RESOURCES ROADHOUSE™

The Inside Story
By Wally Graham

MacPhersons Resources

MacPhersons Resources increases Nimbus lifespan

Since acquiring the Nimbus silver-zinc-gold project just 20 months ago Macphersons Resources has taken it from zero resources to the brink of production.

IN JULY MACPHERSONS RELEASED a JORC-compliant resource at Nimbus of 4.9 million tonnes at 149 grams per tonne containing 23.4 million ounces of silver equivalent, including 12.4 million ounces of silver, 65,000 tonnes of zinc and 46,000 ounces of gold.

A feasibility study was indicating potential mine life for Nimbus of around two and a half years.

However, this had not taken into consideration a subsequent resource statement for the company's Boorara gold project of 7.37Mt at 1.09g/t gold for 258,000 ounces of gold, which added a further four years mine life to the project area.

"The great outcome is we have, effectively, updated the feasibility study," MacPhersons Resources managing director Morrie Goodz told The Resources Roadhouse.

"Essentially all aspects of the program are completed, having been finalised and independently audited."

The feasibility study update has established an initial mine plan and schedule for Nimbus of five and half years.

All the Nimbus deposits contain more resources MacPhersons has yet to include in its modelling, which has only included 25 per cent of the resources.

All current silver resources at Nimbus are in the measured and indicated categories, of which Goodz is confident a substantial amount will be converted into the next mine plan.

"The reason we focused on a small portion of the mineralisation is that we have gone to the highest grade portions to reduce the payback period as much as possible," he explained.

"We are aiming at a payback on the capital of between two to three years and basically, what we have done is focused on a higher grade resource, in particular the underground resource, which averages a recovered grade of 365 grams per tonne silver equivalent, so we can ensure that quick payback."

The underground stopes at Nimbus form about one tenth of the measured and indicated resource modelled in the potential underground mine development, which the company considers offers the opportunity to double the mine life.

One important aspect MacPhersons has paid particularly close attention to has been cost management.

Over the life of the updated schedule the cost per ounce of silver at Nimbus will range between A$12 and A$16 per ounce, depending on the grade of the deposit being mined at the particular time of the schedule.

"We will initially be concentrating on that underground operation," Goodz said.

"The main part of the underground operation will be at a cost of between A$12 and A$13 dollars per ounce for the silver.

"We modelled the deposit on a US$19.80 per ounce silver price.

"The current silver price is now between US$23 and US$24 per ounce, and obviously that has added an extra 20 per cent to the revenue side of the equation.

"Even when you look at the positive reporting we have achieved in our financial modelling, the extra 20 per cent increase in that silver price has not been included in our financial models, so I believe the upside there is quite substantial."

MacPhersons also modelled a gold production price for ore to be mined from its Boorara and MacPhersons Reward mines.

These sums produced a cost price, for the life of the mine schedule, ranging between A$600 and A$1050 per ounce of gold produced, which again is dependent on the grade of the ore being mined at the time.

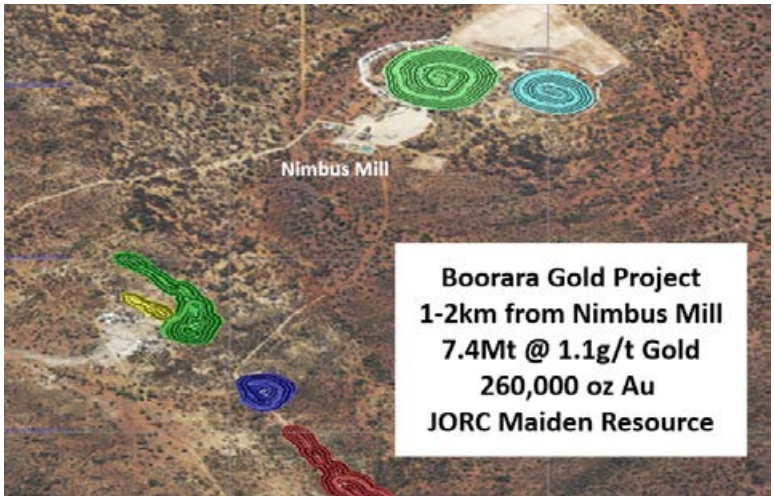
The first stage of the company's mine schedule will commence with the Nimbus open pit and underground operations running concurrently.

Once the first stage Nimbus open pit operations are complete, MacPhersons will move the mining fleet to the northern Boorara pit and commence mining the pits at Boorara and start the gold production.

"Initially – for the first two years – the main production centre is focused on silver, but then the gold production starts to increase substantially," Goodz explained.

"By year four the value of the gold production may exceed the value of the silver production."

The Nimbus and Boorara projects are only approximately 1000m apart,



which means rotating between operations is akin to moving the same mining fleet from one part of the same mine to another.

The two projects are close enough to each other to be essentially one project and one deposit – the difference highlighted by one being silver dominant and the other gold dominant.

"In reality they are still in the same paddock," Goodz said.

"That is one synergy we gain by being able to have the mining fleet rotate between the pits at Nimbus and Boorara.

"Another is all our overheads – the management overheads, mining team overheads, etc. are all handled by the same people, meaning there is no need to replicate and duplicate our workforce."

There is, of course, more to come with MacPhersons having identified more than ten similar prospects, most of which are already drill-defined deposits.

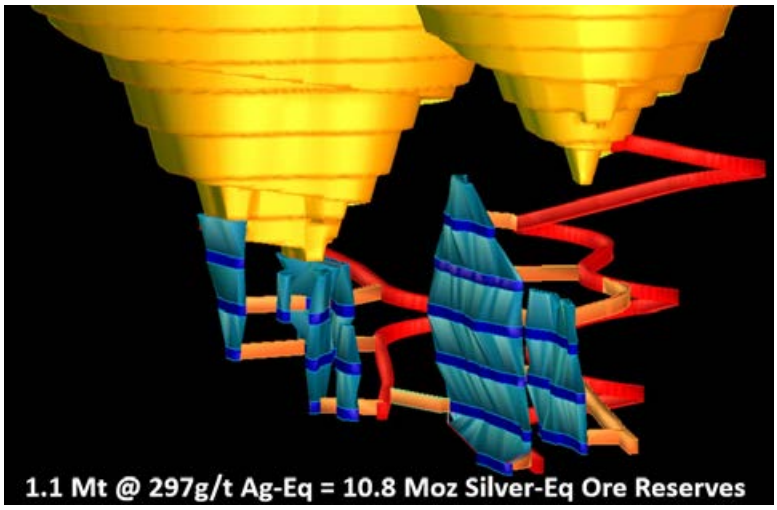
These all sit within a 5km radius of the company's proposed processing facility, providing a long pipeline of projects that can be operated and managed from the one site.

When MacPhersons will be able to get to them, however, is anybody's guess, as it appears it will be busy at the Nimbus and Boorara deposits for some time.

Particularly at Boorara and MacPhersons Reward where gold mineralisation remains open at depth.

MacPhersons has only modelled a small portion at each of these deposits and at Boorara it claims to have modelled less than 50 per cent of the deposit with 90 per cent of the deposit resource modelling and drilling completed so far reaching just 70m depth below surface.

"We really haven't touched the surface, considering the local mines, in our region – and along that geological belt – reach depths of up to 1.5 kilometres," Goodz said.



"The Super Pit is only eight kilometres away, where drilling is reaching depths of three kilometres.

"Boorara is a deep-seated system, of which we have only tested the top 70 metres."

One popular school of thought concerning any shallow gold to be found close to and around Kalgoorlie is that it has already been found and mined.

MacPhersons is proving shallow deposits do exist in the region, as demonstrated by the discovery of Nimbus Lens No4 discovery only 12m below surface, the Tycho gold deposit outcrop discovery in 2011 and their nickel sulphide discovery in the Kambalda North domain in 2012, all within 30km of Kalgoorlie and Nimbus.

Finding such deposits, it seems, basically comes down to a company being prepared to invest in and carry out exploration.

MacPhersons' exploration team has been highly successful, something Goodz puts down to the 3D exploration modelling software it uses.

MacPhersons Resources is well on target to meet its stated goal of being in production by quarter three next year.

"We're keen to move forward from being a developer to becoming a producer," Goodz said.

"Right now we are scheduled for breaking ground in late quarter one, early quarter two next year.

"We have already started a stockpile – but to ensure that we have a big enough stockpile for continuous flow - we want to start pre-production mining in late quarter one, early quarter two 2014."

The Short Story

MacPhersons Resources Limited (ASX: MRP)

18 March – 16 September 2013

HEAD OFFICE
109 Maritana Street
Kalgoorlie WA 6430

Ph: +61 8 9068 1300
Fax: +61 8 9068 1310

Email: info@mrpresources.com.au
Web: www.mrpresources.com.au

DIRECTORS and MANAGEMENT
Ashok Parekh, Morrie Goodz, Jeff Williams

MAJOR SHAREHOLDERS

Ashok Parekh and associated entities	13.50%
Ray Wright and associated entities	13.05%
JP Morgan Nominees Australia Limited (Red Kite)	9.24%
Bond Street Custodians Limited	8.93%
BT Portfolio Services Limited	3.40%

SHARES ON ISSUE
250.3 million

MARKET CAPITALISATION
$78.8 million (at 12/09/13)