



# Minemakers Limited (MAK)

## Move on the soft side

Wonarah phosphate, Namibia phosphate plus Peru, salt, tin, tungsten, fluorspar and gold

**Important:** Intersuisse and an associate company, Phillip Capital Pty Ltd, are currently engaged by Minemakers Limited for capital markets services on commercial terms. For Disclosures, refer to the back page under "Important Information".

### Recommendation

**BUY**

### Price

**37c**

### Calculated NPV

**\$1.74**

### ASX / S&P Sector

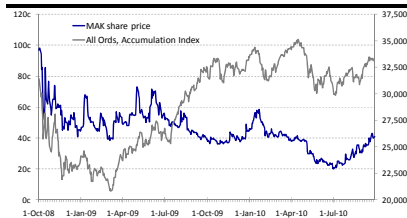
**Metals & Mining**

- **MAK is about to begin development of the Wonarah phosphate deposit in NT, which is the subject of an MOU with an Asian group that will see the project secured for funding and off-take.**
- **MAK is about to commit to a Feasibility Study for a phosphate resource offshore of Namibia, which promises to be very low cost.**
- **MAK also has a phosphate prospect in Peru, tin-tungsten in Tasmania and salt offshore of Darwin.**

### Snapshot

Last Price	\$0.37
Market Cap.	\$85 million
Shares on Issue	226.5m
52 Week High	\$0.585
52 Week Low	\$0.200

### Price Chart



MAK has defined a JORC resource of 1,981Mt, fully diluted, of phosphate rock, grading 14.3% P<sub>2</sub>O<sub>5</sub>; most is in MAK's Wonarah project, which is the subject of an MOU with an Asia group that will under-write the development of this project. MAK also has a 42.5% direct interest in a phosphate project in offshore Namibia.

MAK also has phosphate exploration projects offshore of Namibia and Peru, as well as salt offshore of NT, iron ore in WA and tin-tungsten and fluorite in Tasmania.

MAK's share price was hit hard by the proposed RSPT, and has only just recovered, even though this threat has been removed.

See [www.minemakers.com.au/](http://www.minemakers.com.au/)

Analyst: Pieter Bruinstroop :

### Investment Highlights

MAK has defined a JORC resource of 1,981Mt, fully diluted, of phosphate rock, grading 14.3% P<sub>2</sub>O<sub>5</sub>, from deposits at Wonarah, NT (MAK 100%) and offshore Namibia (MAK 42.5% direct plus 6.33% indirect).

MAK has signed a non-binding MOU with the Verte Group, which represents Asian investors, which aims to provide :

- MAK's equity investment by subscribing for new equity in MAK; and
- All the debt funding required for Wonarah.

### Risk

There is a risk to the share price if this MOU is not converted into a legal enforceable undertaking.

However, there is much less risk to MAK's valuation as MAK can advance other, higher potential value, though less mature, projects, retaining all of the equity exposure.

The value of Wonarah is very sensitive to the selling price assumed for its phosphate rock.

### Valuation

Intersuisse's base case valuation for MAK is \$1.74. However, this valuation is highly sensitive to the AUD price for phosphate rock; the base case assumed is US\$150/t at 90c (\$A 167). Lower prices may require either deferral of major project or extra equity to be raised; the former has a minor impact on the valuation and the latter has a significant impact.

MAK also has other projects with real potential for which Intersuisse has not given any value. Successful execution will boost Intersuisse's valuation.

MAK listed on the TSX on 13 September 2010. The TSX market is home to many producers of soft commodities.

## Minemakers Limited : a Brief Review

Intersuisse initiates research on Minemakers Limited. Our risk adjusted valuation is \$1.74, which compares with the current market price of 37c.

Intersuisse's base case valuation of MAK is \$1.74

As Intersuisse's valuation is more than 4 times the share price, we initiate coverage with a BUY recommendation.

However, there must be significant risk to have such a large difference between the valuation and the share price. Some of this risk is because all of MAK's value is in expected future developments. Intersuisse has attempted to allow for this in our risk adjustment of the present value of expected future cashflows.

This is many times the present share price of 37c.

**Figure 1 : Some detail of Intersuisse's valuation of MAK**

discount rate =	12.0%	100%	30-Jun-10	Product	per share	28-Oct-10
Wonarah DSO, Reserves	70%	\$A 31 m	\$A 22 m		\$0.05	\$0.05
franking credits	42%	\$A 34 m	\$A 14 m		\$0.03	\$0.03
Wonarah DSO, Resources	60%	\$A 215 m	\$A 129 m		\$0.27	\$0.28
franking credits	36%	\$A 45 m	\$A 16 m		\$0.03	\$0.04
Wonarah DSO, Extension	50%	\$A 55 m	\$A 28 m		\$0.06	\$0.06
franking credits	30%	\$A 19 m	\$A 6 m		\$0.01	\$0.01
Wonarah Beneficiated	50%	\$A 436 m	\$A 218 m		\$0.46	\$0.48
franking credits	30%	\$A 367 m	\$A 110 m		\$0.23	\$0.24
Sandpiper Moeb JV	50%	\$A 264 m	\$A 132 m		\$0.28	\$0.29
MAK Investments	80%	\$A 47 m	\$A 37 m		\$0.08	\$0.08
MAK: exploration, other	100%	(\$A 30 m)	\$A 0 m		\$0.00	\$0.00
Corporate	100%	(\$A 61 m)	(\$A 61 m)		\$0.13	\$0.13
Cash / (debt)	100%	\$A 31 m	\$A 31 m		\$0.07	\$0.14
Equity raisings	100%	\$A 120 m	\$A 120 m		\$0.25	\$0.17
<b>TOTAL</b>		<b>\$A 1,572 m</b>	<b>\$A 802 m</b>		<b>\$1.71</b>	<b>\$1.74</b>
Shares on issue		226.5m	17.2m	options		
Shares to be issued		226.5m	0m	extra shares		

Intersuisse has given a risk weighted valuation to ONLY 2 of MAK's potential projects.

Source : Intersuisse estimates

Figure 1 shows some detail of Intersuisse's valuation, including our risk adjustment for each project. It shows that Intersuisse has given value only to

- MAK's phosphate projects in the Northern Territory and Namibia; and
- A small value to MAK's investments.

Both of the projects valued are to produce phosphate, an essential plant nutrient.

Intersuisse has not attributed value to any of MAK's other potential projects.

Intersuisse has assumed a price for 30% grade phosphate rock, for MAK, of \$150/t.

Key assumptions in Intersuisse's analysis include :

Intersuisse projects that MAK will benefit by a freight advantage, over the dominant African supply, into East Asia, of \$15/t, giving a benchmark equivalent of \$135/t.

- The price for merchant grade phosphate rock is effectively \$135/t
  - This gives a revenue of US\$ 150/t as MAK is expected to receive \$15 of the \$20/t freight advantage of being in the Asian region
  - The present spot price is \$140 - \$150/t
  - There is an expected supply shortfall for phosphate rock in the coming years
  - When prices were down to \$100/t in the wake of the GFC, production was cut
  - The average price over the last 50 years in real 2009 terms was \$77/t, and present long run price estimates for other commodities range from 2x to 4x their similar historical average;
- The AUD is assumed to be US 90c over the entire period;
- As shown in Figure 1, Intersuisse has used a discount rate of 12% on the real, after tax, cashflows, with some value (60%) for franking credits generated from the payment of Australian taxes;
- Company tax is 29% and royalties in the NT are 18% of project profits;
- The development plan, which is discussed further on, assumes the development of a small scale direct shipping ore mine, being expanded into a larger volume mine producing an upgraded product and potentially further value added product;
- MAK successfully executes a non-binding MOU that has been signed with the Verte Group to introduce select Asian investors
  - These Asian investors will be responsible for EPC funding for the suite of MAK projects

- Intersuisse projects that the new investors will subscribe for new equity in MAK, up to 50% of the company, at a premium to current share price, subscribing \$113m
- Intersuisse’s analysis shows that this equity injection will be sufficient to realise the projects contemplated, as long as the EPC funding is available to 80% of the funds required
- Intersuisse projects that the cashflows generated by sequential project development will mean that an early stage equity raising will be sufficient for its projects, as long as MAK is prepared to be patient.

In Intersuisse’s view, there is considerable upside risk in the MAK valuation :

- We have only included, as shown in Figure 1, the DSO project, 10Mt/yr of beneficiated product and a small scale project in Namibia, while there is significant potential value in further production and product;
- Successful commissioning and operation of these projects will yield a much higher valuation, due to Intersuisse’s risk weighting;
- MAK has invested in JDC Technologies, a US company, that is developing a dry acid process that would add significant value to Wonarah, and even more to Namibia;
- We have given no value to other potential in MAK’s portfolio, including successful operation of the Beaconsfield gold mine, tin – tungsten mineralisation in Tasmania, which has been mined, but in pre-JORC days, a large salt diapir offshore of Darwin and a further phosphate project in offshore Peru.

Phosphate prices have been rising.

Intersuisse expects phosphate prices to rise further.

**Phosphate prices**

Figure 2 shows historical annual average phosphate prices and Intersuisse’s projections.

**Figure 2 : Historical and projected phosphate prices**

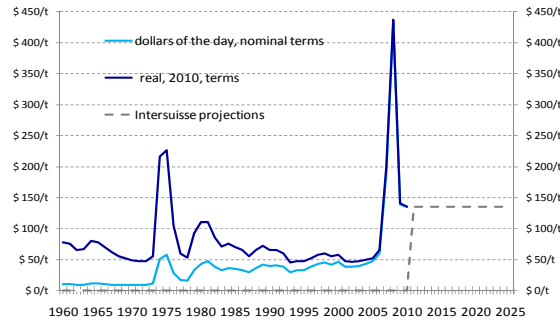


Figure 2 shows that Intersuisse’s projections are about current prices, and nearly 2 times the historical average of the last 50 years.

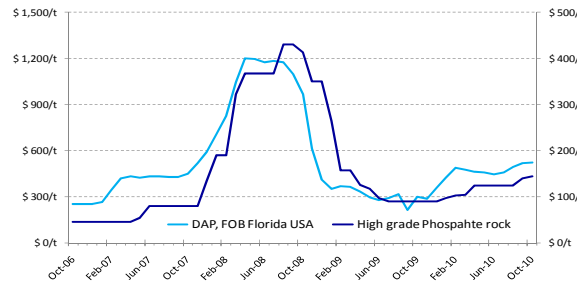
This uplift, of 2 times, compares with uplifts for other commodities of 2x to 4x (eg. oil).

Figure 3 compares monthly phosphate rock prices with DAP prices.

A benchmark price of \$135/t, or \$150/t to MAK, appears conservative given that supply is struggling.

Source: British Sulphur Consultants (CRU), US Bureau of Labor Statistics, Intersuisse

**Figure 3 : Phosphate rock v. DAP, monthly prices**



DAP is the major manufactured fertiliser utilising phosphate rock. Figure 3 shows that rock prices tend to follow the pattern of DAP prices, and also that DAP have been moving up since their crash in 2009.

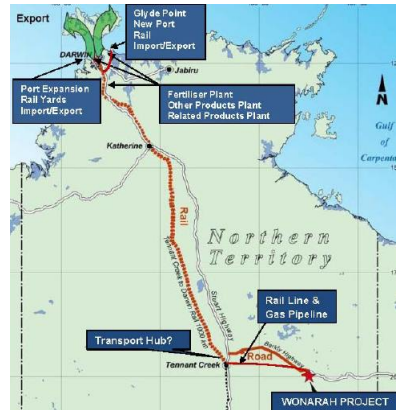
Figure 3 also shows that rock prices bottomed at \$90/t, where production was cut back.

Source : World Bank, Minemakers, Intersuisse

**Wonarah Phosphate Project**

The Wonarah Phosphate Project is MAK’s major asset, as shown in Figure 1. It is in the Northern Territory, 240km east – south-east of Tennant Creek, which is about 1,000km south of Darwin, as shown in Figure 4, which also shows other potential projects.

Figure 4 : MAK's Wonarah project

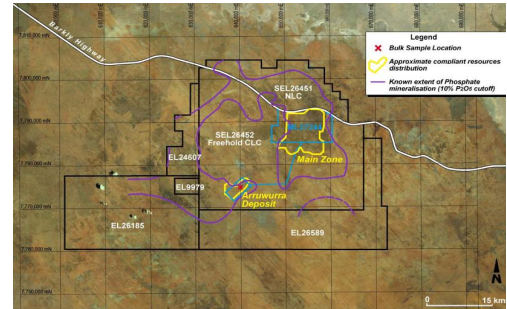


Wonarah phosphate project is in the NT, 240km east of Tennant Creek, which is 1,00km south of Darwin, though connected by the newly constructed rail line.

Source : Minemakers Limited presentation

Figure 5 shows the project area, and that area from which the JORC Resources for this project have been defined.

Figure 5 : Wonarah project area



Source : Minemakers Limited presentation

The area used to define the Resource is a limited part of the total mineralised area.

Figure 6 shows that even from the relatively small area of the tenement that has been used to define a resource, a large resource has resulted, even if this is restricted to the volume of medium grade (20%) P<sub>2</sub>O<sub>5</sub>.

Figure 6 : Wonarah JORC Resources, at varying grades

		0% Cut-Off	P2 O5	10% Cut-Off	P2 O5	15% Cut-Off	P2 O5
Main Zone	Indicated	480 Mt	12.2 %	238 Mt	18.6 %	160 Mt	21.8 %
	Inferred	637 Mt	10 %	247 Mt	18 %	147 Mt	21 %
	<b>TOTAL</b>	<b>1,117 Mt</b>	<b>11 %</b>	<b>485 Mt</b>	<b>18 %</b>	<b>307 Mt</b>	<b>21 %</b>
Arruwurra	Indicated	56 Mt	17.3 %	51 Mt	18.3 %	37 Mt	20.4 %
	Inferred	85 Mt	16 %	84 Mt	16 %	60 Mt	17 %
	<b>TOTAL</b>	<b>141 Mt</b>	<b>17 %</b>	<b>135 Mt</b>	<b>17 %</b>	<b>97 Mt</b>	<b>18 %</b>
Combined	Indicated	536 Mt	12.8 %	289 Mt	18.5 %	197 Mt	21.6 %
	Inferred	722 Mt	11 %	331 Mt	17 %	207 Mt	20 %
	<b>TOTAL</b>	<b>1,258 Mt</b>	<b>12 %</b>	<b>620 Mt</b>	<b>18 %</b>	<b>404 Mt</b>	<b>21 %</b>

Source : Minemakers Limited

Wonarah has 1,258Mt of phosphate mineralisation. Applying a cut-off grade of 15% gives 404Mt of phosphate resources, grading 21% P<sub>2</sub>O<sub>5</sub>.

Wonarah DSO

The development proposal is to build up to a rate of 3.0Mt/yr of Direct Shipping Ore (DSO). Figure 7 shows that Wonarah has 43Mt of Resources of DSO grade.

Figure 7 : Wonarah's DSO Resources

		P2 O5	SiO2	CaO	Al2 O3	Fe2 O3	
BPH Zone	Indicated	4.5 Mt	30.2 %	19.6 %	41.0 %	3.33 %	0.89 %
15% P2O5 cut-off	Inferred	0.2 Mt	30 %	20 %	41 %	3.2 %	0.9 %
MPH Zone	Indicated	10 Mt	30 %	24.8 %	38.7 %	3.45 %	1.15 %
27% P2O5 cut-off	Inferred	21 Mt	30 %	23 %	39 %	3.4 %	1.1 %
TUP Zone	Indicated	0 Mt					
27% P2O5 cut-off	Inferred	7 Mt	30 %	23 %	40 %	2.4 %	1.3 %
	Indicated	14.5 Mt	30.1 %	23.2 %	39.4 %	3.41 %	1.07 %
	Inferred	28 Mt	30 %	23 %	39 %	3.2 %	1.1 %
<b>TOTAL</b>		<b>43 Mt</b>	<b>30 %</b>	<b>23 %</b>	<b>39 %</b>	<b>3.2 %</b>	<b>1.1 %</b>

Source : Minemakers Limited

From this Resource, MAK has defined a Reserve of 9.7Mt, though more is expected with further work.

Wonarah has 43Mt of DSO Resources.

The Reserve is only 9.7Mt, but this is expected to rise with further work.

Figure 8 : Expected capital to develop Wonarah DSO

	500 kt/yr	1.0 Mt/yr	3.0 Mt/yr	Total
Mine Site	\$ 42.5m	\$ 5.0m	\$ 25.0m	\$ 72.5m
Borefield	\$ 0.4m			\$ 0.4m
Tenant Ck Hub		\$ 10.0m	\$ 31.2m	\$ 41.2m
Port of Darwin			\$ 39.9m	\$ 39.9m
E P C M	\$ 6.1m	\$ 2.1m	\$ 13.6m	\$ 21.9m
Contingency	\$ 6.5m	\$ 2.3m	\$ 14.5m	\$ 23.3m
Design Growth	\$ 3.0m	\$ 2.0m	\$ 10.0m	\$ 15.0m
Owner's costs	\$ 0.4m	\$ 0.2m	\$ 0.8m	\$ 1.4m
<b>TOTAL</b>	<b>\$ 58.9m</b>	<b>\$ 21.6m</b>	<b>\$ 135.1m</b>	<b>\$ 215.5m</b>

Source : Minemakers Limited

To develop this project, the capital required was estimated by Minemakers, in their recently announced scoping study, to be \$216m, as shown in Figure 8. Figure 8 shows a staged development, from 500kt/yr to 1.0Mt/yr to 3/0Mt/yr.

Development cap.ex is expected to total \$216m, but staging the project can reduce the funds required to about \$180m as revenue is generated before the capital is fully invested.

Figure 9 shows Intersuisse's projected cashflows from the DSO project, showing that the staged development plan reduces the capital needed, but also delays the swings to significant, positive cashflow.

**Figure 9 : Intersuisse's financial projections for Wonarah DSO project**

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
AUD / USD	0.900	0.900	0.900	0.900	0.900	0.900	0.900	0.900
Phosphate Rock	\$ 150/t	\$ 150/t	\$ 150/t	\$ 150/t	\$ 150/t	\$ 150/t	\$ 150/t	\$ 150/t
DSO Sales	0 kt	313 kt	813 kt	1,363 kt	2,813 kt	3,000 kt	3,000 kt	3,000 kt
Revenue	\$A 0.0 m	\$A 52.1 m	\$A 135.4 m	\$A 227.1 m	\$A 468.8 m	\$A 500.0 m	\$A 500.0 m	\$A 500.0 m
Total Cash Costs	\$A 0.0 m	\$A 41.4 m	\$A 106.7 m	\$A 174.4 m	\$A 339.8 m	\$A 359.2 m	\$A 359.0 m	\$A 358.8 m
AUD/t product	\$A 0.0/t	\$A 132.5/t	\$A 131.3/t	\$A 128.0/t	\$A 120.8/t	\$A 119.7/t	\$A 119.7/t	\$A 119.6/t
Cash Costs, before royalty	\$A 0.0 m	\$A 39.5 m	\$A 101.6 m	\$A 164.8 m	\$A 315.3 m	\$A 332.7 m	\$A 332.5 m	\$A 332.2 m
AUD/t product	\$A 0.0/t	\$A 126.6/t	\$A 125.0/t	\$A 120.9/t	\$A 112.1/t	\$A 110.9/t	\$A 110.8/t	\$A 110.7/t
Cash Costs - mine site	\$A 0.0 m	\$A 17.7 m	\$A 44.8 m	\$A 69.6 m	\$A 118.9 m	\$A 123.2 m	\$A 123.0 m	\$A 122.7 m
AUD/t product	\$A 0.0/t	\$A 56.7/t	\$A 55.2/t	\$A 51.1/t	\$A 42.3/t	\$A 41.1/t	\$A 41.0/t	\$A 40.9/t
<b>E B I T D A</b>	<b>\$A 0.0 m</b>	<b>\$A 10.7 m</b>	<b>\$A 28.8 m</b>	<b>\$A 52.7 m</b>	<b>\$A 129.0 m</b>	<b>\$A 140.8 m</b>	<b>\$A 141.0 m</b>	<b>\$A 141.2 m</b>
Dep'cn & Amort's'n	\$A 0.0 m	\$A 1.9 m	\$A 4.8 m	\$A 7.7 m	\$A 14.8 m	\$A 17.1 m	\$A 17.3 m	\$A 17.3 m
Project Cap. Ex	\$A 44.2 m	\$A 25.5 m	\$A 78.3 m	\$A 67.5 m	\$A 0.0 m	\$A 0.0 m	\$A 0.0 m	\$A 0.0 m
Sus. Cap. Ex	\$A 0.0 m	\$A 0.3 m	\$A 0.8 m	\$A 1.4 m	\$A 2.8 m	\$A 3.0 m	\$A 3.0 m	\$A 3.0 m
<b>Net Cashflow</b>	<b>(\$A44.2 m)</b>	<b>(\$A15.2 m)</b>	<b>(\$A50.4 m)</b>	<b>(\$A16.2 m)</b>	<b>\$A 126.2 m</b>	<b>\$A 137.8 m</b>	<b>\$A 138.0 m</b>	<b>\$A 138.2 m</b>

Source : Intersuisse estimates

## Wonarah Beneficiated Project

Figure 6 showed that Wonarah had significant medium grade resources. There are many operations that upgrade resources of a similar grade to a merchant grade through a beneficiation process of crushing, washing, screening and flotation.

However, moving 3.0Mt/yr 275km along the Barkly Highway involves one B-Triple each 15 minutes. Hence, to do greater volumes will require construction of a rail spur. Figure 10 shows an estimate of the capital cost to produce 10Mt/yr of beneficiated product.

**Figure 10 : Estimated capital for 10Mt/yr beneficiated product**

Beneficiation Product	phase 1	phase 2	TOTAL
Beneficiation plant	\$ 600m	\$ 600m	\$ 1,200m
Pre-strip	\$ 30m	\$ 20m	\$ 50m
Rail line, 240km	\$ 360m		\$ 360m
Rail upgrades	\$ 10m	\$ 10m	\$ 20m
Gas Pipeline, 240km	\$ 300m		\$ 300m
Power Plant	\$ 100m	\$ 50m	\$ 150m
Port facilities	\$ 20m	\$ 15m	\$ 35m
E P C M	\$ 142m	\$ 70m	\$ 212m
Contingency	\$ 156m	\$ 76m	\$ 233m
Owner's costs	\$ 17m	\$ 8m	\$ 26m
<b>TOTAL</b>	<b>\$ 1,735m</b>	<b>\$ 849m</b>	<b>\$ 2,585m</b>

Source : Minemakers, Intersuisse estimates

Figure 10 shows a staged program which totals nearly \$2.6B.

To produce 10Mt/yr of beneficiated product, grading 30%, from ore grading 20% with a 70% yield, will require the processing of 21Mt/yr of ore.

Given a strip ratio of 8.0, this means total material movement of nearly 200Mt/yr.

### The Wonarah beneficiated project

- will monetise a greater volume of the resource at Wonarah
- will require a total capital of about \$2.6B, though the cash from Stage 1 will reduce the total outlay to about \$2.0B
- will require the movement of a total of nearly 200Mt/yr of material to produce 10Mt/yr of product.

After an extended start-up, the Wonarah beneficiated project is expected to generate significant amounts of free cash.

Figure 11 shows Intersuisse's financial projections for 10Mt/yr of DSO product. Due to the staging the total capital required is about \$2.0B, which Intersuisse believes could be financed by EPC contracts as proposed by the MOU with Verte.

Also, MAK will be generating cash from the DSO project during this time.

**Figure 11 : Intersuisse's financial projections for 10Mt/yr of beneficiated product.**

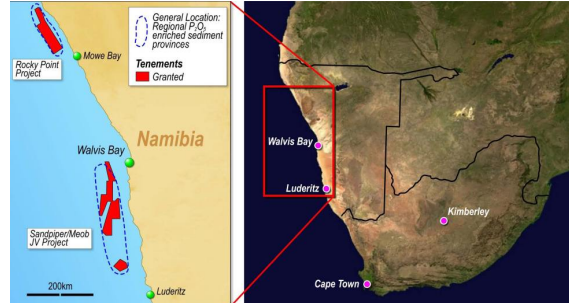
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
AUD / USD	0.900	0.900	0.900	0.900	0.900	0.900	0.900	0.900	0.900	0.900	0.900
Phosphate Rock	\$ 150/t	\$ 150/t	\$ 150/t	\$ 150/t	\$ 150/t	\$ 150/t	\$ 150/t	\$ 150/t	\$ 150/t	\$ 150/t	\$ 150/t
Product sales	0 kt	0 kt	3,188 kt	6,125 kt	9,875 kt	10,000 kt	10,000 kt	10,000 kt	10,000 kt	10,000 kt	10,000 kt
Revenue	\$A 0 m	\$A 0 m	\$A 531 m	\$A 1,021 m	\$A 1,646 m	\$A 1,667 m	\$A 1,667 m	\$A 1,667 m	\$A 1,667 m	\$A 1,667 m	\$A 1,667 m
Total Cash Costs	\$A 0 m	\$A 0 m	\$A 323 m	\$A 614 m	\$A 898 m	\$A 918 m	\$A 917 m	\$A 917 m	\$A 916 m	\$A 915 m	\$A 915 m
AUD/t product	\$A 0.0/t	\$A 0.0/t	\$A 101.3/t	\$A 100.3/t	\$A 91.0/t	\$A 91.8/t	\$A 91.7/t	\$A 91.7/t	\$A 91.6/t	\$A 91.5/t	\$A 91.5/t
Cash Costs, before royalty	\$A 0 m	\$A 0 m	\$A 369 m	\$A 628 m	\$A 850 m	\$A 871 m	\$A 870 m	\$A 869 m	\$A 869 m	\$A 868 m	\$A 868 m
AUD/t product	\$A 0.0/t	\$A 0.0/t	\$A 115.8/t	\$A 102.5/t	\$A 86.1/t	\$A 87.1/t	\$A 87.0/t	\$A 86.9/t	\$A 86.9/t	\$A 86.8/t	\$A 86.8/t
Cash Costs - mine site	\$A 0 m	\$A 0 m	\$A 82 m	\$A 82 m	\$A 82 m	\$A 82 m	\$A 82 m	\$A 82 m	\$A 82 m	\$A 82 m	\$A 82 m
AUD/t product	\$A 0.0/t	\$A 0.0/t	\$A 25.6/t	\$A 13.3/t	\$A 8.3/t	\$A 8.2/t	\$A 8.2/t	\$A 8.2/t	\$A 8.2/t	\$A 8.2/t	\$A 8.2/t
<b>E B I T D A</b>	<b>\$A 0 m</b>	<b>\$A 0 m</b>	<b>\$A 208 m</b>	<b>\$A 407 m</b>	<b>\$A 747 m</b>	<b>\$A 749 m</b>	<b>\$A 750 m</b>	<b>\$A 750 m</b>	<b>\$A 751 m</b>	<b>\$A 751 m</b>	<b>\$A 752 m</b>
Dep'cn & Amort's'n	\$A 0 m	\$A 0 m	\$A 47 m	\$A 96 m	\$A 155 m	\$A 163 m	\$A 163 m	\$A 163 m	\$A 163 m	\$A 163 m	\$A 163 m
Project Cap. Ex	\$A 694 m	\$A 1,041 m	\$A 255 m	\$A 595 m	\$A 0 m	\$A 0 m	\$A 0 m	\$A 0 m	\$A 0 m	\$A 0 m	\$A 0 m
Sus. Cap. Ex	\$A 0 m	\$A 0 m	\$A 5 m	\$A 9 m	\$A 15 m	\$A 15 m	\$A 15 m	\$A 15 m	\$A 15 m	\$A 15 m	\$A 15 m
<b>Net Cashflow</b>	<b>(\$A694m)</b>	<b>(\$A1,041m)</b>	<b>(\$A51m)</b>	<b>(\$A197m)</b>	<b>\$A 733m</b>	<b>\$A 734m</b>	<b>\$A 735m</b>	<b>\$A 735m</b>	<b>\$A 736m</b>	<b>\$A 736m</b>	<b>\$A 737m</b>

Source : Intersuisse estimates

**Sandpiper-Meob Project**

MAK's third project is its 42.5% interest in Namibian Marine Phosphates Limited (NMPL), which owns the Sandpiper-Meob project, in offshore Namibia as shown in Figure 12.

**Figure 12 : Sandpiper-Meob Project**



Source : Minemakers Limited presentation

**MAK has a 42.5% in Namibian Marine Phosphates Limited, which owns 100% of the Sandpiper-Meob project.**

**MAK also has 70% of the Rocky Point project'**

There are 2 other parties in NMPL :

- Union Resources Limited (UCL.ASX), which also holds 42.5%; and
- Tungeni Investments, which owns the other 15%, which is a Namibian company headed by Ambassador Tonata Itenge-Emulva, who is a well-known and distinguished local business person.

In addition, MAK holds 14.9% of UCL.

Figure 12 also shows a further area of mineralisation, Rocky Point, which is owned 70% by Minemakers and 30% by Tungeni Investments.

The project was first recognised by Gencor, the South African predecessor of Billiton, in the 1970s and 1980s. Figure 13 shows the JORC compliant reported resources.

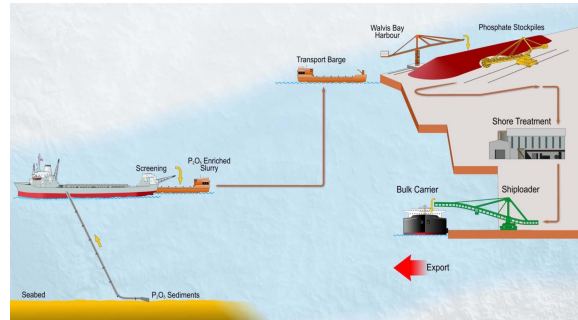
**Figure 13 : NMPL's JORC Resources total 1,581Mt**

	Indicated Resources		Inferred Resources		TOTAL Resources	
Namibia (MAK 42.5%)	73.9 Mt	20.57 %	1,507 Mt	18.7 %	1,581 Mt	18.8 %

Source : Minemakers, Intersuisse

The resource is about 60km offshore, in water depths ranging from 180m to 300m. The JORC Resource has been estimated from only the top 2m of the sea-bed sands due to the nature of the low cost grab sampling method used.

**Figure 14 : NMPL development concept**



Source : Minemakers Limited presentation

The development concept, as shown in Figure 14, is use a cutter-suction dredge to collect the material off the sea floor and then off-load on land.

Simple beneficiation will be carried out to remove the mud and shells and export a 20% P<sub>2</sub>O<sub>5</sub> product.

A scoping study is being completed and the results are expected to be announced soon.

**Total Resources are 1,581Mt at 18.8% P<sub>2</sub>O<sub>5</sub>, but Intersuisse has modelled the project as mining only 4.5Mt a year.**

After completing the scoping study, MAK expects that NMPL will begin a Bankable Feasibility Study, which will work on target markets and production growth. The samples taken show that this product can be used in direct application.

**Estimated dredging cost, advised to MAK on the basis of a technical study, is US\$ 27/t.**

Intersuisse has modelled this project as

- Dredging 4.5Mt/yr of ore to produce 4.0Mt/yr of saleable product at a price of \$100/t.
- The dredging cost, including off-loading the material, advised to NMPL, based on a technical review in 2009, was US\$ 27/t. Intersuisse has assumed US\$ 28/t.
- The estimated capital cost is about \$230m.

NMPL is a Namibian company so MAK needs to make an equity investment in NMPL and much of the early cashflow will be used to repay the project finance.

Also, Tungeni Investments will be carried into the project and will need to repay its share of the capital cost from the cashflows generated by the project.

Figure 15 shows Intersuisse's projections of the net cashflows to MAK from its investment in NMPL.

**Figure 15 : Intersuisse's projections of NMPL cashflows for MAK**

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
MAK share	42.5 %	42.5 %	42.5 %	42.5 %	42.5 %	42.5 %	42.5 %	42.5 %	42.5 %	42.5 %	42.5 %	42.5 %
Beneficiated Sales	0 kt	739 kt	1,219 kt	1,573 kt	1,730 kt	1,730 kt	1,730 kt	1,730 kt	1,730 kt	1,705 kt	1,730 kt	1,730 kt
Revenue	SA 0.0 m	SA 80.1 m	SA 132.1 m	SA 170.4 m	SA 187.4 m	SA 187.4 m	SA 187.4 m	SA 187.4 m	SA 187.4 m	SA 184.7 m	SA 187.4 m	SA 187.4 m
Cash Costs	SA 0.0 m	SA 35.7 m	SA 56.8 m	SA 72.3 m	SA 79.3 m	SA 79.3 m	SA 79.3 m	SA 79.3 m	SA 79.3 m	SA 78.2 m	SA 79.3 m	SA 79.3 m
Dep'n & Amort's'n	SA 0.0 m	SA 2.6 m	SA 4.2 m	SA 5.5 m	SA 6.0 m	SA 6.0 m	SA 6.0 m	SA 6.0 m	SA 6.0 m	SA 5.9 m	SA 6.0 m	SA 6.0 m
E B I T	SA 0.0 m	SA 41.8 m	SA 71.1 m	SA 92.6 m	SA 102.1 m	SA 102.1 m	SA 102.1 m	SA 102.1 m	SA 102.1 m	SA 100.6 m	SA 102.1 m	SA 102.1 m
Interest	SA 0.0 m	SA 5.4 m	SA 4.6 m	SA 3.7 m	SA 2.7 m	SA 1.7 m	SA 0.5 m	SA 0.0 m	SA 0.0 m	SA 0.0 m	SA 0.0 m	SA 0.0 m
Taxes	SA 0.0 m	SA 12.7 m	SA 23.3 m	SA 31.1 m	SA 34.8 m	SA 35.2 m	SA 35.6 m	SA 35.7 m	SA 35.7 m	SA 35.2 m	SA 35.7 m	SA 35.7 m
N P A T	SA 0.0 m	SA 23.7 m	SA 43.2 m	SA 57.8 m	SA 64.6 m	SA 65.3 m	SA 66.0 m	SA 66.4 m	SA 66.4 m	SA 65.4 m	SA 66.4 m	SA 66.4 m
Equity Invested		(SA40.0m)										
Project Finance		(SA14.1m)	(SA14.1m)	(SA14.1m)	(SA14.1m)	(SA14.1m)	(SA11.5m)	(SA0.0m)	SA 0.0 m	SA 0.0 m	SA 0.0 m	SA 0.0 m
Re-payment by Tenguni		SA 4.5 m	SA 1.5 m	SA 0.0 m	SA 0.0 m	SA 0.0 m	SA 0.0 m	SA 0.0 m	SA 0.0 m	SA 0.0 m	SA 0.0 m	SA 0.0 m
Net Cashflow to MAK		(SA40.0m)	SA 21.7 m	SA 38.9 m	SA 52.1 m	SA 58.4 m	SA 58.1 m	SA 60.2 m	SA 71.5 m	SA 71.5 m	SA 70.5 m	SA 71.5 m

Source : Intersuisse estimates

## Conclusions

Intersuisse has modelled MAK as comprising 3 valuable phosphate projects :

**Intersuisse's risked valuation of MAK's assets of \$800m.**

**Intersuisse's un-risked valuation is \$1.6B**

- Up to 3Mt/yr of Direct Shipping Ore, grading 30% P<sub>2</sub>O<sub>5</sub>, from Wonarah, NT, requiring a capital investment of \$215m
- Beneficiated ore, upgrading from the resource grade of 20% to merchant grade of 30%, from Wonarah NT, requiring a further capital investment of nearly \$2,600m; and
- 42.5% of Namibia Marine Phosphate (Pty) Ltd, for which Intersuisse has very limited information.

**Based on the value paid by Mitsui and Mosaic for their 60% of Vale's Bayovar project, MAK's 400Mt of medium and high grade resource has a value of \$4B, or more than 5 times Intersuisse's risked valuation.**

**MAK has significant upside potential to Intersuisse's valuation.**

**MAK should NOT require further equity, after the Verte investment.**

Figure 16 shows the detail of Intersuisse's \$1.74 base case, risk weighted, valuation of MAK.

**Figure 16 : Intersuisse's base case valuation of MAK**

discount rate =	12.0%	30-Jun-10		24-Oct-10	
		100%	Product	per share	
Wonarah DSO, Reserves	70%	SA 31 m	SA 22 m	\$0.05	\$0.05
franking credits	42%	SA 34 m	SA 14 m	\$0.03	\$0.03
Wonarah DSO, Resources	60%	SA 215 m	SA 129 m	\$0.27	\$0.28
franking credits	36%	SA 45 m	SA 16 m	\$0.03	\$0.04
Wonarah DSO, Extension	50%	SA 55 m	SA 28 m	\$0.06	\$0.06
franking credits	30%	SA 19 m	SA 6 m	\$0.01	\$0.01
Wonarah Beneficiated	50%	SA 436 m	SA 218 m	\$0.46	\$0.48
franking credits	30%	SA 367 m	SA 110 m	\$0.23	\$0.24
Sandpiper Meob JV	50%	SA 264 m	SA 132 m	\$0.28	\$0.29
MAK Investments	80%	SA 47 m	SA 37 m	\$0.08	\$0.08
MAK : exploration, other	100%	(SA 30 m)	SA 0 m	\$0.00	\$0.00
Corporate	100%	(SA 61 m)	(SA 61 m)	\$0.13	\$0.13
Cash / (debt)	100%	SA 31 m	SA 31 m	\$0.07	\$0.14
Equity raisings	100%	SA 120 m	SA 120 m	\$0.25	\$0.17
<b>TOTAL</b>		<b>SA 1,572 m</b>	<b>SA 802 m</b>	<b>\$1.71</b>	<b>\$1.74</b>
Shares on issue		226.5m	17.2m	options	
Shares to be issued		226.5m	0m	extra shares	

Source : Intersuisse estimates

There is significant further resource potential at both phosphate projects

- At Wonarah, as much of the area has yet to be drilled to a standard that would allow a resource to be estimated, even though good grades, over 20% and some over 30%, have been intersected in wide spaced scout drilling; and
- At Sandpiper-Meob, as the resource estimate is based on sampling only the top 2m of sediment, while mineralised intercepts have been previously found to 11m in thickness.

MAK has yet to publish the results of a scoping study for Sandpiper-Meob, though MAK has advised a dredging cost of US\$ 27/t. Intersuisse has assumed US\$ 28/t.

In July, MAK signed a non-binding MOU with the Verte Group which will secure strategic Asian investors. This group will co-ordinate an investment in MAK for the same number of shares as currently on issue. Intersuisse has assumed that this is done at 50c, a 20% premium to the current share price.

If the phosphate price is at \$150/t and the AUD no more than 90c, then Intersuisse estimates that MAK will not require any further equity to develop these projects.

If the AUD price for phosphate is lower, then MAK has the flexibility to defer the beneficiation project by 12 months and then will not require any further equity.

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