

26 June 2018

Pacífico to Acquire Advanced Lead-Silver-Zinc Deposit in Western Australia

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Highlights

- **Binding agreement executed to acquire 75% of the Sorby Hills project in Western Australia with Henan Yuguang Gold & Lead Co. Ltd (HYG) owning the remaining 25%.**
- **Exciting opportunity to secure and develop one of Australia's most significant undeveloped lead/silver/zinc assets.**
- **Large advanced project located in Western Australia with excellent infrastructure access.**
- **Environmental and Mining permits already in place.**
- **Large Mississippi type lead/silver/zinc mineralised system with significant upside along 10km of mineralised trend and at depth within the project area.**
- **Heads of Agreement executed with the WA government and Ord River Management for the development of the project.**

Pacífico Minerals Limited ("*Pacífico*" or "*Company*") is pleased to advise it has entered into a binding agreement to acquire all the shares in KBL Sorby Hills Pty Ltd ("*KBL Sorby Hills*") and Sorby Management Pty Ltd ("*Sorby Management*"). KBL Sorby Hill owns 75% of the Sorby Hills project with Henan Yuguang Gold & Lead Co. Ltd (HYG) owning the remaining 25%.

HYG is China's largest silver and lead group, incorporating mining and smelting operations. Additional information about HYG is provided at the end of this announcement.

The Sorby Hills lead – silver – zinc deposits are located in the Kimberley Region of Western Australia, 50km north of Kununurra and 130km east of Wyndham (Figures 1 and 2). Infrastructure is excellent with an airport at Kununurra, sealed roads to the project gate, bulk loading and container port at Wyndham, readily available water, and located in a mining region with access to skilled staff, services and equipment.

The Sorby Hills Project presents an opportunity to become a leading exporter and producer of lead in the current economic cycle. Lead is currently trading at US\$2,403/t¹; close to a 5-year high due to sustained growth largely on the back of increasing demand for the lead-acid battery market in both vehicles and solar power storage. Most of today's hybrid vehicles contain lead-acid batteries as well as lithium-ion batteries.



Silver prices are down (currently US\$16.22/oz) from recent highs (US\$21.28, July 2016) but are recovering¹. The slowly improving market for silver is, again, largely due to the record growth in demand stemming from the increased use of solar panels, as well as from the high-tech auto industry, which has propelled a shift towards electrification powered by solar technologies.

Zinc prices have been rising steadily since January 2016 and are close to peak prices at about US\$3,044/t¹.



Figure 1: Sorby Hills Project Location

The Sorby Hills lead-silver-zinc deposit comprises several shallow mineralised bodies over a strike length of several kilometres (Figures 3 and 4). There is substantial exploration upside along strike and at depth. Initial mining is planned from a shallow open cut. Overburden at the D-E deposit consists of 17m of free digging and only 5m of transitional rock. The plant will be situated alongside the open cut allowing short haulage distances.

This geological style of deposit (Mississippi Valley type or MVT) typically has good metallurgy with high recoveries to concentrate. KBL Mining Ltd “KBL”, the previous operator of the project, reported excellent lead and silver recoveries from metallurgical testwork of lead 91% and silver 87%² (Refer to Appendix 2). A sphalerite recovery circuit could be considered to extract the zinc content.

Mine development could proceed rapidly, once the ore reserves and resources have been upgraded, due to the extensive work that has already been completed.

Regulatory risk is minimised with a Heads of Agreement executed with the WA Government and Ord River Managers², and full environmental approval has been received for mining. The final outstanding required statutory step is the submission of a mining development plan.

¹ infomine Commodity Prices 21 June 2018, <http://www.infomine.com/investment/metal-prices/>

² KBL ASX Announcement 8 Apr 2014, <https://www.asx.com.au/asxpdf/20140408/pdf/42nwc8r9gnsyw.pdf>



Figure 2: Position of Sorby Hills Project Relative to Kununurra and the Port at Wyndham

Resources¹

Sorby Management (for KBL) commissioned resource estimates for the Global Resource and D-E deposit at Sorby Hills in early 2011 based on historic (888 holes) and 2010 drill holes (99 holes). The 2010 drill program specifically targeted the D-E and C deposits to increase the confidence level of the Resource. A further program for resource and sterilisation drilling was completed in 2011. The mineral resources were estimated within constraining wireframes based on a lower cut-off grade of 1% Pb, with a minimum thickness of 2m. The resources are quoted for blocks with a grade of greater than 2.5% Pb. An updated resource estimate for the D-E deposits, including the 2011 drilling, was completed in 2013. The mineral resources for the D-E deposit were classified as Indicated and Inferred Resources based on confidence in the geological interpretation and continuity from the results of the drilling and exploration campaigns, drilling density and statistical confidence in the mineral resource estimate. The results have previously been reported under JORC 2004 by the previous owner (KBL).

JORC Code (2004) Mineral Resources*

Global Inferred Resource - 16.7Mt at 52g/t Ag, 4.5% Pb & 0.7% Zn (2.5% cut-off)¹.

- Includes Indicated + Inferred Mineral Resources for the D-E deposit – 2.7Mt at 61g/t Ag, 5.8%Pb, & 0.4%Zn (2.5% cut-off)¹. Details are tabulated in Appendix 1.

JORC Code (2004) Ore Reserve*

- Probable reserve for the D-E deposit only – 2.4Mt at 54g/t Ag, 5.0%Pb (2% cut-off)¹.

As indicated above the resources were reported under the 2004 JORC Code. Pacifco Minerals is satisfied as to the reliability of the information as presented. Further information, including modifying factors used in the reserve, is presented in Appendix 3.

Cautionary statement:

the estimates of Mineral Resources or Ore Reserves are not reported in accordance with the JORC Code 2012; a Competent Person has not done sufficient work to classify the estimates of Mineral Resources or Ore Reserves in accordance with the JORC Code 2012; it is possible that following evaluation and/or further exploration work the currently reported estimates may materially change and hence will need to be reported afresh under and in accordance with the JORC Code 2012; that nothing has come to the attention of the acquirer that causes it to question the accuracy or reliability of the former owner's estimates; but the acquirer has not independently validated the former owner's estimates and therefore is not to be regarded as reporting, adopting or endorsing those estimates.

¹ KBL ASX Announcement 8 Apr 2014, <https://www.asx.com.au/asxpdf/20140408/pdf/42nwc8r9gnsyw.pdf>

Planned Work by Pacifco

After due-diligence, Pacifco envisages the following 12-month pre-mining program:

- RC and diamond drilling, infill and extension drilling to improve confidence in and add to resources;
- The D, E and C areas will be moved to bankable feasibility stage;
- Report the Mineral Resource Estimate in compliance with the JORC Code (2012). Expand resources and convert resources to reserves;
- Studies to optimise mining and metallurgy;
- Prepare and submit final mining development applications; and
- Prepare project finance package.

Terms of Agreement

Pacifco has signed a Binding Terms Sheet with Quintana MH Holding Company (“Vendor”) to obtain of all the shares in KBL Sorby Hills and Sorby Management. KBL Sorby Hill owns 75% of the Sorby Hills project with HYG owning the remaining 25%. Consideration is as follows:

- \$50,000 paid to complete due diligence within 30 days;
- \$50,000, Payable to extend due diligence period for a further 30 days;
- A\$2,500,000.00 in cash and A\$500,000 in shares in Pacifco at Completion. The value of the shares will be determined by the VWAP for the 15 days prior to Completion;
- A\$1,000,000.00 in cash 90 calendar days after Completion; and
- The grant of a 1% Net Smelter Royalty by KBL Sorby Hills to the Vendor.

Conditions Precedent

Completion of the Acquisition is subject to various conditions precedent, including but not limited to:

- Satisfactory completion of due diligence;
- Execution of a Sale and Purchase Agreement for the acquisition by Purchaser of the Shares;
- Execution of a Net Smelter Royalty Deed for the payment of a 1% NSR from KBL Sorby Hills to the Vendor; and
- Any necessary regulatory or shareholder approvals.

It is anticipated that completion shall occur in approximately 75 days.

Project Funding

Pacifco will be required to undertake a capital raising to raise additional funds for acquisition payments at completion (\$2.5M) and following completion (\$1M), as well as ongoing exploration and development. The quantum and pricing for that capital raising is yet to be finalised by the Board.

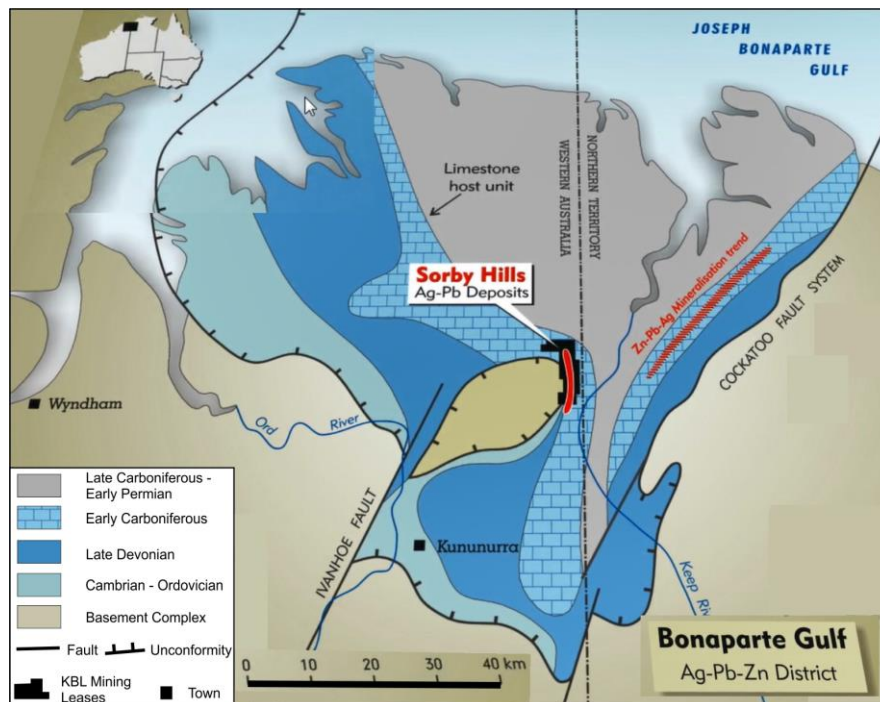


Figure 3: Geological Map Sorby Hills Silver-Lead Project

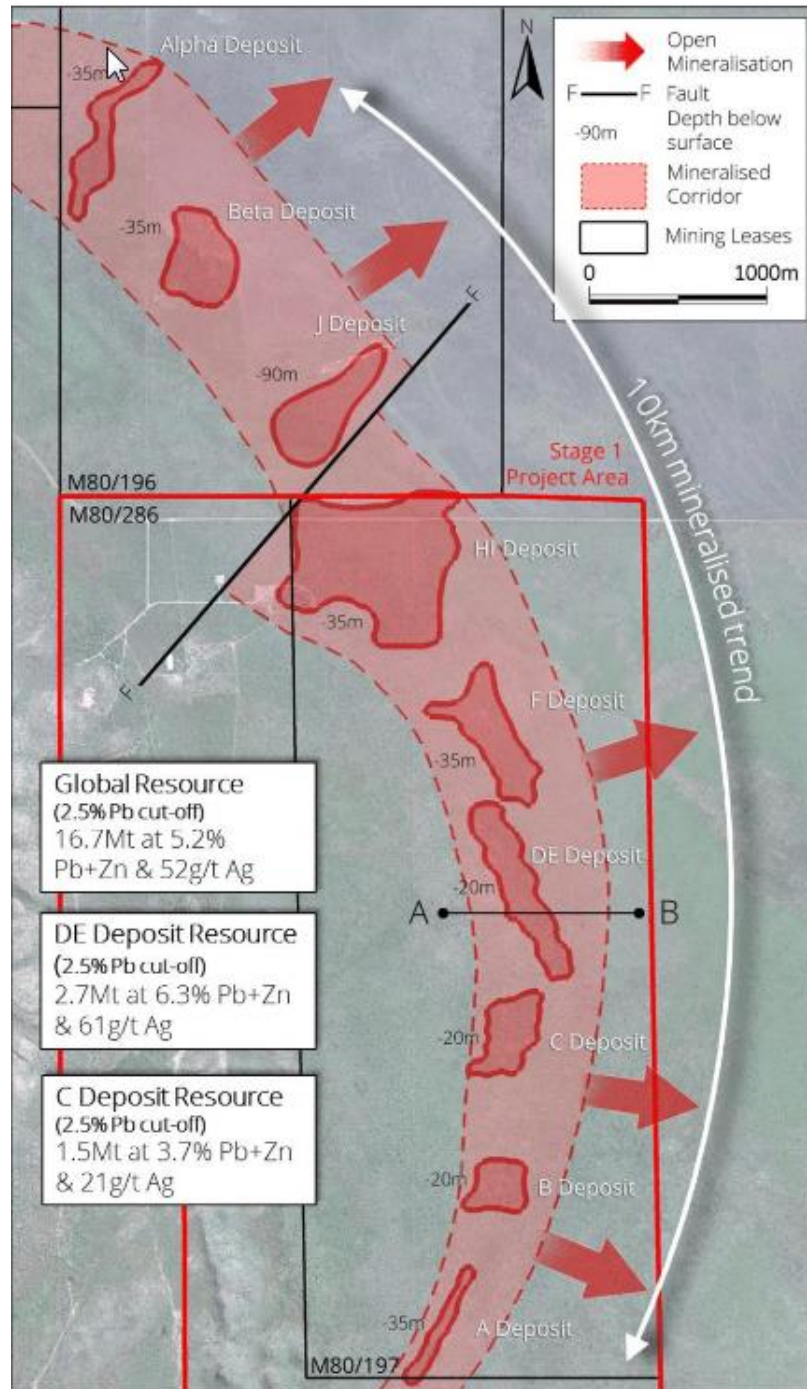


Figure 4: Sorby Hills - Deposits Outline¹

¹KBL ASX Announcement 8 Apr 2014, <https://www.asx.com.au/asxpdf/20140408/pdf/42nwc8r9gnsyw.pdf>

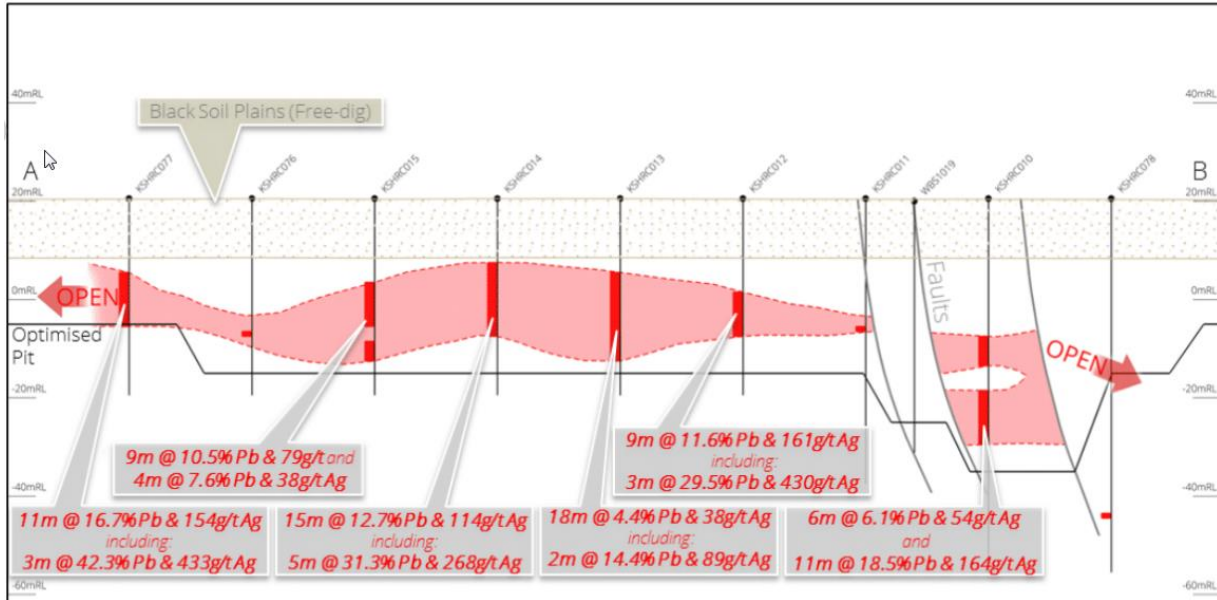


Figure 5: Cross Section Through the High-Grade Core of the DE Deposit Combined with an Optimised Pit Shell Highlighting the Shallow Nature and Continuity of Mineralisation ¹

¹ KBL ASX Announcement 8 Apr 2014, <https://www.asx.com.au/asxpdf/20140408/pdf/42nwc8r9gnsyw.pdf>
(Exploration results, including drill intersections, were reported previously by the former owner KBL – Refer to Appendix 2)

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About Pacifico Minerals Ltd

Pacifico Minerals Ltd (“Pacifico”) (ASX: PMY) is a Western Australian based exploration company with interests Australia, Mexico and Colombia. In Australia the company is focussed on advancing the Borroloola West project in the Northern Territory. The Borroloola West Project covers an outstanding package of ground north-west of the McArthur River Mine (the world’s largest producing zinc – lead mine) with high potential for the discovery of world class base metal deposits. Pacifico also has recently applied for ground prospective for cobalt and other ‘battery metals’ in South Australia. In Mexico Pacifico has recently acquired an option to purchase 100% interest in the Violin project which has high prospectivity for the development of a major gold-copper deposit. In Colombia the company is focussed on advancing its Berrio Gold Project which is situated in the southern part of the prolific Segovia Gold Belt.

About Henan Yuguang Gold and Lead Co Ltd

Henan Yuguang Gold and Lead Co., Ltd was established in 1957 by the government of Jiyan City which is in Henan Province in North China. In July 2002, HYG (exchange code: 600531) was listed on the Shanghai Stock Exchange (SSX). Current ownership is approximately 34.61% by Jiuan City. HYG is the largest lead smelting company and silver producer in China and has been among the Top 500 Chinese enterprises and Top 500 China manufacturing enterprises for the last five consecutive years. The main signature products produced by HYG are electrolytic lead,

gold, silver and copper which are all registered at LME and LBMA respectively. In 2017, HYG produced 415,100 tonnes of electrolytic lead, 110,000 tonnes of copper, 958 tonnes of silver, 7,383 kg of gold and achieved sales of about US 2,684 million. HYG's plants are largely quite modern, focussed on development of industrial technology and are environmentally-friendly. Its recently-refurbished lead smelting plant has achieved full automation. More information can be found on the HYG website; <http://www.yggf.com.cn/en/>.

Competent Person Statement

The information in this announcement that relates to the Sorby Hills project is based on information compiled by Mr David Pascoe, who is a Member of the Australian Institute of Geoscientists. Mr Pascoe is contracted to Pacifco Minerals Limited. Mr Pascoe has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Pascoe consents to the inclusion in this announcement of the matters based on information in the form and context in which it appears.

All exploration results and historic mineral resources referred to in this announcement were previously reported by KBL Mining Limited pursuant to JORC 2004. Pacifco understands that this information has not been updated since to comply with the JORC Code 2012 but believes the information has not materially changed since it was last reported. It is possible that following evaluation and/or further exploration work the currently reported estimates and confidence in the prior reported exploration results may materially change and hence will need to be reported afresh under and in accordance with the JORC Code 2012. Pacifco has not independently validated the former owner's estimates or exploration results and therefore is not to be regarded as reporting, adopting or endorsing those estimates.

Forward Looking Statements

Certain statements in this document are or maybe "forward-looking statements" and represent Pacifco's intentions, projections, expectations or beliefs concerning among other things, future exploration activities. The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Pacifco, and which may cause Pacifco's actual performance in future periods to differ materially from any express or implied estimates or projections. Nothing in this document is a promise or representation as to the future. Statements or assumptions in this document as to future matters may prove to be incorrect and differences may be material. Pacifco does not make any representation or warranty as to the accuracy of such statements or assumptions.

The interpretations and conclusions reached in this announcement are based on current geological theory and the best evidence available to the authors at the time of writing. It is the nature of all scientific conclusions that they are founded on an assessment of probabilities and, however high these probabilities might be, they make no claim for absolute certainty. Any economic decisions which might be taken based on interpretations or conclusions contained in this announcement will therefore carry an element of risks.

APPENDIX 1

Sorby Hills Project DE Deposit. Mineral Resource Estimate at a cut-off of 2.5% Pb¹

Classification	Ore Type	Tonnes (kT)	Pb %	Zn %	Ag ppm	Pb+Zn%
Indicated	Oxidised	371	5.0	0.2	54	5.3
	Fresh	2,017	6.0	0.5	63	6.5
	Total Indicated	2,387	5.8	0.5	61	6.3
Inferred	Oxidised	36	5.1	0.4	51	5.5
	Fresh	320	5.3	0.3	60	5.6
	Total Inferred	356	5.3	0.3	59	5.6
Total Indicated & Inferred		2,743	5.8	0.4	61	6.2

¹ KBL ASX Announcement 8 Apr 2014, <https://www.asx.com.au/asxpdf/20140408/pdf/42nwc8r9gnsyw.pdf>

APPENDIX 2

*Exploration results (Metallurgical testwork recovery results and drill intersections in Figure 5) were reported previously by the former owner KBL (*KBL ASX Announcement 8 Apr 2014*, <https://www.asx.com.au/asxpdf/20140408/pdf/42nwc8r9gnsyw.pdf>).

- The results were reported under the JORC Code 2004
- Pacifico consider the results reliable. The metallurgical testwork was carried out by a reputable company (AMML in 2011) and reported in KBL's ASX announcement to the ASX of 8 Apr 2014. The drill intersections quoted in figure 5 are derived from historical drill intersections which were reviewed and assessed by former owners KBL as being representative, having acceptable recoveries and analysed at reputable laboratories with appropriate QAQC.
- Metallurgical testwork was carried out for previous owners KBL on selected drill core as part of a testwork program to determine bulk specific gravity, reagents consumption and recoveries with flotation and bond ball mill work index.
- The drill intersections were part of drilling programs carried out by previous owners between 1973 and 2011.
- No more recent metallurgical testwork or drilling has been carried out.
- Both the metallurgical results and drill intersections require verification by Pacifico before reporting the results in accordance with the JORC Code 2012.
- Pacifico intends to undertake detailed reviews and reassessments of all aspects of the project in the next 6 to 18 months including further drilling. Funding for these activities will be subject to capital raising by Pacifico.

APPENDIX 3

The resources and reserve were reported in an announcement by KBL (*KBL ASX Announcement 8 Apr 2014* <https://www.asx.com.au/asxpdf/20140408/pdf/42nwc8r9gnsyw.pdf>).

- KBL were former owners of the Sorby Hills Project.
- The reserves and resources were reported under the JORC Code 2004 and these estimates may not conform to the requirements of the JORC Code 2012.
- The former owner (KBL) reported an ore reserve with a defined Pre-Feasibility study that was conducted in 2012. Pacifco will need to revise the Pre-feasibility study, or conduct a new feasibility study, in order to report an Ore Reserve under the JORC Code 2012.
- Pacifco Minerals is satisfied as to the reliability of the information as presented. The mineral resources were estimated for KBL within constraining wireframes based on a lower cut-off grade of 1% Pb, with a minimum thickness of 2m. The resources are quoted for blocks with a grade of greater than 2.5% Pb. The reserves estimated for KBL are estimated at 2%Pb cut-off. The 2012 pre-feasibility study considered a lead price of US\$2074/t and a silver price of US\$25/oz. Open pit mining was assumed with dilution 10% and ore loss of 5%. These modifying factors generated by the pre-feasibility study 2012 were applied to the ore reserve estimation. The modifying factors applied are considered reliable, apart from the metal prices employed, which may affect optimum cut-off grades for the reserves previously undertaken.
- The following companies have explored the Sorby Hills Project area: 1971-81 - Elf Aquitaine - drilling and discovery of the Sorby Hills deposit, 1981-88 – BHP – further drilling, 2007 - CBH - further drilling, 2010 – 14 KBL Mining Ltd who conducted further drilling, pre-feasibility study, resource and reserve estimates (2004 JORC code). 1128 surface drill holes have been completed to date for a total of 110,942m. 95% of the drill holes were vertical. Only open pit mining was considered. Conventional flotation testwork was carried out for KBL with metallurgical recoveries of lead 91% and silver 87% reported by KBL.
- There are no more recent estimates subsequent to the KBL announcement of 8 April 2014 (see above).
- In order to bring the resources and reserves to be in accordance with JORC Code 2010 Pacifco intends to verify the data sources for the historical data, and may undertake further logging, density and sampling work on the available historical core. Additional reverse circulation and diamond drilling may be required to verify historical drilling and increase the drill hole density.
- Pacifco intends to undertake detailed reviews and reassessments of the project, in the next 6 to 18 months including further drilling. Funding for these activities will be subject to capital raising by Pacifco.