



MacPhersons Resources Ltd

Drilling programme establishing ore body

- On 14 February, MRP announced that diamond drill hole BODH025 intersected near continuous gold mineralisation of 163m grading 1.94g/t Au from 28m downhole, at the group's Boorara Southern Stockwork (SSW) deposit -part of MRP's Boorara Gold Project at Kalgoorlie. On 1 March, MRP announced that reverse circulation hole BORCD173 - some 40m north along strike from BODH025 - also intersected near continuous gold mineralisation of 158m grading 1.6g/t from 56m downhole. These outstanding results - which hinted at the potential for a significant Resource increase - helped propel MRP's share price from 10cps at the beginning of February to a high of 30cps in late March.
- Subsequent results announced on 28 March and 27 April - primarily from DD holes spaced north and south along strike of BODH025 and drilled at azimuth 115°/dip 60° (i.e., perpendicular to stacks of NW dipping mineralised quartz veins) - have successfully established gold mineralisation along a 330m strike length and to a vertical depth of 250m (open at depth). We believe share price weakness over the last quarter - despite the significant extension of the Boorara SSW deposit - is probably due to market disappointment that the continuity of mineralisation in these holes did not match the impressive continuity of mineralisation reported in the first diamond drill hole BODH025 (or indeed at the adjacent BORCD173).
- 30 May announcement: inconclusive results from BODH033/034 - adjacent to the trial open pit - reflected complexity due to block faulting. Whilst management state that this complexity is not dissimilar to the geological controls seen at the Mt Charlotte Gold Deposit (Newmont/Barrick Gold's "Super Pit", 10km west of Boorara), we believe the results do not allow, at this stage, the SSW deposit to be extended a further 100-150 NW along strike. On a more positive note however, MRP's first reverse circulation drill hole (BORCD176) at Crown Jewel (250m north of trial open pit) intersected gold mineralisation. In addition BODH035 (drilling across the vein stacks) established a 40m true width for the dolerite-host. Relative to initial true width estimates of 25m, this indicates the potential for a larger mineralised system.

State One comment

- While more recent drilling results may not have matched the outstanding initial intersections at BODH025/ BORCD173, MRP is progressing in extending the Boorara SSW deposit both along strike and at depth, and has greatly improved their understanding of the structural geological controls in the SSW region of the Boorara Gold Project
- MRP is currently waiting to receive drill results /assays from BODH037 - drilled at the Northern Stockwork, some 1,500m north along strike of the Southern Stockwork. Positive results here could underpin an upward revision of the total potential Resource associated with the Boorara Gold Project. Assay results are also due from BODH039/039 drilled south along strike of the SSW.
- We believe that increased drilling requirements due to structural complexity will probably push out any Resource upgrade announcement to the end of 2017/beginning 2018 (relative to our previous mid-year forecast). However, an active drilling programme (both perpendicular to vein stacks to establish grade, and across the dolerite host to establish true width) should maintain investor interest in the stock. At current share price levels we believe MRP is fully valued relative to [our SOTP valuation of A\\$0.19ps](#). We maintain a Hold Recommendation.

13 June 2017

Share Price: A\$0.185

Target Price: A\$0.19

Recommendation
Hold

Risk Assessment
Higher

Resources – Gold/Silver/Zinc

David Brennan, CFA

Senior Investment Analyst

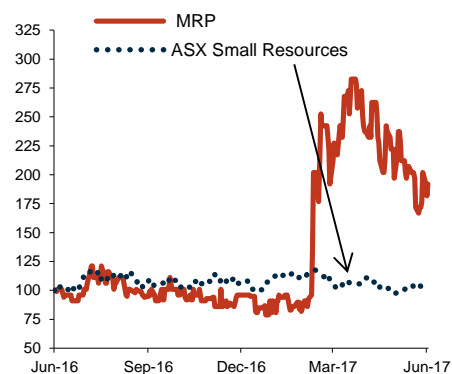
dbrennan@stateone.com.au

+61 (0)2 9024 9142

MacPhersons Resources Limited

ASX Code	MRP
52 week range	A\$0.08-A\$0.30
Market Cap (A\$m)	57
Shares Outstanding (m)	317
Av Daily Turnover (shares)	269k
ASX All Ordinaries	5,712
2017E BV per share (A\$)	0.09
2017E EPS (A\$)	0.00
2017E Net Debt/(Cash) (A\$m)	-2.7

Relative price performance



Financial Statements

MacPhersons Resources

Year ending June

Profit & Loss Statement (A\$M)	FY16A	FY17E	FY18E	FY19E	FY20E
Revenue	0.1	2.3	30.2	63.7	65.0
Mining/Hauling	0.0	(1.0)	(16.6)	(33.8)	(34.5)
Processing	0.0	(0.5)	(1.5)	(3.1)	(3.1)
Corporate/Royalty/Other	(3.0)	(1.1)	(2.0)	(3.0)	(3.0)
EBITDA	(2.8)	(0.2)	10.2	23.9	24.4
Depreciation & Amortisation	(0.2)	0.0	(2.5)	(5.0)	(5.0)
Operating profit	(3.0)	(0.2)	7.7	18.9	19.4
NOI	(7.0)	3.5	1.5	0.0	0.0
EBIT	(10.0)	3.3	9.2	18.9	19.4
Interest income	0.0	0.1	0.1	0.3	0.5
Interest expense	0.0	0.0	(0.6)	(1.0)	(0.6)
Tax expense	3.3	0.0	(2.6)	(5.5)	(5.8)
Reported NPAT	(6.8)	3.4	6.1	12.7	13.5
Normalised NPAT	0.2	(0.1)	4.6	12.7	13.5
EBITDA Margin (%)	na	-9%	34%	38%	38%
Operating profit margin (%)	na	-9%	26%	30%	30%
EPS Reported (A\$)	(0.02)	0.01	0.01	0.03	0.03
EPS Normalised (A\$)	0.00	(0.00)	0.01	0.03	0.03
EPS growth (%)	nm	nm	nm	177%	6%
DPS - Declared (A\$)	0.00	0.00	0.00	0.00	0.00
Avg. no. of fully-diluted shares (m)	317	317	376	435	435
YE no. of fully-diluted shares (m)	317	317	435	435	435

Cash Flow Statement (A\$M)	FY16A	FY17E	FY18E	FY19E	FY20E
EBITDA	(2.8)	(0.2)	10.2	23.9	24.4
Investment in working capital	(9.6)	(0.2)	(2.3)	(2.5)	(0.1)
Tax expense	3.3	0.0	(2.6)	(5.5)	(5.8)
Operating Cash Flow	(9.1)	(0.4)	5.4	16.0	18.5
Capex	(0.0)	(4.0)	(25.5)	(0.5)	(0.5)
Other investments	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	(0.0)	(4.0)	(25.5)	(0.5)	(0.5)
Net interest received / (paid)	0.0	0.1	(0.5)	(0.7)	(0.1)
Debt draw down / (repayment)	0.0	0.0	15.0	(5.0)	(5.0)
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (repaid)	(0.0)	0.0	10.0	0.0	0.0
Financing Cash Flow	(0.0)	0.1	24.5	(5.7)	(5.1)
Non-operating & Other	9.5	3.5	1.5	0.0	0.0
Inc/(Dec) in Cash	0.4	(0.8)	5.8	9.7	12.9

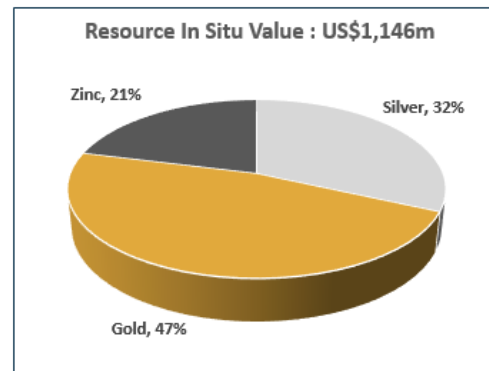
Balance Sheet (A\$M)	FY16A	FY17E	FY18E	FY19E	FY20E
Cash & Equivalents	3.5	2.7	8.5	18.3	31.2
Receivables	0.2	0.2	3.0	6.4	6.5
Inventories	0.0	0.2	2.3	4.8	4.9
Other Current Assets	9.5	9.5	9.5	9.5	9.5
PPE and Exploration & Development	13.2	17.2	40.2	35.7	31.2
Deferred tax asset	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	0.0	0.0	0.0	0.0	0.0
Total Assets	26.5	29.9	63.6	74.7	83.3
Payables and other current Liabilities	0.4	0.4	3.0	6.4	6.5
Short Term Debt	0.0	0.0	15.0	10.0	5.0
Long Term Debt	0.0	0.0	0.0	0.0	0.0
Other Non Current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Liabilities	0.4	0.4	18.1	16.4	11.5
Total Equity	26.0	29.5	45.5	58.3	71.8
Net Debt (Cash)	(3.5)	(2.7)	6.5	(8.3)	(26.2)

Substantial Shareholders	%	Date
MF2 Investment Company	19.5	
Ashok Aaron Parekh	12.9	Sep-16
Ray Wright	10.3	

Source: Company, IRESS, State One Stockbroking forecasts

Boorara NPV assumptions	FY16A	FY17E	FY18E	FY19E	FY20E
Spot Gold (US\$/oz)	1,220	1,300	1,326	1,353	1,380
AUD:USD	0.83	0.75	0.75	0.75	0.75
Spot Gold (A\$/oz)	1,470	1,733	1,768	1,803	1,839
Mill throughput (Mt)	na	0.0	0.5	1.0	1.0
Grade (g/t Au)	na	1.5	1.2	1.2	1.2
Gold production (koz)	0	1.3	17.9	35.9	35.9
Costs (A\$/oz)					
Operating	0	1,059	1,007	1,028	1,048
AISC	0	4,826	1,144	1,124	1,146
Hedged sales	0	0	0	0	0
Hedged sales as % total	na	0%	0%	0%	0%

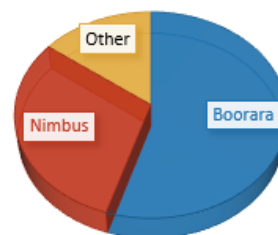
Boorara-Nimbus combined Resource				
Gold	Status	Mt	Grade (g/t)	(koz)
Boorara	M, I, & Inf.	10.8	1.0	342
Nimbus	M, I, & Inf.	12.1	0.2	78
Boorara-Nimbus (combined Au)	M, I, & Inf.	22.9	0.6	419
Silver	Status	Mt	Grade (g/t)	(koz)
Nimbus	M, I, & Inf.	12.1	52	20,252
Zinc	Status	Mt	Grade (%)	(tonnes)
Nimbus	M, I, & Inf.	12.1	0.9	104,062



SOTP Valuation	(A\$m)	(A\$/share)	Comment
Boorara (25% risk discount)	46	0.11	NPV
Nimbus	26	0.06	Resource value per Ag Eq. oz
Enterprise value	72	0.17	
Cash	8	0.02	Sale of Coolgardie
Equity share in Primary Gold (PGO)	4	0.01	Sale of Coolgardie
Equity value	84	0.19	

Note: Valuation per shares based on 422m fully diluted shares (317m current); State One forecasts a \$10m capital raising in FY18E at A\$0.10 per new share.

EQUITY VALUE (A\$84M)



Boorara (with a 25% risk discount) accounts for 55% of our estimated MRP valuation of A\$84m (A\$0.20ps on a fully-diluted basis); Nimbus accounts for 30%, and Other (cash & market value of equity interest in Primary Gold Ltd (ASX:PGO)) accounts for 15%. Backing out the Boorara risk discount, our estimated valuation increases to A\$100m (A\$0.24ps on a fully-diluted basis).

Risks

Risks to our earnings profile and target price include, but are not limited to:

- Commodity price (silver, zinc, gold) and AUD:USD exchange rate volatility,
- Grade volatility and/or lower than expected grades and estimated Resource tonnage, ore body characteristics, metallurgy and recovery rates,
- Production start-dates – particularly at the Boorara Gold Project,
- Financing; we assume MRP successfully secures sufficient debt and equity financing to fund an estimated A\$25m in pre-production capex,
- Capital and operating cost risk,
- Permitting risk.

Figure 1: Boorara Gold Project – location plan



Source: Company

General Advice Warning

The contents of this document have been prepared without taking account of your objectives, financial situation or needs. You should, before taking any action to acquire or deal in, or follow a recommendation (if any) in respect of any of the financial products or information mentioned in this document, consult your own investment advisor to consider whether that is appropriate having regard to your own objectives, financial situation and needs.

Whilst State One Stockbroking Ltd believes information contained in this document is based on information which is believed to be reliable, its accuracy and completeness are not guaranteed and no warranty of accuracy or reliability is given or implied and no responsibility for any loss or damage arising in any way for any representation, act or omission is accepted by State One Stockbroking Ltd or any officer, agent or employee of State One Stockbroking Ltd. If applicable, you should obtain the Product Disclosure Statement relating to the relevant financial product mentioned in this document (which contains full details of the terms and conditions of the financial product) and consider it before making any decision about whether to acquire the financial product.

Disclosure

The directors and associated persons of State One Stockbroking Ltd may have an interest in the financial products discussed in this document and they may earn brokerage, commissions, fees and advantages, pecuniary or otherwise, in connection with the making of a recommendation or dealing by a client in such financial products.

This report was prepared solely by State One Stockbroking Limited. ASX did not prepare any part of the report and has not contributed in any way to its content. The role of ASX in relation to the preparation of the research reports is limited to funding their preparation by State One Stockbroking Limited, in accordance with the ASX Equity Research Scheme. ASX does not provide financial product advice. The views expressed in this research report may not necessarily reflect the views of ASX. To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by ASX as to the adequacy, accuracy, completeness or reasonableness of the research reports.

The Research Analyst who prepared this report hereby certifies that the views expressed in this research document accurately reflect the analyst's personal views about the company and its financial products. The research analyst has not been and will not be receiving direct or indirect compensation for expressing the specific recommendations or views in this report. This research at all times remains the property of State One Stockbroking Ltd. And as such cannot be reprinted, distributed, copied, posted on the internet, in part or whole, without written prior approval from the Executive Director of State One Stockbroking Ltd.

Alan Hill
Executive Chairman
Phone: +61 8 9288 3388
ahill@stateone.com.au

Ric Heydon
Equities & Derivatives Advisor
Phone: +61 8 9288 3307
rheydon@stateone.com.au

Mark Sullivan
Institutional Dealer
Phone: +61 2 9024 9134
msullivan@stateone.com.au

Thomas Tan
Equities Advisor
Phone: +61 2 9024 9131
ttan@stateone.com.au

Morris Levitzke
Equities Advisor
Phone: +61 8 9288 3315
mlevitzke@stateone.com.au

Graeme Johnson
Equities & Derivatives Advisor
Phone: +61 8 9288 3316
gjohnson@stateone.com.au

Yitz Barber
Equities Advisor
Phone: +61 2 9024 9107
ybarber@stateone.com.au

Tammie Wong
Equities Advisor
Phone: +61 2 9024 9133
twong@stateone.com.au

Alexander Bax
Equities Advisor
Phone +61 8 9288 3340
abax@stateone.com.au

David Zhang
Equities Advisor
Phone: +61 2 9024 9130
dzhang@stateone.com.au

David Brennan
Senior Investment Analyst
Phone: +61 2 9024 9142
dbrennan@stateone.com.au