

RECOMMENDATIONS

Rating	BUY ▲
Risk	High
Price Target	\$0.64
Share Price	\$0.43

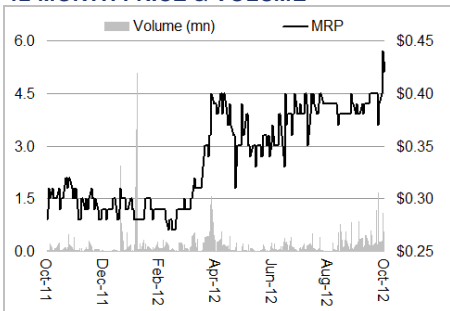
SNAPSHOT

Monthly Turnover	\$4.1mn
Market Cap	\$103mn
Shares Issued	239mn
52-Week High	\$0.44
52-Week Low	\$0.27
Sector	Materials

BUSINESS DESCRIPTION

MacPhersons Resources is a prolific explorer and developer with a large land package in the Kalgoorlie and Coolgardie regions of WA.

12-MONTH PRICE & VOLUME



RESEARCH ANALYST

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Disclosure

The author owns no shares in MRP.

MacPhersons Resources (MRP)

COMPANY REPORT

Grade is still king

- MacPhersons Resources (MRP) continues to post a good exploration performance, demonstrating widespread high-grade silver, gold and polymetallic mineralisation beyond its current resource envelope at the Nimbus Project in Kalgoorlie, WA.
- **Grade is Still King:** Superior grade remains an unwavering support for the economics behind mining operations. This remains a key fundamental supporting our positive view on MRP, which has an average 112g/t silver (Ag) (or 139g/t Ag-Eq with credits) underpinning the company's expectations for low-cost operation with robust economics.
- **Resource Growth:** With strong grade behind its resource base, MRP has considerable scope to increase the scale of its mining operation at Nimbus while supporting viable economics. MRP has a current resource of 12.5Moz Ag-Eq, close to its medium-term exploration target of 15Moz. Ultimately we observe the project's full potential as sitting between 25-50Moz Ag-Eq (depending on the ultimate number of mineralised lenses discovered).
- **Production:** The operating scale of Nimbus will continue to evolve as MRP grows its resources that sit at and near Nimbus. On its current delineated resource MRP is targeting 2Mozpa by 2014/15.
- **Cash Margin:** Supported by strong grades, a robust silver price (circa \$33/oz), and near-term resource growth potential, preliminary pit optimisation studies have conservatively indicated an average LOM cash cost of \$10/oz for Nimbus. Putting the project on a prospective 70% EBITDA margin - superior to the average EBITDA margin we estimate for Australian midcap gold producers at the current gold price (which averaged EBITDA margins of 62%). While MRP has some way to go before pouring its first bar, we believe the discount carried by the current share price remains unsustainable
- **Catalysts:** Near-term share price catalysts for MacPhersons remain concentrated on continued exploration success and further upside in the silver price. Key in the project's development in the medium term will be its ability to commission and ramp up Nimbus post construction, with the complex metallurgy typical of polymetallic deposits usually requiring a process of some tweaking at the mill before being able to ramp up to full nameplate capacity.
- **Rating:** We maintain our BUY rating. MRP's share price has risen strongly this week on the back of its latest results however we continue to identify further upside potential with a price target of \$0.64/share.

INVESTMENT SUMMARY

Year End: 30 June		FY11(A)	FY12(A)	FY13(E)	FY14(E)	FY15(E)
EBITDA	\$mn	-3.8	-3.3	-3.5	14.8	53.6
EBIT	\$mn	-3.8	-3.4	-3.6	14.6	52.9
Reported Profit	\$mn	-3.0	-2.1	-3.3	14.8	37.2
Adjusted Profit	\$mn	-3.0	-2.1	-3.3	14.8	37.2
EPS (Adjusted)	¢	-1.1	-0.8	-1.2	5.4	13.5
EV/EBIT	x	-28.3	-31.9	-30.1	7.4	2.0
PER (Adjusted)	x	N/A	N/A	N/A	7.8	3.1

Financial summary

MACPHERSONS RESOURCES (MRP)					Rating:	BUY			
Analyst:	Adrian Prendergast				Valuation:	\$0.64			
Date:	25 October				Price Target:	\$0.64			
Share Price (\$A):	\$0.42				Risk:	High			
Year End:	30 June								
PROFIT & LOSS (A\$mn)	FY12A	FY13E	FY14E	FY15E	CASH FLOW (A\$mn)	FY12A	FY13E	FY14E	FY15E
Total Revenue	0.0	0.0	52.2	84.7	Cash Receipts	0.0	0.0	52.2	84.7
Mining Costs	0.0	0.0	25.0	13.0	Payments to Suppliers/E'ees	-1.9	-3.5	-37.3	-31.1
Processing Costs	0.0	0.0	9.0	12.8	Net Interest	1.3	0.2	0.2	0.3
Royalties	0.0	0.0	2.6	4.2	Tax paid	0.0	0.0	0.0	-16.0
Other Expenses	3.3	3.5	0.8	1.1	Change in net working capital	-0.3	0.0	0.3	-0.6
Total Expenses	3.3	3.5	37.3	31.1	Total Operating Cash Flow	-0.9	-3.3	15.4	37.3
EBITDA	-3.3	-3.5	14.8	53.6	Capex	-7.6	-9.8	-11.2	-10.0
D&A	0.1	0.1	0.2	0.7	Exploration & Evaluation	-10.2	-5.0	-5.0	-5.0
EBIT	-3.4	-3.6	14.6	52.9	Total Investing Cash Flow	-17.4	-14.8	-16.2	-15.0
Net Interest	1.3	0.2	0.2	0.3	Proceeds from Share Issues	3.8	12.6	10.0	0.0
PBT	-2.1	-3.3	14.8	53.2	Other	-1.4	0.0	0.0	0.0
Income Tax	0.0	0.0	0.0	16.0	Total Financing Cash Flow	2.3	12.6	10.0	0.0
Reported NPAT	-2.1	-3.3	14.8	37.2	Net Change in Cash	-15.7	-5.5	9.2	22.3
Significant Items	0.0	0.0	0.0	0.0	Cash at the Start of Period	23.9	8.2	2.7	11.9
Adjusted NPAT	-2.1	-3.3	14.8	37.2	Cash at End of Period	8.2	2.7	11.9	34.2
BALANCE SHEET (A\$mn)	FY12A	FY13E	FY14E	FY15E	KEY ASSUMPTIONS	FY12A	FY13E	FY14E	FY15E
Assets					Exchange Rate (A\$/US\$)	1.01	1.00	0.96	0.92
Cash	8.2	2.7	11.9	34.2	Silver Price Spot (US\$/oz)	33.33	32.05	32.25	28.85
Receivables	0.3	0.3	0.6	0.9	Gold Price Spot (US\$/oz)	1644.6	1635.0	1755.0	1825.0
Total Current Assets	8.5	3.0	12.5	35.2	Zinc Price Spot (US\$/lb)	94.94	93.87	104.36	118.53
PP&E	4.2	13.9	24.9	34.3	SENSITIVITIES	NPV (A\$/sh)		NPAT - FY15	
Exploration & Evaluation	23.3	28.3	33.3	38.3	Silver Price Forecasts +/-10%	+/- \$0.09		+/- \$3.8m	
Total Non-Cur. Assets	27.5	42.3	58.3	72.6	Gold Price Forecasts +/-10%	+/- \$0.01		+/- \$0.2m	
Total Assets	36.0	45.3	70.7	107.8	Zinc Price Forecasts +/-10%	+/- \$0.02		+/- \$0.9m	
Liabilities					AUD +/-10%	+/- \$0.08		+/- \$3.4m	
Trade & Other Payables	0.6	0.6	1.2	1.0	VALUATION SUMMARY	A\$m	A\$/sh		
Employee Entitlements	0.1	0.1	0.1	0.1	Nimbus	147.5	0.54		
Total Current Liabilities	0.7	0.7	1.3	1.1	Boorara-Coolgardie	30.0	0.11		
Trade & Other Payables	0.7	0.7	0.7	0.7	Net Cash	8.2	0.03		
Total Non-Current Liab.	0.7	0.7	0.7	0.7	Corporate	-10.0	-0.04		
Total Liabilities	1.4	1.4	2.0	1.8	Total Valuation	175.7	0.64		
Equity					EARNINGS RATIOS	FY12A	FY13E	FY14E	FY15E
Issued Capital	53.4	66.0	76.0	76.0	Basic EPS (¢)	-0.8	-1.2	5.4	13.5
Retained Earnings	-18.8	-22.1	-7.3	30.0	Adjusted EPS (¢)	-0.8	-1.2	5.4	13.5
Total Equity	34.6	43.9	68.7	106.0	P/E (x)	N/A	N/A	7.8	3.1
					EV/EBIT (x)	-31.9	-30.1	7.4	2.0
					EV/EBITDA (x)	-32.6	-30.7	7.3	2.0

Grade is king

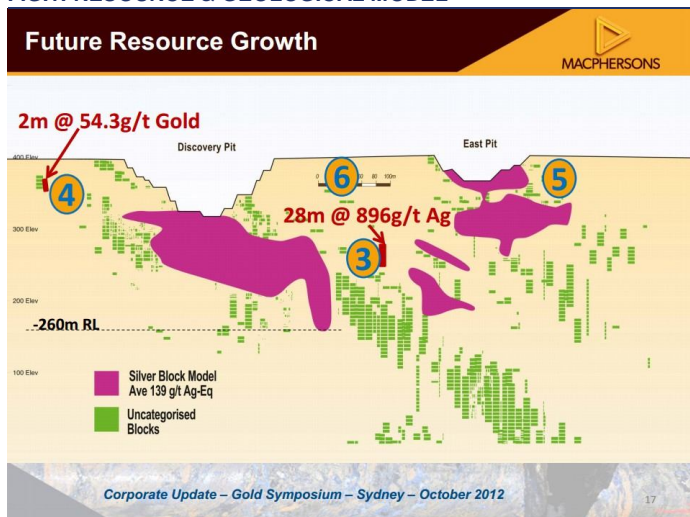
Recent Sulphide Intersections:

- 28 metres at 896g/t silver (Ag) from 200 metres
 - including 17m at 1427g/t Ag, 26.3% Zn and 4.7% Pb from 205 metres deep
 - including 11m at 1666g/t Ag also from 205 metres deep
- 29m at 202g/t silver equivalent (Ag-Eq) (includes 139g/t Ag plus by-product credits) from 176 metres
 - including 9m at 328g/t Ag and 7.9% Zn from 177m;
 - including 5m at 164g/t Ag from 200m.
- 7m at 561g/t Ag-Eq (includes 400g/t Ag plus by-product credits) from 196m
 - Including 7m at 400g/t Ag and 8.7% Zn from 196m

Recent Oxide Intersections:

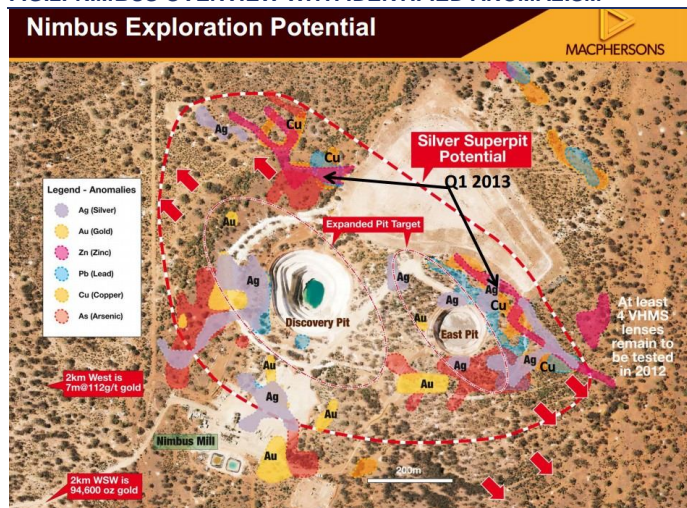
- 9m at 302g/t Ag-Eq (258g/t Ag plus by-product credits) from 81m
- 6m at 120g/t Ag from 27m
- 8m at 82g/t Ag from 51m
- 19m at 93g/t Ag from 14m

FIG.1: RESOURCE & GEOLOGICAL MODEL



Source: MRP

FIG.2: NIMBUS OVERVIEW WITH IDENTIFIED ANOMALISM



Source: MRP

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Buy: The stock's total return is expected to increase by at least 10-15 percent from the current share price over the next 12 months.

Hold: The stock's total return is expected to trade within a range of \pm 10-15 percent from the current share price over the next 12 months.

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