MacPhersons Resources Ltd (MRP) – Australia's Next Silver Play Heads towards production of silver, zinc & gold from 2016

- MacPhersons Resources Limited (MRP) completed a detailed scoping study and raised ~$8.8m in early August 2014, with the aim of completing a BFS on the Nimbus Silver-Zinc Project and Boorara Gold Project by mid-2015, and a target of producing silver and zinc from Nimbus by late 2016, followed by gold from Boorara in 2017.

- The planned development of Nimbus is in 3 phases (open-cut of oxide/old tailings, transition and primary sulphide); underground at Nimbus; then development of Boorara. While the ore scheduling will influence the resulting production, there are 2 main stages. A gold-silver dore is produced in Stage 1 from blending the old tailings in TSF2 with oxide ore from expanded East and Discovery pits, while Stage 2 moves into the transition and primary ore from open pits & underground, producing silver dore and a zinc concentrate.

- A new 480ktpa plant has been designed to be constructed north of the Discovery pit (compared to the original existing 120ktpa plant located SW of the Discovery pit). The actual production depends on the ability to access higher grade ore earlier to enhance the payback. Under our ERA model, production increases to 3.4mozpa Ag & ~18ktpa Zn.

- The open-cut development of the Boorara goldfield currently follows on from the open-cut mining of Nimbus, with Boorara as a ~1mtpa heap-leach operation whose pregnant liquor is transferred to and processed by Nimbus’ Merrill Crowe circuit to result in gold-silver dore. Heap leach production from Boorara could be ~25kzoza gold.

- With a delineated depth of ~850m for some of the lodes, lodes up to ~20m wide, and additional lodes being discovered due to the new model, the deeper drilling is expected to increase reserves and resources and extend the underground life of Nimbus beyond its expected ~7-year life to 2022. The next reserve/resource update is expected in JQ15.

### FINANCIAL ESTIMATES:

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### OTHER KEY POINTS:

- MRP’s NPV depends on what the metal prices & exchange rates are in 2016. At forecast metal prices in 2016 of US$23.50 (silver), $1425/oz (gold) & US$3800/t or US$1.72/lb (zinc) with an A$ exchange rate of 90USc, our 7.5%NPV for MRP is ~46Ac (or ~4.5 times its current share price).

- MRP is expected to initially focus on its higher grade areas to reduce its payback time and take advantage of the expected higher zinc & possibly silver prices in ~2016.

- MRP’s silver and zinc grades have been top-cut and modelled lower, and could be materially higher when mining areas such as the SHG (ore which is >1kg/t Ag & >20% Zn).

- Boorara is also expected to have a life of >7 years, given its location, underexplored areas, extensions SE to Golden Ridge mine, Boorara West, & visible gold at Brindabella.

- The Nimbus plant includes a gravity circuit which could be used should higher gold grades be encountered at Boorara.
Corporate Overview
This update report on MacPhersons Resources Ltd (MRP), is just over 2 years' since our first report dated 23 July 2012. In the intervening period, MRP raised $12.6m in August 2012 through the placement of 15.8m fpo shares at 41.8c to Red Kite (together with a 12moz silver offtake facility), and 16m fpo shares at 38c. More recently in August 2014 through a placement of 55.2m fpo shares at 16c; MRP raised $8.8m to result along with shares issued to employees, and for drilling and tenement acquisition in the current 310.1m fpo shares in issue. There are no remaining options. For this report we visited MRP's Nimbus and Boorara prospects before & after Diggers 2014, and reviewed available information & presentations.

MacPhersons applied its 2012 placement raising to delineating its main Nimbus silver-zinc and Boorara gold Projects shown in Figure 1a, and taking both projects through to a completed scoping study in August 2014, based on a 480ktpa silver-zinc mine at Nimbus, and a 1mtpa heap leach operation at Boorara. The latest raising is aimed at completing a BFS on the Nimbus Silver - Zinc Project and Boorara Gold Project by the end of 2014, with a target of producing silver and zinc from Nimbus in late 2016, followed by gold from Boorara in early 2017.

MRP still has its Tyco and original MacPhersons prospects near Coolgardie (see page 7 of our July 2012 report available on www.eagleres.com.au), on which it has undertaken further geochem work and is considering following up on its nickel anomalies there, as there could be some analogy to the mineralisation in the relatively nearby old Nepean nickel mine.

Figure 1. Locations of MRP’s Prospects at Nimbus & Boorara, and Geological Plan of Nimbus

a. Locations of MRP’s Prospects at Nimbus & Boorara
b. Geological Plan of Nimbus

Nimbus Project (MRP : 100%)
Geology
Even since its discovery in 1991, Nimbus has often been commented as "should not exist, but it does". Archaean (AHG.ax) was the first recognised listed owner in 1995 and as Alistair Cowden stated at the time, it appeared to be a hydrothermal volcano in the WA Goldfields' geology, which appears to have been the closest description for the subsequent almost 20 years of interpretation.

Many companies have "had a go" at interpretation, especially after Lachlan (who took over Archaean) intersected a "massive sulphide" sheet in 4 drillholes in the Eastern zone that linked to a gossanous surface outcrop, but the subsequent 11 drillholes found nothing. Lachlan was taken over by its sister company Plutonic, and subsequently Homestake and then Barrick, before Polymetals bought Nimbus in 2004 and mined the two pits (Discovery and East), believing that they were offset by a fault. Polymetals then closed the operation after encountering mercury (it is a by-product credit) in or about the transition zone at a time of low silver prices. Nimbus was taken over by Reed Resources, and then MacPhersons.

In our/ERA July 2012 report, Nimbus was then thought to be of high-sulphidation epithermal origin, and its interpretation was that "it definitely consisted of breccias". Understanding the breccias (which are a renowned conduit for mineralisation in many orebodies) has been one of the main bugbears behind the interpretation of Nimbus. However, it appears that for Nimbus, the "actual breccias" are mostly a side event. The breakthrough in understanding Nimbus was only a few months’ ago at the end of May 2014, when after two of MRP’s geologists attended a Volcanic Processes course in Victoria in December 2013, the main course lecturer (Ray Cas), visited Nimbus at the end of May 2014, and gave his interpretation.

Ray pointed out that Nimbus appears to be a dacitic volcanic dome on a NW/SE striking floor, with hyaloclastite features (caused by the quenching of erupting lava under the sea). Once the revelation had been identified in drillcore, MRPs geologists completely re-logged the entire Nimbus drillcore database.
The re-interpretation can be seen in diamond drillcores of drillholes D012 and D035 as shown located in Figures 2a and 2b, which resulted in the explanatory schematic shown in Figures 3a and 3b.

Drillhole D012 shows in Figures 4a and 4b the pyrite replacement of the dacite acting as a cap for mineralisation to layer beneath it. For example in Figure 4b, ~5m of massive pyrite replacement of dacite precedes at ~220m the SHG (super high grade) dark brown sphalerite core of 1180g/tAg & 20.7%Zn (plus: 1870g/tAg & 23.6%Zn, 1120g/tAg & 25.8%Zn, & 828g/tAg & 11.3%Zn). The new Ag250 vein is also shown being 644g/tAg in a felsic dolomite at ~260m, below the Fe ox siderite marker horizon at ~233m.

While D035 shows in Figures 5a, Nimbus' yellow honeycomb sphalerite texture at ~175m.
However, mineralisation does not always occur under a pyrite replacement cap (PRC) as Figures 4 and 5 show. For example, Figure 4: 178m PRC, 187m minor 92g/tAg; 190 to 201m PRC, 207m 722g/tAg & 12.5%Zn; 219m PRC, 220m SHG (1180g/tAg & 20.7%Zn); Figure 5: 93m PRC, (nothing); 137m PRC, (nothing); 170m PRC, 175m 192g/tAg & 6.9%Zn; 183m PRC (of 148g/tAg & 3.3%Zn), 192m 70g/tAg & 6.1%Zn to 206m 96g/tAg & 6.1%Zn.

Looking at the historical Nimbus open-cuts as shown in Figures 6a and 6b, it can be seen why geological interpretation has undergone so many theories, especially due to the oxidation/kaolinisation and when largely based on RC. The degree of kaolinisation is clearly shown in the Discovery Pit. Whereas, in the more iron-stained East pit as shown in Figure 6b, there is a clearer visual NW/SE structure, plus the mottled weathered basalt (and under certain light conditions - pillow basalt also visible in a wall).

Figure 6. View NE Across Discovery Pit, and NE Across East Pit (containing its TSF2 tailings)

Obviously MRP wants as much of the SHG (super high grade >1kg/t silver & >20% zinc mineralisation) as possible, however, it is clearly not that simple, as ~5m of massive pyrite replacement (of dacite) at ~137m in D035 had no mineralisation immediately under it, in complete contrast to D012. Hence the SHG shown in Figure 6a, has been modelled into the shape shown inset in Figure 7b (and reflected in the block model), according to where it has been intersected.

Figure 7. Nimbus SHG (super high grades >1kg/tAg & >20%Zn), and its location at Nimbus

The high grades at Nimbus are not just confined to the SHG, as shown in Figures 8a and 8b, there are a number of high grade intersections in silver, zinc and gold.

Figure 8. Significant Silver, Zinc and Gold Intersections at Nimbus

Such intersections are not reflected in the ore reserves and resources table (Table 1) shown on p5. Modelled grades in silver, zinc and gold have been top-cut and then reduced by the estimation process, such that much higher grades may be realised when the lodes/veins are mined and treated.
Exploration Upside Potential

The new geological model has resulted in a logical re-interpretation of Nimbus with three series of lodes/veins, with potentially significant NW/SE strike extensions and identified new veins (eg Ag250) between the previously identified lodes/veins, as shown in Figures 2a and 3b. It can also be seen that the yellow-coloured felsic zone over Nimbus, as shown in Figure 1b’s plan view, appears to resemble a domal-shape and hence possibly similar to the schematic drawn in Figure 3a (and its internal parts, 6 and 7)

Table 1. Nimbus Ore Reserves as at 6 Aug 2014 and Resources as at 25 July 2013 (update exp DQ2014)

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Note: Gold grades typically average ~0.15%, Mercury grades average ~200g/t

To the NW, there is a historical intersection that was thought to be anomalous, but instead now could link through the sparsely drilled NW area with the "first series" shown in Figure 9a, and follow-up work is now planned in that area. While to the SE, exploration/drilling was historically limited due to the Snake Hill tenement boundary shown in Figure 9b, until MRP's recent agreement and acquisition of it.

Figure 9. Exploration Potential NW and SE of Nimbus

a. Exploration Potential NW of Nimbus
b. Exploration Potential SE of Nimbus

There has to be speculation over whether some of the early exploration intersections can be repeated in the sparsely drilled areas. In November 1995, Nimbus was perceived as "...3 styles : shallow oxide to 50m [eg from 4m : 38m @ 790g/tAg & 1.2g/tAu for 11.7g/tAueq], transition 50m to 80m [eg from 65m : 8m @ 870g/tAg & 1.8g/tAu for 13.4g/tAueq], primary >100m [eg from 121m : 31m @ 280g/tAg & 0.1g/tAu for 3.8g/tAueq plus 1.8%Zn & 1.7%Pb]." Initial actual mining later achieved by Polymetals in 2004 & 2005 was 319kt @ 352g/tAg, for 3.62mozAg when processing finished in 2007.

MRP's scoping study mining plan was to cut back both the existing East and Discovery pits to the shells shown in Figure 10a (with the potential silver super-pit when the silver price is >$30/oz also shown), & stockpile the TSF2 tailings for blending with the oxide ore.

Figure 10. Possible Open-Pit and Underground Schematics for Nimbus

a. Possible Open-pit Schematic for Nimbus
b. Possible Underground Schematic for Nimbus

As shown in Figure 10b, one of the scenarios was to target the higher grade areas first in order to reduce the payback period.
Hence initial grades from underground could be significantly higher than those implied in the resources or reserves of Table 1. Some of the higher grade areas may also be extended as indicated in Figure 11a, either at depth or following the apparent SE plunge of the higher grades.

**Figure 11. Possible Extensions to Higher Grade Areas**

- **a.** Possible Extensions to Higher Grade Areas
- **b.** Mineralisation above Planned Stoping, & Oxidation Depth

It can also be seen in Figure 11b, that some relatively higher grade mineralisation appears to be being left behind between the top of the planned stopes and the bottom of the planned open-pits. This is because such areas may be too oxidised for underground mining based on the estimated depth of weathering oxidation, determined from drill core and shown inset in Figure 11b. When developed underground, the actual competency of the rock can be physically identified and variations applied.

The tonnage and grade involved in these possible extension areas is significant being ~860kt @ 260g/t AgEq as shown in Figure 12a. Mineralisation extending the planned stope levels deeper has already been identified as shown in Figure 12b.

**Figure 12. Possible Extensions to Ore Reserves in Delineated blocks and at Depth**

- **a.** Poss Extensions to Ore Reserves in Delineated Blocks
- **b.** Mineralisation Extending Deeper

With this initial encouragement, Macphersons have decided to infill and extend the mineralisation ideally within ~100m of the currently designed areas, especially in the second (Ag211) & third (Ag311 & Ag341) series of lodes as shown in Figures 13a and 13b, by drilling through to MQ 2015 with the aim of extending the mine life **beyond 7 years**. The next resource update was scheduled to be released in DQ 2014.

**Figure 13. Proposed Drilling Around the Second and Third Series of Lodes**

- **a.** Proposed Drilling Around the Second Series of Lodes
- **b.** Proposed Drilling Around the Third Series of Lodes

Apart from the near underground extensions, MRP does have a program to drill much deeper to ~400m below surface as shown in Figure 14a, following up some of the deep sulphide intersections shown in Figure 14b.
There are some other exploration targets which may have vms signatures, such as the NW/SE line through Tramways, Brindabella, Condor and Gretel as shown in Figure 1a, where some RC drilling has been completed by MRP (and awaiting assay results). There is some identified dacite in the Brindabella chips, and some small outcropping possibly dacitic areas, however, the prospect is currently at an early stage of exploration, and visible gold in quartz has also been intersected.

Mining and Treatment

**MRP has already received WA Mining Approval for its 480ktpta operation, tailings dam and waste dump.** The broad mining plan delineated in the scoping study was to initially start the East Pit (going underground there after 8 months), with the West (prev Discovery Pit) going underground after 20 months. As the open-cut fleet becomes spare from Nimbus, it starts mining and establishing Boorara (<2km away) as a 1mtpa heap-leach operation. The planned infrastructure and broad timetable according to the scoping study is shown in Figure 15a with the proposed metallurgical circuit in Figure 15b.

The metallurgical circuit is undergoing refinement with Sedgman now having been appointed to complete the BFS by the end of June 2015. Earlier testwork expected the recoveries from **Stage 1** treatment of the silver-gold oxide ore from the open-pits, together with ore from the old ROM pad being blended in with the ~20m thick layer of TSF2 tailings in the East Pit (that were derived from treating oxide ore) to produce gold-silver dore bars with recoveries of ~89%Ag (from both the oxide and TSF2), ~70%Au from the oxide and ~45%Au from TSF2.

Most of this testwork was based on average silver head grades of ~95g/tAg and 0.19g/tAu (and the recoveries increased with higher grades). There are some gold areas of >1g/tAu, but the overall gold grade is only expected to be ~0.2g/tAu. The gravity concentrator has been included for circuit flexibility.

**Stage 2** involves treatment of the relatively thin transition zone (it ranges from "several m thick in the west to virtually nil in the east") where silver recoveries may be ~55% with mercury possibly >90%. Although most of Stage 2 (still at ~480ktpa) is based on treating the primary Nimbus ore. Silver recoveries are still undergoing testwork but could be ~75% based on leaching 40% within 24 hours, and then sending the **bulk Zinc con** at possibly ~45%Zn with the remaining 50% of the silver (of which typically only 70% to 75% may be payable). The zinc con is expected to be trucked or railed in lidded half-containers.

The other 10% of the silver goes into the tailings. Higher silver recoveries are possible, but require more tankage and a much longer resolution time which can become uneconomic. Zinc recoveries are expected to be high though, at ~94% to 96%.
Stage 3 involves the addition of treating Boorara ore. At this stage the intention is to heap leach Boorara ore at ~1mtpa and send the pregnant solution to the Merrill Crowe where it joins the ~40% silver recovered from the leach circuit, and produces gold-silver dore bars. Heap leach recoveries are expected to be ~70%. Should materially higher than expected gold grades be encountered at Boorara, then such ore could be batch treated in the Nimbus plant, but at this stage it is all expected to be heap-leached.

Boorara Project (MRP : 100%)  
Geology  
The Boorara Project is based on the historic Boorara goldfield that strikes NNW/SSE and lies <2km east of Nimbus as shown in Figures 1a and 16a, being on the Boorara Shear amongst a package of mafic and ultramafic rocks as shown in Figure 16b.

Figure 16. Location of Boorara and Envisaged Open-cuts, and Geological Plan  
a. Location of Boorara and Envisaged Open-cuts  
b. Geological Plan over Nimbus and Boorara

However, there is more detailed geology over the region as shown in Figures 1b and 17a, in that the Boorara mineralisation is thought to lie in a granophytic unit of dolerite comparable to that at Excelsior’s (EXG.ax) Zoroastrian or Norton’s (NGF.ax) historical Paddington pits, such that the veins mostly form a mineralised stockwork between ultramafic in the west, to sediments in the east.

The Boorara Shear zone widens in the north and results in two separate mineralised structures from the southern end of the Boorara North pit as shown in Figure 17b. There is also a change in the dip direction of the orebodies from south to north as shown in the block model, and clearly visible in the old workings.

Figure 17. Geological Plan of Boorara North & Auppb soil geochem, & 3d Schematics & Sections of Boorara  
a. Geological Plan of Boorara North & Auppb soils  
b. 3d Schematics and Sections of Boorara North

The multiple pit shape of Boorara North is due to gaps in the drilling between the delineated pits as shown in Figure 17b. Given the geochem values and old workings that extend north & south, extensions to both north and south seem likely. It should be noted that geochem values >300ppb Au are usually regarded as significant, and that there appears to be mineralisation further west amongst a line of old workings.

The sections in Figure 17b do appear to conform with the block model at Boorara, with mineralisation and lodes dipping predominantly to the east, except for the western limb of Boorara North which has been interpreted as dipping west. This westerly dipping interpretation has been backed up by the old workings shown in Figure 18a, which very clearly dip west, and appear to plunge SE.

An increased focus with follow-up drilling has taken place at Boorara West with aeromag backing up the locations of old workings as shown in Figure 18b. There are many old workings at Boorara including shafts with sizeable spoil piles (from the individual shafts) and stopes.
There are also a number of workings along the contact with the Black Flag sediments which may now take on a new significance after Gold Field's Invincible discovery presented at Diggers in August 2014 within the Black Flag shales and the adjacent shale boundary with Merougil conglomerates at St Ives.

Further detail of the stockworks in the southern part of Boorara North, old workings in the Crown Jewel area and Boorara South, plus the on-strike Dawn prospect ~500m further north of Boorara North and its intersection of ~7m @ 112g/t are included in our/ERA previous MRP report dated July 2012 and available under "Reports" on our website: www.eagleres.com.au.

Table 2. Boorara Ore Reserves and Resources as at July and August 2013

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<th>Resources</th>
<th>12-Jul-13</th>
<th>Measured &amp; Indicated</th>
<th>Inferred Resources</th>
<th>Total Resources</th>
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<tbody>
<tr>
<td></td>
<td>cut-off 0.5g/t Au</td>
<td>Tonnes</td>
<td>Grade</td>
<td>Gold</td>
</tr>
<tr>
<td>Boorara</td>
<td>category</td>
<td>kt</td>
<td>g/t</td>
<td>000oz</td>
</tr>
<tr>
<td>Oxide</td>
<td></td>
<td>1670</td>
<td>1.08</td>
<td>58</td>
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<tr>
<td>Transitional</td>
<td></td>
<td>1530</td>
<td>1.10</td>
<td>54</td>
</tr>
<tr>
<td>Primary / Fresh</td>
<td></td>
<td>1540</td>
<td>1.07</td>
<td>53</td>
</tr>
<tr>
<td>Total Resources</td>
<td></td>
<td>4740</td>
<td>1.08</td>
<td>165</td>
</tr>
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<table>
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<tr>
<th>Resources</th>
<th>7-Aug-13</th>
<th>Proven &amp; Probable</th>
<th>Total Reserves</th>
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<tr>
<td></td>
<td>cut-off 0.5g/t Au</td>
<td>Tonnes</td>
<td>Grade</td>
</tr>
<tr>
<td>Boorara</td>
<td></td>
<td>1128</td>
<td>0.98</td>
</tr>
<tr>
<td>Total Reserves</td>
<td></td>
<td>1128</td>
<td>0.98</td>
</tr>
</tbody>
</table>

The current reserves and resources at Boorara are shown in Table 2 (and expected to be revised upward in MQ 2015), with grades averaging ~1.1g/t, due to bulk mining of the expected stockwork mineralisation. However, some of the mineralised areas do appear to be closer to ~2.5g/t and the old timers would have been searching for visible gold, not grades ~1g/t. Should tonnage at higher grades be encountered, such ore could theoretically be stockpiled and batch treated through the Nimbus circuit or alternatively (if amenable), may be able to be passed through the gravity circuit with the lower grade ore going to the heap leach pad. Higher grade ore from Coolgardie is expected to be treated at the end of Nimbus' life.

Whatever the outcome, when combined with potential extensions north and south on strike, together with a possible western zone, and the recent visible gold encountered in the first drillhole in SQ 2014 at Brindabella, Boorara appears to be potentially capable of lasting ~7 years, possibly at a rate of ~1mtpa, followed by a lesser rate of ~480ktpa combined with higher grade ore from MRP's Coolgardie prospects.

Metal Market Prices in 2016

One of the key issues for MacPhersons is what are the metal prices of its products (zinc, silver and gold) going to be in 2016, as they obviously have a significant impact on the NPV. There are many forecasts of the zinc price increasing by at least 50% in the next 2 years to 2016 due to the number of major mines closing and rising zinc deficits (from demand exceeding supply), as shown in Figures 19a and 19b.

Figure 19. Potential Supply & Demand for Zinc, and Wood Mackenzie Forecast for Zinc Price to 2016


Metal Market Prices in 2016
The forecast presented by CBH at the Broken Hill Symposium in May 2014 showed Wood Mackenzie expecting the zinc price to double from US$1910/t in 2013 to US$3800/t in 2016. Currently that forecast is close to its expectation of US$2093/t (US$0.95/lb) in 2014, compared to zinc at US$1.026/lb (US$2260/t) on 6 Oct 2014, having averaged ~US$0.96/lb (US$2118/t) for 2014 to-date as shown in Figure 20a.

**Figure 20. The Zinc Price in US$/lb since Oct 2013, and Gold & Silver Prices in US$/oz Since Oct 2013**

a. The Zinc Price (Oct 2013 to Oct 2014) Source : Kitco

The silver price (along with the other precious metals prices), appears to broadly track the movements in the gold price as shown in Figure 20b. Jeffrey Christian's CPM group (which have had an impressive forecasting track record for the gold price yearly since 1980), gave their predictions for the gold price to 2018 at the first China Gold Congress in Beijing on 12 September 2014 as shown in Figure 21a.

**Figure 21. CPM’s Gold Price Forecast to 2018, and Silver Products in China**

a. CPM’s Gold Price (US$/oz) Forecast to 2018

CPM’s forecast for the average gold price in 2014 is the same as the consensus, being ~US$1290/oz, and for 2014 (to 24 Sept 2014), its current average is US$1289/oz. In their presentation, CPM remarked that they were surprised, they did not expect the gold price to trade below US$1240/oz in 2014. CPM's gold price forecast for 2016 is an average of US$1425/oz. When gold was last at ~US$1425/oz on ~10 May 2013, the silver price was ~US$23.50/oz, representing a gold/silver ratio of ~60.6x.

It has to be recognised that there is a power struggle between the developed western countries that treat precious metals as paper currencies and the developing eastern countries that treat them as commodities. China sees the issue as a strength of the US$ problem due to no alternative reserve currency backed by gold, and is taking steps to fill that void with its RMB in possibly ~2 years' time (see: http://www.eagleres.com.au/comments/item/oct-2014-east-west-struggle on the ERA website: www.eagleres.com.au)

If zinc is trading (or averages) ~US$3800/t (US$1.724/lb) with silver at ~US$23.50/oz in 2016 (and gold at US$1425/oz, and an A$ of US$0.90c [there are many forecasts of a relatively weak A$]), then based on our model scenario and the sensitivities in Table 4, **MRP could potentially then be worth A$0.46/share.**

**Financial Considerations**

With an almost 20% cornerstone investor like Red Kite/Orion Mine Finance, MRP should be able to raise the 30% equity component (~$20m to $25m) of a possible $70m to $80m capex requirement (allowing for working capital), especially with that underlying silver offtake agreement at spot, and possible other offtake demand for a zinc-silver con. While it is understandable that MRP have modelled Nimbus on the basis of AgEq due to high zinc-high silver, low zinc-high silver and high zinc-low silver lodes/veins, logically the silver and zinc prices could rise significantly independently of each other.

For our modelling analysis shown in Table 3, we have used a base zinc price of US$1.00/lb, a silver price of US$20/oz and an A$ of US$90c, and applied various sensitivities as shown in Table 4. We are a firm believer (based on our annual visits to China since 2003) that China’s growth/demand for Zn and affinity for gold & silver could continue for at least the next 10 years, followed by India and the ROW. **This production scenario is an ERA scenario, and is just one of a number of possible scenarios that could occur.**
### Table 3. Production and Cashflow Estimate for MacPhersons Resources' Nimbus-Boorara Operation

<table>
<thead>
<tr>
<th></th>
<th>2014f</th>
<th>2015f</th>
<th>2016f</th>
<th>2017f</th>
<th>2018f</th>
<th>2019f</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prices</strong></td>
<td>$0.125</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Silver Price</td>
<td>$5.05</td>
<td>$4.95</td>
<td>$4.55</td>
<td>$4.75</td>
<td>$4.75</td>
<td>$4.75</td>
</tr>
<tr>
<td>Gold Price</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td><strong>Sensitivity Analysis</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Base Silver Price</strong></td>
<td>$7.50</td>
<td>$7.00</td>
<td>$6.50</td>
<td>$6.00</td>
<td>$6.00</td>
<td>$6.00</td>
</tr>
</tbody>
</table>

#### Production
- **Zn** 2.177m lb
- **Ag** 25,570 oz
- **Au** 14,350 oz
- **Hg** 14,350 oz

#### Revenues
- **Silver Revenue** $25.1m
- **Gold Revenue** $14.3m
- **Gold Price** $1,250/oz

#### Costs
- **Gold in-district grade** 1.1 g/t
- **Gold in-mill grade** 1.8 g/t
- **Gold recovery into dore** 97%

#### Sensitivity Analysis
- **NPV** 7.50%
- **Net Cash Flow** $-4.7m
- **Earnings per Share** $0.19

### Table 4. Sensitivity Analysis of MacPhersons Resources

#### Analysis of MacPhersons Resources

**Sensitivity Analysis**
- **Base Silver Price** 20.0
- **Gold Price** 1,000
- **Base Silver Grade** 0.5
- **Ag Price** 5.05
- **Base US$/oz exchange rate** 0.90

**Sensitivity**
- **NPV** 7.50%
- **Net Cash Flow** 16.1
- **Earnings per Share** 0.19

**Parameters**
- **Price of Silver** $5.05
- **Price of Gold** $1,000
- **Price of Hg** 0.90

**Sensitivity Analysis** (based on 10% change in each parameter)
- **Silver Price** $0.5
- **Gold Price** $100
- **Silver Grade** 0.05

**NPV Incremental Change**
- **Silver Price** 5.0%
- **Gold Price** 10.0%
- **Silver Grade** 1.0%

**NPV Incremental Change**
- **Silver Price** $0.5
- **Gold Price** $100
- **Silver Grade** 0.05

**NPV Incremental Change**
- **Silver Price** 5.0%
- **Gold Price** 10.0%
- **Silver Grade** 1.0%

**NPV Incremental Change**
- **Silver Price** $0.5
- **Gold Price** $100
- **Silver Grade** 0.05
Upside Potential
It does seem likely that materially higher grade ore than 1g/t could be encountered at Boorara, which could be stockpiled and treated at Nimbus towards the end of Nimbus' currently expected life, plus a higher grade gold ore component (possibly ~2.0 to 2.5g/t or so) from the Coolgardie properties of Macphersons and Tycho, as the current ore resource grade of ~1.4g/t to 1.6g/t appears to be marginal.

Board of Directors
Ashok Parekh – Executive Chairman since 2010. Ashok is a Chartered Accountant with over 30 years’ experience, of which over 25 years has been in providing advice to mining companies and service providers to the mining industry. Ashok has taken a number of companies (mostly near Kalgoorlie) through to new IPOs and resulting new gold mine operations, and has held other managing directorships.
Morrie Goodz – Managing Director since 2010. Morrie is a mining geologist with over 35 years' experience including 9 years in international mineral exploration in North America and Africa. Based in Kalgoorlie, Morrie has held a number of strategic management roles in nearby mines and discovered the Daisy Milano shear zone extension and was involved in the original decline and exploitation of it.
Jeff Williams – Non-Executive Director since 2010. Jeff is a mining engineer with almost 40 years' experience ranging from mine planning, underground management and feasibility study through to development having taken Mineral Deposits' Sabodala gold mine in Senegal through to production in March 2009. Jeff has held a number of senior management roles and established Nimbus Resources in 1997, which became Mineral Deposits.
Peter Rozaneurs – Non-Executive Director since 2014. Peter is a mining engineer with over 25 years' experience in the natural resources and finance industry. Peter is a Portfolio Manager with Orion Mine Finance (an associate of Red Kite) who is the cornerstone investor in MRP. Prior to joining Red Kite in 2012, Peter was Managing Director and Head of the Asian Commodities Distribution for Barclays Capital in Singapore.
Stephen Hewitt-Dutton – Company Secretary since 2010. Stephen is a Chartered Accountant with over 20 years’ experience in corporate finance (specialising in mergers and acquisitions), accounting and company secretarial matters. Stephen has held a number of Financial Controller and Company Secretary positions for both public and private companies.

Senior Management
Randell Ford – Operations Manager since 2013. Randell is a mining engineer with over 35 years’ experience in the commodities of silver, lead, zinc, gold & nickel. Randell has both open-pit and underground technical and management experience and has held a number of Mining Manager and Operations Manager roles in the Goldfields.
Ian Paynter – Senior Mining Engineer since 2013. Ian is a mining engineer with over 40 years’ experience in a number of different commodities covering a range of mining activities, including heap leaching.
Warwick McKenzie – Processing Manager since 2013. Warwick is a metallurgist with over 15 years’ experience including heap leaching and flotation of various minerals, of which the last 6 years has been in leadership roles.
Mark Rigby – Senior Resource Geologist since 2014. Mark is a geologist with almost 30 years’ experience at a range of mining operations in the roles of senior resource and exploration geologist.
Janine Rea - Technical Services Manager since 2010. Janine is a geologist with over 30 years’ experience in a variety of exploration and mining operations, consulting positions, data management and business solutions.
Catherine Wharton - Smr Environmental, Health & Safety since 2012. Catherine is an environmental scientist with over 10 years’ experience in the Goldfields, specialising in environmental, health and safety compliance.
Bill Powell - Prospecting Manager since 2010. Bill has been prospecting for over 60 years and has an extensive mining history throughout the Goldfields. Bill discovered and developed the original MacPhersons Reward mine.
Ray Wright - Adviser since 2010. Ray has over 45 years’ mining experience including 35 years’ as a Mine Manager at a number of mines in WA & Victoria, and has also been involved in the construction/expansion of processing plants.

Chart of MacPhersons Resources (October 2013 to October 2014) (Source: www.yahoo.com)

Having broken its bear trend, ... MRP appears to have currently settled into a trading range between ~12c & 18c

Disclosure
MacPhersons Resources Limited commissioned Keith Goode (who is a Financial Services Representative with Taylor Collison Ltd ACN 008 172 450, and is a consultant with Eagle Research Advisory Pty Ltd ACN 098 051 677) to compile this report, for which Eagle Research Advisory Pty Ltd has received a consultancy fee. At the date of this report Keith Goode and his associates held interests in shares issued by MacPhersons Resources Limited. At the date of this report, Taylor Collison Limited or their associates within the meaning of the Corporations Act, may hold interests in shares issued by MacPhersons Resources Limited.

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