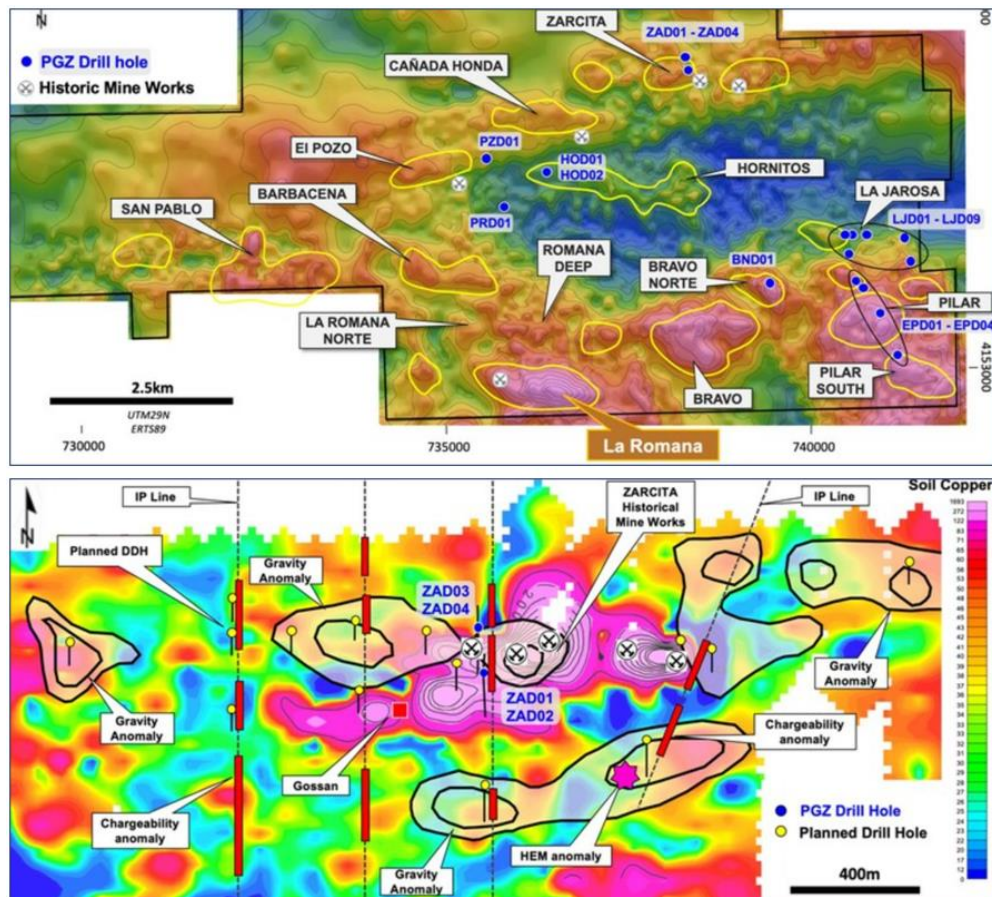


Ticker: PGZ CN **Cash:** C\$11.2m **Project:** Escacena
Market cap: C\$93m **Price:** C\$0.44/sh **Country:** Spain, Andalucía
REC. (unc): BUY **TARGET (unc):** C\$1.00/sh **RISK RATING (unc):** VENTURE

Today's results show three things; (i) lots of smoke but no fire, yet, (ii) fast paced regional drilling, and (iii) perhaps most importantly, a plethora of regional targets to be / being tested now, coincident with an improved understanding of the geology. The word 'encouraging' is loved and hated in equal measure by geologists and investors, respectively, but to have this much metal when all drilling is blind / under cover (why the licence was overlooked) is genuinely exciting for a maiden greenfield programme, talking to the prospectivity of the belt. **Zarcita** is most interesting to us, with maiden modern drilling hitting a 75m true-thickness, but low grade, stockwork; as a VMS system, we expect the company is 'in the vicinity' of a source / higher grades. With seven odd targets being tested now on the 2.5km system vs two holes to date, the odds are improving there. At **La Jarosa**, the site of the single regional hole, beyond the off-hole conductor, the learnings are focused on stratigraphy, as company now has a better idea of the target stratigraphy, making the untested IP trend extending c. 2km west the next prime target, plus several other nearby point-anomalies. Similarly, **Hornitos** saw an increase in base metals up to 2.3% Pb+Zn, again lying on an otherwise untested >2km geophysical target. For now, **we maintain our BUY rating and C\$1.00/sh PT** based on a 'drill de-risked' SCPe 10Mt at La Romana plus potential 15Mt undrilled extensions. With ~\$C11m, 16 holes at Zarcita planned immediately, followed by more drilling on Hornitos / La Jarosa geophysical targets, plus new targets at El Pozo, San Pablo and Canada Honda, not to mention La Romana deeps (underway now) and western strike extensions (2H23 post land access), in our view investors are holding a lot of lottery tickets within their Pan Global holding right now.

Figure 1. (A) Regional plan map showing targets; (B) Zarcita targets around today's drilling



Source: Pan Global

First blind regional-drilling comes in with plenty of smoke but no fire...yet

Pan Global reported results from 21 holes across targets at Zarcita (4), La Jarosa (8), Hornitos (5), and Pilar-Bravo Norte (5), all regional greenfield targets in the vicinity of the La Romana discovery. Zarcita, 4km north of La Romana intersected broad low-grade zones including **58m @ 0.2% Cu** and **34m @ 0.2%**, with visible copper in holes 50m east and west pending assay, and 14 more holes planned over 2.5km strike on seven other targets. La Jarosa, 4km northeast of La Romana, saw highlights of **16.2m @ 0.6% CuEq** with narrower hits of 0.7m @ 1.5% and 3.5m @ 0.8% Cu stratigraphy similar to along-strike mines at Aznacollar, with a largely untested IP anomaly extending 4km east-west. Hornitos, 3km north of La Romana, hit **15.5m @ 0.3% CuEq** within a 60m wide base-metal system. Pan Global's exploration program is underway with 20,000m planned and cost ~C\$8.5m, with three active rigs on site focused on La Romana, Romana Deep and Zarcita targets.

Why we like Pan Global

- Overlooked Cu VMS discovery under thin cover in Spain, stuck in oil companies
- Ex head of Rio BD and Iberian exploration, CEO Tim Moody is regional expert
- First discovery already 'de-risked' >10Mt, backstopping value given operating mines nearby
- Six undrilled coincident IP / gravity anomalies along strike support larger upside

Catalysts

- 2023: 20,000m (40-60 holes) Escacena drill program
- 1Q23: Five 40-50kg metallurgical samples

Research

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Ticker: PGZ CN	Price / mkt cap: C\$0.44/sh, C\$93m	Project PNAV today: 0.45x	Asset: Escacena							
Author: B Salier / E Magdzinski	Rec / xNAV PT: BUY, C\$1/sh	1xNAV_{3Q22} FF FD: C\$1.00/sh	Country: Andalucia, Spain							
SOTP project valuation*		Commodity price	CY21E	CY22E	CY23E	CY24E	CY25E			
	C\$m	O/ship	NAVx	C\$/sh	Copper price (US\$/lb)	4.00	4.00	4.00	4.00	4.00
La Romana 190kt Cu @ US\$500/t CuEq	136	100%	1.00x	0.60	Silver price (US\$/oz)	24.00	24.00	24.00	24.00	24.00
Cash as of October 2022	11.2	100%	1.00x	0.05	Gold price (US\$/oz)	1,700	1,700	1,700	1,700	1,700
Cash from options	4.6	100%	1.00x	0.02	Resource	Cu	CuEq	In situ CuEq	% Cu	
Satellite 200kt Cu @ US\$250/t CuEq	69	100%	1.00x	0.31	SCPe Romana		1%	1%	196kt	70%
SCPe Group NAV	221			PT: 1.00	SCPe satellite pits		1%	1%	200kt	
			Market P/NAV	0.45x	Capital structure	Basic	FD			
					Shares (m)	212.1	226.6			

Source: SCP estimates

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NEUTRAL: The stock's total returns are expected to be in line with the overall market

SELL: The stocks total returns are expected to be materially lower than the overall market

TENDER: The analyst recommends tendering shares to a formal tender offering

UNDER REVIEW: The stock will be placed under review when there is a significant material event with further information pending; and/or when the research analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

NOT RATED ((N/R): The stock is not currently rated

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8	The analyst has conducted a site visit and has viewed a major facility or operation of the issuer	YES
9	The analyst has been reimbursed for travel expenses for a site visit by the issuer	YES

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Summary of Recommendations as of January 2023	
BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	54

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