

# Recipe for Copper Success: The Right Jurisdiction + Geology

## METALS & MINING | INDUSTRIAL METALS & MINERALS

With many metals markets in a trough at the moment, now is not the time to be shunning mining investments. Now is the time for serious investors to be positioning themselves in select mining companies (and mining projects).

To many investors, this will sound like counterintuitive advice. Further clarification is necessary, and it is found by taking a closer look at mining investment dynamics:

1. Metals markets are notoriously cyclical.
2. The vast majority of investor profits in mining are derived from investing in the small-cap junior miners.

Demand for most metals (and minerals) fluctuates considerably. However, the *supply* of metals to global markets is even more erratic. This is a function of the long time-horizon to bring a new mining discovery to production -- often a decade or longer.

For example, rising demand in a metals market leads to a supply deficit. But it can take a full decade for that particular mining sector to fully respond to the supply shortage. By this time, numerous new mining projects are in the development pipeline. What was a supply shortage has become a supply surplus – and a mining bull market becomes a bear market.

It is the junior mining companies who discover, explore, and (in many cases) develop these new mineral deposits. This means that experi-

enced mining investors have a tried-and-true strategy for prospering from mining investing:

- Position themselves in a metal/mineral market ahead of the next bull run.
- Hold a basket of junior mining companies as the best way to prosper from that coming bull market.

For such investors, **Pan Global Resources Inc.** ([TSX: V.PGZ](#), [OTCQB: PGNRF, Forum](#)) provides exciting early stage potential. Mining is a game of fundamentals, and the Company's two large land packages boast several qualities that will be of interest to experienced mining investors:

- i. A leading copper jurisdiction (Spain)
- ii. Easy property access and abundant local infrastructure
- iii. Both "IOCG", "Polymetallic vein and breccia" and "VMS" type of mineralisation
- iv. Along strike from past-producing mines
- v. Experienced management with considerable regional expertise.
- vi. The projects offer multi target, multi metal, large size and grade potential.

Even many experienced mining investors will not immediately recognize Spain as one of the world's leading jurisdictions for copper production. A brief history lesson is in order.

Copper mining in Spain traces back to the time of the pre-Roman Empire. This makes Spain one of the birthplaces for copper mining.



But it's not simply that Spain was first. The Iberian Peninsula (Spain and Portugal) has been renowned as a prolific source for copper for over 3,000 years.

This does not mean that all of the strong mining opportunities have been exhausted. Today, mining continues as a robust industry in Spain and (as Pan Global is demonstrating) there remains considerable potential for new discoveries. Some of the more important mine operators in the Iberian Peninsula include Lundin, Matsa, First Quantum and Atalaya's Rio Tinto Mine.

Investors may look at the recent pullback in the price of copper and be hesitant to enter this space. In a [recent interview with Stockhouse](#); U.S. analyst and fund manager Frank Holmes framed the parameters in the copper market from an entirely different perspective.

*"We like to look at what's called 'standard deviation'...Standard deviation basically says that 70% of the time this is going to occur...Copper, by the way, is down three standard deviations. So, copper is getting to an extremely oversold level."*

Holmes added that if any market recedes by four standard deviations that it is time to "back up the truck". According to this analyst, now is the time for investors to be adding to copper positions.

This leads to Pan Global's two Spanish projects.

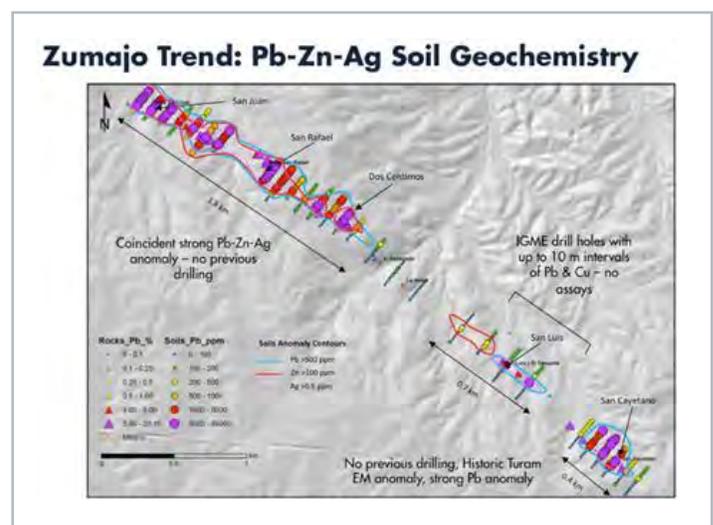
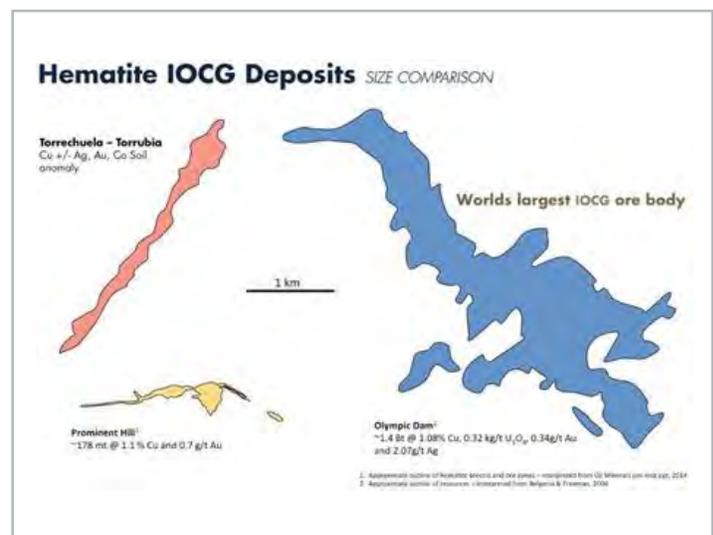
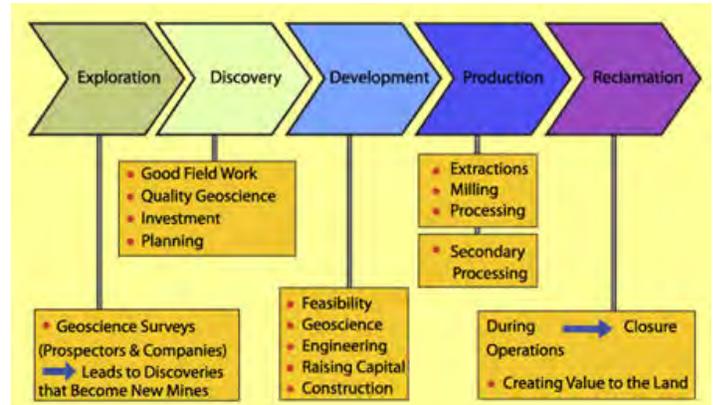
### Aguilas Project

300 kilometres south of Madrid is PGZ's Aguilas Project. This large land package (16,333 hectares) provides a multitude of exploration opportunities. Early focus with the development of this property centers on two known zones of mineralization.

First there is an IOCG-style target, featuring copper-silver mineralization with potential gold and cobalt credits as well. Newer mining investors will want that acronym spelled out. IOCG refers to an "iron oxide copper gold" geological style of ore deposit. Mineralization centers over the Torrubia copper trend.

Such geology is not as common as some other types of formations, but they can be prolific. Like porphyry deposits (that produce many of the world's most-profitable mines), IOCG geology often features wide bands of mineralization. While the average tonnage of these deposits tend to be somewhat less than porphyries, they can be large and the grades can be substantially higher.

Exploration work to date has been comprised of extensive soil and rock sampling. While the sampling shows a typical metals composition, the



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copper levels are in line with expected mineralization for an IOCG formation (typically 1+% copper) – assays of up to **28% copper** have been recorded to date.

Entirely on a different orientation from the IOCG formation is a 20-kilometre long historical mine trend with lead-zinc-silver mineralization, a type of polymetallic ore very familiar to experienced mining investors. This is referred to as the Zumajo Trend.

Again, exploration here is still at an early stage. However, EM and IP imaging has shown strong anomalies. Follow-up soil sampling has yielded many elevated lead, zinc and silver concentrations.

With preliminary exploration work out of the way, management is eager to begin drilling at Aguilas. A 3,000-meter campaign has already been budgeted over the summer, intended to be divided roughly equally between the Cu-Ag mineralized zone and the Pb-Zn-Ag zone. Drilling is anticipated to commence in September. A second round of drilling is already being considered for Q4 of this year or early 2019.

In a conference call with Stockhouse Editorial, President and CEO Tim Moody wanted to stress that Aguilas provides “district scale” exploration potential. While current exploration centers on the two zones that have already been mapped out (Torrubia-Torrechuela and Zumajo), numerous other high-priority targets have already been identified.

Given the consistent geology, management is not ruling out the possibility that the separate mineralized zones which have already been identified are actually part of a single, larger system. But even with the prospect of a much larger prize, management is intent on not losing focus. CEO Moody laid out the blueprint for development at Aguilas.

*“The company has defined several large high priority Cu and Pb, Zn, Ag targets on two separate major structures, with some high grades at surface and indications of good size potential. Whilst there has been historical mining in the area, the targets we are focussed on have never been drill tested and provide an exciting opportunity. The plan is to undertake the first round of drilling to provide us the first detailed look at the style of mineralisation and use this information to plan a more systematic follow-up drill program to help define the geometry and grade distribution ahead of resource delineation. The styles of mineralisation we have identified typically require a lot of drilling and hopefully, during 2019 we will have a good idea of the resource potential. We have a very large land package with numerous other targets that will also be investigated as the mineral rights are granted.”*

While it’s still premature to lay out a firm timetable to move to a resource estimate, this is the principal focus over the medium term. But even as the Company’s technical team was planning its exploration



strategy for Aguilas, Tim Moody was busy sniffing-out another prospective land package in Spain.

## Escacena Project

Here, Pan Global benefits from Moody’s regional expertise. Of the CEO’s 30-plus years of mining experience, roughly three-quarters of this time was spent with Rio Tinto – the multinational mining giant whose operations began in Spain.

Spain is Tim Moody’s backyard. When the CEO got wind of the availability of the Escacena property, he wasted no time in adding it to Pan Global’s holdings.

The Escacena Project is not nearly as large as Aguilas (approximately 2,200 hectares). Similarly, it doesn’t represent the same sort of district-scale potential. What Escacena does offer is location, and a considerable amount of historical work that gives the project a good head start.

This property is along strike with three current and past-producing copper mines. The most significant of these operations is First Quantum’s **Las Cruces Mine**. This is a large-scale mining operation boasting high-grade copper (almost 3%), zinc deposits, along with strong lead credits (1.00% Pb) along with small quantities of gold and silver. The mine produces over 70,000 tonnes of copper per year. The project is also within 5 kilometres of the massive Aznalcollar sulphide VMS deposit and the equally large Los Frailes VMS deposit, which is a little further to the east. Aznalcollar and Los Frailes were previously operated by Boliden AB for copper, zinc, and lead and are currently being re-evaluated by Grupo Mexico.

With respect to the Escacena Project, management is especially enthusiastic over two high-priority targets – the Cañada Honda Target and the La Romana Target. These are “gravity” targets. CEO Moody explains the geological significance of this.

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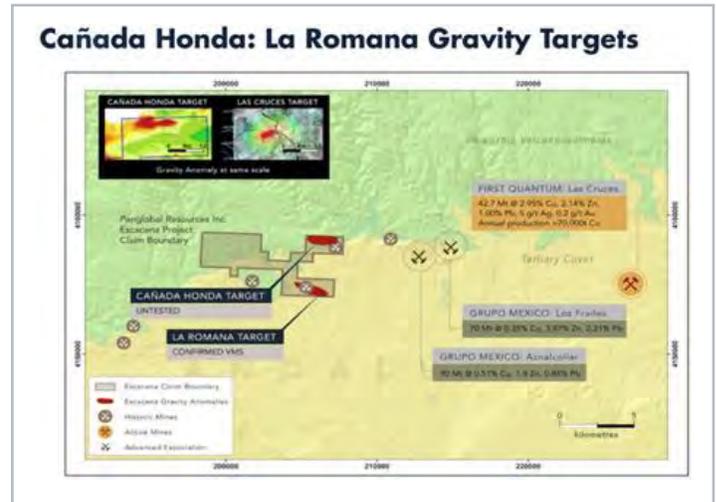
*“Most of the large VMS discoveries in the Iberian Pyrite Belt in the last 40 years have been a result of directly drilling gravity anomalies. The size and magnitude of the La Romana and La Cañada gravity anomalies in the Escacena project, in combination with the right geology and proximity to other massive sulphide mines, makes these targets highly attractive. The La Romana gravity anomaly already has several widely spaced drill holes by Exxon in the 1970’s, drilled 300-400m apart, that cut massive sulphide and stock work sulphide mineralisation over 1.3 km of strike. The mineralisation remains open and the drill holes included high grade intervals, e.g. 4.68m @ 2.94% copper and 3m @ 3.24% copper plus wider intervals with lower copper grades. The La Romana deposit has potential to grow along strike and down-dip and with infill drilling, provide an opportunity to quickly delineate resources. The La Cañada gravity target is approximately 1.5 x 0.5 km and untested. Several drill holes by Exxon and Boliden to the south of the La Cañada anomaly returned narrow intervals with copper and gold and show a very similar geological setting to the nearby Aznalcollar and Los Frailes mines, further pointing to the potential for the gravity anomaly to reflect massive sulphide.”*

There has also been a good amount of historical work on this land package. Unlike Aguilas, this previous development includes historical drill results that have already confirmed high-grade copper mineralisation. Boliden completed a further seven drill holes. However, none of the Exxon or Boliden drill holes tested the gravity anomaly. Exxon and Boliden were testing the potential beneath a Roman gallery that returned 30m @ 2g/t Au in channel sampling. Those holes actually intersected significant gold mineralization: 3.4 g/t Au over 2 meters, and 1 g/t over 3 meters. Channel sampling in the old Cañada Honda mine tunnel (south of the gravity target) has yielded an historical assay of **2 g/t Au over 30 meters**. Several other holes were drilled by Boliden.

The La Romana represents the highest priority target as the historical drilling by Exxon already confirmed massive sulphide with some high copper grades and stock work sulphide mineralisation over a 1.3-kilometre strike. Down-hole geophysics by Exxon also showed a conductor that indicates potential for the massive sulphide to extend a further 700 metres to the east where it remains untested.

As with Aguilas, while copper mineralization is the primary prize being sought with exploration at Escacena, this mineral-rich geology could also yield commercially minable deposits of other metals – in this case, zinc and gold. Because of the more extensive historical work on Escacena, this Project may actually represent a shorter path to producing a resource estimate.

*The only stumbling block to advancing Escacena is permitting. The Company has an exclusive agreement providing an option to acquire 100% of the Escacena mineral rights. Work will commence as soon as the mineral rights are granted. The company hopes the mineral rights will be awarded in September or soon after and allow work to commence in Q4, 2018.”*



Two large projects each offer multiple high-priority targets for exploration and the potential for multiple separate mining projects. With the copper market poised (according to Frank Holmes) for a strong rebound, now is the time for investors to be taking a close look at Pan Global Resources with – at the moment – a lean \$16 million market cap.

Most metals markets are in a trough, most mining companies have extremely compressed valuations. The two realities go hand-in-hand. As these metals markets revert from bear to bull market conditions, mining company stocks don't simply follow metals prices higher, they leverage those gains.

For mining investors looking to capitalize on low, current valuations in the copper sector, Pan Global Resources provides a strong leveraging opportunity.

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