

**MacPhersons Resources (MRP) \$0.33**

**Recommendation: SPEC BUY**

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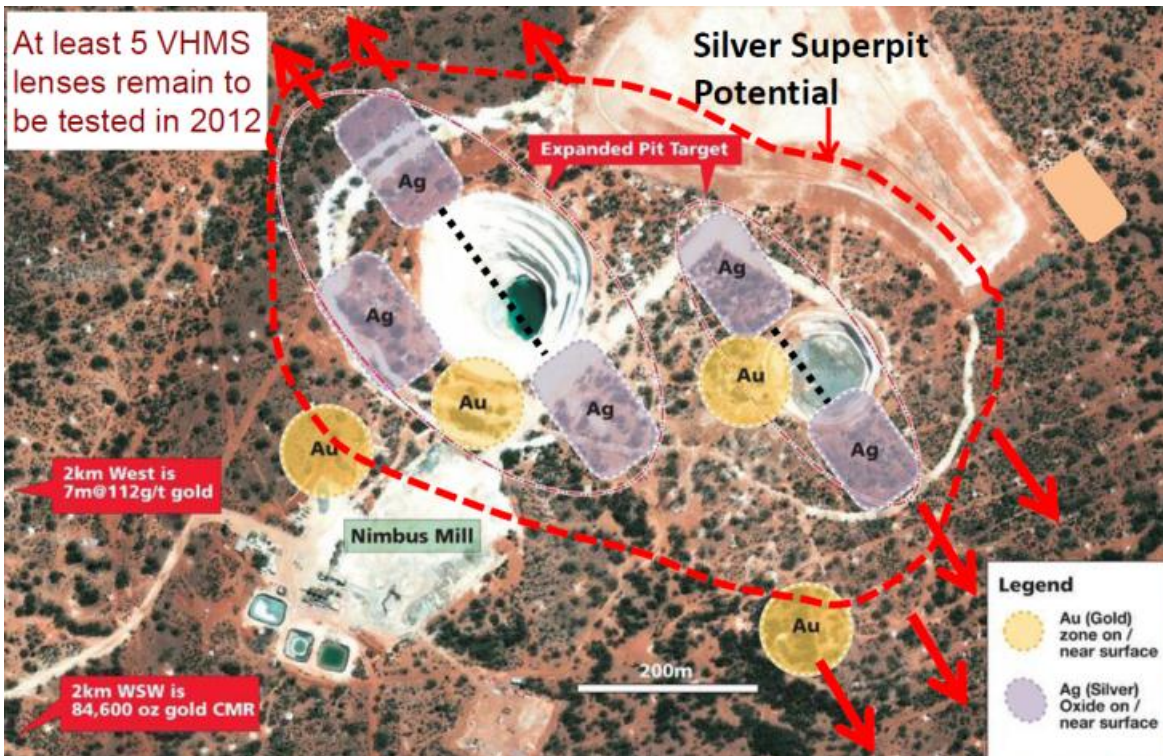
## Event

- MacPhersons Resources today released drilling results from its Nimbus silver project near Kalgoorlie. Results confirm extensions to VHMS mineralisation beyond the 8.5Moz silver/28.1kt zinc JORC resource released in March.
- The highlighted intersection of 56.8m at 105g/t silver including 6.1m at 354g/t silver and 11.8% zinc demonstrates good potential to extend the known resource.
- A new massive sulphide lens has also been discovered in a separate drill hole below the East pit (300m east of current resource). MRP has conducted hand held XRF on the 27m intersection and received grades ranging up to 700g/t silver. While not a JORC compliant method of analysis we note that previous comparisons with chemical assays have been consistent.
- Plant commissioning is on-going with startup silver production expected Q1 CY2013.

## Impact

- We see good potential for resource growth at the Nimbus project given strike and depth extensions from the recent drilling program.
- The current resource envelope is based on one of six known mineralized lenses that MRP is exploring. Optimisation work done on the deposit so far has demonstrated a positive NPV of \$124m using a silver price of \$35/oz. With ongoing significant intersections in most holes MRP management is now entertaining the potential for merging the Discovery and East pits into a big pit scenario to produce silver and a zinc/lead concentrate which would vastly improve the economics and scale project.
- Drilling under the East pit is part of a 6 hole program which will be completed in 4-6 weeks. Target depths of the holes is +300m and designed to determine lens repetitions at depth. The aforementioned XRF results from ~160m down hole confirm the likely hood of mineralisation at depth. On completion of the program MRP have indicated a resource upgrade in the June Q. We expect this could add another 5-8Moz of silver to the current resource.
- The zinc aspect of project the is becoming increasing interesting with a number of significant mine closures around the world in the next couple of years set to constrain supply and increase prices for the metal. Consensus forecast have the prices rising from ~\$0.90/lb to \$1.25/lb beyond 2014. The increase is timely and coincides with MRP's proposal begin producing a zinc/lead concentrate early 2015.
- The current plan for processing is to have a silver circuit up and running in Q1 CY2013. Mill feed will be sourced from 2 exiting tailing stockpiles which should produce ~1Moz of silver in CY2013. Cash flow will be used for further resource development and introduction of a parallel gold circuit to treat ore from the MacPhersons gold project.
- Assumed in-situ value for the current resource is ~\$35m based on \$3.20/oz and \$0.15/lb for in the ground silver and zinc. A good return considering the asset was acquired for \$3m cash and ~5m shares approximately 9 months ago.

Figure 1: Discovery Pit (left) and East Pit. Numerous targets both along strike and at depth



**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.**