

Pacifico Minerals Limited

14 September 2020

Initiation of Coverage

PMY ASX \$0.018 TARGET PRICE \$0.035

Resources

BUY

75% owned Sorby Hills Lead Silver Project in WA has a completed a Preliminary Feasibility Study and is moving towards financial close in November 2021 and then construction. Production planned to be 47Ktpa lead and 1.4Mozpa silver in concentrate for 10 years.

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RAWSON LEWIS

Lead silver project's time has come

12 month price target 3.5cps 94% above current share price

Our price target of 3.5cps is in the middle of our valuation ranges based on NPV or PER multiples, and supported by our base case valuation of 3.3cps. Key drivers for achieving this target include:

1. Rising commodity prices in post COVID 19 recovery.
2. Exploration success from current program increasing annual production and mine life.
3. Derisking project with clarity on costs and financing.

Key elements in place reducing the risk to investors:

1. Low cost (AISC US\$0.40/lb lead on the PFS economics)
2. 100% Open Pit Project
3. Reserves make up 92% of the current mine plan
4. EPA Approved / no Native Title requirement
5. Access to establish Logistics and Services Infrastructure
6. Supportive JV partner in Henan Yuguang

Exposure to recovering global economy post COVID

A 1 cent change in the A\$/lb lead price or a A\$1/oz change in the silver price changes the Net Present Value of Pacifico by 0.1cps. As the world recovers, the bias will be for commodity prices to rise, and Pacifico is a leveraged play on that recovery.

Exposure to valuation growth through Resource growth

A 68 hole drill program has just been announced. Pacifico has an excellent track record of adding Resources and Reserves through drilling. Adding a Dense Media Separation circuit would be a low cost way to increase annual metal production.

Pacifico has a number of funding options.

The increase in pre-production capex to A\$182.8M may have been a factor in the share price weakness post announcement. We believe any shareholder concerns in this area are misplaced. Galena (ASX:G1A) has raised A\$90M selling down 40% of its project and borrowed US\$110M, providing an example funding without large share issuance. 25% JV partner Henan Yuguang is likely to be strongly supportive. It is China's largest lead smelting group and largest silver producer. Sorby Hills' high silver content also provides a funding opportunity by sale of a silver royalty.

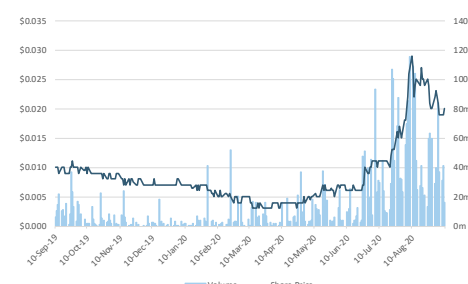
Company Data

Shares Outstanding (M)	2907
Price (\$/sh)	0.018
Market Capitalisation (\$M)	52.3
Free Float (%)	100%
Free Float Market Capitalisation (\$M)	52.3
12 Month Low (\$/sh)	0.002
12 Month High (\$/sh)	0.031
Average Daily Volume ('000)	14,187

Source: IRESS, Company, Rawson Lewis est.

Earnings Summary (A\$M)				
Year end June	FY21	FY22	FY23	FY24
Sales revenue	0	0	0	208
EBITDA	-3	-2	-4	121
PBT	-3	-2	-8	89
Underlying NPAT	-2	-1	-5	61
Reported NPAT	-2	-1	-5	61
Reported EPS (c)	-0.1	-0.1	-0.1	1.18
Underlying EPS (c)	-0.1	-0.1	-0.1	1.18
DPS (c)	0	0	0	0
PER x	na	na	na	1.5

Share Price Graph to 9/9/20



Source: IRESS

Directors & Management

Gary Comb	Executive Chairman
Simon Noon	Managing Director
Richard Monti	Non-Executive Director
Andrew Parker	Non-Executive Director

Shareholders

Villiers	12.3%
Directors	1.6%

PACIFICO MINERALS LIMITED

Share Price A\$/sh				0.018
Price Target A\$/sh				0.035
PROFIT AND LOSS A\$M	FY21F	FY22F	FY23F	FY24F
Total Revenue	0.0	0.0	0.0	208.2
COGS	0.0	0.0	-1.8	-85.1
Gross Profit	0.0	0.0	-1.8	123.1
Gross Profit Margin	na	na	na	59.1%
SG&A	-3.0	-2.0	-2.0	-2.0
EBITDA - Reported	-3.0	-2.0	-3.8	121.1
D&A	0.0	0.0	0.0	-27.4
EBIT - Reported	-3.0	-2.0	-3.8	93.7
Total Financial Income	0.0	0.0	-3.7	-7.0
PBT	-3.0	-2.0	-7.5	86.7
Tax Expense	0.9	0.6	2.3	-26.0
NPAT	-2.1	-1.4	-5.3	60.7
Minorities	0.0	0.0	0.0	0.0
Earned for Ordinary	-2.1	-1.4	-5.3	60.7
EPS A cps	-0.07	-0.03	-0.10	1.18
Ordinary shares M	3084	5147	5147	5147
Dividend A cps	0.0	0.0	0.0	0.0
EBITDA Margin %	na	na	na	58.2%
Return on Equity:	na	na	na	58.5%
Return on Invested Capital:	na	na	na	47.2%
PER	na	na	na	1.53
Price/Book	5.72	1.92	2.15	0.89
Book value A\$/sh	0.00	0.01	0.01	0.02
VALUATION (NPV)	FY21F	FY22F	FY23F	FY24F
Sorby Hills 2020 PFS	107.2	118.4	214.8	221.2
Corporate Overhead	-9.3	-8.9	-8.4	-7.9
Cash on hand	2.9	30.6	35.7	80.7
Debt	0.0	0.0	-100	-80.0
Net Working Capital	0.2	-1.5	-11.0	6.9
Valuation A\$M	100.9	138.6	131.0	220.8
Valuation A\$/sh	0.033	0.027	0.025	0.043
Discount Rate	10.5%			

OPERATION (PMY 75%)	FY21F	FY22F	FY23F	FY24F
Ore Processed Kt	0	0	0	1775
Lead Grade %	0.0%	0.0%	0.0%	5.4%
Silver Grade g/t	0.0	0.0	0.0	53.4
Lead Contained Kt	0	0	0	95
Silver Contained Koz	0	0	0	3045
Lead Recovery	0.0%	0.0%	0.0%	91.1%
Silver Recovery	0.0%	0.0%	0.0%	81.3%
Recovered Lead Kt	0.0	0.0	0.0	86.6
Recovered Silver Koz	0	0	0	2475
Conc Grade Lead	0.0%	0.0%	0.0%	62.0%
Conc Grade Silver	0	0	0	551
Concentrate Prodn Kt (dry)	0.00	0.00	0.00	139.64
Sales				
Concentrate Sold Kt	0	0	0	137
Lead Contained Kt	0.0	0.0	0.0	84.8
Silver Contained Koz	0	0	0	2458
Lead Payable Mlb	0.0	0.0	0.0	177.0
Silver Payable Moz	0.00	0.00	0.00	2.33
Lead Revenue A\$M	0.0	0.0	0.0	247.7
Silver Revenue A\$M	0.0	0.0	0.0	72.3
Treatment Charges A\$M	0.0	0.0	0.0	-42.4
Net Revenue to PMY A\$M	0.0	0.0	0.0	208.2

PMY-ASX

CASH FLOW YE June	FY21F	FY22F	FY23F	FY24F
Receipts from customers	0.4	0.0	0.0	204.2
Payments to Suppliers	-3.9	-0.3	5.7	-101.0
Interest (Paid) / Received	0.0	0.0	-3.7	-7.0
Tax (Paid)	0.0	0.0	0.0	0.0
Operating cashflow	-3.5	-0.2	2.0	96.2
Capital expenditure	0.0	-12.0	-96.9	-28.3
Asset Sales				
Acquisitions				
Divestments				
Other Investing				
Investing cashflow	0.0	-12.0	-96.9	-31.2
Free Cash Flow	-3.5	-12.2	-94.9	65.0
Net Equity Raisings	3.4	40.0	0.0	0.0
Proceeds from Pre Sales	0.0	0.0	0.0	0.0
Shares Repurchased				
Net Borrowing	0.0	0.0	100.0	-20.0
Ordinary Dividends paid	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Financing cashflow	3.4	40.0	100.0	-20.0
Exchange rate adjustment	0.0	0.0	0.0	0.0
Net change in cash	-0.1	27.8	5.1	45.0
BALANCE SHEET YE June	FY21F	FY22F	FY23F	FY24F
Cash	2.9	30.6	35.7	80.7
Receivables	0.0	0.0	0.0	4.0
Inventories	0.5	0.0	0.0	15.5
Total Current Assets	3.4	30.6	35.7	100.2
PP&E	0.0	12.0	109.0	109.9
Intangibles				
Expln & Mine Devt	5.2	5.2	5.2	8.1
Deferred Tax Asset	2.0	2.6	4.8	4.8
Total Non Current Assets	7.2	19.8	119.0	122.8
Total Assets	10.7	50.5	154.7	223.1
Trade Payables	0.3	1.5	11.0	12.7
Prepaid Revenue	0.0	0.0	0.0	0.0
Borrowings	0.0	0.0	100.0	80.0
Leveraged Leases				
Current Tax Liabilities	0.0	0.0	0.0	26.0
Deferred Tax Liabilities	0.2	0.2	0.2	0.2
Provisions	0.4	0.4	0.4	0.4
Total Liabilities	0.9	2.2	111.7	119.3
Net Assets	9.7	48.3	43.1	103.8
Issued Capital	36.7	76.7	76.7	76.7
Reserves	1.5	1.5	1.5	1.5
Retained Profits	-28.4	-29.8	-35.1	25.6
Shareholder Equity	9.7	48.3	43.1	103.8
ASSUMPTIONS	FY21F	FY22F	FY23F	FY24F
Lead Price US\$/lb	0.00	0.96	0.97	0.98
Silver Price US\$/oz	0.00	21.34	21.55	21.77
AUSUSD	0.00	0.70	0.70	0.70
Cost Inflation	0.0%	1.0%	1.0%	1.0%
Mining A\$/lb Lead				0.19
Processing G&A A\$/lb				0.26
Selling Costs A\$/lb				0.40
Byproduct A\$/lb				-0.38
C1 costs A\$/lb				0.46
Sustaining Capex A\$/lb				0.02
AISC A\$/lb				0.49

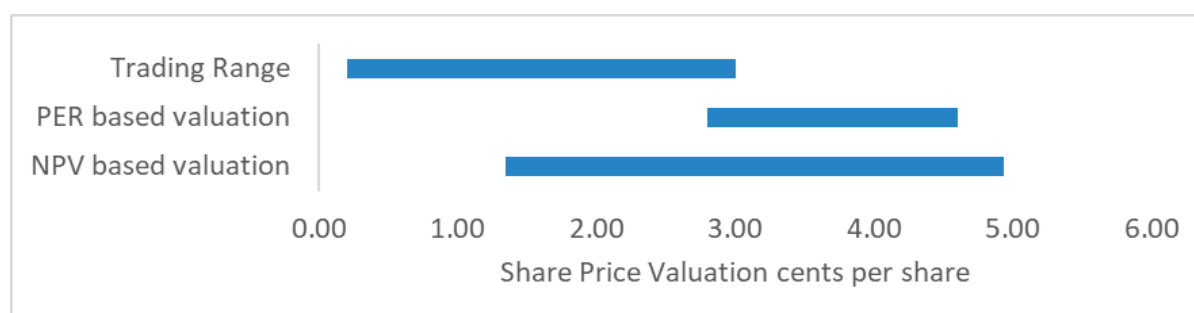
Investment Case

Shareholder returns from an investment in Pacifico will be determined by the company's ability to de-risk, construct and operate the Sorby Hills project and by the direction of lead and silver prices in Australian dollars. Figure 1 highlights the range of valuations as well as the trading range of the share price in the last 12 months. Our valuations are based on the company's 75% share of the 2020 Optimised PFS adjusted for the company's balance sheet. The valuation range is wide, but strongly biased to the upside rather than the downside, relative to the current share price.

The reason for the wide range is that the valuation is highly leveraged to commodity prices. A 1 cent change in the A\$/lb lead price or a A\$1/oz change in the silver price changes the Net Present Value (NPV) of Pacifico by 0.1cps.

Additional value can be added by management as the project is de-risked, first by publishing the Bankable Feasibility Study, then by completing project funding, and thirdly by construction of the project. Further upside can be generated by low risk exploration, that allows increased annual production of metal and extends mine life, for a modest additional capital cost.

Figure 1 Valuation summary: NPV based value 1.3-4.9cps, PER based value 2.8-4.6cps



Source: Rawson Lewis estimates (see Tables 1 and 2 for the data in this figure), Trading range is last 12 months

Share price drivers over the next 12 months

There are three main drivers of potential share price appreciation

1. Project de-risking (Delivery of DFS in August 2021, visibility on funding in November 2021)
2. Commodity price appreciation (as global economy recovers from COVID 19)
3. Exploration success adding to the existing project (68 hole program starting now)

Risks

Risks are largely the same as the upside drivers, and include

1. Lower commodity prices driven by a global recession or failure to recover from COVID 19
2. Inability to fund the development of the project due to loss of support from capital markets
3. Cost blow out of the DFS
4. Management failure to deliver the project on time and budget
5. Orebody does not perform as expected, ie does not deliver expected tonnes or grade

We discuss items 1 and 2 later in this document. On the other points, we believe that investors are protected to a large extent because this project has been around for a while, and has been looked at a number of times by a number of operators and consultants. This means that the basic elements of the project such as geology and metallurgy have been reviewed a number of times, and fatal flaws are likely to have been weeded out over time.

Valuation – 3.5cps but very sensitive to commodity prices and discount rate

Valuing Pacifico is all about the commodity prices assumed, and the valuation is so sensitive to commodity price changes that it is hard to talk definitively about any one price.

A 1c increase in A\$/lb lead price or A\$1/oz in the silver price adds 0.1cps to our valuation.

Valuation is also sensitive to the discount rate, with 1% discount rate changing the NPV by 0.5cps.

We have run three commodity scenarios:

1. Consensus forecasts
2. Spot at 4 September 2020
3. 10 year average prices

...and discounted the resultant cash flows at two discount rates:

1. The estimated Weighted Average Cost of Capital determined discount rate of 7.0%. This gives the value of the project likely to be achieved at the given commodity prices once the project is in production.
2. A higher discount rate including a premium for being at the PFS stage, as opposed to being in production, of 10.5%, being a 50% premium to the 7%.

Table 1 Pacifico valuations based on discounted cash flow – 1.3cps to 4.9cps

Weighted Average Cost of Capital	7.0%	10.5%
Mean	0.021	0.013
10yr Ave	0.044	0.033
Spot	0.049	0.037

Source: Rawson Lewis estimates

The valuations at consensus forecasts are the lowest of the three, but even so support the current share price or higher. The current spot prices are higher than the consensus forecasts, at a time of relatively weak demand. In this circumstance, we would expect that at worst, spot prices fall and consensus is revised upwards, meeting somewhere in the middle. In a post COVID 19 recovery, given the amount of fiscal stimulus, there is potential for a strong commodity cycle, adding price upside.

We have also reviewed the average earnings in the first two full year of production (FY24 and FY25). At a modest Price Earnings Ratio of 7x, the share value in FY24 would be 4.1-6.9cps, which, when discounted back four years to the present, would be 2.8-4.6cps. This falls inside of the 1.3-4.9cps valuation range using the Net Present Value (NPV) method.

Table 2 Pacifico valuations based on the first full year of earnings

A\$/sh	Jun-24	PER @ Target	Disc to Today @ 10.5%pa
Price PER		7	
Consensus	0.006	0.041	0.028
10yr Average	0.009	0.064	0.043
Spot at 4 September 2020	0.010	0.069	0.046

Source: Rawson Lewis estimates

Our price target for Pacifico in twelve months' time is in the middle of these ranges at 3.5cps.

Table 3 Pacifico valuations in A\$/sh given a range of lead and silver prices in A\$

Lead Price A\$/lb	1.20	1.40	1.60	1.80
Silver Price A\$/oz				
25	0.019	0.037	0.056	0.074
30	0.025	0.044	0.062	0.081
35	0.032	0.050	0.069	0.087
40	0.038	0.057	0.075	0.093
45	0.045	0.063	0.081	0.100

Source: Rawson Lewis estimates

Our base case earnings assume a AUDUSD of 0.70, and a lead price of US\$0.95/lb (A\$1.36/lb) and a silver price of US\$21.10/oz (A\$30.14/oz), and our resultant valuation is A\$0.033/sh.

The lead price used in the table above ranges from US\$0.84/lb to US\$1.26/lb at AUDUSD of 0.70, and the silver price US\$17.50/oz to US\$31.50/oz.

Funding – Plenty of options

The increase in pre-production capital from A\$98M to A\$182M is something the market is probably nervous about, given the company's current market capitalisation of A\$52M. The decision to choose a higher processing rate and therefore higher capital cost was driven by the benefits, including:

1. The higher production rate produces a more bankable project, with significant early year cash flow, and rapid payback, and lower technical processing risk.
2. The option of bolting on a Dense Media Separation circuit provides the technical support for an exploration effort focussed on upgradeable low grade mineralization

Our modelling has assumed that Pacifico borrows A\$100M and raises A\$40M in equity. The price at which that equity is raised will be dependent on the Pacifico share price in 12 months' time. We assume 2cps in our modelling. However, there are other sources of capital as discussed below.

Project Debt Capacity

Galena Mining Limited is constructing the Abra lead silver project with an initial capital cost of A\$168.6M plus working capital to fund the underground ramp up of A\$38-78M. Galena managed to borrow US\$110M (A\$155M) at 8% from Australian financier Taurus (Galena release 29 July 2020).

Given the Abra financing was closed this July, it provides Pacifico shareholders with a funding benchmark that is post COVID 19, highly relevant, and very encouraging.

The Abra project is higher grade but is an underground mine and therefore a higher mining cost per tonne. We believe that Sorby Hills is lower risk and therefore more bankable than Abra because:

1. 92% of Sorby Hills mine plan is in Reserves vs 63% for Abra
2. 48% of Sorby Hills Reserves are Measured vs none for Abra
3. Potential for debt funding from Northern Australia Infrastructure Facility (NAIF)

All this is likely to make the project acceptable to the mainstream banks and at lower interest rates than we are assuming in our base case, with rates potentially more like 4.5% (Table 4).

Table 4 Examples of Project Debt to Australian Mining Projects 2016-2020

	Loan	Rate	Term Yrs	Lender
Pilbara Minerals (PLS)	US\$100M	12%	5.00	Bond
Gascoyne (GCY)	A\$60M	BBSY+2.75%	4.50	CBA, NAB
Dacian (DCN)	A\$150M	4.0% FY19	5.00	WBC, BNZ, Paribas
Galena (G1A)	US\$110M	8%	5.75	Taurus

Source: Annual reports of PLS, GCY, DCN and G1A release 29 July 2020

Alternatives to a major equity raising

If the equity market is unsupportive of the project there are a number of alternatives including

1. Sale of part of the project to an offtake partner.
2. Sale of a silver royalty or stream to one of a number of royalty companies

While there are other factors that could affect the amount that could be raised in this fashion, what we are trying to demonstrate is that the company has a number of funding options other than diluting shareholders by raising equity, so we do not see the size of the pre-production capital spend as a barrier to the development of this project.

Part sale to offtake partner

Galena sold 40% of its project to Japanese smelter Toho for A\$90M as announced on 30 January 2019, The pre tax NPV at the time was A\$528M assuming 92c/lb lead, US\$16/oz silver and 0.70 AUDUSD, so Toho were paying 42.6% of the NPV.

On the same assumptions, the pre tax NPV for Sorby Hills Project (ie 100%) is A\$360M. 40% of the NPV is A\$144M and 42.6% of that is A\$61M or A\$1.5M/1%. Henan Yuguang owns 25% of the project already. Pacifico may be able to sell 15% for A\$22.5M retaining 60% or 25% for \$36M retaining 51%.

With the higher silver prices, the project is more valuable, and a transaction today could well be at a higher price than at A\$1.5M/1%.

Sale of a Silver Royalty

Selling royalties is not as common in Australia as it is in North America.

As one of many examples, Wheaton paid US\$295M to Hudbay for a 100% of a 39.3Moz silver stream. As part of the deal, Wheaton would also pay US\$5.90/oz escalating over time. Sorby Hills has 14.3M payable silver ounces, of which Pacifico has equity in 10.7Moz.

On the metrics of this transaction, its 10.7Moz of silver has the potential to raise US\$80M. While the loss of this income will reduce returns to shareholders, and leverage to the silver price, the benefit is reduced dilution of existing shares by reduced issuance.

Financials

Table 5 Profit and Loss

YE June	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27
Revenue	0.00	0.00	0.00	0.00	208.21	152.14	110.94	127.89
Operating Costs	0.00	0.00	0.00	-1.80	-85.12	-78.61	-88.18	-94.08
Corporate OH	-1.00	-1.00	-2.00	-2.00	-2.00	-2.00	-2.00	-2.00
Exploration	-2.65	-2.00	0.00	0.00	0.00	0.00	0.00	0.00
Costs	-3.65	-3.00	-2.00	-3.80	-87.12	-80.61	-90.18	-96.08
EBITDA	-3.65	-3.00	-2.00	-3.80	121.09	71.53	20.77	31.81
D&A	0.00	0.00	0.00	0.00	-27.36	-18.81	-14.20	-16.36
EBIT	-3.65	-3.00	-2.00	-3.80	93.73	52.73	6.56	15.45
Interest Costs	0.04	0.02	0.00	-3.72	-7.01	-4.98	-3.31	-2.05
PBT	-3.61	-2.98	-2.00	-7.52	86.72	47.74	3.25	13.41
Tax Expense	1.08	0.89	0.60	2.26	-26.02	-14.32	-0.97	-4.02
NPAT	-2.53	-2.09	-1.40	-5.26	60.70	33.42	2.27	9.38
Dividend \$M	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Franking	0%	0%	0%	0%	0%	0%	100%	100%
Payout Ratio	0%	0%	0%	0%	0%	0%	0%	0%
Shares on Issue	2888	3084	5147	5147	5147	5147	5147	5147
Dilited Shares on Issue	2978	3147	5147	5147	5147	5147	5147	5147
Adj EPS A\$/sh	-0.001	-0.001	0.000	-0.001	0.012	0.006	0.000	0.002
Options on Issue M	90.0	63.5	0.0	0.0	0.0	0.0	0.0	0.0

Source: 2020 PFS, Rawson Lewis estimates

We expect the earnings volatility in the PFS numbers to be smoothed out in the DFS. In our earnings based valuation, we have used the average of FY24 and FY25 to smooth the impact of this volatility. However, we expect the high early years to be unchanged in the DFS, and the smoothing to come from bringing cash flow from later years forward.

Table 6 Cash Flow

YE June	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27
Receipts From Customers	0.00	0.37	0.00	0.00	204.22	153.22	111.73	127.57
Payments to Suppliers	-3.34	-3.86	-0.26	5.70	-101.03	-83.27	-90.83	-96.49
Cash Flow from Operations	-3.34	-3.49	-0.26	5.70	103.19	69.95	20.90	31.08
Interest Received	0.04	0.02	0.01	0.29	0.20	0.63	0.70	0.36
Financing Costs	0.00	0.00	0.00	-4.00	-7.20	-5.60	-4.00	-2.40
Taxes Paid	0.00	0.00	0.00	0.00	0.00	-26.02	-14.33	-0.98
Net Cash from Operations	-3.31	-3.47	-0.25	2.00	96.19	38.96	3.27	28.06
PP&E	0.00	0.00	-12.00	-96.94	-28.31	0.00	0.00	0.00
Mine Development	0.00	0.00	0.00	0.00	-2.88	-2.43	-2.43	-2.43
Investing Activity	0.00	0.00	-12.00	-96.94	-31.19	-2.43	-2.43	-2.43
Issue of Equity. Option								
Conversion	4.60	3.40	40.00	0.00	0.00	0.00	0.00	0.00
Proceeds from Forward								
Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividends	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Borrowings	0.00	0.00	0.00	100.00	-20.00	-20.00	-20.00	-20.00
Financing Costs	-0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing Activity	4.30	3.40	40.00	100.00	-20.00	-20.00	-20.00	-20.00
FX Difference	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Increase in Cash	0.99	-0.07	27.75	5.06	45.00	16.53	-19.16	5.63
YE Cash on Hand	2.96	2.88	30.64	35.70	80.70	97.22	78.06	83.69

Source: 2020 PFS, Rawson Lewis estimates

Table 7 Balance Sheet

YE June	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27
Cash	2.96	2.88	30.64	35.70	80.70	97.22	78.06	83.69
Receivables	0.37	0.00	0.00	0.00	3.99	2.92	2.13	2.45
Inventories	0.00	0.53	0.00	0.00	15.51	14.36	16.06	17.11
Prepaid Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Current Tax Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Total Current Assets	3.34	3.43	30.65	35.71	100.22	114.51	96.26	103.27
Financial Assets	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
PP&E	0.02	0.02	12.02	108.96	109.91	91.10	76.90	60.55
Expln & Mine Devt	5.21	5.21	5.21	5.21	8.09	10.52	12.95	15.39
Deferred Tax Asset	1.08	1.98	2.57	4.83	4.83	4.83	4.83	4.83
Total Non Current Assets	6.34	7.23	19.83	119.02	122.85	106.48	94.70	80.78
Total Assets	9.68	10.66	50.48	154.73	223.07	220.98	190.96	184.05
Trade Payables	0.65	0.33	1.53	11.04	12.65	8.83	9.88	10.53
Prepaid Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00	100.00	80.00	60.00	40.00	20.00
Current Tax Liabilities	0.00	0.00	0.00	0.00	26.02	14.33	0.98	4.02
Deferred Tax Liabilities	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22
Provisions	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Total Liabilities	1.28	0.95	2.16	111.66	119.29	83.78	51.48	35.18
Net Assets	8.40	9.71	48.32	43.06	103.78	137.20	139.48	148.87
Issued Capital	33.31	36.70	76.70	76.70	76.70	76.70	76.70	76.70
Reserves	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48
Retained Profits	-26.36	-28.45	-29.84	-35.10	25.62	59.04	61.32	70.71
Shareholder Equity	8.42	9.73	48.34	43.08	103.79	137.22	139.50	148.89

Source: 2020 PFS, Rawson Lewis estimates

Table 8 Valuation of Pacifico

Valuation at June	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27
Sorby Hills 75% share	107.17	107.17	118.42	214.79	221.20	174.63	175.42	172.69
Corporate Overhead	-9.06	-9.31	-8.89	-8.42	-7.90	-7.33	-6.71	-6.01
Cash on hand	2.96	2.88	30.64	35.70	80.70	97.22	78.06	83.69
Debt	0.00	0.00	0.00	-100.00	-80.00	-60.00	-40.00	-20.00
Net Working Capital	-0.28	0.21	-1.53	-11.04	6.86	8.44	8.30	9.03
Valuation A\$M	100.78	100.94	138.63	131.03	220.85	212.96	215.07	239.40
Valuation A\$/sh	0.035	0.033	0.027	0.025	0.043	0.041	0.042	0.047
Discount Rate	10.5%							

Source: 2020 PFS, Rawson Lewis estimates

Our NPV dips in FY22 due to the dilution of a \$40M equity issue. We expect that the market will adopt a lower discount rate on completion of the DFS and the on financial close, and if the discount rate were to fall from 10.5% to 7%, the NPV in FY22 would rise from 2.7cps to 3.4cps.

Table 9 Sorby Hills Project (100% basis – Pacifico owns 75%)

SORBY HILLS PROJECT	LOM	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28
Mine Production								
Waste Kt	106900	0	8025	9075	10525	17475	17475	11350
SR	7.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ore Mined kt	14798	0	1575	1325	1637	837	1700	1750
Lead Grade %	3.6%	0.0%	4.3%	4.1%	4.2%	3.3%	3.4%	3.5%
Silver Grade g/t	39.4	0.0	39.4	46.4	51.5	24.2	37.2	58.3
Contained Lead Kt	537.5	0.0	67.9	53.7	68.8	27.2	57.8	60.9
Contained Silver Koz	18752	0	1996	1976	2712	651	2031	3279
Processing								
Ore Processed Kt	14800	0	0	1775	1500	1500	1500	1500
Lead Grade %	3.6%	0.0%	0.0%	5.4%	4.3%	3.0%	3.5%	3.7%
Silver Grade g/t	39.5	0.0	0.0	53.4	52.0	28.8	37.4	61.0
Lead Contained Kt	537	0.00	0.00	95.00	64.50	44.63	52.50	54.75
Silver Contained Koz	18774	0	0	3045	2507	1387	1805	2941
Lead Recovery	93%	0%	0%	91%	93%	93%	95%	94%
Silver Recovery	79%	0%	0%	81%	80%	81%	80%	78%
Recovered Lead Kt	500	0.0	0.0	86.6	60.3	41.4	49.9	51.5
Recovered Silver Koz	14900	0.0	0.0	2475.0	2000.0	1125.0	1450.0	2300.0
Conc Grade Lead	0%	0%	0%	62%	62%	62%	62%	62%
Conc Grade Silver	0	0	0	551	640	524	561	862
Concentrate Prodn Kt (dry)	807	0.0	0.0	139.6	97.2	66.8	80.4	83.0
Sales								
Concentrate Sold Kt	806	0.0	0.0	136.8	94.0	71.0	81.8	80.3
Lead Contained Kt	500	0.0	0.0	84.8	58.3	44.0	50.7	49.8
Silver Contained Koz	15035	0.0	0.0	2457.9	1942.5	1230.5	1468.6	2254.6
Lead Payable Mlb	0	0.0	0.0	177.0	122.9	93.2	106.4	104.2
Silver Payable Moz	0	0.0	0.0	2.3	1.9	1.2	1.4	2.2
Revenue Calculation								
Lead Price US\$/lb	0.000	0.961	0.970	0.980	0.990	1.000	1.010	1.020
Silver Price US\$/oz	0.00	21.34	21.55	21.77	21.98	22.20	22.43	22.65
AUSUSD	0.000	0.700	0.700	0.700	0.700	0.700	0.700	0.700
Cost Inflation	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Payable Lead	95.1%	95.0%	95.0%	94.7%	95.7%	96.0%	95.2%	95.0%
Payable Silver	95.1%	95.0%	95.0%	94.7%	96.6%	95.5%	91.2%	96.4%
Payable Lead	475.0	0.0	0.0	80.3	55.8	42.3	48.3	47.3
Payable Silver	14300	0	0	2325	1875	1175	1350	2175
Lead Revenue A\$M	1524.5	0.0	0.0	247.7	173.8	133.1	153.5	151.8
Silver Revenue A\$M	460.9	0.0	0.0	72.3	58.9	37.3	43.3	70.4
Gross Revenue A\$M	1985.3	0.0	0.0	320.0	232.6	170.4	196.8	222.2
Deductions								
Lead Deduction %	0%	3%	3%	3%	3%	3%	3%	3%
Silver Deduction g/t	0.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Lead TCRC US\$/t conc	0.0	151.2	154.9	157.2	158.7	160.8	163.0	165.3
Lead Deduction A\$M	48.1	0.0	0.0	7.9	5.5	4.2	4.8	4.8
Lead TCRC A\$M	189.8	0.0	0.0	30.7	21.3	16.3	19.0	19.0
Silver Deduction A\$M	24.2	0.0	0.0	3.8	3.0	2.0	2.4	3.6
Total TCRC A\$M	262.2	0.0	0.0	42.4	29.8	22.4	26.2	27.4

Source: 2020 PFS, Rawson Lewis estimates

Table 10 Sorby Hills Project (100% basis – Pacifico owns 75%)

SORBY HILLS PROJECT	LOM	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28
Revenue After TCRCs A\$M	1723.1	0.0	0.0	277.6	202.9	147.9	170.5	194.8
of Which Lead	1286.5	0.0	0.0	209.1	147.0	112.6	129.6	128.1
Of Which Silver	436.6	0.0	0.0	68.5	55.8	35.3	40.9	66.7
Royalties								
State Royalty Lead	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
State Royalty Silver	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Quintana Royalty	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Royalty A\$M	92.5	0.0	0.0	14.9	10.8	8.0	9.2	10.0
Outbound Logistics								
Truck to Wyndham A\$/t	0	15	15	15	16	16	16	16
Port A\$/t	0	6	6	6	6	6	6	6
Ship to China US\$/t	0	80	80	81	82	83	84	84
Total A\$/t	0	0	0	135	134	149	144	138
Outbound Logistics A\$M	115.2	0.0	0.0	18.8	13.1	10.0	11.6	11.5
Site Costs								
Mining A\$/t moved	0.00	2.98	3.01	3.04	3.07	3.10	3.13	3.17
Grade Control A\$/t ore	0.00	1.01	1.02	1.03	1.04	1.05	1.06	1.07
Crushing A\$/t ore	0.00	0.50	0.51	0.51	0.52	0.52	0.53	0.53
DMS A\$/t ore	0.00	1.01	1.02	1.03	1.04	1.05	1.06	1.07
Processing A\$/t milled	0.00	19.35	19.54	19.74	19.94	20.14	20.34	20.54
G&A A\$/t	7.60	5.89	5.89	6.28	7.43	7.51	7.58	7.66
Mining A\$M	382.5	0.0	28.9	31.6	37.4	56.8	60.1	41.5
Mining Capitalized	-28.9	0.0	-28.9	0.0	0.0	0.0	0.0	0.0
Grade Control A\$/t ore	15.8	0.0	1.6	1.4	1.7	0.9	1.8	1.9
Crushing A\$M	7.9	0.0	0.8	0.7	0.8	0.4	0.9	0.9
DMS A\$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Processing A\$M	304.9	0.0	0.0	35.0	29.9	30.2	30.5	30.8
G&A A\$M	112.5	0.0	0.0	11.0	11.2	11.3	11.4	11.5
Total Site	794.6	0.0	2.4	79.7	81.0	99.6	104.7	86.6
Revenue	1723.1	0.0	0.0	277.6	202.9	147.9	170.5	194.8
Cost	-1002.4	0.0	-2.4	-113.5	-104.8	-117.6	-125.4	-108.1
EBITDA	720.8	0.0	-2.4	164.1	98.0	30.4	45.1	86.7
D&A	-215.0	0.0	0.0	-36.5	-25.1	-18.9	-21.8	-21.4
EBIT	505.8	0.0	-2.4	127.6	73.0	11.4	23.3	65.3
Tax	-151.7	0.0	0.7	-38.3	-21.9	-3.4	-7.0	-19.6
NPAT	354.0	0.0	-1.7	89.3	51.1	8.0	16.3	45.7
Capex A\$M	215.0	16.0	129.3	41.6	3.2	3.2	3.2	3.2
Free Cash Pre tax	505.8	-16.0	-131.7	122.5	94.8	27.1	41.8	83.5
Pre Tax NPV	0.1	250.2	389.0	376.4	293.7	297.7	297.1	249.9
Free Cash Flow After Tax	354.0	-16.0	-130.9	84.2	72.9	23.7	34.9	63.9
Post Tax NPV	10.5%	157.9	286.4	294.9	232.8	233.9	230.3	194.1
Mining A\$/lb Lead	0.35			0.19	0.35	0.66	0.59	0.41
Processing G&A A\$/lb	0.41			0.26	0.35	0.48	0.41	0.40
Selling Costs A\$/lb	0.23			0.40	0.40	0.44	0.43	0.42
By-product A\$/lb	-0.42			-0.38	-0.44	-0.41	-0.39	-0.62
C1 costs A\$/lb	0.57			0.46	0.66	1.17	1.03	0.61
Sustaining Capex A\$/lb	0.03			0.02	0.03	0.04	0.03	0.03
AISC A\$/lb	0.60			0.49	0.68	1.21	1.06	0.64

Source: 2020 PFS, Rawson Lewis estimates

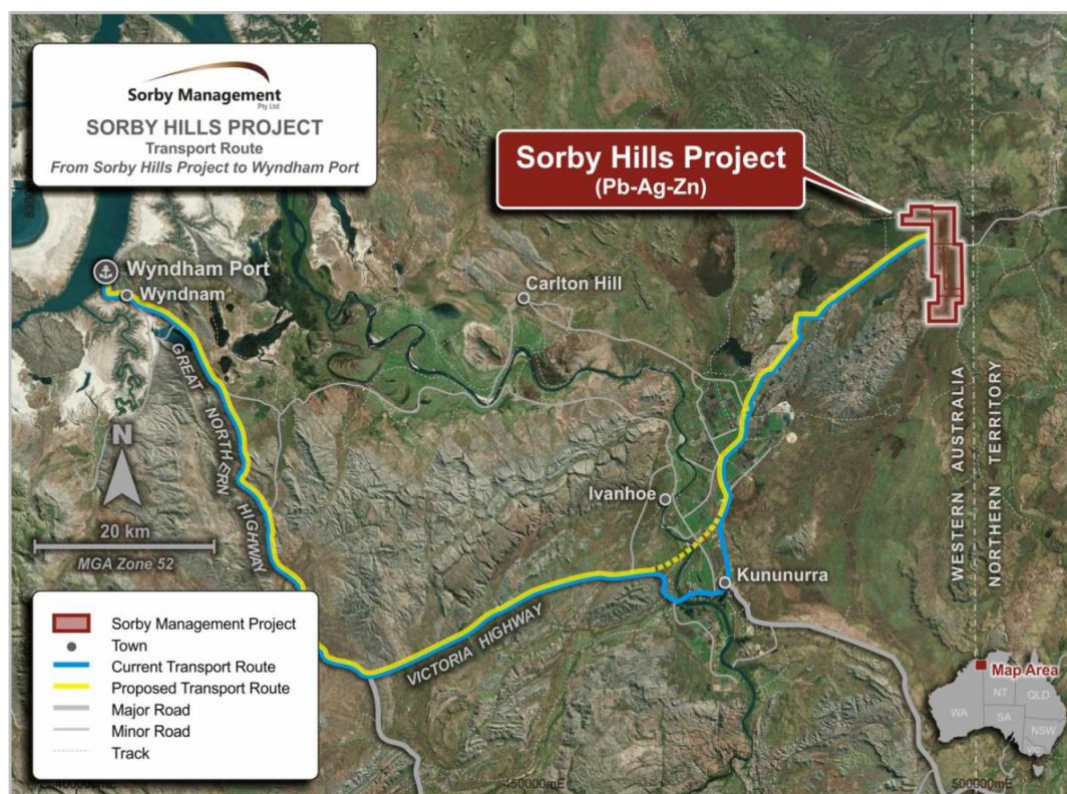
Sorby Hills Project Description

The project is well detailed on the company's website and in major releases such as the 25 August PFS release. What follows is a brief summary largely from those sources.

Pacifico owns 75% of the Sorby Hills Joint Venture Project. The remaining 25% is owned by Henan Yuguang Gold Lead Co. Ltd. Henan Yuguang is China's largest lead smelting enterprise and the largest silver producer in China.

Location and infrastructure

Figure 2 Location and transport logistics



Source: PMY presentation 11 June 2020

The project is located in Western Australia on the Northern Territory border. Concentrates producer at the project will be transported 158Km by road to the port of Wyndham for loading into Handysize ships up to 8m of draft. Port entry and exit is tide dependant, but capacity is not a major issue.

The port schedule of charges indicate that the Sorby Hills concentrate will incur A\$8/tonne in port and loading fees. (<https://www.cgltd.com.au/wp-content/uploads/2020/08/Fees-Charges-Summary-2020-2021.pdf>).

Trucking on asphalt typically costs A\$0.10/tonne/kilometre, so the trucking cost will be around A\$15-\$20/t of concentrate. From the figure above, there is a plan for the Victoria highway to bypass Kununurra with a new crossing over the Ether River. The planned infrastructure capital of A\$20.5M appears to be sufficient to include this.

The haul time from Sorby Hills to Wyndham is 1hr 45 min one way. Using 150t road trains, 80,000tpa of concentrate would require 533 trips or 1.5 trips/day, which would present no major issues.

Lead dust is a sensitive issue and will have to be carefully managed, and this will require appropriate warehousing as defined in the Ministerial statement of 2 April 2014.

The town of Kununurra is 50Km from the project and has a sealed all-weather runway handling 2000 flights per year. Wyndham is also well served with infrastructure.

Other mines or mining projects in the region include:

1. Argyle diamond mine
2. Panoramic's Savannah nickel mine
3. Ridges and Matsu iron ore operations

Figure 3 Port of Wyndham and the area set aside for the Sorby Hills port facilities

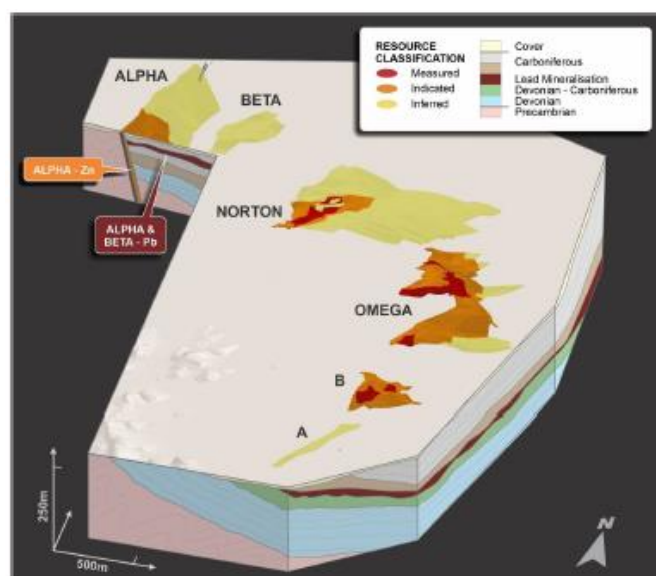


Source: Ministerial Statement 964 2 April 2014

Sorby Hills Geology

The mineralisation at Sorby Hills is in a series of individual deposits typically less than 1km long, 7-10m thick and 100-500m wide, located between the Knox Siltstone in the hanging wall and the Sorby Dolomite in the footwall, and is made up of reworked clasts of Sorby Dolomite. The extensive dolomitization is inferred to be genetically related to the mineralisation and has completely recrystallized the primary calcite-rich rocks. The deposit is relatively flat lying, within 150m of surface.

Figure 4 Strata bound mineralisation at 0.5% lead cutoff



Source: PMY release 2 June 2020

Table 11 Reserves and Resources (JORC 2012)

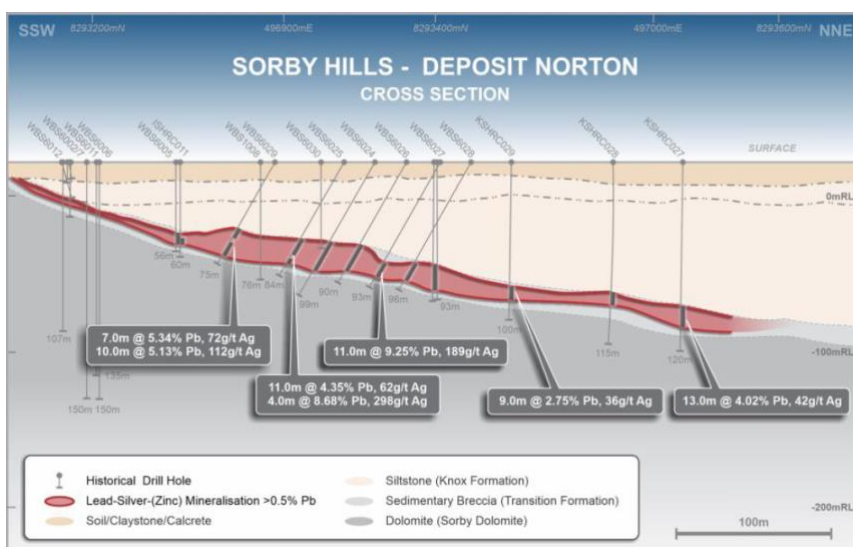
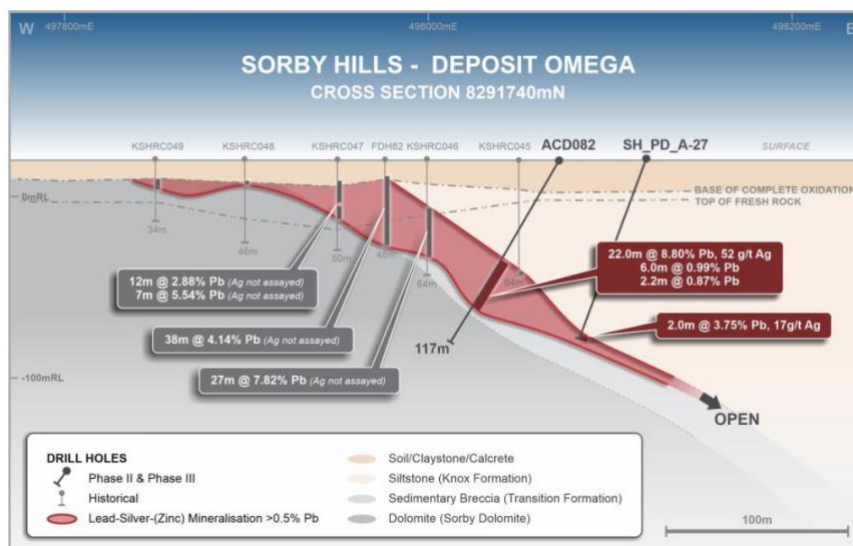
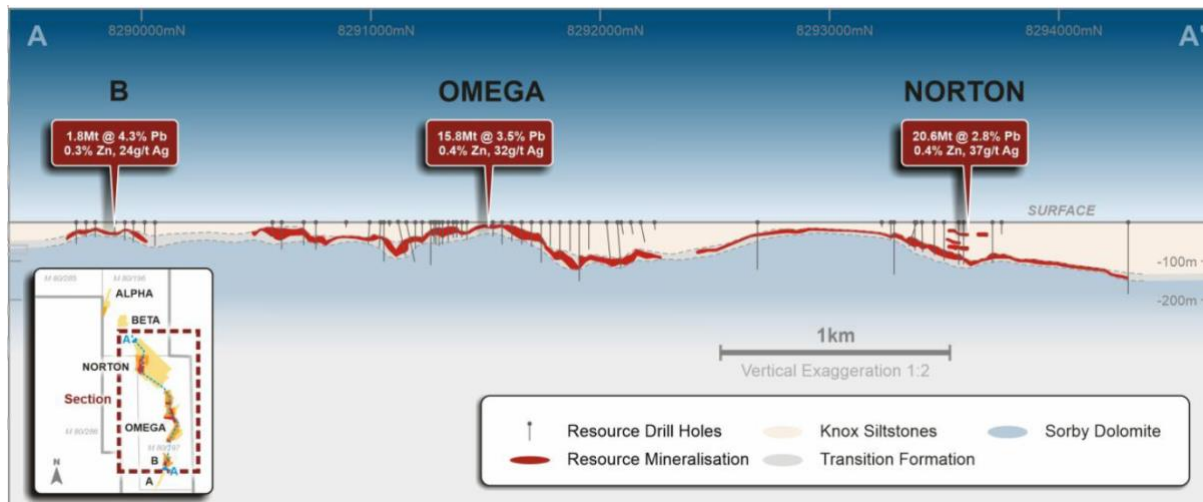
	Mt	Lead %	Silver g/t	Lead Kt	Silver Moz
Reserves					
Proven	6.8	4.1%	53	275	11.5
Probable	6.9	3.2%	28	219	6.1
Total	13.6	3.6%	40	494	17.6
Resource Conversion	65.4%	98.9%	100.8%	65.2%	66.0%
Resources					
Measured	7.1	4.3%	57	305	13.0
Indicated	13.7	3.3%	31	452	13.7
M&I	20.8	3.6%	40	757	26.7
Inferred	23.4	3.0%	36	702	27.1
Total	44.2	3.3%	38	1459	54

Source: PMY presentation 25 August 2020

The cutoff for the Reserve is 1.5% lead. The mine plan has been based on mining ore from Omega (9.6Mt) A deposit (0.8Mt), B Deposit (1.8Mt), and the southern part of Norton (2.4Mt out of a total Norton of 20.6Mt).

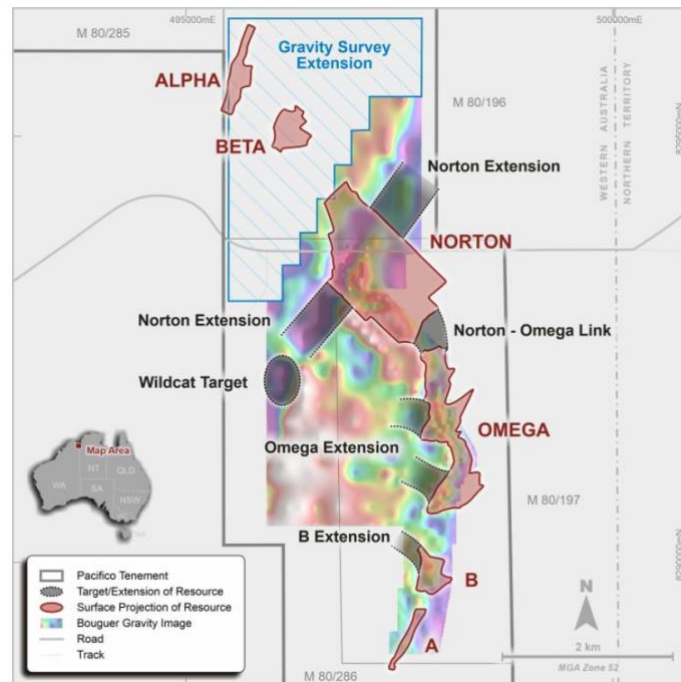
The PFS mining study has been based on a 5m x 5m x 2.5m selective mining unit, which is likely to have resulted in more dilution that would be experienced in practice with a more grade-controlled boundary definition.

Figure 5 Long and cross sections of the deposit showing the ore lies on the contact



Source: PMY release 25 August 2020

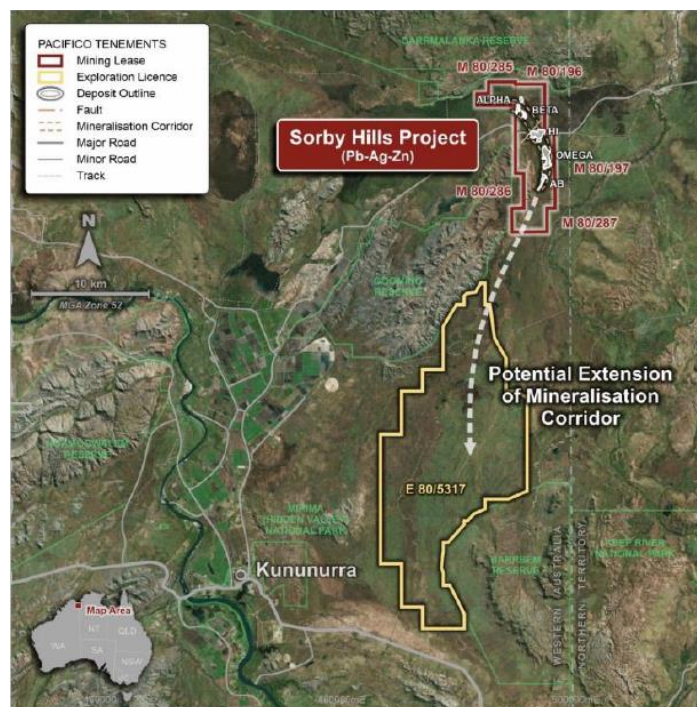
Figure 6 Exploration targets



Source: PMY release 25 August 2020

On 9 September 2020, Pacifico announced a 68 hole drill program targeting Wildcat, Norton-Omega Link and south of known deposits. The newly acquired 8 Mile tenement program will start with traverse mapping and a gravity survey. All the ground around both these tenements has been pegged by Fortescue Metals Group (at 10 July 2020) which may also be exploring and possibly reporting.

Figure 7 New tenement 80/5317 (8 Mile Creek) adds significant interpreted strike length



Source: PMY release 20 April 2020

Discovery upside – Opportunity created by the potential of using DMS

Table 12 Upgrading low grade mineralisation using a Dense Media Separation Circuit

	Whole Ore Option	DMS Option
Material Mined Mt	46.46	46.46
Strip Ratio	3.15	2.78
Total Ore Processed Mt	14.76	16.74
Lead %	3.6%	3.4%
Silver g/t	39.5	36.5
DMS Feed Processed Mt		6.2
Lead %		1.78
Silver g/t		19.9
DMS Product Mt		1.86
Lead %		4.81
Silver g/t		48.4
Direct Flotation Feed Mt	14.76	10.54
Lead %	3.63	4.29
Silver g/t	39.5	46.3
Total Flotation Feed Mt	14.76	12.4
Lead %	3.6%	4.4%
Silver g/t	39.5	46.6
Concentrate Produced (63% Pb) Kt	806.8	814
Contained Lead Kt	500.2	504.7
Contained Silver Koz	15.1	14.9
Financials A\$M		
Lead Revenue	1422.3	1434.9
Silver Revenue	431.1	427.4
Royalties	-69.5	-70.3
TC/RC & Logistics	-290.3	-283.4
Site Operating Costs	-746.3	-696.94
Extra crushing + DMS		-16.36
Operating Cash Flow	747.3	795.3
Pre-production Capex	-182.8	-182.8
DMS Capex		-43.5
Sustaining Capex	-32.2	-25
LOM Free Cash Flow	532.3	544.00
Annual Ave Cash Flow	53.7	64.7

Source: PMY release 25 August 2020, Rawson Lewis estimates

The Base Case (Whole Ore) is where all the ore goes through the grinding mill, and the DMS Case, is where Dense Media Separation is used to concentrate the lower grade material before grinding. The DMS is expected to recover 31% of the rock mass, 81% of the lead (2.6x upgrade) and 73% of the silver (2.35x upgrade).

The volume moved is the same in both cases, so all the extra ore in the DMS Case is the result of recategorizing waste into ore, from the same pit designs, which means the mining costs in A\$M is almost identical for both cases. Likewise, as it happens, the concentrate production is almost the same, so the revenues, treatment changes and selling costs would be almost the same as well.

The DMS circuit will add A\$43.5M to pre-production capex and there will be 2Mt of additional primary crushing, and 6.2Mt of additional crushing DMS processing to pay for. From the PFS numbers, this is offset by lower site costs, probably in grinding and water management.

The Life of Mine cash generation is very similar, but the annual cash flow is 20% higher, so a PER valuation would also be 20% higher. If exploration finds more low-grade material to the extend life, and add more produced metal over which to amortise the capex, then the DMS option could represent a significant value add to NPV valuations as well.

The DMS creates a new exploration target (ie low grade ore), as well as justifying the conversion of the 23.4Mt 3% lead Inferred Resource into Measured or Indicated.

Mining

Mining is a conventional open pit using a large scale fleet. The waste to ore ratio is a relatively undemanding 8:1, measured in volume (ie BCM:BCM).

The major challenge is excess water. The orebody and surrounding rock are permeable and in a river flood plain in tropical Northern Australia. 90% of the rain falls in the summer wet season, typically from December to April.

The DMS case allows the B Pit to be mined first and used as surge storage from year 4 to year 8. The DMS option reduces the peak annual water flows from 4.1GL/yr rate in the Whole Ore Case to 3.4GL/yr.

The water management plant is yet to be finalised, but the options include one or more of the following:

1. Release to Knox Creek
2. Reinjection
3. A 13.6Km 400mm buried pipeline to the Keep River

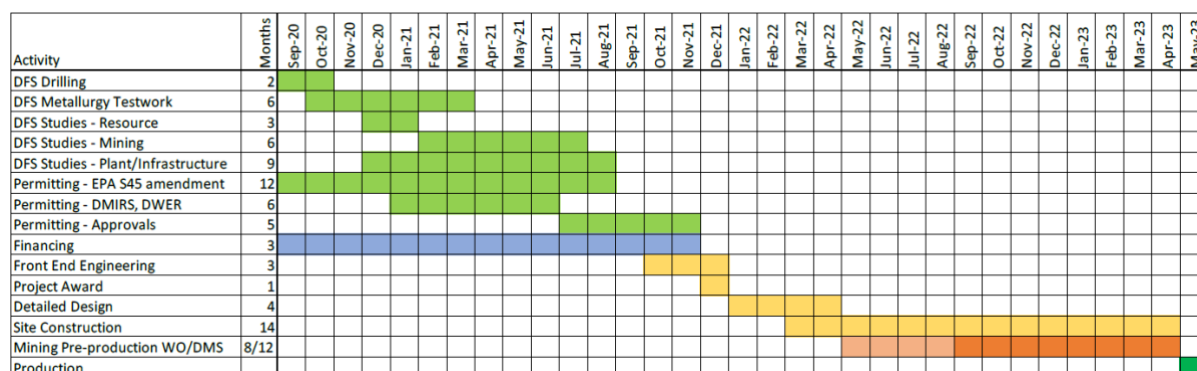
Metallurgy

For both the Whole Ore Base Case and the DMS Case, the grinding circuit comprising a single SAG mill will process 1.5Mtpa, grinding to 80% passing 125 microns (a coarse grind) feeding a flotation circuit which will produce a 62% lead concentrate.

The DMS Case would need two additional crushing stages, related screens and conveyor belts, and the DMS unit.

Project Schedule

Figure 8 Project schedule - First production May 2023



Source: PMY release 25 August 2020

Comment on Lead and Silver prices

Table 13 Commodity assumption scenarios (Consensus Average, High and Low forecasts)

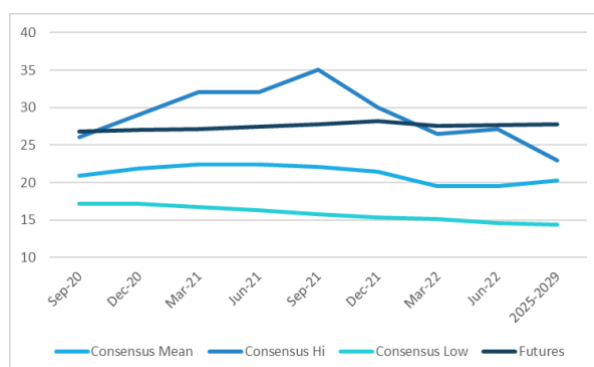
	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	2025-2029
Lead US\$/lb									
Ave	0.82	0.83	0.85	0.86	0.86	0.87	0.87	0.88	0.94
Hi	0.90	0.92	1.00	1.00	1.00	1.00	0.99	1.00	1.11
Lo	0.74	0.76	0.76	0.76	0.68	0.70	0.71	0.71	0.75
STD Dev	0.036	0.042	0.055	0.056	0.068	0.070	0.068	0.070	0.095
10 Yr Ave	0.95	0.95	0.95	0.96	0.96	0.96	0.96	0.97	0.97
Spot	0.90	0.90	0.90	0.90	0.91	0.91	0.91	0.91	0.91
Silver US\$/oz									
Ave	20.95	21.83	22.36	22.44	22.12	21.44	19.50	19.47	20.22
Hi	26.00	29.00	32.00	32.00	35.00	30.00	26.50	27.10	22.93
Lo	17.11	17.11	16.73	16.25	15.78	15.30	15.08	14.64	14.42
STD Dev	2.69	3.60	4.28	4.35	4.71	4.31	3.03	3.13	2.76
Futures	26.84	27.03	27.18	27.48	27.73	28.19	27.56	27.61	27.78
10 Yr Ave	21.10	21.15	21.21	21.26	21.31	21.36	21.42	21.47	21.52
Spot	26.71	26.78	26.85	26.91	26.98	27.05	27.11	27.18	27.25
AUDUSD									
Ave	0.710	0.705	0.709	0.714	0.719	0.721	0.722	0.724	0.724
Hi	0.740	0.751	0.759	0.773	0.784	0.791	0.797	0.800	0.800
Lo	0.670	0.650	0.659	0.645	0.654	0.651	0.647	0.649	0.649
Range+/-	0.030	0.040	0.050	0.060	0.065	0.070	0.075	0.080	0.080
10 Yr Ave	0.700	0.700	0.700	0.700	0.700	0.700	0.700	0.700	0.700
Spot	0.728	0.728	0.728	0.728	0.728	0.728	0.728	0.728	0.728

Source: Consensus Economics, LME, LBM

Lead consensus forecasts are midway between current spot prices and the 10 year average, while silver consensus is substantially below both the current spot and the ten year average. Given the 10 year average starts after the end of the commodity super cycle of 2004 to 2008, we believe that set of prices has a lot of relevance to valuing Pacifico at this time, and we have used it as our base case.

While there are solid reasons supporting stronger gold and silver prices, we are comfortable with the slightly higher than consensus silver prices represented in the 10 year average. We note that there may be upside to our silver price assumptions give the price of silver futures (Figure 9).

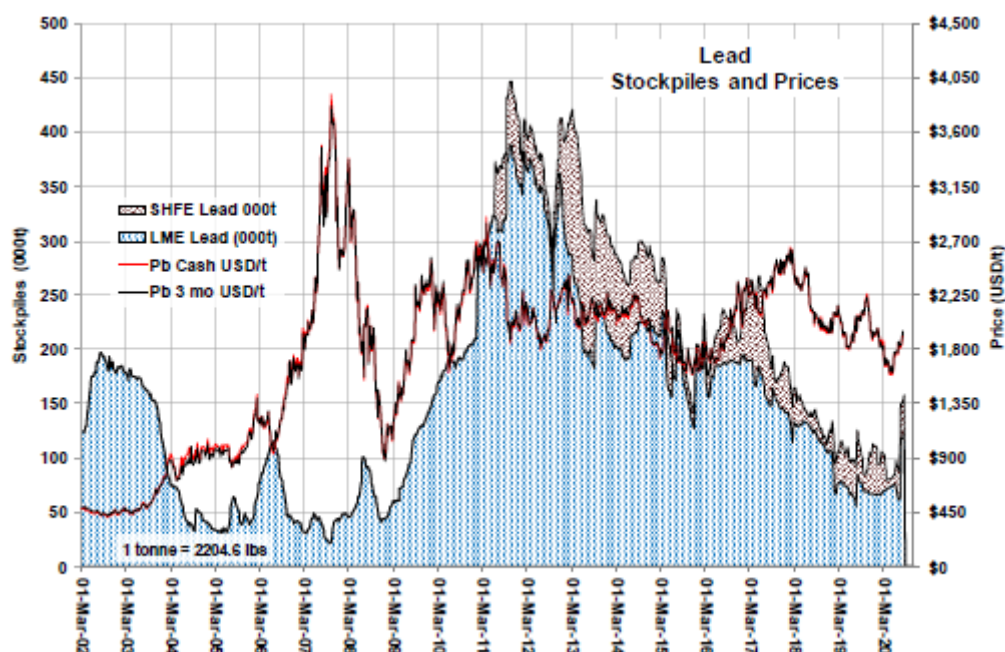
Figure 9 Consensus silver prices average well below the silver futures prices



Source: Consensus Economics, International Commodity Exchange (ICE)

The lead price is currently trading above the Consensus average, and close to the top end of the forecasters range. Inventories on the combined London Metals Exchange and Shanghai Futures Exchange are low for this stage of the cycle, suggesting there is plenty of scope to exceed expectations.

Figure 10 Lead price and exchange inventory history



Source: Matau Advisory Commodity Weekly (note there are 2205lbs in a tonne)

Returning to silver, part of the recent strong run in silver prices has been the strong run in precious metals generally. But for silver in particular, it has returned to a more historically typical price level relative to the gold price, having been in relative decline since 2011

Figure 11 Silver price has returned to a more traditional 70x gold/silver ratio



Source: Consensus Economics

Cost of Capital

Table 14 Calculation of 7% Weighted Average Cost of Capital

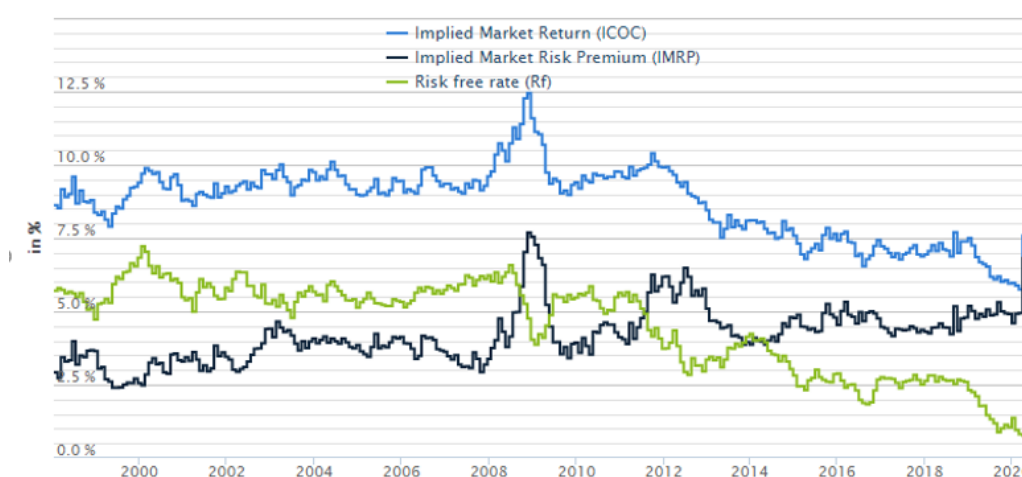
Cost of Equity		Source
Beta Range	1.55	https://au.finance.yahoo.com/quote/PMY.AX/
Risk free rate (Rf)	0.009	https://www.rba.gov.au/statistics/tables/
Market Risk premium (Rm)	5.13%	http://www.market-risk-premia.com/au.html
Market premium (Rm)	6.02%	
Cost of Equity	8.84%	Ke = Rf + Beta(Rm - Rf)
Nominal WACC		
Cost of Equity Ke	8.8%	
Cost of Debt Kd	8.0%	Based on 8% Taurus loan to Galena (ASX:G1A)
Gearing D/(D+E)	60.0%	
Gearing E/(D+E)	40.0%	
Tax Rate	30.0%	
Weighted Ave Cost of Capital (Ke)	6.99%	W = (Ke * (E/V)) + (Kd * (1-t)*(D/V))
Real WACC		
Expected Inflation	0.86%	https://www.rba.gov.au/statistics/tables/
(1+real) = (1+Ke)*(1+I)	1.061	
Real WACC	6.08%	

Sources: As shown in table

We have assumed the same cost of debt at the Taurus US\$100M loan to Galena (ASX:G1A) in July this year, giving a WACC of 6.99%pa. There is considerable potential for a lower cost of debt, given the Sorby Hills project is likely to be seen as lower risk to lenders than Galena's Abra. Using 8%pa is conservative. For our base case valuation, we have increased the WACC by 50% from 7% to 10.5% reflecting the higher risk pre DFS and financing.

The calculation of expected inflation of 0.86% over the next 10 years is the difference between the 10 year bond and the 10 year indexed bond. Our model assumes 1%pa inflation.

Figure 12 Implied Market Risk Premia for Australia



Source: <http://www.market-risk-premia.com/au.html>

Capital Structure and Share Register

Share Capital

Table 15 Share Capital

As at 2 September 2020	Million units
Issued Shares M	2907.10
Options	
PYMO 21/11/20 1.5cps	351.27
PMYOPT3 21/11/20 1.5cps	22.50
PMYOPT4 21 /11/20 1.5cps	10.00
Class B Perf. Rights	19.50
Class C Perf. Rights	20.00
Class D Perf. Rights	4.00

Source: PMY release 2 September 2020

If all the options and performance shares were converted into shares, the dilution experienced by existing shareholders would be 12%. The Directors hold 15% of the total options and performance rights on issue.

Major shareholders

The company has a wide open register, with very little institutional presence. The only institutional investor of record is the Lowell Resources Fund which had 64.6M shares as at 23 September 2019. The company is under owned institutionally and that is likely to change as the major project funding is completed.

Table 16 Directors share and option holdings

2-Sep-20	S Noon	A Parker	R Monti	G Comb	Total
Nominee		Treypark P/L	Greatcity, RMDB	Bluedale	
Shares M	3.70	5.38	30.22	7.50	46.80
Options					
21 Nov 2020 1.5cps	10.60	4.83	5.94		21.38
Class B Performance Rights	12.00	2.00	2.50	3.00	19.50
Class C Performance Rights	12.00	2.00	2.50	3.50	20.00
Class D Performance Rights				4.00	4.00
Total	38.30	14.22	41.16	18.00	111.67

Source: PMY releases 2 September 2020

Table 17 Major Shareholders

At 2 Sep 2020	Current Issued		Fully Diluted	
	Share %	Shares M	Share %	Shares M
Villiers Queensland	12.29%	357	10.71%	357
Aigle Royal Super	5.16%	150	4.50%	150
Directors	1.61%	47	4.75%	158
Total	100.00%	2907	100.00%	3334

Source: PMY presentation 25 August 2020 and table above

On 8 September, Aigle Royal has lodged a substantial shareholder notice that it has sold 65M shares for 2cps or \$1.3M, leaving it with 85M shares.

Pacifico Minerals Limited

Board and Management

Gary Comb Executive Chairman

Gary is an engineer with over 30 years' experience in the Australian mining industry, with a strong track record in successfully commissioning and operating base metal mines. Gary was Chairman of Finders Resources Limited from 2013 until its take-over in 2018, and was previously the Managing Director of Jabiru Metals Limited and the CEO of BGC Contracting Pty Ltd.

Simon Noon MAICD, AFAIM Managing Director

Simon is an experienced executive having spent the past 10 years' managing listed resources companies. Simon has a strong background in strategic management, business planning, finance and capital raising, and experience with a variety of commodities.

Simon's career highlights include managing Groote Resources Limited from a market capitalisation of less than \$5M, to market highs in excess of \$100M as the Executive Director. After leaving Groote, Simon co-founded West Rock Resources Limited where he held the position of Managing Director until the company was acquired by Pacifico in 2013. While managing West Rock, Simon secured and operated joint ventures and a strategic alliances with mid and top tier miners.

As the Managing Director at Pacifico, Simon has led the company from a greenfields explorer to a company that has the potential to become a significant global lead and silver producer.

Simon is a passionate member of the WA resources industry, a member of the Australian Institute of Company Directors and an Associate Fellow of the Australian Institute of Management.

Richard Monti Bsc (Hons), Grad Dip Applied Finance and Investment, MAusIMM Non-Executive Director

Richard is a geologist with over thirty years' experience in many facets of the exploration and mining industry including technical, commercial, marketing, and finance. Prior to joining Pacifico, Richard held roles at several international and Australian companies including Anaconda Nickel, Azimuth Resources Limited, The North Group, Normandy Group, and RTZ Exploration. Richard gained extensive business experience through founding and working at Ventnor Capital Pty Ltd, a boutique consultancy firm providing corporate advisory and investment banking services to junior and mid cap listed resource companies.

Richard is currently a director at Black Dragon Gold Limited.

Andrew Parker LLB Non-Executive Director

Andrew is a lawyer with significant experience in the exploration and mining industry and a wealth of expertise in corporate advisory, strategic consultancy and capital raisings. Before Andrew joined Pacifico, he co-founded Trident Capital Pty Ltd, a corporate advisory and venture capital firm where he held the position of Managing Director until 2008.

Kevin Reynolds Project Manager

Experienced metallurgist and project development manager of 30 years, covering mining and metallurgical operations, project development, process development, feasibility studies and project execution.

Simon Dorling Exploration Manager

Geologist with more than 26 years' experience in exploration, development and the mining of base metals, precious metals, energy minerals and industrial minerals.

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