

Tim McCormack

Tuesday, 5 February 2013 12:04 PM

(MRP) MacPhersons Resources - Green light for Silver Superpit at Nimbus: SPEC BUY

Event Impact - Materials Research

PATERSONS
THE AUSTRALIAN STOCKBROKER

MacPhersons Resources (MRP) \$0.35

Recommendation: SPEC BUY

Analyst: Tim McCormack

Tel: +61 8 9236 1647

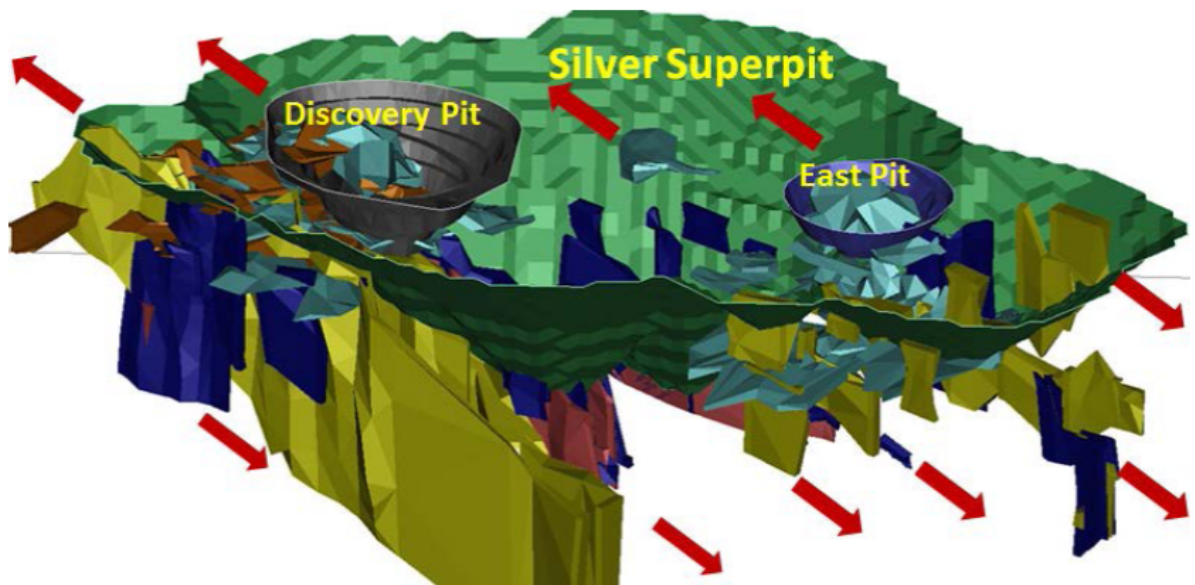
Event

- MRP today announced that optimisation work on its Nimbus deposit near Kalgoorlie has allowed for the 2 existing pits to be merged into a single silver superpit.
- Optimisation work on the 18.3Moz silver equivalent resource has progressed sufficiently and mining contractor will tender submissions by the end of March.
- In-pit conversion has captured 34% of the resource tonnes and 47% of the silver equivalent resource ounces.
- The superpit scenario was well flagged and supports management's decision to approve plant expansion and acquisition of a new Merrill-Crowe plant last year.

Impact

- Production is earmarked to begin 1H CY14 and year 1 will concentrate on oxide ore, a new gold zone and Lens 4. The second year of production will commence the merging of the pits as the primary ore is developed. Mill development will occur in line with mining - a gravity and Merrill-Crowe plant will be ready for year 1 production which will dovetail into the development of a sulphide circuit in readiness for year 2 production.
- Various optimisation work is still being completed and it is envisaged that the pit will be ~900m long, 500m wide and 205m deep. Initial indications are that stripping ratios will be high at ~18:1 however this is sustainable due to the relatively high grades. There is room for improvements to this as drilling density is increased in the saddle between the two pits which is targeting high grade mineralisation.
- Initial indications are that a modest capex of <\$40m (proposed funding through debt) will cover start-up capital and mill expansions while operating costs are expected to be ~\$10/oz silver.
- Final engineering flow sheets are expected to be complete in 2 months and we note metallurgical recoveries as an important outcome to the economics of the project.
- Long lead time items such as the Merrill Crowe plant are ordered and should arrive on site by October this year.

- The 4.4Mt at 129g/t for 18.3Moz of silver equivalent resource at Nimbus remains open along strike and at depth and additional ore tonnes may be incorporated through ongoing optimisation work.
- A number of 600-800m holes (previous deepest 400m) will also be drilled this year (beginning in May) to test the underground potential of this high grade deposit. We note that significant high grade lenses sit outside the current pit design.
- We retain our SPEC BUY recommendation.



Tim McCormack
Resources Analyst

D: +61 8 9263 1647 | F: +61 8 9325 6452 | E: tmccormack@psl.com.au | W: www.psl.com.au

Patersons Securities Limited AFSL No. 239 052
Level 23, Exchange Plaza, 2 The Esplanade PERTH WA 6000
GPO Box W2024, Perth, WA 6846



1300 582 256
patersons@psl.com.au
www.psl.com.au

Research

Rob Brierley – Research Management Consultant	Phone: (+61 8) 9263 1611	Email: rbrierley@psl.com.au
Andrew Quin – Research Strategy Coordinator	Phone: (+61 8) 9263 1152	Email: aquin@psl.com.au
Tony Farnham – Economist	Phone: (+61 2) 9258 8973	Email: tfarnham@psl.com.au

Metals and Mining

Andrew Harrington – Coal Analyst	Phone: (+61 2) 8238 6214	Email: aharrington@psl.com.au
Tim McCormack – Resource Analyst	Phone: (+61 8) 9263 1647	Email: tmccormack@psl.com.au
Lisa Moylan – Associate Analyst	Phone: (+61 2) 9258 8960	Email: lmoylan@psl.com.au
Simon Tonkin – Senior Resources Analyst	Phone: (+61 8) 9225 2816	Email: stonkin@psl.com.au
Matthew Trivett – Research Analyst	Phone: (+61 7) 3737 8053	Email: mtrivett@psl.com.au

Oil and Gas

Alexis Clark – Oil and Gas Analyst	Phone: (+61 3) 9224 4448	Email: aclark@psl.com.au
------------------------------------	--------------------------	--------------------------

Small Cap Industrials

Graeme Carson – Industrial Analyst	Phone: (+61 3) 9242 4076	Email: gcarson@psl.com.au
Marcus Hamilton – Industrial Analyst	Phone: (+61 8) 9225 2836	Email: mhamilton@psl.com.au
Ben Kakoschke – Industrial Analyst	Phone: (+61 3) 9242 4181	Email: bkakoschke@psl.com.au

Quantitative

Kien Trinh – Quantitative Analyst	Phone: (+61 3) 9242 4027	Email: ktrinh@psl.com.au
-----------------------------------	--------------------------	--------------------------

Institutional Dealing

Dan Bahen	Phone: (+61 8) 9263 1274	Email: dbahen@psl.com.au
Michael Brindal	Phone: (+61 8) 9263 1186	Email: mbrindal@psl.com.au
Artie Damaa	Phone: (+61 2) 8238 6215	Email: adamaa@pls.com.au
Paul Doherty	Phone: (+61 3) 8803 0108	Email: pdoherty@psl.com.au
Trent Foxe	Phone: (+61 2) 8238 6265	Email: tfoxe@pls.com.au
Peter Graham	Phone: (+61 3) 9242 4129	Email: pgraham@psl.com.au
Chris Kelly	Phone: (+61 3) 9242 4078	Email: ckelly@psl.com.au
Jason Lal	Phone: (+61 2) 8238 6262	Email: jlal@psl.com.au
Ben McIlvrde	Phone: (+61 2) 8238 6253	Email: bmcilvrde@psl.com.au
Jeremy Nugara	Phone: (+61 3) 8803 0166	Email: jnugara@psl.com.au
Phil Schofield	Phone: (+61 2) 8238 6223	Email: pschofield@psl.com.au
Josh Welch	Phone: (+61 8) 9263 1668	Email: jwelch@psl.com.au
Rob Willis	Phone: (+61 7) 3737 8021	Email: rwillis@psl.com.au
Sandy Wylie	Phone: (+61 8) 9263 1232	Email: swylie@psl.com.au

Important Notice: Copyright 2013. The contents contained in this report are owned by Patersons Securities Limited ('Patersons') and are protected by the Copyright Act 1968 and the copyright laws of other countries. The material contained in this report may not be copied, reproduced, republished, posted, transmitted or distributed in any way without prior written permission from Patersons. Modification of the materials or use of the materials for any other purpose is a violation of the copyrights and other proprietary rights of Patersons.

Disclaimer: Patersons believes that the information or advice (including any financial product advice) contained in this report has been obtained from sources that are accurate at the time of issue, but it has not independently checked or verified that information and as such does not warrant its accuracy or reliability. Except to the extent that liability cannot be excluded, Patersons accepts no liability or responsibility for any direct or indirect loss or damage caused by any error in or omission from this report. You should make and rely on your own independent inquiries. If not specifically disclosed otherwise, investors should assume that Patersons is seeking or will seek corporate finance business from the companies disclosed in this report.

Warning: This report is intended to provide general securities advice, and does not purport to make any recommendation that any securities transaction is appropriate to your particular investment objectives, financial situation or particular needs. Prior to making any investment decision, you should assess, or seek advice from your adviser, on whether any relevant part of this report is appropriate to your individual financial circumstances and investment objectives.

Disclosure: Patersons, its director and/or employees may earn brokerage, fees, commissions and other benefits as a result of a transaction arising from any advice mentioned in this report. Patersons as principal, its directors and/or employees and their associates may hold securities in the companies the subject of this report, as at the date of publication. These interests did not influence Patersons in giving the advice contained in this report. Details of any interests may be obtained from your adviser. Patersons as principal, its directors and/or employees and their associates may trade in these securities in a manner which may be contrary to recommendations given by an authorised representative of Patersons to clients. They may sell shares the subject of a general 'Buy' recommendation, or buy shares the subject of a general 'Sell' recommendation.

Stock recommendations: Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.