

Tim McCormack

Thursday, 30 August 2012 2:33 PM

(MRP) MacPhersons Resources Ltd - \$12.6m injection paves the way to production

Event Impact - Materials Research

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MacPhersons Resources Ltd (MRP) \$0.40

Recommendation: SPEC BUY

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Event

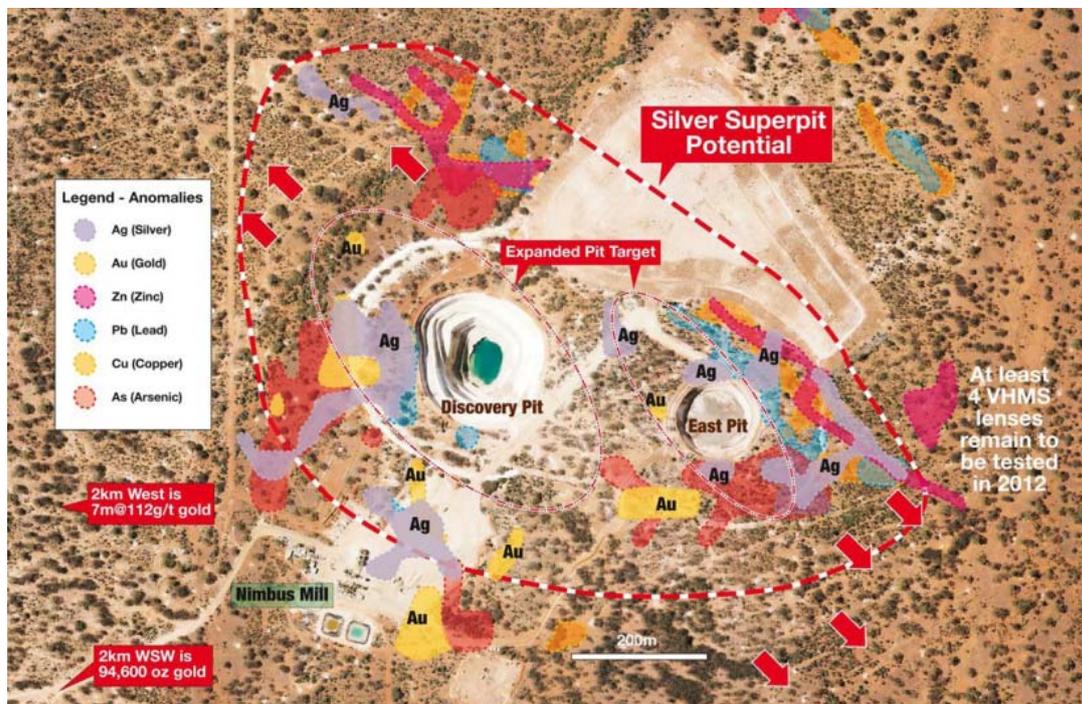
- MacPhersons Resources (MRP) has **completed a \$12.6m institutional placement and silver off take agreement.**
- Structure of the deal will see RK Mine Finance (part of the Red Kite Group) contribute \$8.6m (15.7m ordinary shares at \$0.418/sh (10% premium) for \$6.6m and a further 5.3m shares at \$0.38/sh for \$2m). A \$4m placement (10.5m shares at \$0.38/sh) to institutional and sophisticated investors has also been completed.

Impact

- **Funds raised will target resource growth at the 12.5Moz silver eq. Nimbus project** and facilitate the commissioning and expansion (via purchase of a 480kt Merrill Crowe plant est. \$3m) of the Nimbus silver/gold mill. Due to the high grade nature of the resource introduction of a Merrill Crowe plant on the back end of the existing CIL facility will allow for improved efficiency and recoveries. Ongoing work also includes pre-feasibility studies, order of long lead time items and metallurgical studies on the project.
- **MRP has also entered into an off take agreement** with RK finance. The offtake is for a fixed 12Moz of silver with no specified timeframe for delivery. Structure of the deal is such that RK finance will purchase product at a price consistent with the London Silver Market Fixing Price quotations. This offers MRP full exposure to the spot silver price albeit with a small discount for marketing which we believe will equate to ~\$0.30/oz over the duration of the 12Moz contract.
- This should be **the last time MRP need to visit the market for funding** before production. We believe debt funding for the remaining ~\$25m which is required to complete plant construction is well advanced.
- **MRP will be in production in the 1H FY14**, and we expect to see a ramp up toward a production rate of 2.5Mozpa in the initial 3 years. Various optimisation studies have been completed and returned positive NPV's. Latest indications of "big pit" mining scenario improve the projects economics significantly and we expect to see further clarity on this as feasibility work is completed.

- **Resource potential of +30Moz silver at Nimbus.** Latest upgrades have taken the **Nimbus resource to 12.5Moz of silver equivalent.** The increase comes from work completed from only two of the numerous identified VHMS lenses within the Nimbus footprint. Management intends to keep the market informed as to progress with resource upgrades expected on a 2-3 month basis. With the current drilling program identifying repetitions of mineralised lenses at depth and along strike from the Discovery Pit **we expect the resource base to increase in excess of 18Moz silver eq. in 2012** and ultimately has the potential to grow well beyond 30Moz. Mineralisation is typically associated with zinc however gold, lead and heavy metals are being worked into future resource estimations and may prove to be valuable by-products.
- **MRP will have a cash position of ~\$16m** on completion of the placement adequately positioning the company for the next ~6-12 months project development.

Figure 1: Discovery Pit (left) and East Pit. Numerous targets both along strike a at depth and the potential "big pit" outline.



Disclosure: Disclosure: Patersons Securities acted as Lead Manager to MRP's IPO to raise \$30m at \$0.30/sh in December 2010. Patersons received fees for this service.

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