



MacPhersons Resources Ltd

Drill results point to Resource upgrade

- 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, WA. Note: the hole was drilled down plunge, perpendicular to NW-dipping mineralised quartz veins.
- Management states that alteration, mineralisation and quartz veining seen in BODH025 has similar geological controls to the Mt Charlotte Gold Deposit (Newmont/Barrick Gold's "Super Pit", 10km west of Boorara).
- On the back of the intercept, an extensive reverse circulation drilling program to target depth extensions to 200m vertical is planned to commence shortly; the announcement states that "company confidence in its efforts to grow the size and increase the grade of the current Boorara Gold Resource is high".

State One comment

The drill results from BODH025 are important as:

- They extend the mineralised zone in the Boorara SSW deposit down to a vertical depth of 165m. Previous drilling here only extended down to ~100m.
- The 1.94g/t Au grade is significantly higher than the current Boorara Resource grade of 1.2g/t Au. In addition, grades increased at depth with "bonanza" grades of 394g/t Au at the bottom of the drill hole (171-172m).
- The drill hole was located some 250m southwest of the Boorara trial pit where 30,000t of 1.8g/t Au ore extracted in the December quarter 2016 also graded above the current Resource grade.
- A combination of deeper than previously intersected mineralisation, and the potential for a grade uplift, point a possible (significant) Resource expansion for the SSW deposit and the broader Boorara Gold Project.

Potential SSW Resource scenarios

Plunge (m)	175	185	195	205
Strike (m)	300	350	400	450
Width (m)	50	50	50	50
Ore body - volume (m ³)	2,625,000	3,237,500	3,900,000	4,612,500
SG (t/m ³)	2.74	2.74	2.74	2.74
Ore body - tonnage (Mt)	7.2	8.9	10.7	12.6
Grade (g/t Au)	1.80	1.85	1.90	1.95
Resource (oz Au)	416,239	527,681	652,842	792,430

Source: State One Stockbroking forecasts

- Depending on ore body dimensions and grade, we calculate that the SSW Resource could be between 400 and 800koz Au. In combination with Resources at the Crown Jewel and Northern Stockwork deposits, this would increase the overall Boorara Gold Project Resource to between 540 and 920koz Au (from 232koz at present). We suspect that at a Resource of this size would undoubtedly start attracting industry attention.
- MRP's share price has appreciated strongly from 9.5cps on 13 Feb, to the current price of 22cps. While upcoming drilling results and a Resource upgrade (we estimate by May/June 2017) should keep investor interest active, we believe the stock is fully valued relative to [our SOTP valuation of A\\$0.19ps](#). We downgrade our recommendation to a Hold (from a Speculative Buy).

16 February 2017

Share Price: A\$0.22

Target Price: A\$0.19

Recommendation
Hold

Risk Assessment
Higher

Resources – Gold/Silver/Zinc

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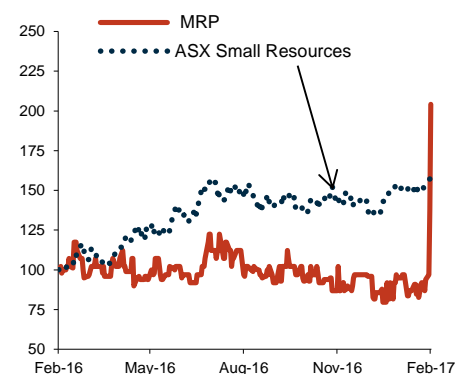
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MacPhersons Resources Limited

ASX Code	MRP
52 week range	A\$0.08-A\$0.22
Market Cap (ASm)	63
Shares Outstanding (m)	317
Av Daily Turnover (shares)	142.6
ASX All Ordinaries	5,855
2017E BV per share (A\$)	0.09
2017E EPS (A\$)	0.00
2017E Net Debt/(Cash) (A\$m)	-2.7

Relative price performance



Source: Iress

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)

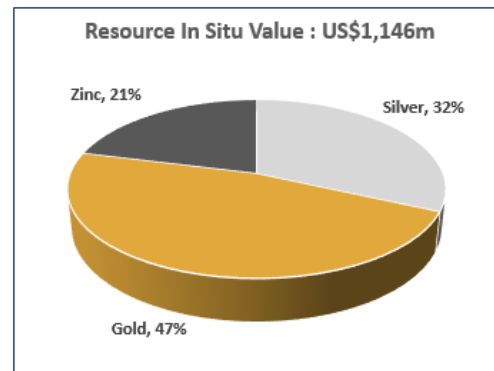
Substantial Shareholders	%	Date
MF2 Investment Company	19.5	
Ashok Aaron Parekh	12.9	Sep-16
Ray Wright	10.3	

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

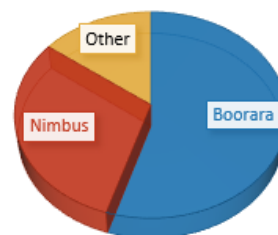
Gold	Status	Mt	Grade (g/t)	(koz)
Boorara	M, I, & Inf.	10.8	1.0	342
Nimbus	M, I, & Inf.	12.1	0.2	78
Boorara-Nimbus (combined Au)	M, I, & Inf.	22.9	0.6	419
Silver	Status	Mt	Grade (g/t)	(koz)
Nimbus	M, I, & Inf.	12.1	52	20,252
Zinc	Status	Mt	Grade (%)	(tonnes)
Nimbus	M, I, & Inf.	12.1	0.9	104,062



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)



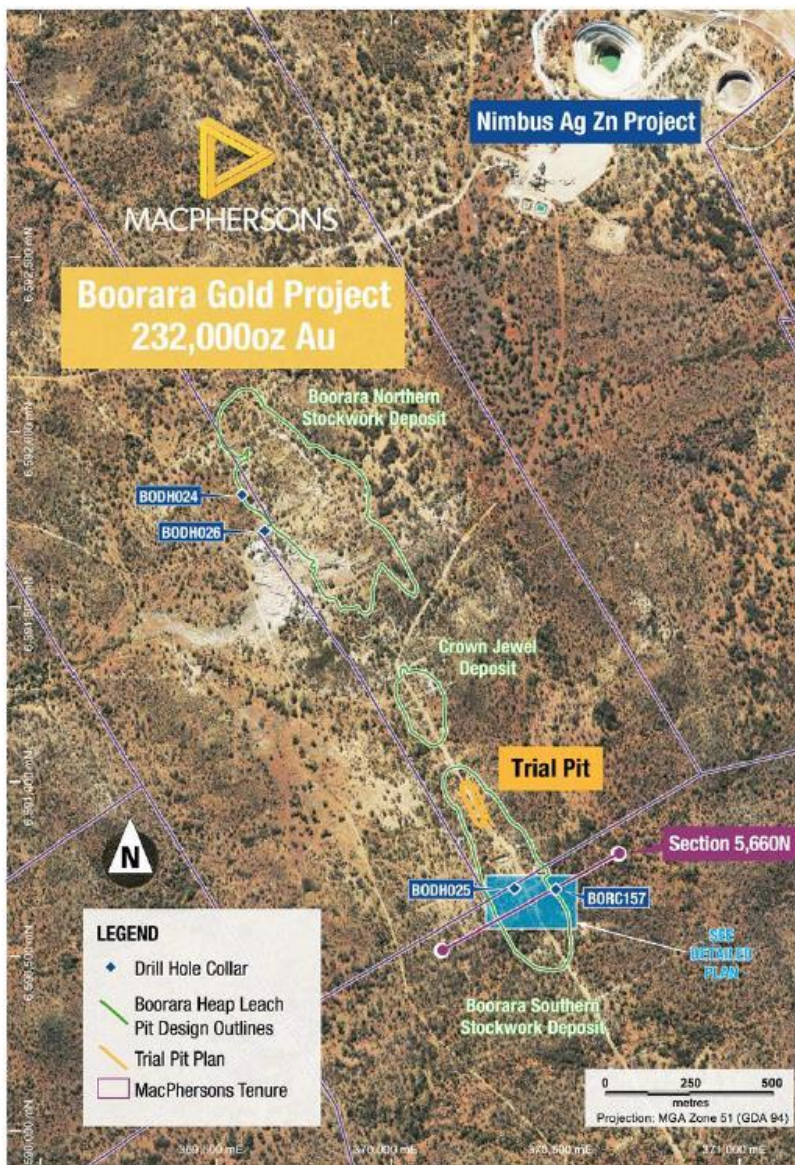
Boorara (with a 25% risk discount) accounts for 55% of our estimated MRP valuation of A\$84m (A\$0.20ps on a fully-diluted basis); Nimbus accounts for 30%, and Other (cash & market value of equity interest in Primary Gold Ltd (ASX:PGO)) accounts for 15%. Backing out the Boorara risk discount, our estimated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

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