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Macpherson Resources (MRP)

Boorara may be a Mt Charlotte look-alike

MRP has made a significant new discovery of Mt Charlotte-like gold mineralisation in a granophyric dolerite at Boorara near Kalgoorlie, WA. In describing the Boorara discovery as a new one, it is really more a case of the true significance of Boorara being properly recognised for the first time because the Boorara Prospect has been explored by previous drilling over 40 years and gold mineralisation has been identified there leading to estimation of a modest Mineral Resource in 2011 that was updated in January 2017. It is only since excavation and analysis of the results from processing the ore in the trial pit in late 2016 and significant drilling results in February 2017, however, that the true significance of the Boorara mineralisation has been recognised.

Price catalysts

Significant Resource upgrade potential to north, at depth

- The Boorara Dolerite continues for at least 1km to the north, which takes in old workings such as the Crown Jewel mine and the Cataract mine, which occurs within the Northern Boorara Stockwork Deposit (NBSD), where the host dolerite is estimated to be about 200m wide. If the mineralised granophyric zone in the Boorara Dolerite to the north at the NBDS is similarly mineralised and in the same proportion to the dolerite to the south where it has recently been drilled around the Southern Boorara Stockwork Deposit (SBSD), there is significant upside to the Boorara Resource (see Figures 1 and 2 on page 5).
- There is further potential upside to the Boorara Resource if the width and depth extent of the mineralised granophyre is more extensive than currently indicated. The mineralised part of dolerite around the SBSB is currently estimated to be about 25m thick but it is possible that the mineralised zone is wider, possibly up to 40m thick. Gold mineralisation in the granophyre has been shown by recent drilling to extend to a vertical depth of at least 225m, and it is apparently showing no signs of waning, so the mineralisation could continue well below that depth. MRP's current JORC-compliant Resource at Boorara is 5.95Mt at 1.2g/t gold for 232koz contained gold. We estimate the recent results from Boorara could have lifted the Resource to at least 0.5Moz at a grade of around 1.5g/t. If the mineralisation is shown to continue and widen to the north at NBSD, and extends to at least 400m, it could be in the range of 1-2Moz at a grade of 1.5 – 2g/t.
- We also see potential for the market to re-rate MRP as the size and quality of the Boorara mineralisation is established by appropriate testwork and feasibility studies. Given the proximity of Boorara to the established mining services, infrastructure, workforce and availability of multiple processing facilities (potentially including the company's own plant nearby at the Nimbus deposit), we would expect development of Boorara could be done on a very cost effective basis once a suitably substantial deposit with favourable economics and the necessary approvals has been established.

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Share Price

Current Price	\$0.20
12 month range	\$0.078-\$0.30

Company Data & Ratios

Issued capital	317.2m
Market Cap	\$63m
Net cash	\$3.8m
Enterprise value	\$59m

GICS sector

Materials

Price Chart



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Boorara mineralisation similar geological setting to Mt Charlotte

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Boorara gold mineralisation has a preferred orientation

Based on strong evidence from analysis of the results of the trial mining, the structural analysis of the mineralised rocks in the trial pit, and the results of the recent drilling program, there is a very clearly a preferred orientation to the gold mineralisation in the dolerite and that is why previous drilling has either missed it or significantly understated its extent. It is also apparent that much of the previous drilling was just far too shallow. The company has recognised the structural complexities and controls on the gold mineralisation at Boorara and they have carried out their own careful structural mapping and have also engaged the services of a highly regarded expert structural geologist who has an intimate knowledge of the Mt Charlotte and neighbouring Super Pit geology and gold mineralisation. The complexity of the geology and mineralisation at Boorara explains why the true significance of the gold mineralisation has been missed to date, despite being so close to the Super Pit and part of the well explored Golden Mile region. MRP's decision to excavate a significant trial pit on the Boorara Dolerite mineralisation late last year was extremely sensible and gave it very valuable information that has led to the understanding of the controls on the gold mineralisation as well as confirming that the previous exploration drilling did understate the grade of the deposit because it was ineffectively orientated. The key insight to the mineralisation having a preferred orientation came after reconciliation of the processing of the trial pit material, which yielded more gold than was estimated by the close-spaced vertical grade control drilling.

Market concerned recent drilling has just been done down the middle of a vein or zone

There is a general sense in the market that the recent discovery holes at Boorara have just been selectively drilled "down the middle" of a mineralised vein, zone or small scale structure. We do not think the drilling is being done inappropriately but that there is a sensible scientific basis to it in that it is oriented orthogonally (at right angles) to the main orientation of the gold mineralisation. Keeping drill holes on the desired orientation is proving difficult to do at times, given the propensity of the drill holes to deflect away from their desired orientation, especially when they are collared in the soft and sheared sediments on one of the margins of the dolerite. The company is investigating methods to counteract this drilling issue, which may require more expensive drilling methods.

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How Boorara compares to Mt Charlotte; how big could Boorara be?

Although there is only limited information available so far on the Boorara gold mineralisation, we believe it has several strong similarities to the Mt Charlotte style of mineralisation.

Mt Charlotte's true significance only came after recognition of the preferred orientation to mineralisation

The Mt Charlotte deposit was found and developed as an open pit in 1893 near to where the discovery of gold was made in Kalgoorlie in the same year. The total Mt Charlotte Resource (which includes some smaller nearby, faulted satellite orebodies that have been given different names but are part of the same ore system) is estimated to have been about 47Mt averaging about 4g/t gold containing about 6Moz, which was mined only sporadically as a low grade underground deposit reaching a depth of about 215m by 1945 before the true significance of it as a highly attractive bulk mining situation was recognised or discovered in 1954. Mt Charlotte was subsequently developed in 1963 as the first modern, large scale mechanised underground operation in Australia. It has subsequently been mined continuously for over 50 years to a depth of about 1,200m to yield over 5Moz. The main Mt Charlotte orebody has a relatively small footprint, the main zone having a vertical orientation with a strike length of only about 250m and width of about 85m that extends for about 800m vertically, occurring solely within Unit 8 of the Golden Mile Dolerite. The mining of Mt Charlotte was almost completely abandoned on at least 3 occasions before the true significance of the deposit was finally recognised and it has gone on to become one of the most successful deposits in the huge Golden Mile ore system. The true significance of Mt Charlotte only came with the recognition that the quartz veins were not random but there was a preferred orientation to the gold mineralisation that was different to the gross orientation of the deposit so that the drilling and sampling of the deposit prior to that recognition significantly understated its true value. Mt Charlotte is quite different from the usual form of telluride-bearing gold mineralisation in the Golden Mile deposit as Mt Charlotte's gold mineralisation is in bleached, pyrite-pyrrhotite bearing dolerite/metagabbro and is free-milling, comprising a form of stockwork deposit. Mt Charlotte has three sets of vein orientation of which two are dominant and it has other differences in being a later stage, vertical deposit which also unusually contains a small but consistent amount of the tungsten mineral, scheelite. The Mt Charlotte Resource and Reserve Estimates were very successfully made without any top cuts to the assays as erratic high assays play little part in the assay distribution.

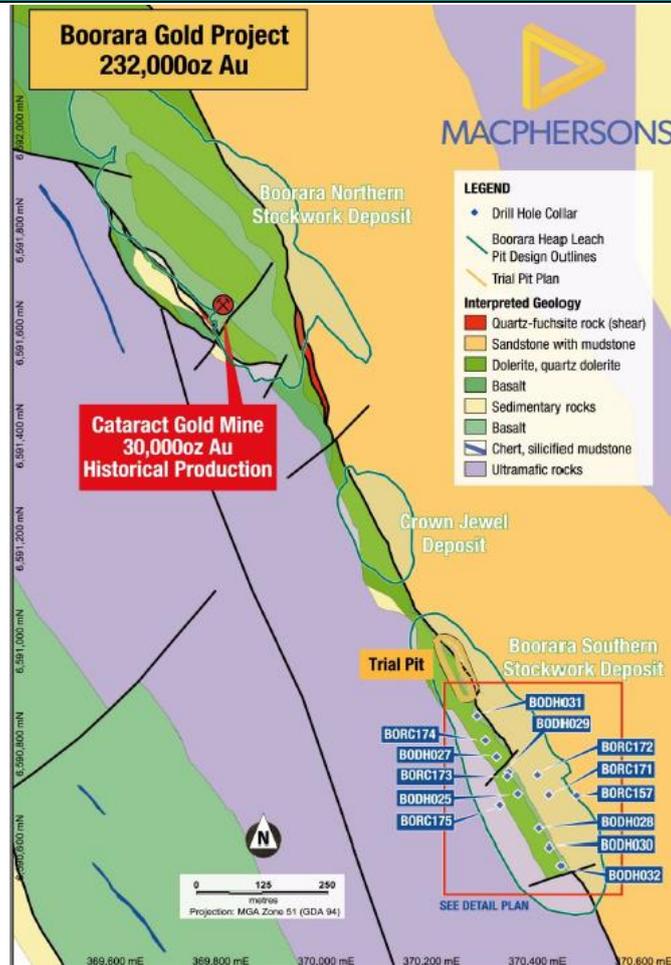
Boorara mineralisation only defined over small area, has scope to be much bigger

It is still very early to be putting a value on Boorara because it is still being actively explored but it is shaping up as significant deposit that could have a resource of 1 – 2Moz at around 1.5 – 2g/t if the grade and extent of the mineralisation can be shown to continue to the NBSD and to a depth of at least 400m. We believe such a resource could be economically attractive given the potentially bulk scale of the mineralisation and the project's proximity to existing processing facilities that could be available on reasonable terms. There could potentially be an even larger resource if the mineralisation has greater depth extent and if the actual grade is higher than indicated in recent drilling. In addition, there is scope for additional potentially economic gold mineralisation in parts of the far more extensive contact zones on either side of the dolerite, these associated target areas are likely to be generally much thinner than the dolerite (possibly around 3 – 5m or so but width is poorly defined so far) but they could extend for up to 20km, but the gold mineralisation is only likely to be economically significant in specific zones within that total length.

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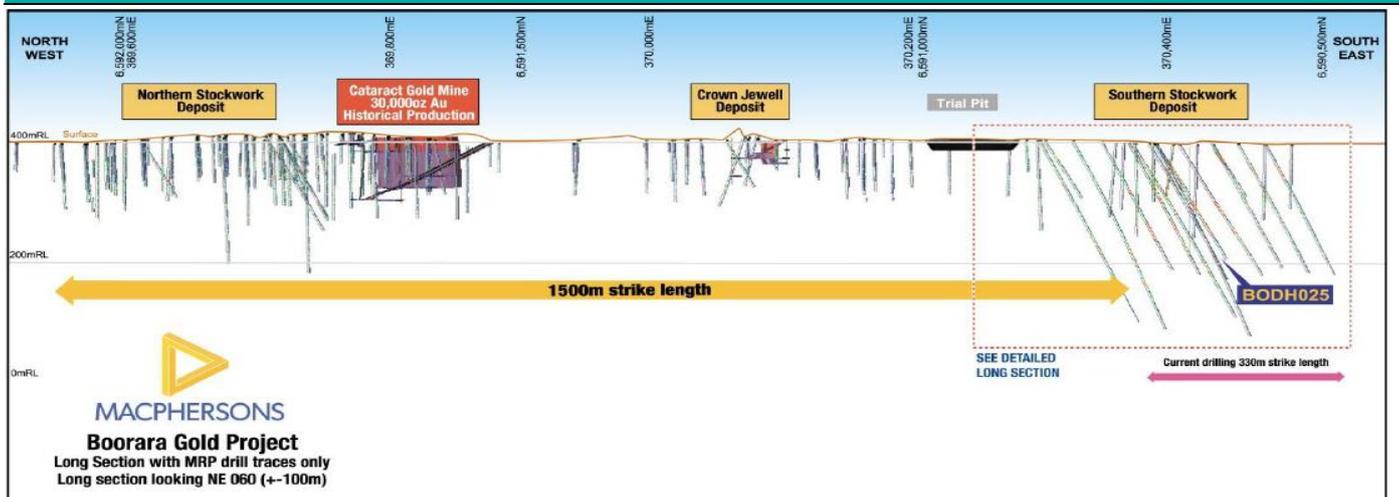
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Figure 1 - Map showing location of recent drilling and old mine workings at the Boorara Gold Project



SOURCE: MACPHERSONS RESOURCES

Figure 2 - Long section from Northern Stockwork deposit to Southern Stockwork deposit for the Boorara Gold Project



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Indicative valuations

With the market fairly ready to ascribe around \$50 per resource ounce for resources of reasonable size (generally 0.5Moz or so), the potential value of Boorara is potentially more like \$100 per resource ounce, which points to an indicative valuation of over \$100m for Boorara. MRP also owns the nearby Nimbus zinc-silver VMS deposit that is adjacent to the currently non-operational treatment plant. We believe there is scope for more VMS mineralisation at Nimbus, possibly including copper, but there are some relatively simple metallurgical issues to be resolved first to clear the uncertainty of the project's economics. We believe Nimbus could have a value of around \$15m, which includes some value for the plant and further exploration potential. That gives a very rough prospective valuation for MRP of around \$130m (about \$0.41 per share), which compares with the current market cap of around \$63m.

Risks

The key risks for resources investments include, but are not limited to:

- **Gold price volatility:** The relatively liquid nature of gold makes it subject to wide fluctuations in price, particularly during more difficult economic times or major world events. Associated with gold price volatility are potentially different gold price and foreign exchange rate outcomes to our forecasts.
- **Lack of exploration success:** While the general geology of the Kalgoorlie area is well known after extensive geological mapping and exposure by mining activity over a long period of time, the Archaean geology generally and gold mineralisation in particular can often have a locally complex nature. There may also be locally variable alteration and weathering and there may be areas which contain greater than expected geological complexities that may be difficult to resolve without extensive drilling programs and may inhibit the definition of adequate resources and reserves.
- **Lack of funding:** Exploration companies generally do not have a source of revenue and so they require access to funding to enable them to carry out adequate exploration and related development activities in order to continue to develop their operations.
- **Metallurgical issues:** Based on the processing of material from the trial pit, generally high gold recoveries were obtained, indicating the mineralised Boorara material is free milling but specific and extensive testwork needs to be done on the Boorara gold mineralisation to establish its metallurgical characteristics. Subsequent identification of adverse metallurgical characteristics may arise from such testwork that could lead to the need for more complicated and expensive processing requirements.
- **Regulatory and social licence approvals:** While there are currently no indications there would be any difficulties obtaining the necessary regulatory and social licence approvals to enable a suitable mining operation to be established at Boorara, prolonged delays can sometimes result from unforeseen adverse regulatory issues and from the need to progress the related negotiations in a very careful and sensitive manner. Various stages of the regulatory approvals process can sometimes suffer unforeseen delays related to changes in personnel involved or from the need to resolve differences in interpretations. There may be some tenements in which the company has an interest or may acquire an interest in future which may contain areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the company to gain access to such tenements (through obtaining the consent of any relevant landowner) or to progress from the exploration phase to the development and mining phases of operations may be affected.
- **Weather impacts:** Cost overruns or operational delays can be caused by severe weather events because site access may be restricted due to the unsealed nature of roads and airstrips in the remote regions in which the company operates.
- **Inappropriate acquisitions:** The acquisition of other assets can divert management effort from the current focus and may yield inadequate returns.

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5 May 2017

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