



MacPhersons Resources

Jul 25th 2013

MacPhersons Resources silver-zinc-gold Resource jumps 27% at Nimbus

MacPhersons Resources (ASX: MRP) has increased the JORC Resource at its wholly-owned Nimbus Silver-Zinc-Gold Project in Western Australia by 27% to 4.9 million tonnes at 149 grams per tonne or 23.4 million ounces silver equivalent.

Importantly, 30% of this Resource has been converted into the high certainty Measured category with the rest in the Indicated category.

The silver resource has been increased by 6% to 12.4 million ounces while zinc and gold have increased by 32% and 38% respectively to 65,000 tonnes of zinc and 46,000 ounces of silver.

MacPhersons is currently finalising the Ore Reserve, which will be reported before the end of July 2013.

The company is also nearing completion on two new pit and underground mine designs and has flagged that the project has more exploration upside with mineralisation remaining open along strike and at depth.

"Continued drilling of Nimbus has extended the high-grade resource," managing director Morrie Goodz said.

"In light of market conditions, we have been able to complete a new higher grade mine design, with the ore reserve statement and mine design to be released before month end.

"Metallurgical testwork has continued to show increased silver and zinc recoveries".

Goodz told Proactive Investors that while the current resource estimates are made on a 91% leach recovery, the company has seen indications that recoveries may be higher. Another six samples are currently being tested.

Resource upgrade

The resource upgrade follows an update of the geological model, setting constraints from lithological and structural controls and partial results from late 2012 drilling that includes three diamond drillholes and four diamond geotechnical holes.

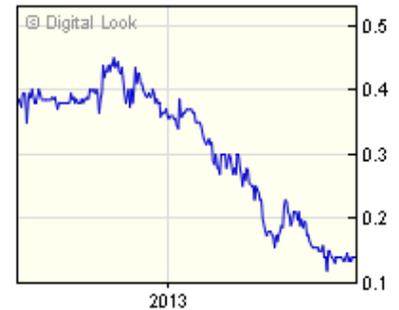
Other achievements of the program include:

- Rotating the geological model slightly, giving it much more robustness and allowing for extensions to be observed and tested. The individual lens shapes were tightened up and intersecting bodies were more clearly understood and tracked;
- The mineralisation lenses were shown to remain open along strike and open to depth;
- Weathering profiles were re-assessed based on a combination of geological observations, geochemical signatures, and metallurgical properties. A clearer understanding was developed between weathering profiles and silver-bearing mineralisation and grade distribution;
- There remains areas within the current proposed optimised pits, that are relatively untested and therefore further opportunity to increase the mineral resource within the optimised pit, as well as the opportunity to enlarge the pit;

Price: A\$0.14

Market Cap: A\$34.91M

1 Year Share Price Graph



Share Information

Code: MRP

Listing: ASX

Sector: Gold Mining

Website: www.mrpresources.com.au

Company Synopsis:

MacPhersons Resources (ASX: MRP) is a Western Australian resource company with a number of advanced gold, silver and zinc exploration projects within close proximity to Kalgoorlie and Coolgardie. The company's focus is to develop its Nimbus-Boorara silver-gold-zinc-lead-copper projects.

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- Other new lenses and various surface geochemical anomalies have been identified within 500m of the existing pits; and
- A new mine design work is being finalised with the view of releasing a full mine plan and ore reserve statement by the end of the current month (July 2013).

The calculation of silver equivalent is based on the metal prices which were 3-9% lower than current spot price, as well as depreciation in the Australian dollar exchange rate, providing for further upside in margins.

The value ratio is back calculated for each metal on a per gram basis before the silver-equivalent value is calculated by the ratio of the additional metal price per gram to the silver price per gram for only those metals being recovered in the plant.

MacPhersons added the current Resource estimate represents a step change from the previous resource model, in terms of quality of the geological model.

This includes:

- Extensively re-interpreted geological model based upon lithological controls, structural mapping and detailed analysis of the impact of weathering profiles;
- Geochemical and metallurgical properties of mineralised lenses showing a variation of grade and metal ratios within the multiple mineralisation styles observed;
- Observed relationships between mineralisation and weathering profiles and identifying / tracking where primary mineralisation crossed supergene mineralisation;
- Revised orientations of mineralisation surfaces and tightening of mineralisation shapes between intersecting zones; and
- Weathering profiles updated.

Although most mineralisation shapes were tightened, the mineralisation lenses have been extended in strike length, in particular, and remain open both along strike and at depth.

Nimbus Silver-Zinc-Gold Project

The Nimbus project is currently scheduled to start production in 2014 from the existing East Pit and Discovery Pit. These will be transformed into a single Silver Superpit as mining progresses.

Optimised pits at Nimbus, final mine designs to be released this month.

Delivery of the new 480,000 tonne per annum Merrill-Crowe gold-silver processing plant expected in the fourth quarter along with the Gravity Circuit.

These two items are expected to be commissioned in the first half of 2014.

Start-up of zinc production from the project will come at a time when prices are expected to rise by as global supply falls.

Zinc prices are predicted to rise by 20% to 40% with reports indicating that an estimated 2 million tonnes of zinc supply could end by 2017 due to mine closures. Of this, nearly 841,000 tonnes are expected to be removed from the market in 2014 as Xstrata's Brunswick and Perseverance as well as Vedanta's Lisheen mines close.

Nimbus is located just 10 kilometres east of Kalgoorlie's Super Pit gold mine.

Boorara Gold

Further upside could come from the Boorara gold project open pits, which will provide additional mill feed to the Nimbus Silver-Gold-Zinc project and extend proposed mining and processing operations.



Recent drilling had returned results including 1 metre at 8.61 grams per tonne gold from 13.5 metres; 5.5 metres at 2.3g/t gold from 29.5 metres including 0.8 metres at 6.09g/t gold from 30.45 metres; and 12 metres at 2.12g/t gold from 49.5 metres including 2.1 metres at 7.03g/t gold from 58.3 metres.

These validate and expand historical models and indicates that more than 4,000 historical holes can be used to produce the JORC resource estimate.

"A maiden JORC Resource for Boorara is expected within the next few weeks," Goodz told Proactive Investors.

Regional Farm-in

MacPhersons had also in June entered into a farm-in agreement to acquire up to 70% interest in a number of tenements that are adjacent to and contain strike extensions from Nimbus and Boorara.

The acquired tenements also consolidate MacPhersons' position as they form a continuous link between its Nimbus Boorara block and its Kanowna South tenement package.

Under the farm-in with Jabiru Metals, a subsidiary of Independence Group (ASX: IGO), MacPhersons also has the right to move to full ownership or enter into a joint venture at the end of the farm-in period.

Independence operates four mines in the Kalgoorlie Goldfields region. These include the Jaguar and Bentley copper-zinc-silver-gold mines that are geologically identical to Nimbus.

It also operates the Lightning Nickel mine and the Tropicana and Havana gold mines, giving MacPherson's access to an experienced Kalgoorlie- based mine operator.

Analysis

MacPhersons is targeting first silver production in the first half of 2014, commencing at 2 million ounces annually, at a cost of A\$10/oz. CAPEX comes in at around A\$50 million.

With a market cap. of \$35 million and cash at the end of March 2013 of \$8.6 million (and expecting \$1.8 million in outflows for the June quarter), this equates to an Enterprise Value of just \$28 million.

Therefore with 23.4 million ounces of silver-equivalent, then this is just A\$1.2 versus an Australian average of A\$0.5 for ASX-listed silver mining companies with projects in Australia - based on a recent third party research report.

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