

Rimfire Pacific Mining (RIM)

Price: A¢5 Recommendation: Speculative Buy Market Cap: A\$29m

Site Visit Completed

We recently attended a site visit at ASX-listed Rimfire Pacific Mining's Sorpresa Project in New South Wales. Highlights from the visit included:

- **Drilling has returned several outstanding, high-grade shallow intersections**, including 14m @ 24.4 g/t Au, 16m @ 5.32 g/t Au, 14m @ 21.9 g/t Au, 10m @ 535 g/t Ag and 12m @ 394 g/t Ag.
- **The project shows potential for several commodities**, including gold, silver, platinum and copper, and various styles of mineralisation. The main targets are gold and silver.
- **Sorpresa is likely just the first of many discoveries** of what is a much larger gold-silver system along a flat-dipping mineralised horizon.
- **Exploration to date has demonstrated significant 'smoke'**. As yet though, not enough work has been completed to demonstrate a commercially-viable deposit.
- **The project has good infrastructure**, and is located near sealed roads with grid power and land access.
- **Preliminary metallurgical test-work** is underway.
- **The project hosts the 20,000oz 'Platina Lead' alluvial platinum mine**. Historically this is Australia's largest platinum mine.
- **Cash position** is low at <A\$1.5m.

Comment

The recent drilling results were impressive and confirm the high-grade shallow (open-pittable) gold and silver mineralisation at Sorpresa. It is still at a relatively early stage of exploration, but mineralisation looks to be confined to a black silica marker horizon. Mineralisation grades and widths appear to be variable within this horizon and governed by the presence of late stage brittle (epithermal?) faults intersecting the black silica host. The black silica host looks likely to be a silicified graphitic shale. This horizon also hosts pyrite and arsenopyrite sulphides. The shale would have acted like a sponge for gold and silver mineralisation (utilising the faults as a conduit) due to favourable geochemistry and a favourably silicified brittle horizon. The presence of sulphides and graphite makes this horizon very detectable, with geophysics that should assist future exploration. The shale, whilst folded at various points, is largely flat dipping at Sorpresa, making it a relatively extensive shallow target for future exploration.

The regional geology looks extremely favourable as the Fifield area that includes the Sorpresa prospect is located at the intersection of two major shear zones: the Lachlan-Cadia Lineament and the Gilmore Fault. These major structures are associated with a number of significant orebodies and the intersection of the two structures is likely to be significant. This may help to explain the varied and probably extensive mineral wealth in the area. Not only is the project host to high-grade shallow gold and silver mineralisation, but it also hosts a significant alluvial platinum deposit. Studies on the transported platinum at the historic mine indicate that the primary source of this alluvial platinum (and gold) is nearby.

The company has also determined an extensive gold anomaly at the Yoes lookout that is spatially coincident with a circular magnetic anomaly. The geology is reportedly what hosts the large (>200Mt @ 0.57% Cu and 0.26 g/t Au) North Parkes gold-copper mine. This gold-copper porphyry target remains untested. Furthermore, the project hosts potential for other base metals.

Exploration completed to date has demonstrated the potential for significant precious metal mineralisation at Sorpresa and determined that a number of exploration tools can be utilised to assist effective exploration going forward. We think exploration to date, whilst useful, is centred on understanding relatively isolated small deposits. Although this has greatly assisted in the understanding of the geology, it has made the project appear more complicated than it actually is. In our view, Sorpresa is at the point where a more holistic and integrated exploration approach with dedicated modern project management expertise is required to determine the potential for commercial-scale production. Market timing is ideal as many well-credentialed professionals are now available to take on this role. Rimfire has hinted to the market that it is going through a process of change and will look very different by the end of 2013; we believe a modified exploration approach at Sorpresa may be part of this.

The project is still at a relatively early stage of exploration, but the company is already completing preliminary metallurgical test-work. We think this is extremely important as the host black shale has the potential to host both refractory and preg-robbing mineralisation that could provide challenges to the eventual processing of ore. The gold is reported as being relatively fine grained, so an idea of how fine and, therefore, how much power may be required to grind the ore would be beneficial; early indications are that recoveries will be reasonably favourable and the ease of panning for gold indicates a portion will be extracted through gravity recovery.

The large, under-explored 100%-owned Fifield Project requires significant future exploration. We estimate that Rimfire has cash of around A\$1m; the company will clearly require funding to continue its exploration. One source of future funding is through a strategic JV partner that will fund aggressive exploration and provide expertise to earn into the project. While the market is not favourable for cash-strapped explorers at the moment, we hope the extensive exploration potential at Sorpresa will be apparent to investors, thus positioning Rimfire for a more conventional equity funding option.

Recommendation

On completion of our recent site visit we can see the potential for extensive gold and silver mineralisation at Fifield. If the company is able to overcome short-term funding challenges and focuses on a more holistic exploration strategy, then we would expect significant exploration success going forward. Based on this exploration potential, we initiate coverage of Rimfire Pacific with a **SPECULATIVE BUY** rating.

- Diamond drilling results — 1H13
- Metallurgical test-work — 2013
- Resolution of short-term funding requirements — 2013

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