

# QUARTERLY REPORTS – DECEMBER 2019

28 January 2020

## CORPORATE DIRECTORY

### Managing Director

Simon Noon

### Directors

Richard Monti (Chairman)

Peter Harold (Non-Exec.)

Andrew Parker (Non-Exec.)

### Company Secretary

Jerry Monzu

### Registered Office

Level 10

105 St Georges Terrace

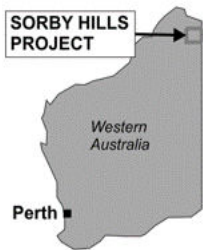
Perth WA 6000

### Telephone

+61 8 6268 0449

ASX Code PMY

ABN 43 107 159 713



Pacifico Minerals Limited (ASX: PMY) ('Pacifico' or the 'Company') is pleased to provide the following activity and cashflow reports for the December 2019 quarter.

## HIGHLIGHTS

### SORBY HILLS JOINT VENTURE PROJECT

- Mineral Resource Estimate updated with:
  - 20% increase in Global Resource to 36 Mt at 4.7% Pb equivalent (3.7% Pb, 39 g/t Ag) and 0.5% Zn;
  - 53% increase in total Indicated Resources to 16.6 Mt at 4.8% Pb equivalent (3.8% Pb, 39 g/t Ag) and 0.4% Zn;
  - 63% increase in Indicated Resources in the Omega deposit and 165% increase in the B deposit; and
  - Potential to support an increased mining rate for use in the Optimised Pre-Feasibility Study.
- Phase III drilling campaign completed with:
  - 49 reverse circulation drill holes for 3,265 m;
  - Assay results expected this month;
  - Rock chip logging suggesting supported by pXRF field data indicating that extensions to the B deposit and Omega deposit are likely; and
  - Hydrogeological site investigation program completed.
- New phase of metallurgical testing underway to support the Optimised Pre-Feasibility Study.

### CORPORATE

- Consolidated cash balance at quarter end of **A\$3.8M**.
- Henan Yuguang's Sorby Hills JV contribution for July – December 2019 was received (**\$869,430**) subsequent to quarter end.
- Annual General Meeting held 29 November 2019 with all resolutions passed.

*See Appendix 2 for equivalent Pb% calculation assumptions.*

### SORBY HILLS JOINT VENTURE PROJECT *Western Australia (Lead, Silver, Zinc)*

The Sorby Hills Joint Venture Project ('Sorby Hills' or the 'Project') is located approximately 50km northeast of Kununurra. There are existing sealed roads to transport concentrate from site to the facilities at Wyndham Port (150km from the Project). Established infrastructure and permitting allow for fast tracked production.

### MINERAL RESOURCE ESTIMATE UPDATE

CSA Global Pty Ltd completed an updated Mineral Resource Estimate ('MRE') during the period. The Mineral Resource is classified as a combination of Indicated and Inferred Resources with enough geological and sampling evidence to assume geological and grade continuity within the modelled 3D shapes. Classification of the MRE was carried out considering the geological understanding of the deposit, quality of the sampling, density data, and drill-hole spacing. The updated MRE for the lead (and zinc) domains are presented in the below tables, with cut-off grades titled.

**Table 1. Sorby Hills Mineral Resource. Reported from blocks where Pb > 1.0% (Pb domains only).**

JORC Classification	Tonnes (Mt)	Pb %	Zn %	Ag g/t	% Change from March '19 MRE
<b>Indicated</b>	16.6	3.8	0.4	39	+53%
<b>Inferred</b>	19.4	3.6	0.6	38	-0.1%
<b>Total</b>	36.0	3.7	0.5	39	+20%

Note: Tonnes and grade are rounded.

**Table 1. Sorby Hills Mineral Resource. Reported from blocks where Zn > 1.0% (Alpha deposit Zn domains only).**

JORC Classification	Tonnes (Mt)	Pb %	Zn %	Ag g/t	% Change from March '19 MRE
<b>Inferred</b>	3.9	0.7	3.8	32	N/A
<b>Total</b>	3.9	0.7	3.8	32	N/A

Note: Tonnes and grade are rounded.

**Table 3. Sorby Hills Mineral Resource by deposit. Reported from blocks where Pb > 1.0% (except Alpha Zn deposit, Zn>1.0%).**

Deposit	Classification	Tonnes (Mt)	Pb %	Zn %	Ag g/t	% Change from March '19 MRE
<b>A</b>	Inferred	0.6	7.2	1.3	34	N/A
	Sub-Total	0.6	7.2	1.3	34	N/A
<b>B</b>	Indicated	1.8	4.5	0.3	21	+165%
	Inferred	0.2	1.9	0.4	18	N/A
	Sub-Total	2.0	4.2	0.3	20	N/A
<b>Omega</b>	Indicated	11.3	3.6	0.4	34	+63%
	Inferred	5.4	2.4	0.6	24	N/A
	Sub-Total	16.8	3.2	0.5	31	N/A
<b>H</b>	Inferred	6.0	4.0	0.6	29	N/A
	Sub-Total	6.0	4.0	0.6	29	N/A
<b>I</b>	Indicated	3.5	4.2	0.3	64	N/A
	Inferred	0.6	2.8	0.4	31	N/A
	Sub-Total	4.1	4.0	0.4	59	N/A
<b>Alpha Pb</b>	Inferred	4.2	3.0	0.4	50	N/A
	Sub-Total	4.2	3.0	0.4	50	N/A
<b>Beta</b>	Inferred	2.4	6.1	0.5	76	N/A
	Sub-Total	2.4	6.1	0.5	76	N/A
<b>All Pb Domains</b>	<b>Indicated</b>	16.6	3.8	0.4	39	N/A
	<b>Inferred</b>	19.4	3.6	0.6	38	N/A
	<b>Total</b>	36.0	3.7	0.5	39	N/A
<b>Alpha Zn</b>	Inferred	3.9	0.7	3.8	32	N/A
	Sub-Total	3.9	0.7	3.8	32	N/A

**Highlights from the above tables include:**

- 20% increase in Global Resource to 36 Mt at 4.7% Pb equivalent (3.7% Pb, 39 g/t Ag) and 0.5% Zn;
- 53% increase in total Indicated Resources to 16.6 Mt at 4.8% Pb equivalent (3.8% Pb, 39 g/t Ag) and 0.4% Zn through the conversion of Inferred Resources;
- 63% increase in Indicated Resources in the Omega deposit and 165% increase in the B deposit; and
- Potential to support an increased mining rate for use in the Optimised Pre-Feasibility Study due to the increase in Indicated Resources.

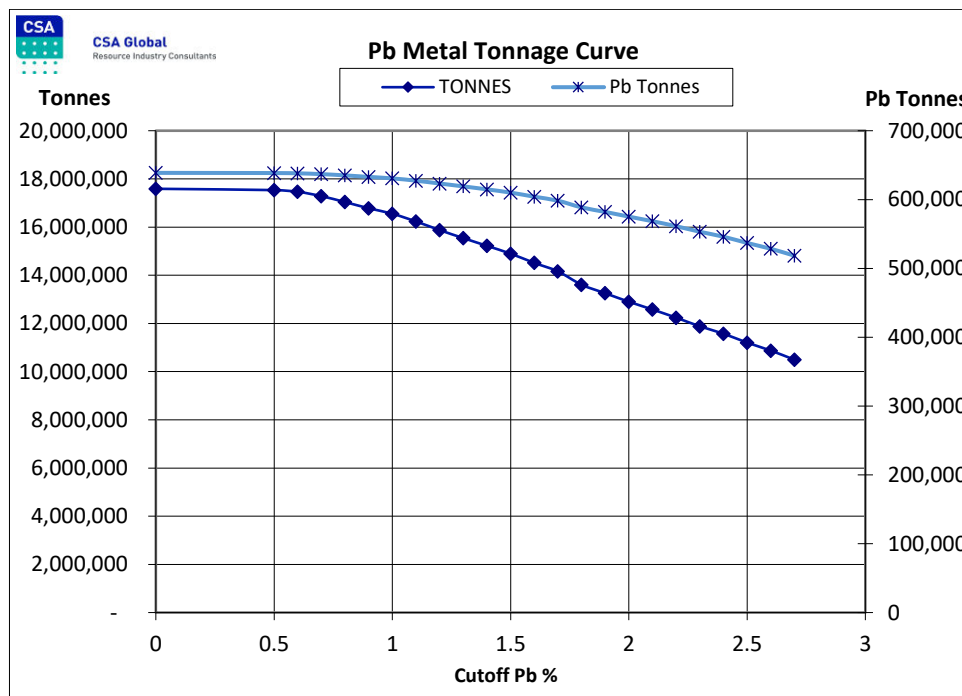
*See Appendix 2 for equivalent Pb % calculation assumptions.*

The updated MRE has highlighted two aspects that are likely to have a significant impact on the planned Optimised PFS.

First, Inferred Resources have a high conversion rate to Indicated status through a tightening of drill hole spacing and extension drilling allows Resources to be increased because of the predictable stratabound nature and geometry of the mineralisation.

Second, mineralisation is only slightly susceptible to a significant change in cut off grade (Figure 1). At an increased cut off grade for lead to 2.5% Pb the resource retains almost 85% of the metal content despite a drop in tonnage by 35%, demonstrating the exceptional resilience of the Project (ASX announcement 31 October 2019).

Pacifico will use these findings to further refine targeting and exploration drilling to grow the high-grade zone of mineralisation to potentially improve project economics.



*Figure 1. Sorby Hills Mineral Resource. Pb Metal Tonnage Curve.*

**PHASE III DRILLING CAMPAIGN**

During the quarter the Company completed their Phase III drilling campaign, consisting of 49 reverse circulation drill holes for 3,265 m. Phase III drilling was aimed at increasing confidence, increasing Inferred Resources while also converting existing Inferred Resources to Indicated status, and following up on historic intercepts.

All drill holes were logged and sampled during the quarter. Logging and pXRF testing of rock chips provided a qualitative guide to mineralisation and indicated that significant intersections were obtained. Assay results are expected this month.

Field observations were indicative of a successful drilling campaign that is likely to support further conversion of Indicated and Inferred Resources to higher classifications and to replace Inferred Resources whilst building on the potential of the discovery of new deposits in the west (ASX announcement 10 December 2019).

#### **WATER MANAGEMENT STUDY**

- A Hydrogeological site investigation program was completed between 31 October and 23 November 2019 by Pennington Scott, which included:
  - Construction of two (2) shallow production wells, eight (8) shallow observation bores through the 30 m deep alluvial deposits around the I deposit, together with one (1) 80 m deep open hole into the Sorby Dolomite (pre-collared through the alluvials). All holes were geophysically logged with natural gamma.
  - Pump testing of two pre-existing holes drilled by AGE (2011), TB1 and TB3. The previous testing of these holes had problems which precluded their interpretation.
  - Pump testing of the new Sorby hole and one new alluvial bore.
  - Installation of two remote telemetry water level loggers to record groundwater response through the wet season.

Pennington Scott has reanalysed the dewatering data from a trial decline dewatering in 1981 using modern advanced numerical modelling, which has shed new light on the hydrogeology of the I deposit area. Although too early to present any hydrogeological results, we are in no doubt that there will be a step improvement in the predictive understanding of local hydrogeology.

#### **METALLURGICAL TESTWORK PROGRAM**

A metallurgical test work program on Sorby Hills core samples commenced mid-December 2019 to support an Optimised PFS. The program includes three main work areas:

- Comminution – determining the physical properties of ore samples;
- Heavy liquid separation ('HLS') – investigating the density separation of ore into higher grade concentrate and lower grade tailings. This work is particularly focused on lower grade ore (potential mining waste) although typical (average grade) and higher-grade ores are also being tested; and
- Flotation. A number of previous Sorby flotation work programs were focused on sulphide ore. The current program will include sulphide flotation, but is mainly focused on carbonate and mixed sulphide-carbonate ores, in particular improving carbonate rougher flotation and establishing optimum conditions for carbonate cleaner flotation.

The comminution work is being performed on one set of samples. Another set of samples has been selected for the HLS and Flotation work, and sufficient sample mass has been provided for simultaneous work in these areas, in order to reduce the overall schedule. ALS Perth (Balcatta) is performing the work under supervision by DRA Pacific and Pacifco.

#### **NON-CORE ASSETS**

Exploration work on our non-core assets remains on hold to allow the Company to focus on the development of the Sorby Hills Project.

## CORPORATE

The consolidated cash balance as at 31 December 2019 was approximately **A\$3.8M**

Subsequent to quarter end, the Company received \$869,430 from Henan Yuguang for its contribution covering Sorby Hills expenditure for the July – December 2019 period.

The 2019 Annual General Meeting ('AGM') was held on Friday 29 November 2019. All resolutions set out in the Notice of Meeting (ASX announcement 29 October 2019) were passed on a show of hands (ASX announcement 29 November 2019).

Following shareholder approval at the AGM, Pacifico's Constitution was updated to include amendments made by the ASX to Listing Rules in relation to restricted securities (ASX announcement 3 December 2019).

The Board of Directors of Pacifico Minerals Limited have authorised this announcement for release to the market.

### FOR FURTHER INFORMATION PLEASE CONTACT:

Simon Noon



Managing Director

Phone: +61 (0)8 6268 0449

Email: [info@pacificominerals.com.au](mailto:info@pacificominerals.com.au)

### ABOUT PACIFICO MINERALS LIMITED

Pacifico Minerals Ltd ('Pacifico') (ASX: PMY) is a Western Australian based exploration company with interests Australia and Colombia. In Australia, the company is currently focused on advancing the Sorby Hills Lead-Silver-Zinc Joint Venture Project in WA. Pacifico owns a 75% interest in the Joint Venture with the remaining 25% (contributing) interest held by Henan Yuguang Gold & Lead Co. Ltd.

### ABOUT HENAN YUGUANG GOLD AND LEAD CO LTD

Henan Yuguang Gold and Lead Co., Ltd was established in 1957 by the government of Jiyuan 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 29.61% by Jiyuan 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 predominantly modern; HYG continue to develop industrial technology that is 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/>.

## **FORWARD LOOKING STATEMENTS**

Certain statements in this document are, or may be, 'forward-looking statements' and represent Pacifico'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 Pacifico, and which may cause Pacifico'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. Pacifico does not make any representation or warranty as to the accuracy of such statements or assumptions.

## APPENDIX 1

### INTERESTS IN TENEMENTS

Farm-In Agreements/Projects/Tenements	Location	Held at End of Quarter
<b>Sorby Hills Project</b>		
M80/196	WA, Australia	75%
M80/197		75%
M80/285		75%
M80/286		75%
M80/287		75%
<b>South Australian Project</b>	SA, Australia	
EL6168		100%
EL6169		100%
<b>Borrooloola West Project</b>	NT, Australia	
EL31354		100%
EL26938		51%
EL26939		51%
EL28508		51%
EL28658		51%
EL30157		51%
EL30305		51%
MLN624		51%
<b>Mount Jukes Project</b>	TAS, Australia	
EL51/2008		13.74%
EL12/2009		13.74%
<b>Berrio Project</b>	Colombia	
6822		100%
IDI-16112X		8.6%
IDI-16113X		8.6%
HINN-02		8.6%
JG1-09552		8.6%
T1935005		8.6%
IHF-08012		7.5%
T1928005		5.7%
<b>Urrao Project</b>	Colombia	
2791		100%

*There were no acquisitions or disposals during the quarter.*

## APPENDIX 2

### CALCULATION OF Pb EQUIVALENT GRADES

The contained metal equivalence formula is made on the following assumptions based on historical metallurgical work included in a Pre-Feasibility Study (ASX announcement 26 March 2019) and modified by more recent metallurgical testwork results (ASX announcement 17 July 2019), and on the published London Metal Exchange closing metal prices of 9 August 2019.

- Lead price US\$ 2,086/t;
- Silver price US\$ 0.546/g (US\$16.975/oz);
- Lead recoverable to concentrate 91%; and
- Silver recoverable to concentrate 90%.

It is Pacifico's opinion that all elements included in the metal equivalent calculation have a reasonable potential to be recovered and sold. The formula used to calculate lead equivalent grade is:

Lead equivalent grade Pb% = ((Grade % Pb x recoverable % Pb x price US\$ per tonne Pb metal / 10,000) + (grade g/t Ag x recoverable % Ag x price US\$/g)) / (Grade % Pb x recoverable % Pb x price US\$ per tonne Pb metal / 10,000)

Metal equivalents are highly dependent on the metal prices used to derive the formula. Pacifico notes that the metal equivalence method used above is a simplified approach. Only preliminary metallurgical recoveries are available. The metal prices are based on average LME prices of 9 August 2019 and do not reflect the metal prices that a smelter would pay for concentrate nor are any smelter penalties or charges included in the calculation.

Owing to limited metallurgical data zinc grades are not included at this stage in the lead equivalent grade calculation.



## Appendix 5B

### Mining Exploration Entity or Oil and Gas Exploration Entity Quarterly Cash flow report

Name of entity	
<b>PACIFICO MINERALS LIMITED</b>	
ABN	Quarter ended ("current quarter")
<b>43 107 159 713</b>	<b>December 2019</b>

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
<b>1</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(769)	(1,707)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(102)	(219)
	(e) administration and corporate costs	(182)	(317)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	16	21
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (Repayment to Quintana MH Holding Company LLC of funds retained post acquisition of the Sorby JV as a result of deferred rents on tenements now longer being payable)	(236)	(208)
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(1,273)</b>	<b>(2,430)</b>

<b>2</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	4,600
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(304)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.1</b>	<b>Net cash from / (used in) financing activities</b>	-	<b>4,296</b>

<b>4</b>	<b>Net increase / (decrease) in cash and cash equivalents for the Period</b>		
4.1	Cash and cash equivalents at beginning of period	5,105	1,964
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,273)	(2,430)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	4,296
4.5	Effect of movement in exchange rates on cash held	(1)	1
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,831</b>	<b>3,831</b>

<b>5</b>	<b>Reconciliation of cash and cash equivalents</b>	<b>Current quarter</b>	<b>Previous quarter</b>
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>\$A'000</b>	<b>\$A'000</b>
5.1	Bank balances	3,794	5,068
5.2	Call deposits	37	37
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,831</b>	<b>5,105</b>

<b>6</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter</b>	
		<b>\$A'000</b>	
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-	-
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments			

<b>7</b>	<b>Financing facilities</b>	<b>Total facility amount at quarter end</b>	<b>Amount drawn at quarter end</b>
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>	<b>\$A'000</b>	<b>\$A'000</b>
	<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
<b>7.4</b>	<b>Total financing facilities</b>	<b>-</b>	<b>-</b>

7.5	<b>Unused financing facilities available at quarter end</b>	-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	

<b>8</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,273)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	<b>Total relevant outgoings (Item 8.1 + Item 8.2)</b>	<b>(1,273)</b>
8.4	Cash and cash equivalents at quarter end (Item 4.6)	3,831
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	<b>Total available funding (Item 8.4 + Item 8.5)</b>	<b>3,831</b>
8.7	<b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>3.01</b>
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
	2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
	3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: ..... Date: 28 January 2020  
 Jerry Monzu (Company Secretary)

Authorised for release by the Board of Directors of Pacifco Minerals Limited

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: “By the board”. If it has been authorised for release to the market by a committee of your board of directors, you can insert here: “By the [name of board committee – e.g. Audit and Risk Committee]”. If it has been authorised for release to the market by a disclosure committee, you can insert here: “By the Disclosure Committee”.
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council’s *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.