise \$3.9 million. Union believes that this will provide sufficient additional cash to advance the Sandpiper/Meob Project to bankable feasibility. This will eliminate the need for Bonaparte to raise additional capital prior to bankable feasibility.

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### **16.1.3 Increased interest in Sandpiper/Meob Project**

Union holds a 42.5% interest in the Sandpiper/Meob Project. If Shareholders accept the Union Offer this will expose Shareholders to a greater interest in the project. If Union acquired 100% of Bonaparte then the total interest in the project would be 85%. However, as it is unlikely that Minemakers will accept the Offer, Union's total potential interest in the Sandpiper/Meob Project will be less than this.

## **16.2 Disadvantages**

### **16.2.1 Dilution of Shareholders**

Bonaparte shareholders currently own 100% of the Company. If the Offer is accepted by all Shareholders (including Minemakers), Bonaparte shareholders will have an interest in up to 48% of Union. Shareholders' control and influence on decisions in the merged entity will diminish. However, this interest assumes that Minemakers will accept the Offer. Whilst this could happen, we do not consider this situation likely. Therefore, in our opinion, the most likely maximum interest in Union will be approximately 30%.

### **16.2.2 Major shareholder unlikely to accept**

Whilst Minemakers is entitled to accept the Offer, given that the company is currently bidding for control of Bonaparte, we consider it unlikely that Minemakers would accept the Offer. Minemakers has already acquired more than 50% of the shares in Bonaparte. This means that Minemakers will be able to control all general resolutions and will have significant influence over special resolutions.

This means that Union is unlikely to exercise significant influence over Bonaparte.

### **16.2.3 Low levels of liquidity**

Union's shares demonstrate a low level of liquidity. It is possible that the liquidity of Union's shares will not improve if the Offer is accepted. This is because the liquidity of Bonaparte's shares is also low.

### **16.2.4 Potential tax consequences**

If Union acquires less than 80% of the shares in Bonaparte then it is possible that the exchange of Bonaparte shares for Union shares will be considered a taxable event by the Australian Tax Office. This means that, depending on the circumstances of individual Shareholders, a capital gain may be realised during that financial year. Given Minemakers interest in Bonaparte, this is a likely scenario. Shareholders are advised to seek their own independent taxation advice if they intend to accept the Union offer,

## **17. CONCLUSION**

We have considered the terms of the Offer as outlined in the body of this report and have concluded that the Offer is fair and reasonable to Shareholders.

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**18. SOURCES OF INFORMATION**

This report has been based on the following information:

- Draft Target's Statement on or about the date of this report;
- Audited financial statements of Bonaparte and Union for the years ended 30 June 2008 and 30 June 2007;
- Reviewed financial statements of Bonaparte and Union for the six months ended 31 December 2008;
- Bidder's Statement issued by the directors of Union and dated 5 May 2009;
- Independent Specialist's Report prepared by Ravensgate and dated 8 May 2009;
- Bloomberg Data Services;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Bonaparte.

**19. INDEPENDENCE**

BDO Kendalls Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately \$40,000 (excluding GST and reimbursement of out of pocket expenses) for the preparation of this Report and our independent expert report dated 7 April 2009. Except for this fee, BDO Kendalls Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Kendalls Corporate Finance (WA) Pty Ltd has been indemnified by Bonaparte in respect of any claim arising from BDO Kendalls Corporate Finance (WA) Pty Ltd's reliance on information provided by the Bonaparte, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Kendalls Corporate Finance (WA) Pty Ltd considered its independence with respect to Bonaparte and Union and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Kendalls Corporate Finance (WA) Pty Ltd's opinion it is independent of Bonaparte and Union and their respective associates.

Neither the two signatories to this report nor BDO Kendalls Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Bonaparte, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Bonaparte and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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## 20. QUALIFICATIONS

BDO Kendalls Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Kendalls Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes, Adam Myers and Peter Gray of BDO Kendalls Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty years experience working in the audit and corporate finance fields with BDO Kendalls and its predecessor firms in London and Perth. He has been responsible for around 100 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia.

Adam Myers is a Member of the Institute of Chartered Accountants in Australia. Adam's career spans 11 years in the Audit and Assurance and Corporate Finance areas.

## 21. DISCLAIMERS AND CONSENTS

This report has been prepared at the request of Bonaparte for inclusion in the Target's Statement which will be sent to all Bonaparte Shareholders. Bonaparte engaged BDO Kendalls Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the Offer.

BDO Kendalls Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Target's Statement. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Kendalls Corporate Finance (WA) Pty Ltd.

BDO Kendalls Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Target's Statement other than this report.

BDO Kendalls Corporate Finance (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of Bonaparte or Union. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Offer, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Bonaparte, or any other party.

The taxation implications addressed are based on the Income Tax Assessment Act 1997 (Cth) (as amended), the Income Tax Assessment Act 1936 (Cth) (as amended), and the established interpretations of those Acts at the date of this report.

BDO Kendalls Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for exploration assets held by Bonaparte.

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Ravensgate possess the appropriate qualifications and experience to make such assessments. The approaches adopted and assumptions made in arriving at their valuations are appropriate for this report. We have received consents from Ravensgate for the use of their valuation report in the preparation of this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Kendalls Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully  
**BDO KENDALLS CORPORATE FINANCE (WA) PTY LTD**



**Sherif Andrawes**  
Director



**Adam Myers**  
Director

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## Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO Kendalls	BDO Kendalls Corporate Finance (WA) Pty Ltd
Bonaparte	Bonaparte Diamond Mines NL
The Company	Bonaparte Diamond Mines NL
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FMD	Future Maintainable Dividends
FME	Future Maintainable Earnings
FOB	Free on board
IMIDRO	Iranian Mine & Mining Industries Development and Renovation Organisation
JORC	Joint Ore Reserves Committee
Minemakers	Minemakers Limited
The Minemakers Offer	The offer from Minemakers to issue Shareholders with one Minemakers share for every ten Bonaparte shares
NTA	Net Tangible Assets
The Offer	The offer from Union to issue Shareholders with nine Union shares for every Bonaparte share
Ravensgate	Corvidae Pty Ltd as trustee for Ravensgate Unit Trust trading as Ravensgate
Our Report	This Independent Expert's Report prepared by BDO Kendalls
RG 111	Regulatory Guide 111: Content of Expert Reports
Shareholders	Shareholders of Bonaparte not associated with the Offer
Union	Union Resources Limited
VWAP	Volume Weighted Average Price

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## **APPENDIX 2**

### **INDEPENDENT SPECIALISTS MEMORANDUM PREPARED BY RAVENSGATE**





## MEMORANDUM

Date: 11 May 2009  
Company: BDO Kendalls Corporate Finance (WA) Pty Ltd  
Attention: Sherif Andrawes  
Copy: Mike Woodborne (Bonaparte Diamonds Ltd)  
From: Richard Hyde  
Subject: Executive Summary - Bonaparte Valuation 8<sup>th</sup> May 2009

### EXECUTIVE SUMMARY

Ravensgate has been commissioned by BDO Kendalls Corporate Finance (WA) Pty Ltd (BDO Kendalls) to provide an Independent Technical Valuation of the mineral assets belonging to Bonaparte Diamond Mines NL (Bonaparte). The objective of this report is to provide a Valmin compliant valuation and technical assessment of Bonaparte's mineral assets. The work has been commissioned by BDO Kendall with the full support of Bonaparte. BDO Kendall's will rely upon and use the report to separately form an opinion about the value of Bonaparte in relation to a transaction involving a takeover bid for Bonaparte by Union Resources Limited. This report does not provide a valuation of Bonaparte as a whole, nor does it make any comment on the fairness and reasonableness of any aspect of the proposed transaction the two companies. Bonaparte is an ASX listed company actively exploring for marine phosphate deposits off the coasts of Namibia and Peru. Bonaparte also has interests in land-based diamond projects in South Africa and Australia.

Bonaparte's principal interests include the Sandpiper-Meob Phosphate Joint Venture and Rocky Point Projects which are located offshore of the Namibian coast. Collectively, the projects comprise approximately 12,000km<sup>2</sup> of granted licences and applications. The Sandpiper-Meob JV Project is located between Walvis Bay and Luderitz and between 50km and 80km off the coast and 150km southwest of Namibia's main port, Walvis Bay. The Rocky Point Project is located some 50km from the Kunene River mouth and approximately 400km north of Walvis Bay. Bonaparte retains 42.5% and 70% beneficial interests in the Sandpiper-Meob JV and Rocky Point projects respectively. Scientific studies completed from the late 1960s through to the early 1980s confirmed the presence of ocean floor sediments enriched in phosphate. The work was followed up in the 1990's by explorers and more recently by Bonaparte and its JV partners. Recent mapping and sampling has returned a number of results exceeding 20%P<sub>2</sub>O<sub>5</sub>. In April 2009, Bonaparte announced a combined Inferred Mineral Resource estimate for EPL's 3323, 3414 and 3415 in the Sandpiper-Meob JV of 789.5 million tonnes, comprising 611.1 Mt at 18.1% P<sub>2</sub>O<sub>5</sub>, from gravity core samples and 178.4 Mt at 15.6% P<sub>2</sub>O<sub>5</sub> from grab samples. Bonaparte has proposed conceptual mining and processing which includes using a dredging vessel to recover seafloor sediments via a trailing arm dredge and transporting a screened phosphate slurry to port via transport barges, which experts have indicated is technically feasible. Bonaparte and its JV partners intend to complete a scoping study in 2009 to address project risks which will include technical mining challenges as well as factors influenced by economic and environmental parameters.

Bonaparte's Pacifico Project is oriented approximately parallel to the Peruvian coast and located at an average distance offshore of about 50km. The project comprises seven exploration licences, covering a total area of 627km<sup>2</sup> in water ranging in depth from 100m to 300m. Coring during Ocean Drilling Program (ODP) Leg 112 recovered phosphatic sediments from six sites in forearc basins on the shelf and

upper slope west of Peru. The Pacifico Project is at a conceptual stage of development with verification work to evaluate these sites yet to be carried out by Bonaparte.

The Nabberu Diamond project is located in the Murchison region of Western Australia, some 280km north-northeast of Meekatharra. The project comprises one granted exploration licence covering a total area of 6.2km<sup>2</sup>. Previous work has defined the presence of diamondiferous kimberlites in the project area. While the project is considered to be prospective, the current economic environment is not supportive of early-stage exploration projects.

Ravensgate engaged South African based mining consultants Venmyn Rand (Pty) Ltd (Venmyn) to undertake the technical review and valuation of the Savanna Alluvial Diamond Project. The Savanna Alluvial Diamond Project is located on the farm Gras Pan 773HN, in the Vryburg District of the North West Province. The Mining Right covers the full extent of this property (the Savanna Property), over an area of 3,073ha. The project consists of the diamondiferous gravels of the Savanna Property, which are represented by ancient (65 - 144 million years old) paleo-river channel gravels within dolomitic limestone country rock which is prone to karst topography. Bonaparte conducted trial mining on the project prior to moving to full scale mining in 2008, however the project was placed on care and maintenance in 2009 due to the falling diamond price and lower recovered grades than expected making the project uneconomic.

A summary of the Bonaparte mineral asset valuations is provided in the table below. These valuations reflect Bonaparte's deemed equity interest in the various mineral assets. The applicable valuation date is 8<sup>th</sup> May 2009.

<b>Bonaparte Diamond Mines NL Technical Valuation Summary</b>					
<b>Project</b>	<b>Asset</b>	<b>Bonaparte Equity Interest</b>	<b>Valuation</b>		
			<b>Low \$M</b>	<b>High \$M</b>	<b>Preferred \$M</b>
Sandpiper-Meob Project	Inferred Resources & Exploration Potential	42.5%	0.55	1.38	1.38
Rocky Point Project	Exploration Potential	70%	0.28	0.28	0.28
Pacifico Project	Exploration Potential	100%	0.30	0.3	0.30
Nabberu Project	Exploration Potential	100%	0.22	0.33	0.22
Savanna Project	Exploration Potential	74%	0.0	0.20	0.20
<b>Total</b>			<b>1.35</b>	<b>2.49</b>	<b>2.38</b>

The value of Bonaparte Diamond Mines NL's equity interest in the various mineral assets is considered to lie in a range from \$1.35M to \$2.49M, within which range we have selected a preferred value of \$2.38M.

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