

Update post share issue

PMY ASX \$0.019 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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Issue funds exploration and DFS value drivers

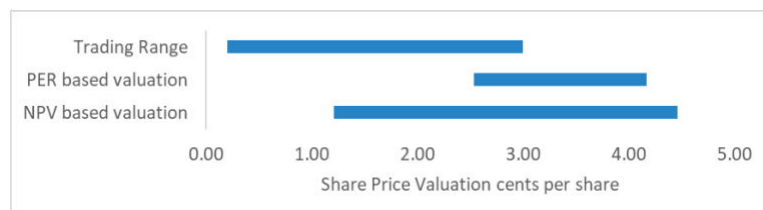
Pacifico is raising up to A\$12M at A\$0.018/sh

Pacifico has raised A\$10M via a placement and will raise up to A\$2M by an SPP. The placement shares will be allotted on 24 September 2020 and the SPP will close on 6 October 2020. This raise will fund the exploration and DFS work that has potential to add shareholder value through improved project economics.

12 month target unchanged at 3.5cps 94% above issue 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 3.0cps. 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.



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 makes lower grade mineralization an exploration target, which would be a low cost way to increase annual metal production.

Company Data

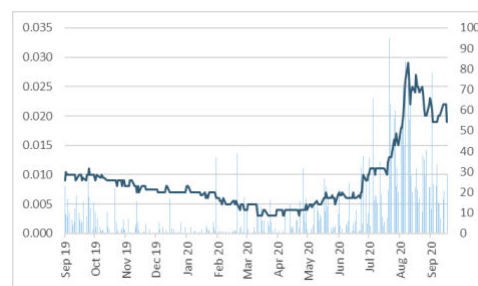
Shares Outstanding (M)	3574
Price (\$/sh)	0.019
Market Capitalisation (\$M)	57.9
Free Float (%)	100%
Free Float Market Capitalisation (\$M)	67.9
12 Month Low (\$/sh)	0.002
12 Month High (\$/sh)	0.031
Average Daily Volume ('000)	11,179

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	87
Underlying NPAT	-2	-1	-5	61
Reported NPAT	-2	-1	-5	61
Reported EPS (c)	-0.1	-0.1	-0.1	1.08
Underlying EPS (c)	-0.1	-0.1	-0.1	1.08
DPS (c)	0	0	0	0
PER x	na	na	na	1.8

Price Graph to 18/9/20



Source: IRESS

Directors & Management

Gary Comb	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
PMY-ASX

Share Price A\$/sh	0.019
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	0.1	-3.7	-7.0
PBT	-3.0	-1.9	-7.5	86.8
Tax Expense	0.9	0.6	2.2	-26.0
NPAT	-2.1	-1.3	-5.2	60.7
Minorities	0.0	0.0	0.0	0.0
Earned for Ordinary	-2.1	-1.3	-5.2	60.7
EPS A cps	-0.06	-0.02	-0.09	1.08
Ordinary shares M	3574	5637	5637	5637
Dividend A cps	0.0	0.0	0.0	0.0
EBITDA Margin %	na	na	na	58.2%
Return on Equity:	na	na	na	52.4%
Return on Invested Capital:	na	na	na	44.3%
PER	na	na	na	1.76
Price/Book	4.62	2.01	2.22	0.98
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	7.9	35.7	40.8	85.8
Debt	0.0	0.0	-100.	-80.0
Net Working Capital	0.2	-1.5	-11.0	6.9
Valuation A\$M	105.9	143.7	136.1	226.0
Valuation A\$/sh	0.030	0.025	0.024	0.040
Discount Rate	10.5%			

OPERATING DATA (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
PMY Share of Net Revenue A\$M	0.0	0.0	0.0	208.2

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	0.1	-3.7	-7.0
Tax (Paid)	0.0	0.0	0.0	0.0
Operating cashflow	-10.5	-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	-10.5	-12.2	-94.9	65.0
Net Equity Raisings	15.4	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	15.4	40.0	100.0	-20.0
Exchange rate adjustment	0.0	0.0	0.0	0.0
Net change in cash	4.9	27.8	5.1	45.0

BALANCE SHEET YE June

	FY21F	FY22F	FY23F	FY24F
Cash	7.9	35.7	40.8	85.8
Receivables	0.0	0.0	0.0	4.0
Inventories	0.5	0.0	0.0	15.5
Total Current Assets	8.4	35.7	40.8	105.4
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	2.5	4.8	4.8
Total Non Current Assets	7.2	19.8	119.0	122.8
Total Assets	15.7	55.5	159.8	228.2
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	14.7	53.4	48.1	108.9
Issued Capital	48.7	88.7	88.7	88.7
Reserves	1.5	1.5	1.5	1.5
Retained Profits	-28.4	-29.8	-35.0	25.7
Shareholder Equity	21.7	60.4	55.2	115.9

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%

Unit Costs

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

What is new? Share placement and SPP to raise up to \$12M

Table 1 New capital structure subject to SPP uptake

Share Capital	2-Sep-20	Placed	SPP	Total
Issued Shares M	2907.10	555.56	111.11	3573.77
Options				
PYMO 21/11/20 1.5cps	351.27			351.27
PMYOPT3 21/11/20 1.5cps	22.50			22.50
PMYOPT4 21 /11/20 1.5cps	10.00			10.00
Class B Perf. Rights	19.50			19.50
Class C Perf. Rights	20.00			20.00
Class D Perf. Rights	4.00			4.00
Issue Price A\$/sh		0.018	0.018	
Funds Raised A\$M		10.00	2.00	12.00

Source: PMY release 18 September 2020

Table 2 Capital raising timetable

Event	Date
Record Date for SPP	17 September 2020
Placement Settles	23 September 2020
Placement Allotted	24 September 2020
SPP Offer Dispatched	25 September 2020
SPP Closes	6 October 2020
SPP Shares Issued	12 October 2020

Source: PMY release 18 September 2020

What does it mean? Valuation range diluted to 2.5-4.2cps, target still 3.5cps

The capital raise provides funding for the completion of the Feasibility Study and the additional exploration drilling. The dilutionary impact reduces our valuation at June 2021 from 3.3cps to 3.0cps. We have assumed that with the increased funds, the spending will increase, hence the cash change is less than the \$12M raised. Please refer to valuation discussion in our initiation of 14 September 2020.

Table 3 Base case change in valuation as a result of the capital raise

NPV @ June 2021	Before	After
Sorby Hills 2020 PFS	107.17	107.17
Corporate Overhead	-9.31	-9.31
Cash on hand	2.88	7.88
Debt	0.00	0.00
Net Working Capital	0.21	0.21
Valuation A\$M	100.94	105.94
Valuation A\$/sh	0.033	0.030
Issued Shares M	3084	3574

Source: Rawson Lewis estimates

While the capital raise has reduced our valuation by around 10%, we expect it to have two very positive impacts on the business and potentially on the share price, namely:

1. The completion of the DFS will derisk the project and we would expect that the risk discount applied by the market will reduce as a result.
2. The exploration program announced on 9 September 2020 is fully funded, and that program has the potential to materially add to the reserve base of the project and hence the valuation.

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