ABN 48 116 296 541

EXCHANGE RELEASE

MINEMAKERS' BOARD RECOMMENDS MINEMAKERS SHAREHOLDERS REJECT UCL'S INFERIOR OFFER

21 May 2012

Minemakers Limited (ASX & TSX: MAK and NSX: MMS) (**Minemakers**) refers to the announcement on 18 May 2012 by UCL Resources Limited (**UCL**) of its intention to make an offer to acquire all of the shares of Minemakers through an off-market takeover bid (**UCL Offer**).

The Board of Minemakers **RECOMMENDS THAT MINEMAKERS' SHAREHOLDERS REJECT THE UCL OFFER**. In the coming weeks, Minemakers' shareholders will receive a Bidder's Statement from UCL. To reject the UCL Offer shareholders should simply **TAKE NO ACTION**.

The UCL Offer has been made after Minemakers made a takeover offer to acquire UCL offering 13 Minemakers shares for every 10 UCL shares held (**Minemakers Offer**). The Minemakers Offer remains open and is scheduled to close at 7pm (Sydney time) on 22 May 2012. UCL's own independent expert has stated that the Minemakers Offer is fair and reasonable to UCL shareholders.

Despite the recommendation to reject the UCL Offer, Minemakers remains willing to discuss and agree a fair transaction which combines UCL and Minemakers to the benefit of both sets of shareholders.

The reasons for Minemakers' Board recommendation to **REJECT THE UCL OFFER** are as follows:

- **The UCL Offer represents a discount to Minemakers medium and longer term trading values:** The implied value of the UCL Offer is $0.208.[1] The UCL Offer represents a:
  - 10.7% discount to the 30 day VWAP;[2]
  - 18.3% discount to the 3 month VWAP; and
  - 46.0% discount to the 12 month VWAP of Minemakers shares.
- **Under the UCL Offer, Minemakers shareholders will have a lower shareholding in the surviving entity than they would have had under the Minemakers Offer for UCL:** Minemakers considers the offer ratio proposed under the Minemakers Offer to be fair and reasonable for both sets of shareholders. UCL's own independent expert also declared the Minemakers Offer fair and reasonable for UCL's shareholders.
- **The UCL Board's recent conduct raises questions about its ability to lead the combined group:** The UCL Board has:
  - historically been highly critical of the Wonarah Project and have refused to engage in discussions regarding an acceptable merger ratio on Minemakers Offer or any other combination of UCL and Minemakers which included the Wonarah Project. For the UCL Board to now make an offer for Minemakers (including the Wonarah Project) is inconsistent with its historical position;
  - diluted the holding of UCL shareholders through a placement to MBHolding Company LLC (**MBHolding**), before making its own unsolicited offer for Minemakers. The capital raised from this placement may not have been required to be raised at the current low prices if the UCL Board had engaged with Minemakers in respect of the Minemakers Offer;

[1] Using closing price of UCL and Minemakers on 17 May 2012
[2] VWAP is calculated using Minemakers shares traded on ASX over the relevant period

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- o forced both companies to incur a further set of transaction costs in preparing and responding to UCL's Offer; and
- o published a project development timetable which has not been agreed with Minemakers and, in Minemakers' view, is unlikely to be achieved. Minemakers believes this conduct has the potential to damage the credibility of the Sandpiper Project with debt and equity investors.

- **Offering cash at a time of market weakness and when Minemakers is trading at historically low prices is not attractive:** UCL has not given Minemakers shareholders the option to exchange their entire exposure into the surviving entity, and hence Minemakers shareholders that accept would be forced to sell down part of their interest during a period of weakness in the market when Minemakers is trading at historically low prices. This sale will also occur at a material discount to the valuation of Minemakers' assets assessed by UCL's own independent expert.
- **The Offer is not conditional on achieving a 100% outcome. This leaves open the possibility for complicated cross-shareholdings:** If UCL was to achieve more than 50%, but less than 100% shareholding in Minemakers, the result would be complicated cross shareholdings whereby UCL would control Minemakers, yet Minemakers would own shares in UCL. In that scenario, UCL may be required by law to procure that Minemakers dispose of its UCL shareholding, which may result in an overhang in UCL shares, putting downward pressure on the UCL share price.
- **Minemakers is the preferred vehicle in which to consolidate ownership of the Sandpiper project:** Minemakers has a TSX listing which may provide significant opportunity for raising capital, given the deeper capital markets for fertiliser companies in North America. Having UCL as the surviving listed entity would result in a loss of this listing.
- **The planned convertible note used to fund the cash component of the UCL Offer is not an attractive instrument:** Full details of the proposed convertible note to be issued to MBHolding have not yet been provided. However, prima facie, this convertible note is an unattractive security for the following reasons:
  - o it will introduce unrequired debt with an interest rate of 7.5% and an 18 month term;
  - o it will result in further dilution of UCL shareholders when this debt is either repaid or converted;
  - o the conversion price of A$0.25 is a discount to the prevailing UCL market price, effectively providing a free option for MBHolding; and
  - o upon conversion of the note, MBHolding would have a 17%[3] shareholding in UCL. In this scenario, UCL will have two large strategic shareholders, Twynam and MBHolding, which will have a combined shareholding of 28%.[4] These holdings will have the potential to deter other institutional investors from investing in UCL.

In the coming weeks, Minemakers' shareholders will receive a Bidder's Statement from UCL. To **REJECT THE UCL OFFER,** shareholders should simply **TAKE NO ACTION**.

THE MINEMAKERS BOARD RECOMMENDS THAT MINEMAKERS' SHAREHOLDERS REJECT THE UCL OFFER

The Minemakers Board continues to urge UCL shareholders to accept the Minemakers Offer for UCL before it is scheduled to close at 7pm (Sydney time) on Tuesday 22 May 2012. The Minemakers Offer remains compelling, makes strategic and economic sense and has been confirmed as Fair and Reasonable by UCL's own appointed independent expert.

Andrew Drummond
Executive Chairman

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[3] On a diluted basis, assuming the note has a face value of A$9 million and the UCL Offer achieves 100% acceptances.
[4] As per footnote 3.