



**New Pacific Metals Corp.**

TSX-V: NUAG | OTCQX: NUPMF

# **New Pacific Metals Corp.**

## **Conference Call Transcript**

Date: January 10, 2023

Time: 11:00 AM ET

Speakers: Dr. Rui Feng

Jason Zhang

**OPERATOR:**

Welcome to the New Pacific Metals presenting the preliminary economic assessment for the Silver Sand Project.

As a reminder, all participants are in listen-only mode and the conference is being recorded.

I would now like to turn the conference over to Dr. Feng, Founder, CEO and Director, who will be joining us from Bolivia. Please go ahead.

**RUI FENG:**

Thank you Operator, and welcome everyone to our New Pacific conference call to review the results of our PA for the Silver Sand project in Bolivia.

Before we begin, I would like to remind you that we will be making forward-looking statements during the call. Please refer to the cautionary statement included in the conference presentation and the news release. Our new release detailed the highlights of Silver Sand's PEA study. You can find a copy of this news release on our website and has been filed on SEDAR and EDGAR.

Earlier today marks a further milestone as we continue to advance the Silver Sand project and other projects in Bolivia, and the study—the PEA study demonstrates that the Silver Sand can be developed into one of the world's largest silver mines with a long mine life and high profit margins. Its development will bring economic benefits to all stakeholders, including the community in Bolivia and all the shareholders of New Pacific. We are very pleased with the results, and given the robust economic parameters of the project as a rule to accommodate any inflation pressure in capital costs or operating costs, or some area we may have overlooked. We're looking forward to adding value to the project by completing a more detailed pre-feasibility study and also (inaudible 0:02:19) the project by obtaining required permits for mining development.

Before we get into more detail, I'd like to thank our entire Silver Sand team, our independent consultants and our Bolivia partners, who have work extremely hard to deliver these high quality studies. We are now looking at (inaudible 0:02:42).

Just quickly a review, a bit of history. In total, 136,000 metres diamond drilling (inaudible 0:02:55) was drilled from 2017 and 2022, which informed the base for mineral resource estimates in 2019 and 2022. From this slide, you can see that the right boundary outlines augmented, the green dots are the drills.

Onto the next slide. So, just a quick review of two mineral resource of 2021 and 2022. The most important thing for 2022 is we have almost 95% of resource in measured and indicated categories, which has almost 200 million ounces of silver with 116 grams head grade, so these are big steps because moving forward for our PFS study, we were able to convert our measured and indicated resources into reserves, okay? Both was completed by AMC from Vancouver.

Next slide. So, PEA contributors are including following, like independent engineering consulting firm. The mineral resource was done by AMC Mining Consultants, geotechnical and hydrological by Itasca Chile, mining and infrastructure by AMC Mining Consultants, and metallurgy and processing by Halyard, and the tailing water and waste management by NewFields Canada Mining & Environmental ULC, and the environmental/social by Tierralta/Wood and the financial analysis by AMC, so these are the main contributors.

Next slide, please. The highlight of PEA will be open pit mining with a strip ratio of 3.6 to 1. Processing throughput will be 4 million tonnes per year. Pre-tax NPV at a 5% discount will be \$726 million with an IRR of 39%, so total payable silver metal produced will be around 171 million ounces of silver over a 40-year mine life, and the most important thing is ... the good thing is to have a starter (inaudible 0:05:16) with the first four years annual payable silver production will be over 15 million ounces of silver. Total capital costs will be \$327 million and the average life of mine operating cash costs will be US\$8.45 per ounce and the total all-in sustaining costs will be US\$10.42.

Next, please. For the study, just to review a little bit of base case parameter for Silver Sand PEA. So, we've done this total mine, total mineralized rock to be mined will be 55.4 million pounds, strip ratio will be 3.6 to 1, annual throughput will be 4 million tonnes, will be around 12,000 tonnes per day, and the head grade will be 107 grams with a silver recovery of 91% and a 40-year mine life, and the first full year will be over—production will be 15 million ounces of silver, and the silver payable calculation is the recovered silver from the mill (inaudible 0:06:24) 0.99 - 99%. The silver price used will be 22.5%, which is the average of an annualized forecast (inaudible 0:06:37) price.

A key part of this study was our capital cost estimate. So, our total capital cost estimate includes direct, indirect, and contingency will be around \$327 million with an initial capital of 308, and the key—which includes open pit pre-stripping of 18.5 million pounds \$47 million and processing plant will be \$186 million, tailing facility will be 25, and site infrastructure 47 and owner's cost 21. Just a footnote, right, on the contract—on the capital cost estimate we tried to bring your attention to, will be mining will be contract mining, so based on this study we need three 260-tonne excavators and 13 140-tonne trucks.

We contact several mining contractors already. They have existing equipment and they're ready and available to work for us if they want to—in a scenario we hire them. The processing plant and equipment and the facility—the tailing facility equipment estimates are based on quotations received globally. For example, (inaudible 0:08:07) same kind of a tailings facility constructions for El Dorado in their operations in Greece. They saw 8 million tonnes a year for the same kind of tailing facilities. Number three, the site infrastructure included power and water supply based on local quotations, so a comparison of capital costs—this is just some comparison.

Recently, (inaudible 0:08:36) released something by Osino Three Hill gold project, which has a 5 million tonne per year open pit and CIL operations, very similar process like us. It's a PFS study which is \$375 million, so we—they're 5 million tonnes a year, we are 4 million tonnes a year, so you if you reduce that by 20%, it's roughly the same as—it's very comparable to us. That's just an independent, like, a comparison study.

Go to next slide, please. So, here is the project economics for the Silver Sand PEA, right, so we have annual (inaudible 0:09:13), we've gone through that already, silver price and total payroll, so total revenue will be \$3.5 billion, mining costs will be \$9.55, processing plant including tailings will be \$14.85, G&A \$1.86, which is a total of \$26.26 because our tailings facility and the down pit side is very close to our pit, so that's the—kind of reduce a lot of trucking cost, and that's a key component for reducing mining costs is the truck and dispense. Our total operating cash costs of \$8.45 and all-in—total all-in sustaining costs will be \$10.42, so payback will be 1.4 years pre-tax; post-tax will be almost mid two years. Accumulated cash flow for the Company after tax, pre-tax will be \$1.72 billion and with post-tax NPV of 726.

Next slide, please. This chart—this table just shows you a sensitivity analysis of the study. In the middle, we have 100% of—the middle column, there's five columns, right, in the middle column we have 100%, which is the base column, which has a—you know, is the silver price, mining operating costs, milling costs, and the total capital cost maintained as a base case scenario, which has a 726 and 39% IRR. In the event of a silver price drop by 20%, mining operating costs, processing and mining operating costs and (inaudible 0:11:02) capital cost doesn't change, our NPV would be reduced to \$398 million. In another extreme case in the right-hand corner, where your total capital costs increased by 20%, your NPV will be reduced to \$678 million, okay. So, that gives you a sense of how sensitive, just like the project is more sensitive to silver price, like every other mining company has the same thing related to metal price.

This is a chart just to lay out our annual production projections and our Year 1 to Year 14, which has 4 million tonnes and—you can see the first four years, the silver head grade is 135 grams, right, and—which is—that's really substantially improves the economy of the project, and the lower end is the bar chart showing production of—annual silver production.

Next slide. This chart lays out—shows the site layout and the mining, right, and you can see from the right-hand chart, the green line is the access road and—which is a very wide, big road and can access to airport, nearby airport. Those purple lines are the pit boundaries. You can see the main pit, which has 97% of payable silver will come from the main pit, where the rest of the 3% is smaller pits, come from three smaller or several pits, you can see that is a bit—so it

doesn't mean nothing. Open pit mining will be conventional drilling and blasting, loading of excavators and the hauling by trucks, and the waste is hauled to external and in-pit waste rock dumps, and pre-strip—pre-production strip will get 18.5 million tonnes. The average daily throughput will be 12,000 tonnes mineral rock and 43,000 tonnes of waste rock, so given every day we need to move around 54,000 tonnes of material, right. In total 55.4 million tonnes of mineralized rock will be produced.

Next slide. Here is some internal mine design. The green are the roads, right, of the—internal trucking road, and you can see where the plant is, plant area, and also you can see is a waste dump, is a downstream valley, and that is also—we needed to build a water reservoir. There's a big catchment area. If you put a block there and we would ever—we would put it down there and now we could build a water cache reservoir, which may catch over 3 million tonnes of water a year and more than enough for us to use. I'll talk about it a little bit more in later slides.

So metallurgy and processing, right, metallurgic tests were completed by SGS Lima and a trade-off study of heap leach, of froth floatation and cyanidation was completed, and with our (inaudible 0:14:47) study before we were talking about heap leach, so based on this PEA trade-off study, (inaudible 0:14:53)—it's this (inaudible 0:14:57) leach mill, right, so the final flowsheet will be crush, SAG mill and ball mill grinding, and leach with cyanide in tanks, and C will be counter-current decantation and the zinc precipitation, and the silver doré will be produced onsite. Tailings will then dewatered and dry stacked and the water will be recycled, and the processing plant annual capacity will be 4 million tonnes. Processed wastewater will be sourced from a surface water dam, which I talked about already. People may think about Bolivia, that in this part of the world there's not a shortage of water, but the good thing is that the water on the other side of peak, which is Chile and Peru, they're short of water, but in Bolivia, there's a lot of water.

Next slide. Okay, so—go back. So, we've already talked about water, right, and here is the metallurgy flowsheet, and there's a lot of detail, I don't want to go through that with you guys.

Next slide, I think the metallurgy process will be very conventional and there's a well used process, so it's not a—there's no new technology, new high technology, it's all conventional technology readily available. Here is the water, right, I think that's the main thing I need talk to our audience, is mine water supply. It's on the chart, we can see those are one-two-three-four-five-six-seven-eight-nine-10, there are 10, we collected data from 10 weather stations nearby for the over last 10 years, and the red line would be Colavi station, which is five kilometres away from the project, and with a similar elevation. Elevation is important, right, and so based on this data we collected, the mean annual rainfall in the last 10 years was - is, is - was 660 million metres, right, so this is a lot of water compared to, I think, in Vancouver, maybe 2000.

The water dam catchment area, we did our independent study by Itasca—Wood, Wood, by Wood from Peru. They did a measurement and an exercise of the water balance, and there would be a 505 million square metres of catchment area. At 660 million metres, which is 0.6 metres of annual rainfall, it will catch around 3.6 million tonnes or cubic metres of water, so the water will be enough for the mine operations, and (inaudible 0:18:09) also we are able to distract some of the water for agricultural usage downhill from the water dam as the water consumption of the processing plant is less than one million cubic metres, so we can see this water dam, which also building included in the cost, in the capital cost, is more than enough for our metallurgical recovery process.

As a backup, right, the worst-case scenario, 8 kilometres downstream from Silver Sand there's plenty of water from a small river, which is year-round for—a lot of water. There's a lot of water around, so year-round it has a lot of water, so water is not a problem for Bolivia.

So, this concludes my—our presentation, and also our conference call. We'd like to thank you for attending. We appreciate your participation and interest. Management and other communication team are available for any other questions you may have in the future.

Now we open for questions. Operator, please.

**OPERATOR:**

Thank you. We will now begin the question-and-answer session.

The first question comes from Chris Thompson with PI Financial. Please go ahead.

**CHRIS THOMPSON:**

Thank you very much, Rui. Congratulations.

I have, I guess, two questions. One relates to the study. I'm kind of surprised to see the low life of mine sustaining capital costs. Could you give me—could you give us a sense of the breakdown of that?

**RUI FENG:**

(Inaudible 0:20:27) Breakdown, capital cost breakdown, please. So, the key thing is we don't have mining, right, we don't have a mining cost in the year.

**CHRIS THOMPSON:**

So, it's the sustaining capital, so that includes no sort of, I guess, pre-strip, it is just consumables, etc., etc.? What are the components of that?

**RUI FENG:**

Oh, okay. Jason, you can also take that question.

**JASON ZHANG:**

Yes, thanks for the question, so—I'll briefly. Our mining, as we mentioned before, mining would be outsourced to contractors and maintenance shaft dispatch and communication system will be contractors' responsibility.

The second thing is the breakdown of the sustaining capital. The \$20 million sustaining capital is mainly for the ongoing construction of the liner system for the dry tack tailings containment, which would be around \$12.2 million over the life of mine, and some allowance for the



processing plant and other infrastructure. We don't anticipate any other major sustaining capital during the life of mine.

The last point is a very major one, it's if you see the production scale, in Year 7 and Year 8 of the operation, we—at the mine, we anticipate a major pushback to unlock the ore for the later years, and we plan to expense the cost of the pushback with stripping instead of capitalizing it because we're going to supply the ore for the processing plant from the stockpile, and—.

**RUI FENG:**

Jason, refer to that production chart.

**JASON ZHANG:**

Yes, okay.

**RUI FENG:**

No, no, just—yes, okay.

**JASON ZHANG:**

Yes, you just see Year 7 and Year 8, the grade's slightly lower, and in those two years we have more waste stripping as well, but we didn't (inaudible 0:22:48) that sustaining capital—

**RUI FENG:**

We cost that. Now, though, there's an (inaudible 0:22:52)—because the (inaudible 0:22:54) is such, so it's relatively easy to mine, right, and so that's—after first pre-production strip of 18.5 million tonnes of material being removed, in the future there's not much more pushback.

**JASON ZHANG:**

Yes, other than Year 7 and 8.

**CHRIS THOMPSON:**

Okay, all right. Thank you very much. Rui, just maybe quickly talk about the next steps, if you would, what can we anticipate. Maybe touch on timing for the feasibility study, I thought you mentioned, as well as the permitting.

**RUI FENG:**

The next step, I think the PEA is a very important part of our permitting process, because a bit of Bolivia law, even if you remember the impact study report and the—so that report, a very important part of that is the property descriptions, so this PEA will basically form the base for that report, and now they have a property description already, so that's very—that's the big thing for us, where we'll be working with the community to get a community agreement. It will take some time. We started our process last June and we are making progress, so by (inaudible 0:24:16) with the PEA and the community agreement, we will be able to submit to the government an environmental impact study, and hopefully after their review, we'll get an environmental impact statement, which is a permit, environment permit.

We have a mining permit already, so with that, we'll be able to start to finance and develop the project. The timeline for that is we're looking at 2023 timeline.

**CHRIS THOMPSON:**

Okay, thank you very much. Just maybe finally, just touch on your relationship with Camibal (phonetic 0:24:59).

**RUI FENG:**

I think the Camibal (phonetic 0:25:05) relationship, it's kind of a—I mean, look, it's ongoing and friendly, but the problem is their president changes every three months, and then one of our—we have an NPC with the—the key part will be two—there are two areas, right, which has a big impact for us. One is we—our line is relatively small. Our maturity of the mineral resource, we think that this is our pit, but to expand the mine life, we need the surrounding area for more drilling, so that's very important. Also in the south end of our main pit, we need a little bit of—an easement from the Camibals (phonetic 0:26:07). That will be part—it wasn't in the part of NPC,

right, and we signed an agreement with them already, a revised one which gives them more benefit. Their board of directors has approved that. But we need to move forward through their governance process, and with a final approval from their parliament, right, so our dream is hopefully we'll get that done this year too.

**CHRIS THOMPSON:**

Okay, thank you. Then finally, did you say that you're going to be—you're going to try and permit this on the back of the PEA, or would you envisage a feasibility study or PFS?

**RUI FENG:**

Actually, we are doing a PFS too. We contracted two international consulting firms to do this PFS, and hopefully we will get that done soon. As I said, the key thing for the development of this project is the environmental impact study which requires a property description, so we consulted with the Bolivia government. They were happy with the PEA, actually.

**CHRIS THOMPSON:**

Great, okay Rui. Thank you very much. Congratulations.

**RUI FENG:**

Thank you, Chris.

**OPERATOR:**

Once again if you have a question, please press star then one.

The next question comes from Joseph Reagor with Roth Capital Partners. Please go ahead.

**JOSEPH REAGOR:**

Hey Rui and team, thanks for taking the questions, and congrats on the PEA.

**RUI FENG:**

Hi Joe, thanks.

**JOSEPH REAGOR:**

Just kind of following on the prior questions a little bit, if all goes according to plan, what's the target timeframe to start construction? I think that's what we were trying to—the previous caller was trying to get to, but not directly asking.

**RUI FENG:**

Okay, we've got approval hopefully by the end of 2023 and I have maybe got some money for you guys, and we'll be able to get going in 2024.

**JOSEPH REAGOR:**

Okay, and then it would be, like, what - an 18-month build?

**RUI FENG:**

Eighteen to 24 months, so we're talking everything. We have the Bolivia government, the president, he has also a five-year plan, and this Silver Sand is—they want to develop six new mines, so this Silver Sand—you know, I haven't seen the report but I heard it from a government official that Silver Sand is part of that six projects they want to put into production before the end of 2025. You can see the Bolivian government sometimes doesn't function that quickly or smoothly, and so—but we are pushing, right?

**JOSEPH REAGOR:**

Yes. Yes, I don't think that's just Bolivia. So—okay, then what was the tax rate you guys assumed in the model?

**RUI FENG:**

The model would be around 32, because there'd be income tax of 32% and royalty would be 5%, so...

**JASON ZHANG:**

The effective tax rate we used is 32.5 since we produce silver doré onsite, according to Bolivian...

**RUI FENG:**

But there's income tax and then there's a royalty, there's a 5%—6% royalty on top of that, so that's 6% royalty and then 32.5% income tax, and then there's 13% VAT. But in this case, we're selling silver, there's no VAT, but our cost has VAT.

**JOSEPH REAGOR:**

Okay, okay. Then is there any potential that you guys might ultimately change your mind on the contract mining versus owning your own fleet, or did you guys already do a trade-off study and it just made more sense to use contract?

**RUI FENG:**

I think we reduced the capital costs, right, because there are—you know, within Chile/Peru, there's a lot of spare trucks and excavators available.

**JOSEPH REAGOR:**

Hm, okay. Then last thing is just—you know, as you guys move this thing to permitting and then potentially construction, should we expect that the majority of the exploration budget will be spent on other projects, or will you guys still be exploring around Silver Sand?

**RUI FENG:**

I think Silver Sand, with this PEA, we conclude that—you know, before we get a development going with them and spend more money on Silver Sun project, so yes, right, so we'll give the—actually, we are converting our exploration team to a mining permitting and developing team already. We reduced our exploration people there, and so—yes, we're going to focus more on (inaudible 0:31:31) project.

**JOSEPH REAGOR:**

Okay, all right. I'll turn it over. Congrats again.

**RUI FENG:**

Thank you.

**OPERATOR:**

This concludes the question-and-answer session and today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.