

## Spec Buy

Current Price \$0.17  
Target Price \$0.34

Ticker:	MRP	
Sector:	Materials	
Shares on Issue (m):	251.9	
Market Cap (\$m):	42.8	
Cash (\$m):	3.0	
Enterprise Value (\$m):	39.8	
52 wk High/Low:	\$0.32	\$0.12
12m Av Daily Vol (m):	0.13	

### Mineral Inventory (100% basis)

Nimbus	Mt	Ag Eq (g/t)	Moz
Reserves	1.1	298	10.8
Resource	4.9	149	23.4

Boorara	Mt	Au (g/t)	Moz
Resource	7.4	1.1	258

MacPhersons	Mt	Au (g/t)	koz
Resource	3.8	1.6	198

### Directors:

Ashok Parekh	Chairman
Morrie Goodz	Managing Director
Jeff Williams	Non-Executive Director

### Substantial Shareholders:

Directors / Management	37.0%
RK Mine Finance	8.5%

### Share Price Graph



Tuesday, 22 April 2014

## Macphersons Resources

### Exploration update

Analysts | Patrick Chang | Matthew Keane

### Quick Read

Recent drilling at Macphersons Resources' (MRP) Nimbus project has demonstrated the presence of mineralisation outside the known Resource boundary and identified a new lense. Argonaut anticipates a tangible Resource / Reserve update with further drilling. The Company is one of the few on the ASX offering significant exposure to silver through its high grade (298g/t Ag-Eq) Nimbus project. The key challenge includes the potentially variable metallurgical performance due to the poly-metallic nature (Ag, Zn, Au, Hg) of the deposits. Speculative Buy recommendation and \$0.34 valuation maintained.

### Event & Impact | Positive

**Step out drilling extending known mineralisation:** As anticipated, the step out drilling to date has extended the mineralisation beyond the existing Resource boundary. Particularly encouraging was a deep, step out hole (NBDH010) intersecting multiple mineralised zones. Notably, this hole has intersected the anticipated down-plunge extension of several lenses, mostly significantly the Ag211 lense which forms the bulk of the underground Reserve. Given NBDH010 is a big step out hole, in-fill drilling is required to confirm the continuity of the mineralisation for a Resource update. Further assays are pending for this hole (see Figure 2).

**New silver lenses identified through drilling:** Recent drilling has confirmed the presence of a new silver rich lense (AG250), located between the AG211 and AG311 lenses, which are in the current underground mine design. The identification of this additional lense further enhances the geological prospectivity and highlights the under-explored nature of the project, particularly at depth. Further drilling is required to establish the potential economics of AG250.

**Potential discovery of additional lenses:** Given the recent exploration success and models of other better explored Volcanogenic Hosted Massive Sulphide (VHMS) deposits such as Golden Grove and Bentley, Argonaut believes significant potential exists to identify additional Ag / Zn lenses. The presence of copper at Nimbus, combined with the geological model for typical VHMS deposits enhances the potential for the discovery of copper rich lenses, particularly at depth.

**BFS anticipated mid-2014:** The Company is anticipated to complete a Bankable Feasibility Study (BFS) in mid-2014, which is being independently managed by Sedgman. The current diamond drilling program will assist with geotechnical and metallurgical work required for the study.

### Recommendation

Speculative Buy and \$0.34 valuation maintained.

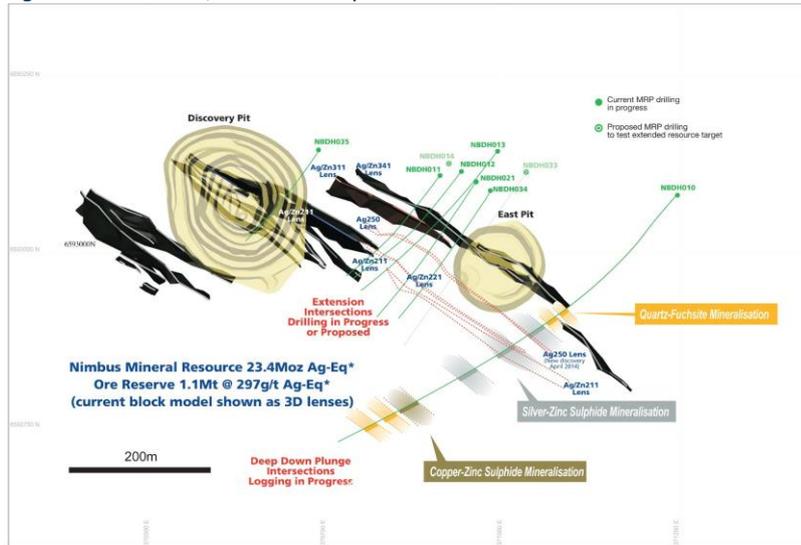
## Drilling extends mineralisation at Nimbus

Recent drilling has produced high grade results....

Recent drilling has extended the known mineralisation at Nimbus and identified new mineralised lenses, demonstrating that mineralisation remains open at depth. Better results include; 2.0m @ 1,028g/t Ag from 180m (NBDH011), 6.3m @ 1,139g/t Ag Eq from 220m (NBDH012), 2.1m @ 528g/t Ag Eq from 206m (NBDH012).

...confirming the extension of the mineralisation at Nimbus...

Figure 1: Plan view, current drill plan



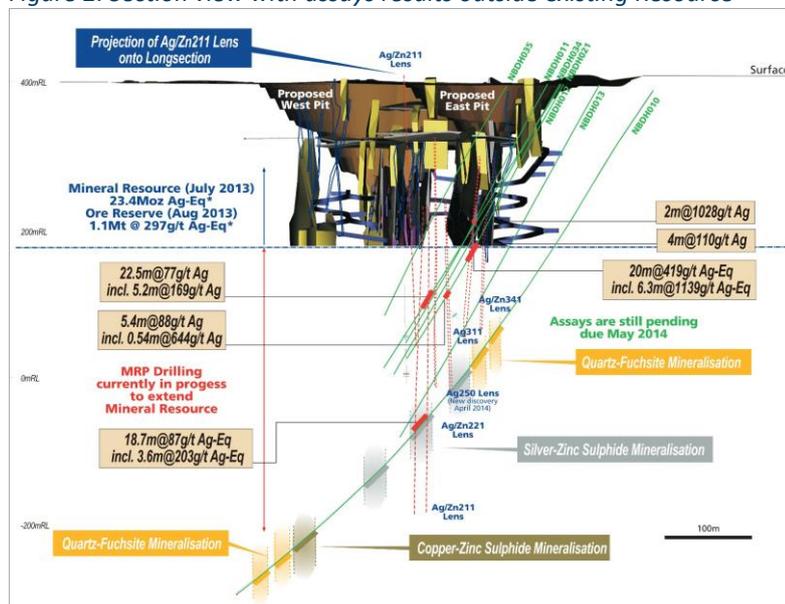
Source: MRP

...particularly encouraging was a ~300m step out hole (NBDH010)...

Particularly encouraging was the identification of multiple mineralised zones in NBDH010, which is a ~300m step out hole to the east of the current mine design. Notably, this hole has intersected the anticipated down-plunge extension of several lenses, mostly significantly the AG211 lens which forms the bulk of the underground Reserve. Given NBDH010 is a big step out hole, in-fill drilling is required to confirm the continuity of the mineralisation for a Resource update. Further assays are pending.

...intersecting multiples zones of mineralisation...

Figure 2: Section view with assays results outside existing Resource



Source: MRP

...highlights potential to significantly extend the AG211 lense through further drilling

Argonaut's valuation of \$0.34 is based on 7.3 years of mine life...

...contingent upon exploration success at extending mineralisation at depth

Production of ~5.2Moz Ag Eq pa...

...at a forecast 'all-in' sustaining cost of \$15/oz Ag

## Valuation

Argonaut's valuation of \$0.34 is based on the project parameters and price assumptions outlined in Table 1. We have assumed a combined mine life of 7.3 years (v existing 5.5 years) by factoring an additional ~9Moz Ag. The plant is estimated to process ~453kt ore pa, producing ~5.2Moz of Ag Eq pa.

Table 1: Project assumptions and valuation

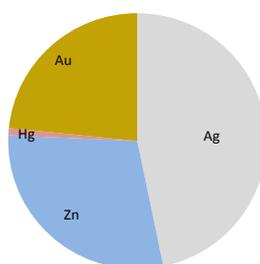
Key Project Assumptions		
Ownership	%	100
Ore milled (Polymetallic)	ktpa	453
Ore processed (heap leach)	ktpa	790
Annual Production (Ag)	Mozpa	2.4
Annual Production (Ag Eq)	Mozpa	5.2
Combined Mine Life	yrs	7.3
Start up Capex	A\$m	70
"All-in" sustaining cost (Ag Eq)	A\$/oz	15
Long Term Pricing (uninflated)		
Silver	US\$/oz	15
Gold	US\$/oz	1350
Zinc	US\$/lb	1.0
Mercury	US\$/oz	3.2
Exchange rate	A\$:US\$	0.85
Fiscal		
Government royalty (Ag, Au, Hg)	%	2.5
Government royalty (Zn)	%	5.0
Tax Rate	%	30.0
Discount Rate	%	11.0
Summary Valuation		
MacPhersons Resources	A\$m	\$ps
Nimbus - Boorara - MacPhersons	97	0.28
Corporate	-10	-0.03
Cash Estimate	3	0.01
Tax Loss	19	0.05
Debt	0	0.00
Exploration	10	0.03
<b>Total @ 11.0% Discount Rate</b>	<b>119</b>	<b>0.34</b>

Source: Argonaut

Argonaut has assumed \$70m start-up capex and "all-in" sustaining cost is estimated to be ~\$15/oz Ag on an Ag Eq basis. This cost includes ~\$15m in sustaining and development capex pa. Argonaut has assumed \$20m in equity raising at 20c/share.

The project is most leveraged to silver (47% of revenue) followed by Zn (29%), Au (23%) and Hg (1%).

Figure 3: Projected revenue breakdown



Source: Argonaut

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Argonaut acts as Corporate Adviser to MRP and may receive fees commensurate with these services.

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