



Minemakers Limited (MAK)

Further rationalising the portfolio

West Southdown project sold for \$1m in shares plus options

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

Recommendation

BUY

Price

36c

Calculated NPV

\$2.08

ASX / S&P Sector

Metals & Mining

MAK announced that it had sold its interest in the iron ore resource, West Southdown, to Australian Minerals and Mining (AKA.ASX) for

- **5.0m fully paid ordinary shares in AKA, which last traded at 17.5c (bid 16.0c, offer 17.0c); plus**
- **2.0m options, in AKA with an exercise price of 20c.**

This asset was given zero value in MAK's share price.

MAK continues to rationalise its portfolio, focussing on its phosphate interests.

Snapshot

Last Price	\$0.335
Market Cap.	\$82 million
Shares on Issue	227.0m
Options	6.4m; ex 32c to \$2.00
52 Week High	\$0.615 (adjusted)
52 Week Low	\$0.300 (adjusted)

Price Chart



MAK has defined a JORC resource of 2,023Mt, fully diluted, of phosphate rock, grading 14.3% P₂O₅; most is in MAK's Wonarah project, which is the subject of an MOU with NMDC of India. An investment agreement is expected during the 4th quarter of 2011.

A 2 year BFS is expected, including the potential to produce phosphoric acid on site using the JDC Phosphate process which is currently being developed.

MAK also has a 42.5% direct interest in a phosphate project in offshore Namibia. The feasibility study is expected in March 2012.

MAK is spinning out its tin and tungsten exploration assets into TNT Mines.

See www.minemakers.com.au/

Analyst: Pieter Bruinstroop :

West Southdown now able to be valued

MAK holds an 80% interest in West Southdown, which is an extension of the tenements held by Grange Resources (GRR.ASX) for its Southdown project, which is a joint venture with the Japanese trading company, Sojitz. Sojitz holds 30% and GRR 70%.

The Southdown project

- Completed its pre-feasibility study on 10 May 2011;
- Expects to complete the Definitive Feasibility Study by March 2012
- Will export 10Mt/yr of magnetite concentrate through the port of Albany, which is 90km to the south-west, and will be upgraded to take Cape-Size vessels.

Historical exploration expenditure by Anglo American and MAK was about \$1m, on 1,600m of RC and diamond drilling combined, aeromagnetic data acquisition and interpretation.

MAK is selling its 80% interest for

- 5.0m FPO AKA shares, plus
- 2.0m AKA options, exercisable at 20c.

Conclusions

The value impact on MAK, while trivial, is positive. More importantly, it continues to re-shape the MAK project portfolio to focus on its phosphate interests, with other interests able to be monetised at an appropriate time.

Intersuisse's note of 25 August revised our valuation to \$2.06, to account for changes in project timing and the expected NMDC agreement.

Intersuisse confirms its BUY recommendation on MAK.

MAK's portfolio

MAK listed in October 2006 with a wide range of exploration interests. More recently, MAK has moved to focus its portfolio on its phosphate projects which, in Intersuisse's view, have a value that is a multiple of MAK's current share price.

MAK's portfolio has now been rationalised as shown in Figure 1 : The main conclusion from Figure 1 is that, other than Port Keats, all the other MAK's interests either

- Can be monetised, presently or in the not too distant future; or
- Are being currently developed.

Figure 1 : MAK's project portfolio

Project	MAK Interest	Intersuisse comments
Phosphaite	100% of Wonarah	1552Mt at 12% P2O5 to be a Joint Venture with NMDC Enabling Study is being assessed
	42.5% of NMPL	NMPL has 1,581Mt at 18.8% P2O5 DFS expected by March 2012
	13.8% of UCLASX	UCL has 42.5% of NMPL
	6.67% of JDC Phosphaite Inc	JDC Phosphaite is developing the dry kiln process to produce phosphoric acid Phos acid is a higher returning product
Investments	Convertible Notes in BCD	if converted, MAK would have 25% of BCD, which has an Enterprise Value about \$23m
	20% of TNT Mines	TNT mines is currently a public, unlisted company
	5.0m shares in AKA.ASX	Australian Minerals and Mining has 100m shares on issue
	2.0m 20c options in AKA.ASX	
Other	100% of Port Keats Salt project	Port Keats is a salt dome, offshore of NT

All elements of MAK's project portfolio, with one exception, are either assets being actively developed or assets that are able to be monetised, presently or in the near future.

Source : Minemakers, Intersuisse

Figure 2 shows Intersuisse's indicative valuation, of \$2.08 per share. This is based on assumptions, including

- Production of phosphate rock, rather than phosphoric acid, which is the purpose of the link with JDC Phosphate Inc, and for which trials to date are very encouraging;
- Phosphate rock price of US\$ 150/t, FOB Morocco, which compares with current prices around \$200/t, and an AUD-USD rate of 1.000; and
- NMDC buying a 50% interest in Wonarah at a 25% discount to NPV, though Intersuisse has no information on the basis of NMDC's interest.

Figure2 : Intersuisse's indicative valuation of MAK

discount rate =	12.0%	30-Jun-11		11-Oct-11	
		100%	Product	per share	
Wonarah DSO, Reserves	70%	\$A 39 m	\$A 27 m	\$0.07	\$0.07
franking credits	42%	\$A 17 m	\$A 7 m	\$0.02	\$0.02
Wonarah DSO, Resources	60%	\$A 83 m	\$A 50 m	\$0.13	\$0.13
franking credits	36%	\$A 7 m	\$A 3 m	\$0.01	\$0.01
Wonarah DSO, Extension	50%	\$A 32 m	\$A 16 m	\$0.04	\$0.04
franking credits	30%	\$A 0 m	\$A 0 m	\$0.00	\$0.00
Wonarah Beneficiated	50%	\$A 312 m	\$A 156 m	\$0.40	\$0.41
franking credits	30%	\$A 198 m	\$A 60 m	\$0.15	\$0.16
Sandpiper Moeb JV	65%	\$A 265 m	\$A 172 m	\$0.44	\$0.46
MAK Investments	80%	\$A 14 m	\$A 11 m	\$0.03	\$0.03
Corporate	100%	(\$A 39 m)	(\$A 39 m)	\$0.10	\$0.10
Cash / (debt)	100%	\$A 22 m	\$A 22 m	\$0.06	\$0.11
Asset Sales	100%	\$A 234 m	\$A 234 m	\$0.60	\$0.62
Equity raisings	100%	\$A 57 m	\$A 57 m	\$0.15	\$0.12
TOTAL		\$A 1,241 m	\$A 775 m	\$1.99	\$2.08
		227.0m	FPO shares	1.0m	options
		94.8m	new shares	65.6m	further shares

Intersuisse's indicative valuation remains \$2.06 per MAK share, and this allows for further equity raisings near current share prices.

Intersuisse sees 2 potentially significant upside events :

- 1. The formal conclusion of the JV with NMDC to develop Wonarah, which is expected in about 3 to 4 weeks; and**
- 2. The DFS on NMPL, which is expected in March 2012**

Source : Intersuisse estimates

Conclusions

We see significant upside potential and believe this will be delivered progressively, with the announcement of the joint venture with NMDC either late in October or in November. We will update our valuation that time.

The second upside event will be the publication of the Definitive Feasibility Study for NMPL, which is expected in March 2012.

More detailed is covered in Intersuisse's notes of 2 June 2011, 6 July 2011, 25 August 2011 and 9 September 2011.

Intersuisse retains a BUY recommendation on MAK.

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