Pacifico Minerals Ltd (Ticker: ASX:PMY)  
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Strong progress across major projects

Pacifico Minerals Ltd (ASX: PMY) (“Pacifico”, the “Company”) is an Australian based mineral exploration company incorporated in 2003. It explores for minerals including gold, silver, copper, manganese and zinc in Colombia and Australia. The Company’s key Colombian projects are Berrio and Natagaima, while the Australian projects include Borroloola and Mount Jukes. The Company was previously known as Jaguar Minerals Ltd and was renamed Pacifico Minerals Ltd after the acquisition of junior exploration company, West Rock Resources Ltd (“West Rock”) in August 2013. Pacifico’s common stock is currently listed on the Australian Securities Exchange and began trading in July 2004 and is trading under the symbol PMY. Pacifico’s corporate headquarters is located in Perth, Australia.

Pacifico projects, both in Colombia and in Australia which feature highly prospective geology. In addition, the project areas have well developed infrastructure. The Company has recently completed further reconnaissance and soil sampling programs at its flagship Berrio project in Colombia, which has produced excellent results. Pacifico is also earning up to an 80% interest in the Borroloola West Project, Australia from Sandfire Resources NL (ASX: SFR) under a farm-in agreement through staged exploration expenditures. The Company’s Borroloola West project has exciting potential for a world class sediment hosted deposit. Pacifico has recently completed a drilling program and produced more positive results which have defined additional target areas for further drilling. Pacifico and will continue to explore West on its own or in conjunction with a JV partner.

Investment Arguments

- **Berrio Gold Project looks promising**: Located in the Segovia Gold belt, Colombia, the Berrio Gold Project has shown immense potential reflected in the latest assay results. In July 2015, the Company disclosed assay results, which confirmed that mineralization is associated with contact between the Berrio sediments and Segovia Batholith which has been mapped for 6.2km within Pacifico’s tenements and is projected to continue for a further 7.8km. The Company believes that these results are encouraging enough to warrant further exploration along the faulted contact and highlights a very significant gold district.

- **Encouraging results from the concluded drilling program at Coppermine Creek**: The Company completed reverse circulation and diamond drilling at the Coppermine Creek prospect located at the Borroloola West Project during June and July 2015. This drilling has proved to be a significant step toward discovering an economic resource on the Borroloola West project. Pacifico is slated to earn an 80% interest in the Borroloola West Project from Sandfire Resources NL under a farm-in agreement through staged exploration activities. The results from the three-hole drilled program completed in August 2015 were very encouraging with all three holes encountering mineralization.

- **Comfortable liquidity position**: Liquidity is paramount for an exploration stage company. Pacifico has done a good job by maintaining a comfortable consolidated cash position of A$2.8M on the balance sheet with no debt as of 30 June 2015, which should allow it to carry out its planned activities in the interim.
Cost management initiatives: Pacifico initiated cost rationalization measures to ensure overhead costs are optimized. As part of the cost reduction drive, all Directors, including the Managing Director, Chairman and other key personnel, have elected to reduce their fees by 10%. The Company has also negotiated favourable rates with contractors.

Key Developments

Strategic expansion of the Berrio Gold Project

During 2014 Pacifico drill tested a small tenement package in which it holds a minor interest. 22 holes were successfully completed with 13 holes intersecting over 10 g/t Au, 9 holes over 15 g/t Au and 3 holes over an ounce per tonne. During 2014 exploration it became apparent that prospective mineralization extended far beyond the boundaries of the seven small titles. During Q1 2015 Pacifico entered into a binding agreement with AngloGold Ashanti Colombia S.A. to acquire a 100% interest in a suite of tenements surrounding and adjacent to the tenements Pacifico had drill tested. The new tenements were acquired at a very attractive price and at a fraction of the cost of the original tenements - Pacifico will have to pay only $600,000 in a staggered manner. Lastly, the Company cancelled the existing option agreement with the vendor in relation to the existing 62 hectares, which negated the need to pay $750,000 according to the agreement.

Berrio Project reconnaissance completed

In February 2015, the Company successfully completed Phase one reconnaissance, which has reinforced the management’s assessment with assay results confirming extension of mineralization into the acquired tenements. The faulted contact was mapped for over six kilometers within the Company’s newly acquired tenements. Best assay results included:

- 240.1 g/t Au, 1,178 g/t Ag and 2.02% Zn
- 94.97 g/t Au, 215 g/t Ag and 4.95% Pb
- 88.9 g/t Au and 761 g/t Ag
- 46.88 g/t Au, 166 g/t Ag and 1.12% Zn
- 11.76 g/t Au, 343 g/t Ag, 13.58% Pb and 24.19% Zn

Sediments at the Berrio project are known to host high-grade gold mineralization. The company geologists sampled four artisanal mines within the newly acquired areas at the Berrio Gold Project. Selective grab samples taken from the artisanal mines generated encouraging results and demonstrated that three structural settings host gold mineralization. In June 2015, the exploration teams completed soil sampling and underground channel sampling, targeting the mineralized contact between the Berrio Sediments and Segovia Batholith.

In June 2015, subsequent assay results indicate that mineralization continues along the contact 20m below surface and remains open at depth as well as to the north and south. High-grade gold and silver mineralization hosted at the contact between the Berrio Sediment Package and Segovia Batholith included:

- 50cm @ 42.49 g/t Au, 77.5 g/t Ag and 0.24% Cu
- 50cm @ 33.24 g/t Au, 146 g/t Ag, 0.34% Cu and 0.84% Zn
- 80cm @ 31.41 g/t Au, 106 g/t Ag and 0.23% Cu
- 50cm @ 8.19 g/t Au, 59.5 g/t Ag, 0.5% Cu and 23.48% Zn
11 channel samples were taken at varied intervals covering 22 meters along strike of the contact. Two phases of mineralization are recognized; pyrite and quartz, and sphalerite, pyrite, quartz and carbonate. Conceptually, the block channel sampled by Pacifico, measuring 22m x 20m and, based on 11 channel samples, has an average width of 0.59m and weighted average grade of 27.74 g/t Au, 233.90 g/t Ag, 0.3% Cu and 4.45% Zn. The Company believes that these results are encouraging enough to warrant further exploration along the faulted contact between the Berrio Sediments and Segovia Batholith.

Additional soil sampling is ongoing to the east of the central grid to target shear hosted mineralization in the Berrio Sediments. Soil sampling has proven to be a cost effective and efficient method for guiding exploration at Berrio. Future plans include testing the remaining 11km of the faulted contact within its tenement package. Underground channel sampling of artisanal mines close to the contact will also continue.

**Borroloola West Project progressing well**

Below are the planned activities for the prospects at Borroloola:

- **Coppermine Creek Prospect**: This prospect has a strong potential for the discovery of an economic copper resource and recent exploration activities at the site have produced results highlighting prospectivity for copper at significant widths, e.g. 30m at 1.1% and 19m at 1.2%. The Company has a farm-in agreement with Sandfire Resources NL, consisting of 15 exploration licenses, one mining and one exploration license application. Pacifico expects to meet its expenditure requirement to earn a 51% majority interest shortly in the Borroloola West Project from Sandfire Resources NL, having negotiated a six month extension on the original terms giving Pacifico until 20 December 2015. The Coppermine Creek mineralized structure has a mapped strike length of about 900m. Pacifico has reassessed historical data and has mapped out important geological contacts and gossans. In June 2015, the Company completed a dual purpose reverse circulation (550 meters) and diamond rig drilling (900 meters). The western continuity of the copper mineralized Gordon faults were tested by two reverse circulation holes. Subsequently, a diamond drill hole then tested for an extension of stratabound copper mineralization intersected by previous drilling.

In July 2015, the Company reported encouraging visual results from the three hole drilling program at the prospect. The results showed that the Gordon Fault zone contains broad zones of brecciation and dolomite-silica alteration of siltstones with both disseminated chalcopyrite and bands of semi-massive chalcopyrite. The chalcopyrite is associated with only minor pyrite, and qualitative values of more than 25% Cu from a portable X-Ray Fluorescence instrument (pXRF) were obtained from the semi-massive sulphide bands, over widths of up to 30cm.

In August 2015, the Company announced assay results from the three hole drilling program, confirming they had intersected extensive zones of copper mineralization with intense fracturing containing disseminations and lenses of semi-massive chalcopyrite. All three holes interested mineralization which is now believed to extend by more than 300 meters of previous drilling along the east-west trending Gordons Fault. Best results received from the drilling included:

- CCD03: 10m @ 1.3% Cu from 68m, including 2m @ 4.0% Cu
- CCR01: 16m @ 0.5% Cu from 43m
- CCD02: 23m @ 0.3% Cu from 136m
In September 2015, the Company announced geological mapping had commenced ahead of further planned diamond drilling. The mapping will facilitate more control for the planned drilling, which will test an airborne electromagnetic bullseye conductivity anomaly. This anomaly is purported to be originating from the same source that the Company drilled in June and July 2015. In the Gordon Faults area, there is intense fracturing, brecciation and dolomitization with copper mineralization, suggesting the potential for a major deposit recovery.

- **Four Mile Prospect**: VTEM indicates conductive zones down dip of outcropping, gently westerly dipping Barney Creek Formation. The Company has commenced further reconnaissance mapping and pXRF to define reverse circulation drill targets.

- **Berjaya Prospect**: The prospect has potential for world class sediment host deposit for Zn-Pg-Ag. The prospect lies along strike and 30 km west of Glencore’s McArthur River Mine and 20 km west of Rox Resources Ltd.’s Teena Deposit. In September 2015, Pacifico has also initiated geological mapping and sampling at Berjaya and Four Mile prospects. The mapping aims to identify the location of the potentially
mineralized Barney Creek Formation. The Company will use the interpreted results of the geological mapping along with VTEM resistivity profiles to establish drill targets for the zinc-lead mineralization.

- **Bing Bong Prospect**: A VTEM survey evaluation defined several steeply dipping pipe-like targets. Pacifico has planned diamond drill holes to intersect two of the prioritized targets to test for Cu-Au mineralization. Pacifico successfully secured co-funding from the Northern Territory Government that will cover 50% of the planned direct drilling costs. In the most recent update on 13 July 2015, the Company announced that diamond drilling had commenced at the prospect. Pacifico disclosed in September 2015 that further activities carried out at Bing Bong had revealed no significant mineralization. The Company had drilled two diamond holes to 400 meters and 300 meters RC pre-collars. It is possible that any intrusive present may be considerably deeper than previously interpreted.

**Encouraging Assay Results at Natagaima Prospect**

The Company completed phase one reconnaissance in Natagaima Prospect for Copper and silver. The assays from select samples were as follows:

- 1.35% Cu and 9.30% Pb and 1.12% Zn
- 2.10% Cu and 1,395 g/t Ag
- 4.95% Cu
- 4.84% Cu
- 4.83% Cu

Subsequently, in April 2015, it completed phase two reconnaissance, which identified two significant mineralized and intersecting corridors highly prospective for precious and base metals. Phase two generated 67 grab samples, including eight float samples and 36 stream sediment samples with the best assay results including:

- 8.42 g/t Au
- 6.2% Cu
- 2.30 g/t Au
- 1.89 g/t Au and 1.71% Cu
- 1.25 g/t Au, 113 g/t Ag and 6.05% Cu

**Precious metals under pressure but long-term drivers intact**

2015 turned out to be the third lackluster year for gold prices after a flat 2014 and a dismal 2013 when prices fell 28%. YTD, gold prices have fallen 5% while the global economy begins to stabilize after turbulent indicators in Europe and China.
Gold futures recently settled at the lowest level since November 2014 at $1147.40/ounce amid better than expected US economic data and comments from Fed Chair Janet Yellen about the likelihood of an interest rate hike this year. Higher interest rates are a negative for gold prices that are seen as store of value during loose monetary policy. Earlier, the slump in Chinese equity markets, along with the Greece debt crisis had led to increased concerns about the health of the global economy. The decline in the Chinese equities implies that investors will find better options in undervalued blue chips than in gold investing. Further, the sharp slump has also dried up liquidity required to push up demand for gold.

In the near-term gold prices may decline further as Greece has completed a bailout deal with major lenders, which has lifted uncertainty in Europe. The ECB has raised the amount of emergency loan liquidity available to Greece, which has provided it with much needed fiscal headroom until a definitive bailout agreement is reached. In addition, the US dollar has appreciated to a 1.5 months high against the euro, which has led to further weakness in gold prices, inversely correlated with the dollar.

Silver price reached $15.048 an ounce on 15 July 2015. Silver has a wider industrial demand than gold, which generally provides more stability to silver prices. However, the industrial slowdown in major economies such as China may prove to be a drag on silver prices in the short term. The slowdown in China has affected sales of light motor vehicles, an important consumer of silver. Should the economic uncertainty in China continue, it may impact the country’s planned PV capacity addition – PV pastes are also significant consumer of silver.

However, long-term demand drivers for both precious metals are robust. The Indian economy continues to show signs of improvement and with the RBI expected to lift some of the harsh import restrictions on gold, the demand for the yellow metal may improve. Similarly, if China experiences a soft landing, there could be significant upside potential for both the metals as China is the largest consumer.
Pacifico’s revenue for H1 FY2015 declined 82% y-o-y to reach A$64,600. Lower revenue and higher exploration activities led to a much bigger loss for the half yearly period compared to a year ago. Exploration costs were up 206% at A$1.38 million, compared to A$450,800 in H1 FY2014. The heightened activity also led to more payouts related to salaries and wages, which was up 110% y-o-y. This led to the net operating loss of A$1.8 million in H1 FY2015 against A$621,400 a year ago.

Pacifico is expected to continue to bleed as long as its activities are only exploratory in nature. During this phase liquidity is extremely important and Pacifico fares well here. Its net cash position was A$2.8 million with no debt as of 30 June 2015.

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Sources
- Company ASX announcements, research reports, presentations and website
- Reuters
- KITCO news

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