

# HALLGARTEN & COMPANY

## Initiation of Coverage

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Nevada Zinc (TSX-V: NZN, FSE: 6GX, GDSKF)  
Strategy: Long

Key Metrics			
Price (CAD)	\$0.58		
12-Month Target Price (CAD)	\$1.12		
Upside to Target	93%		
12mth hi-low CAD	\$ 0.185 -0.80		
Market Cap (CAD mn)	\$38.63		
<b>Shares Outstanding (mns)</b>	66.6		
<b>Fully Diluted (mns)</b>	73.1		
	<b>FY15</b>	<b>FY16e</b>	<b>FY17e</b>
Hallgarten EPS		(0.02)	(0.03)
Actual EPS	(0.03)		
P/E	n/a	n/a	n/a

# Nevada Zinc

## Riding the Resurgent Zinc Wave

- + Zinc prices have been one of the best performers in 2016, up more than 50% from 2015 lows
- + Perseverance through the downtimes has paid off for companies like Nevada Zinc
- + Lone Mountain is one of the very few Zinc projects available in the United States
- + Stunning recent results yielded one drill hole with 100 metres of 7% Zinc/Lead
- + Closeology working in company's favour with a large amount of territory abutting the recently acquired (by Goldcorp) Kaminak Gold Coffee project
- + Spin out of Yukon assets could make a juicy bonus prize
- × No resource estimate as yet
- × Lead & Zinc have had a tendency in recent to times to lose their gains as swiftly as they made them

### **Zinc – It Never Rains but it Pours**

The Great Zinc Drought might be said to be broken, but those calling the end of this protracted dry spell going back to 2006 have been proven foolish before. However, this time around the degradation of the zinc mining space through mine closures, lack of a pipeline of new projects (or even old mines to reopen) and virtually zero exploration since 2011 means that the landscape is not only parched it is veritably scorched earth.

Zinc fell from about \$0.90 per lb in the late '80s to \$0.40 per lb in 1993, then spent the rest of the decade constricted to a range between \$0.40 and \$0.55.

After the Tech Crash in 2000, it sunk below \$0.40 per lb until 2003 when it began to regain traction. In 2004-5 it broke out above what appeared to be a multi-year \$0.50/lb resistance and within two years quadrupled. In late 2006 it broke above \$2 per lb.

### **Lone Mountain**

Nevada Zinc's 100% owned Lone Mountain project is located within close proximity to Eureka, Nevada with its 224 claims spread out over 20 square kilometres surrounding the historic Mountain View Zinc Mine. Between 1942 and 1968, more than 5 million pounds of zinc, 650,000 pounds of lead and 4,000 oz. of silver were mined at Mountain View.

Located in close proximity to other producing mines, Nevada Zinc's Lone Mountain project has good access to important infrastructure, such as roads, energy and water.



### **The Backstory of Nevada Zinc**

The company's original name was Goldspike Exploration. In mid-2014 it acquired the Lone Mountain Zinc property from Norvista Capital Corporation. The initial property was comprised of 176 claims in Eureka County, Nevada. In consideration for the assignment, Goldspike issued 2,000,000 common shares to Norvista at a deemed value of \$0.15 per share. The name changed to Nevada Zinc in March 2015.

The Lone Mountain project today has grown from that first transaction to now include two additional properties optioned from Bravada Gold (BVA.v) in late 2014 (the North Lone Mountain and South Lone Mountain concessions), as well as the 100% owned Mountain View Mine property and some further staking by the company.

The South Lone Mountain property is actually north of Lone Mountain and located about 32km northwest of the town of Eureka in central Nevada. It consists of 20 unpatented mining claims, located on U.S. federal land. Many of the initial claims were staked by Placer Dome as part of a property agreement with Bravada. Placer contributed money to drill nine reverse-circulation and mud-rotary holes on the property. When Placer was purchased by Barrick the agreement was terminated.

In October 2014, Goldspike entered into a lease, with an option to purchase, agreement with Bravada to acquire a 100% interest in the South Lone Mountain property for aggregate lease payments of US \$325,000 over ten years. In addition, Bravada received 50,000 Goldspike common shares and will receive another 100,000 shares in the company in the event a NI43-101 combined resource estimate for the company's Lone Mountain zinc property and the South Lone Mountain property indicates that at least 10% of the reported tonnage is attributable to the Bravada component of the property. All lease payments can be applied to the final purchase price of US\$325,000, after which advance minimum royalty payments become due annually in the amount of the cash equivalent of 50 ounces of gold.

Bravada and a previous owner of the property have royalties on production from the property. Bravada holds a 1.5% NSR on base metals production and a 3% NSR on precious metals production. Bravada's base metal NSR can be reduced to 1% and its precious metals NSR can be reduced to 1.5% concurrently, not individually, by Nevada Zinc for a cash payment to Bravada of US\$3mn. Additionally, the previous owner of the property holds a 1% NSR on both base and precious metal production from the property. Nevada Zinc can concurrently, not individually, buy down the original owner royalty on both base and precious metals to 0.5% for of US\$3mn.

North Lone Mountain is a property in which Bravada owns a 100% interest in 56 unpatented lode-mining claims. In March 2015, an agreement was signed with Goldspike allowing Goldspike to earn a 50% interest in the these claims by financing a work program of US\$150,000 over two years, after which the companies will form a joint venture to further explore and develop the property. The property is subject to a 1% NSR royalty, which can be reduced to a 0.5% NSR by payment of US\$3mn at any time.

In September of 2015 the company announced that it had purchased a 100% interest in the Mountain View Mine from Combined Metals Reduction Company for a mere US\$50,000. The former mine was the key missing piece and thus an acquisition target since the company commenced exploration and drilling on its held areas in 2014. Nevada Zinc acquired ownership to 100% of all mineral titles in the Lone Mountain area. The MVM property boundary is located within 60 metres of the closest point of drilling on the Discovery Zone.

## **Geology**

The mineralization is thought to be located at or close to the contact of the Devils Gate Formation, an Early to Middle Devonian dolomite in the Nevada Formation. Rocks in the area generally strike northwest-southeast and dip generally 55 degrees easterly.

Throughout the Diamond Mountains from north of the Phillipsburg mine to the Alhambra Hills, the Bay State dolomite member of the Nevada formation is overlain by a thick sequence of rather massive limestones that are easily distinguishable both from the Bay State dolomite member below and the calcareous shales of the overlying Pilot shale. Authors from the USGS term it the Devils Gate limestone, though others call it the Devils Gate formation.

In addition to the occurrences in the Diamond Mountains and at the eponymous locality of Devils Gate the formation occurs at Lone Mountain and throughout the Mahogany Hills. One of the best exposures of the Devils Gate limestone unit is on Newark Mountain in the southeast portion of the Eureka quadrangle, where the formation makes up the upper portion of the impressive eastward-facing scarp that rises nearly 2,000 feet above Newark Valley.

The Devils Gate Formation is composed in large part of thick-bedded gray to blue-gray limestone that is cliff forming in most places. The limestone that makes up the greater part of the Devils Gate is relatively free from clay or silt, except for the local thin argillaceous partings, and is hard, dense, and brittle.

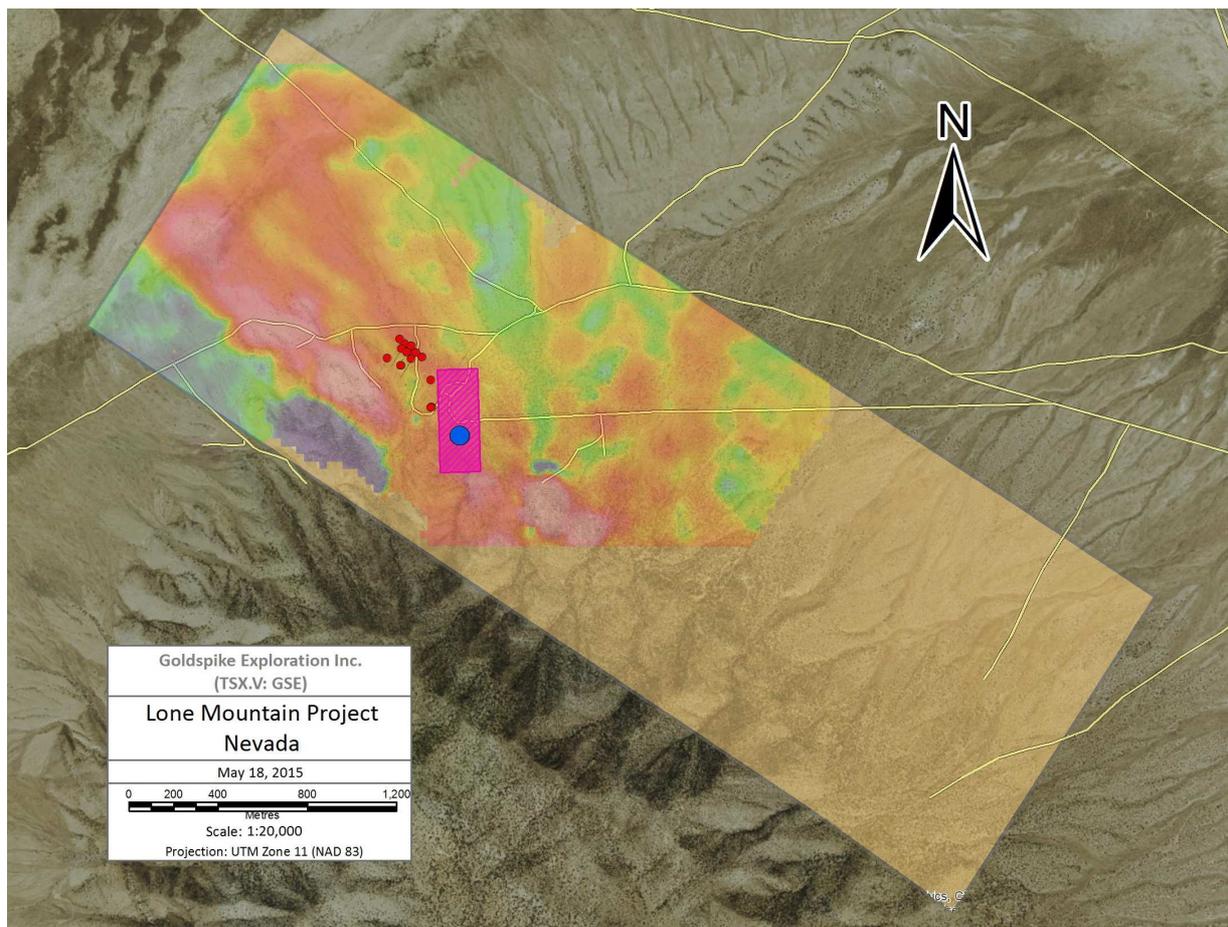
Dolomites or dolomitic limestones are uncommon, though some occur at the base and near the middle of the formation.

Work done by the USGS in the 1940s and 1950s reported the thickness of the Devils Gate limestone ranges from about 675 feet east of the Phillipsburg mine in the Diamond Mountains, to 2,065 feet in the combined sections at Devils Gate and Modoc Peak. A partial section on Lone Mountain included more than 1,100 feet of beds; a complete one on Newark Mountain, about 1,200 feet; and another complete one in the Diamond Mountains northeast of Black Point, 750 feet.

### Exploration

The target area contains a well-defined coherent Zinc anomaly and less than 10% of the target has been evaluated thus far. There is significant Zinc and Lead in the soil with the majority of it being covered by overburden and has never been drilled.

The map below shows the geochem signatures of the main targets (the historic mine block is in pink).



Tuesday, September 6, 2016

Drilling to-date, between surface and 250 metres, has identified mineralization for more than 450 metres along the main trend from the west side of the Discovery Zone area to the east side of the Mountain View Mine Property. Drilling to date shows a strong correlation between geochemical results and assay results.

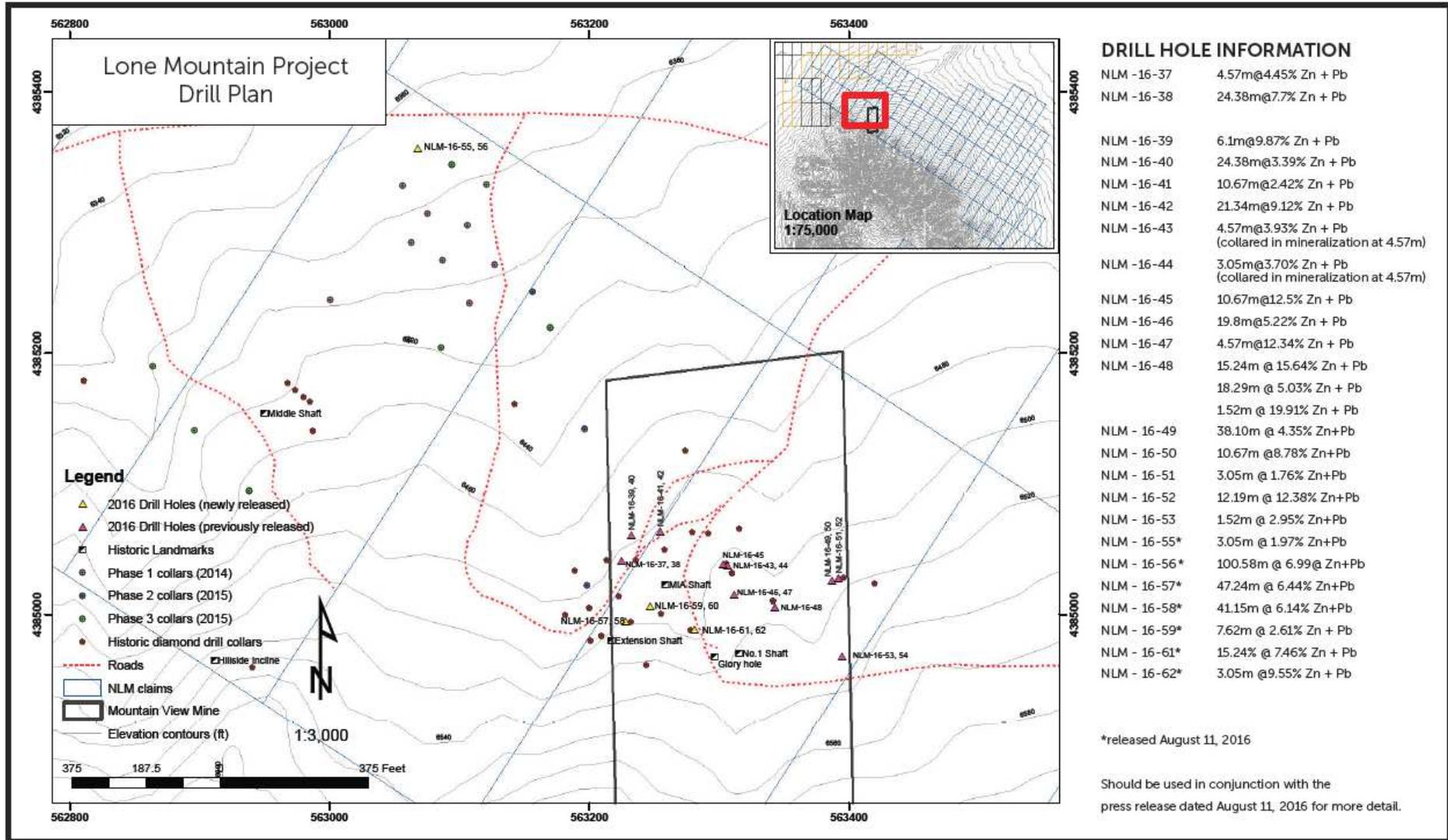
Data from a drill hole in 2007, as well as assay results from the recent Phase I to and Phase IV drilling conducted by Nevada Zinc have led the team to believe that there is a substantial untapped mineralized body of Zinc below the surface.



The company has now reported results from several cross sections of drill holes where multiple holes have been completed. Holes on each of the three sections intersected significant intervals of zinc/lead mineralisation.

In recent weeks the company announced the results of its most significant drilling effort so far which consisted of eight reverse circulation drill holes. The current drilling program is part of a work program designed to evaluate the potential of the project area to host near surface zinc-lead resources that could potentially be mined using low cost open-pit mining techniques.

The majority of the drill holes reported to-date from the Mountain View Mine property and the Discovery Zone areas of the project have intersected near surface zinc-lead mineralization that is now known to extend from surface to a depth of approximately 250 metres beyond which it remains open to further expansion. Most notable was the very strong result from Drill hole LM16-56, at the Discovery Zone area, which intersected a broad zone of mineralization commencing at a depth of 164.59 metres and continuing for a hole length of 100.58 metres that averaged 7% Zn + Pb. This is the deepest test of the Discovery Zone to-date and the zone remains open to further expansion below this depth.



Six of the eight holes were drilled to test for the presence of shallow, non-sulfide, zinc-lead mineralization in areas proximal to historic small-scale mine operations on the west side of the old Mountain View Mine Property. Most of the drill holes intersected significant zinc-lead mineralization at shallow depths associated with brecciated and fractured sedimentary rocks of the Devils Gate Formation. At a depth of only 6.1 metres from surface, drill hole LM-16-57 intersected 6.4% zinc+lead mineralization over a hole length of 47.24 metres (155 feet). Drill holes LM-57, 58 and 59 appear to have intersected historic workings or other near surface poorly consolidated material and therefore did not have complete sample recovery included in the zones of mineralization.



Drill hole LM-16-55 and 56 were drilled to test the northwesterly and down dip part on the Discovery Zone and the extremely broad zone of mineralization in drill hole LM-16-56 is the deepest test on the Discovery Zone to-date.

Most of the South Lone Mountain property is covered by gravel, but hints to the bedrock geology are present on the east flank of the project and the adjacent area of Lone Mountain. Several relatively deep holes in the basin also have defined the geology. The South Lone Mountain project is on the northwest-trending Battle Mountain-Eureka gold trend. The basin to the west of Lone Mountain has been downthrown at least 300m from the bedrock exposures on Lone Mountain. Seismic evidence and drilling suggests a series of Northeast-trending normal faults that cut the basin. Several northwest trending faults are also indicated by the seismic work. Most of the drill holes in the basin have encountered at least 300m of gravel cover.

Records from further back (February 2005), when Placer Dome was funding work to earn-in, reported anomalous gold in samples collected from an oil well on the property. The chips contained up to 2.36g/t Au in basal gravel. The basal gravel sits directly upon Roberts Mountains Formation, which has been dolomitized at this location and contains minor quartz veinlets.

Placer acquired additional geology and geochemistry from other historic oil wells in Kobeh Valley, conducted geologic mapping and sampling at Lone Mountain, collected detailed gravity geophysics over the entire property and some surrounding areas, purchased and reprocessed 48-line-kilometres of seismic geophysics, collected soil and gas geochemistry, and drilled nine reverse-circulation and mud-rotary holes for a total of 3,514m in 2005 and early 2006. Two areas were tested by drilling with three additional mud-rotary holes (1,247m) during late 2006/early 2007. Drilling was unsuccessful in determining the source of the gold at the bedrock contact so interest in working the area lapsed.

The North Lone Mountain project is located in Kobeh Valley just off of the southern edge of the Roberts Mountains. The property is concealed by alluvium, but Paleozoic sediments are exposed immediately west, in low hills, north in the Roberts Mountains and south at Lone Mountain. There are various drill holes located on and adjacent to the claims, for which limited data is available.

Beneath alluvial cover is basement composed of carbonate rocks, referred to as Lower Plate, and siliclastic rocks, referred to as Upper Plate rocks. Depth to bedrock is believed to range from 0m to +400m in the project area. Lower Plate carbonates that have been recognized in drill holes include the Lone Mountain dolomite and various overlying limestone, silty limestone, and dolomite.

### **Initial Metallurgy**

The metallurgy shows a low overall iron content of less than 2%, while the dense media separation (DMS) plant work shows that the project could make a shippable concentrate using only DMS, which should be inexpensive to build. Dissolution testing was very favourable, showing the mineralization dissolves very quickly and is rather insensitive to temperature. Outotec referred to the dissolution characteristics as 'exceptional'. It is important to reduce the carbonate content to reduce acid consumption as has been demonstrated using DMS.

### **Resource Potential**

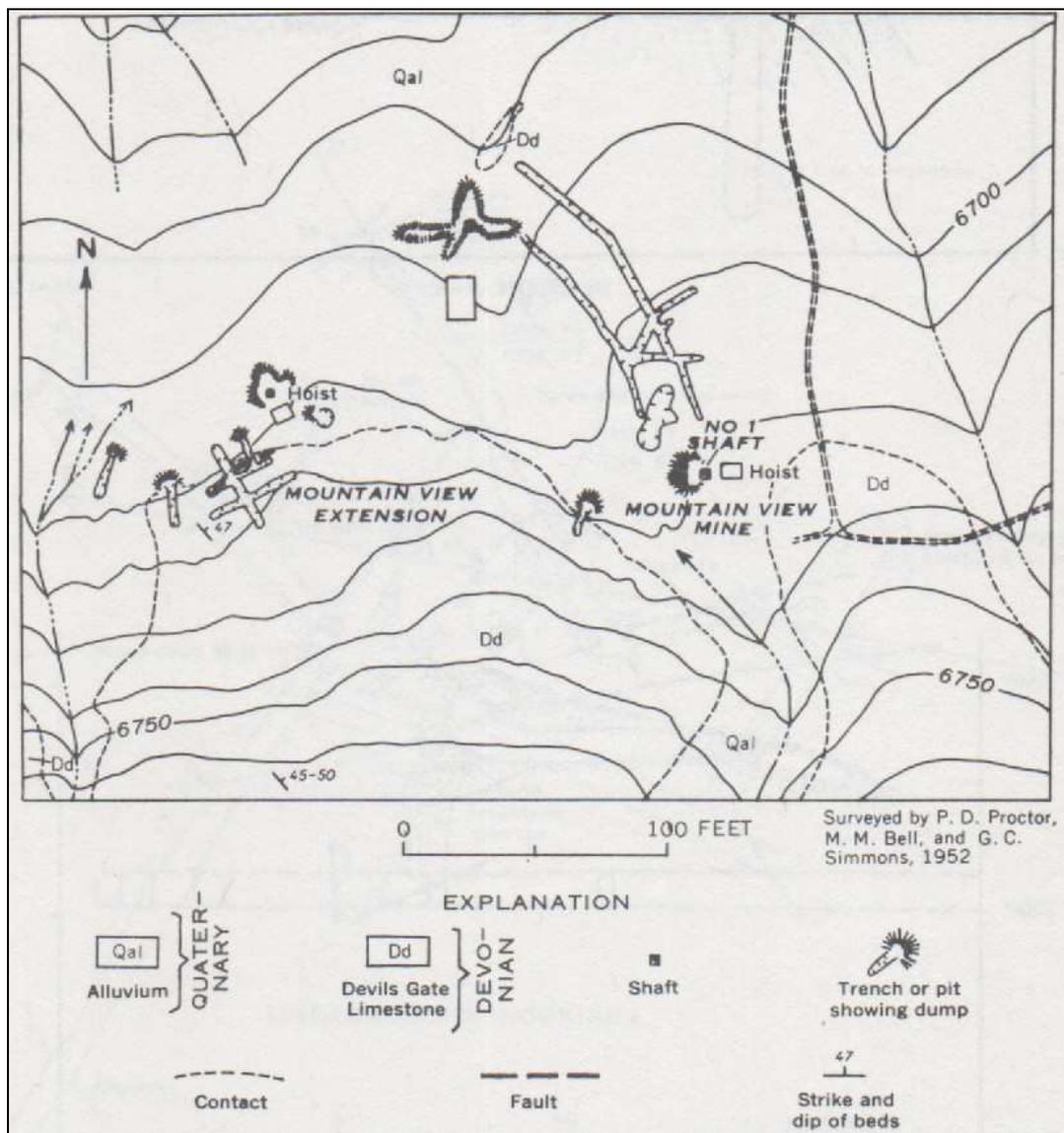
Management at Nevada Zinc see the target as a minimum five million tonnes at a grade of 5-10% Zinc+Lead as achievable in the next several months with a target to start a resource estimate later this year.

### **The Mountain View Mine**

Old geological reports indicate that the first claims were located in the area in 1920 for zinc. Production was small until 1942 when high grade zinc carbonate was discovered on the Mountain View claim. An underground mine was established with levels on the 44-foot and 82-foot levels. Production in 1942-

1943 totaled 2,284 short tons grading 28.8% zinc and 4% lead. Production from 1942 to 1964 amounted to 4,952,627 lbs of zinc, 649,579 lbs of lead, 4,040 ozs of silver and 600 lbs of copper.

The mineralogy of the ore was reported to be smithsonite, zincite, hydrozincite and cerussite, malachite, and azurite. It was reported that small amounts of sulphide were present locally, principally, sphalerite, galena, chalcopryite, and pyrite. A small drill program was reported to have been completed in areas proximal to the MVM property which indicated the presence of additional mineralization.



In November of 2015 Nevada Zinc acquired historical data from exploration and mining work done in the past at the Mountain View mine. The data comes from two different sources, and some of it is over 70 years old.

Highlights include:

- Records indicate that there were 41 generally very shallow surface drill holes completed during 1944 and 1945 to test for near surface zinc mineralization in the vicinity of the MVM mine workings and extending to the west to the general vicinity of the up-dip projection of the company's Discovery Zone of mineralization.
- Some information was located for 33 of the historic drill holes indicating they were drilled at a variety of angles, dips and to various lengths. Virtually all of these holes intersected significant intervals of zinc mineralization.
- 28 holes were drilled on or in close proximity to the MVM property and stretch across the projected strike length of the main zone from the west boundary to the east boundary of the MVM property, a distance of 180 metres.

None of these diamond drill holes are reported to have tested the main zones of zinc mineralization more than 250 feet below surface and most intersected mineralization at depths of less than 100 feet.

### Zinc – Challenging its Previous Resistance

If one enquires of a gold bull as to what the top performing metal of 2016 might be, they will immediately claim their own as the winner when in reality the best performing major metal is in fact Zinc. It was only a couple of weeks ago crossing the US\$1 per lb threshold and it is now a long way from the US\$0.67 at which it bottomed in the second half of last year.



As the preceding chart shows, Zinc has found resistance in previous years around the \$1.10 per lb level and has then retreated. However, the supply situation has never been as bad in the last ten years as it is now.

It seems but a distant memory, but last October the obituaries were being written for Glencore, the world's largest Zinc trader with over 60% of global traded volumes. Now those fears are well in the past and Glencore, like Zinc, has arisen from its grave.

A key component of this turnaround has been scheduled mine closures (shown below) combined with temporary mine closures (by the likes of Glencore) to get the market back in balance.

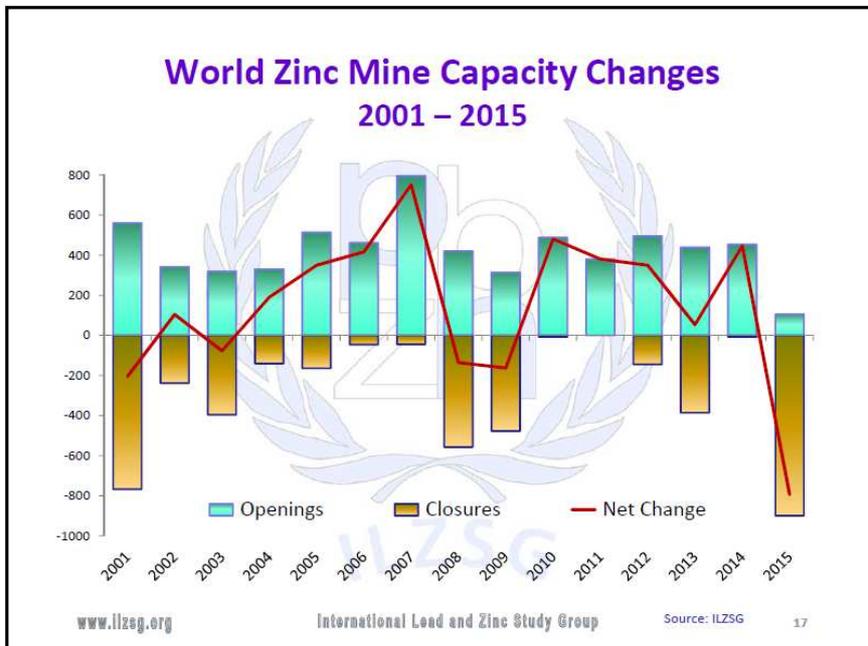
<b>Zinc capacity closure in 2015</b>		
<b>Mine</b>	<b>Annual Capacity (Zinc contained - tonnes)</b>	<b>Owner</b>
Century, Australia	-500 000	MMG
Duck Pond, Canada	-34 000	Teck
Myra Falls, Canada	-27 000	Nyrstar
Wolverine, Canada	-53 000	Yukon Zinc
Lisheen, Ireland	-175 000	Vedanta
Campo Morado, Mexico	-10 000	Nyrstar
Naica, Mexico	-25 000	Penoles
Pallca, Peru	-15 000	Mitsui
Gordonsville, USA	-60 000	Nyrstar

Then if things couldn't get worse in 2016 we are seeing:

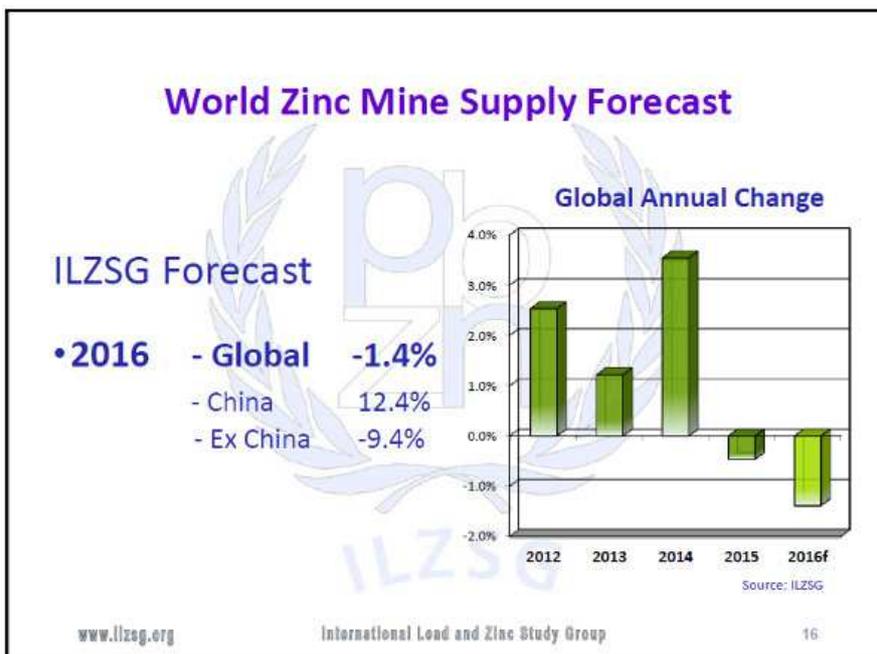
- Glencore has reduced zinc mine output by 500k tpa in Australia, Kazakhstan and Peru
- Reduced output at HZL's Rampura Agucha operation in India due to technical difficulties
- CBH Resources and Perilya to reduce production at Endeavour and Broken Hill mines in Australia
- Suspension of output at Al Masane in Saudi Arabia

In its recent results announcement, Glencore reported mining 506,500 tonnes of the metal in 1H16, a reduction of 223,800 tonnes from the same period of last year. Most observers think the company is not in a rush to reopen capacity until prices are even more rewarding. It should be remembered that Glencore as the largest trader and one of the largest miners in Zinc is in a "head you win, tails you win" situation with rising prices even if it keeps capacity closed until prices are, say \$1.15 or \$1.20. Even then it can eke capacity back into operation to not upset the balance of supply/demand and weaken prices.

Below we can see mine capacity changes this century. The year to contrast with is 2008, a bad year for every metal where the opening/closing ratio was not even vaguely as unbalanced as now with an even greater accentuation of the closures in 2015.



Heavy underinvestment has taken its toll on the pipeline of new projects, to the effect that there aren't any to speak of. Therefore the International Lead and Zinc Study Group have projected shrinkage in supply for 2016, just as prices have started to surge. Here is their projection.



It may not be a large decline but 2016 is the second negative year in a row and reflects declining production from existing mines, exacerbated by mothballing or production cuts as a response to weak prices. The latter two actions can be reversed given time, but exhausted mines are removed permanently from the equation.

The industrial end-users of Zinc are now facing the long awaited perfect storm in zinc, where a modicum of demand growth encounters a chasm in the production pipeline. However, we should rephrase that as there is NO production pipeline to speak of. This is the major metal where least money has been spent since 2006 in new discoveries or development than any other metal.

Zinc is of course linked inextricably with the fortunes of Lead, where prices have lagged and production has also been impacted by closures of mines (and repurposing of refineries, such as Nyrstar's actions at Port Pirie).

This trend is feeding through to LME warehouse levels as the chart that follows shows. Statistics (always rubbery out of China) suggest that Shanghai stocks are not what they were either with a considerable shrinkage.



Added to this is the estimate for the trade study group of a 3.5% rise in demand in 2016 and we can see a supply crunch that is motoring the price along nicely. With such a tailwind, and end-users scrambling to write contracts to guarantee supply, the price has recently breached the \$1 per lb level, where it has consolidated, and looks almost ready to challenge the previously impenetrable \$1.10 barrier. What will happen is that no major in the mining industry shall consider new investments until prices breach \$1.20

and even then they would rightly (on previous bad experience) want to see them hold there before getting over-excited about launching projects. This means an ever-worsening supply situation. For existing producers this will be a deeply profitable and long overdue development.

The mood will fire up the hunt for juniors that have respectable projects by investors and by potential predators.

### **Up Close & Personal With Kaminak**

Closeology is all the buzz these days and it certainly helps, in the period just past when funding exploration was almost impossible for most juniors, that a well cashed up neighbor was doing significant work and what they did rebounded well onto neighbours. This is definitely the case for Nevada Zinc, which despite its name has held significant territory in the Yukon for quite a while now.

On the practical pro-active side it has commenced work on its VIP property located just west of Kaminak Gold's (now Goldcorp's) Coffee project. In mid-May 2016, Goldcorp announced that it had agreed to purchase all of the issued and outstanding shares of Kaminak Gold in a deal valued at approximately \$520mn. This deal energized the market for Yukon properties and had collateral benefits for neighbours and other Yukon explorers in general by reinforcing the attractiveness of the area to majors.

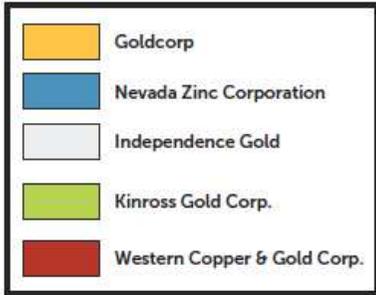
### **VIP – (Maybe) Very Important Prospect?**

Nevada Zinc's VIP property is composed of more than 750 claims (amounting to 15,000 hectares) covering about 15 kilometres of favourable, largely unexplored geology to the west of gold discoveries at both Kaminak Gold's Coffee project and Independence Gold Corp's Denali project. The VIP property was originally staked by a group familiar with the Coffee project, and the VIP claims were staked and acquired by Nevada Zinc prior to the Coffee project gold discovery in 2010.

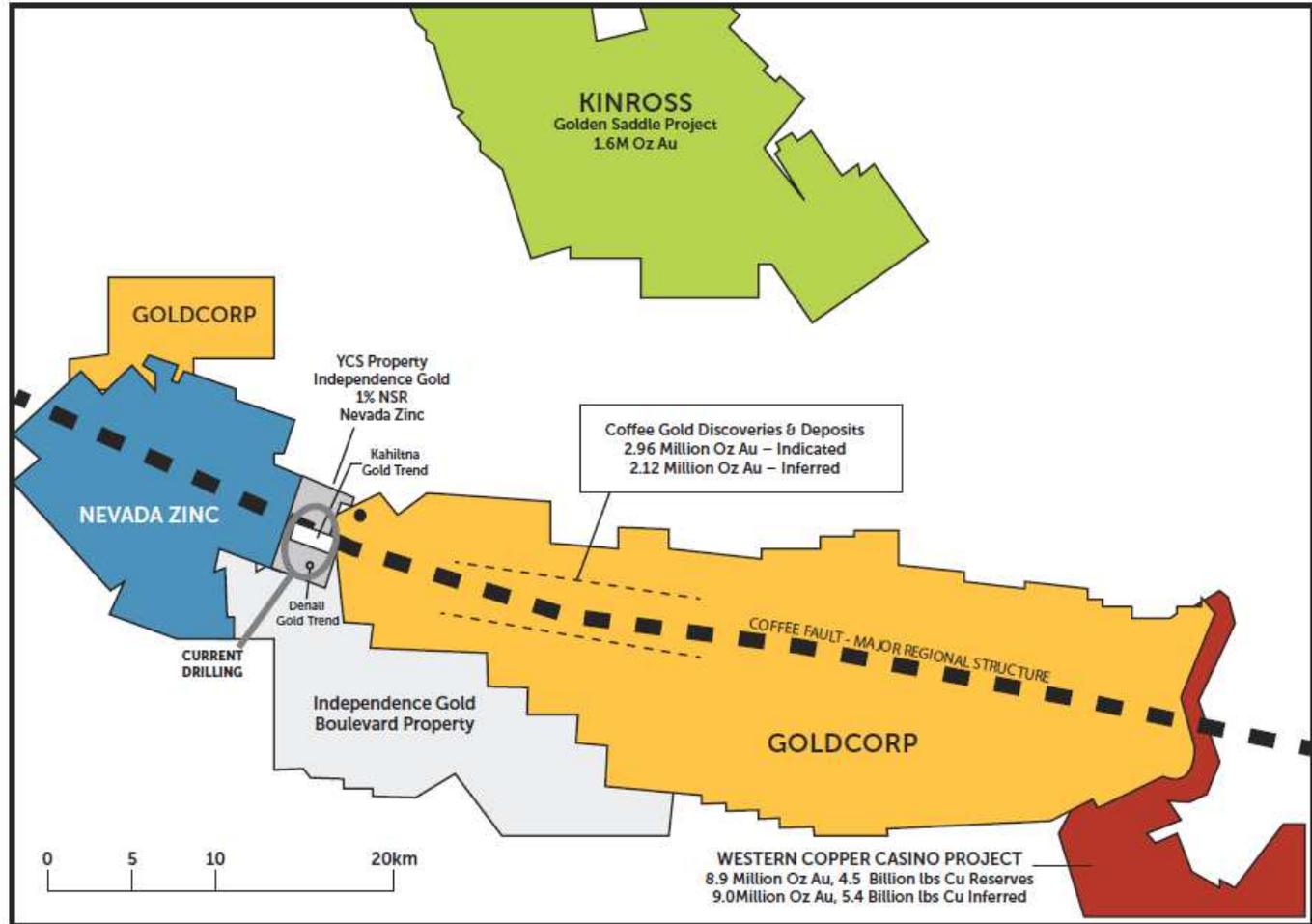
Interestingly, Nevada Zinc's interests go beyond just the territory it holds itself as Independence Gold Corp (IGO.v) recently announced the definition of a new gold trend target that it will soon drill test on the YCS claim group where Nevada Zinc holds a 1% net smelter royalty interest. Goldcorp's and Independence Gold's properties are to the east of the VIP project. The company believes that the project covers a 17 kilometre extension of the regionally extensive Coffee Fault structural trend that runs through Goldcorp's Coffee Project and Western Copper & Gold's, copper-gold Casino Project. The Coffee Gold Project hosts more than 5mn ounces of gold while the Casino Project, further to the east on the trend, hosts reserves of 8.9mn ounces of gold and 4.5 billion pounds of copper.

The map on the following page shows the company's assets in relation to the prominent neighbours that it has. In this map the YCS territory held Independence (on which NZN holds an NSR) is shown wedged between the Coffee Project of Goldcorp (ex-Kaminak) and the VIP project of Nevada Zinc). If VIP is on trend to the Coffee mineralisation then the YCS chunk is the "missing link".

An initial limited exploration program was completed on the VIP property in the latter part of 2011. That limited initial program established that the VIP property was underlain by favourable geology that included the presence of felsic intrusions, strong structural fabrics, breccias and quartz veins. Anomalous geochemical soil anomalies were discovered, and follow-up work was recommended.



VIP PROJECT, YT  
PROPERTIES



With the downturn in the junior mining markets that followed in the years 2012 to 2014, no budget was allocated to the VIP property, but nevertheless the company maintained the entire property position. In the summer of 2015, a limited exploration program was undertaken in the southeastern portion of the VIP property to further develop the exploration database in that area. That limited program of geology, prospecting and geochemical soil sampling outlined two new gold target areas that remain open-ended and untested. The three or four gold exploration targets that the company deems “most interesting” are only partially defined with wide-spaced data points, and little or no follow-up has been undertaken to date.

Nevada Zinc recently added significantly to its land package by acquiring the 16 square kilometre Wolf claim group that is located within the existing boundaries of the VIP Project. The Wolf claims cover a number of targets as well as the extension of other targets near the boundaries of the Wolf and the VIP claims. The northeast corner of the Wolf claims and the adjacent VIP claims cover the upper portion of a creek that shows clear evidence of significant historic placer gold mining that has not previously been reported in any literature. This placer activity near the headwaters of a local creek is indicative of the presence of nearby gold in bedrock.

Both the Wolf claims and the VIP project cover the interpreted sources of a number of high gold and multi-element geochemical targets similar to those around the Coffee Gold Project. The team has outlined a number of geochemical and structural targets that warrant further follow-up and is carrying out several initiatives to define targets to a level that the targets would warrant drill testing. This includes further work this year to better define the lateral extent of the targets in preparation for eventual trenching and drill testing of the targets. No drilling or trenching has ever been undertaken on the VIP Project land holdings.

### **Goodman/Josephine**

The company also holds a large block of claims referred to as the Goodman Project that cover the along trend extension of the gold and silver mineralization trends being actively explored by Victoria Gold (TSX-V:VIT). Goodman is adjacent and along trend to Victoria Gold's Eagle gold project which has a resource of 4.8mn indicated oz Au (including Reserves), consisting of 222mn tonnes @ 0.68 g/t and 1.5mn inferred oz Au, consisting of 78mn tonnes @ 0.60 g/t.

Nevada Zinc also holds a significant land position at Josephine Creek (around 30kms away from Goodman) where it holds both hardrock (and placer) rights along Josephine Creek adjacent to Victoria Gold's Clear Creek project.

The company is carrying out exploration this summer on its Goodman and Josephine properties.

### **Livingstone Creek**

Finally, the company holds the dominant land position in the Livingstone Creek placer gold district northeast of Whitehorse. However, placer deposits remain out of favour with investors in public markets generally but it is the placer source that is being sought here. This land position was acquired to

cover the upstream portion of several historic placer creeks that have produced some of the largest gold nuggets discovered in Yukon since the days of the original Yukon Gold Rush, weighing up to more than 20 ounces. The examples on the right (amounting to over 8 & 12 ozs) where discovered by an artisanal miner on site.



The Livingstone area, arguably the only placer gold district in Yukon for which a significant gold in bedrock source has not yet been located. The company has identified gold in bedrock in its most recent work on the property that matches the geochemistry of the nuggets with values of up to 10 g/t. This discovery of gold in bedrock appears, in the team's view, to be part of the source for the extremely large nuggets that are still being found occasionally by the placer miners.

### **Summit**

It is just as well that the company changed its name when it did for confusion could have potentially ensued from the fact that Goldspike (now Nevada Zinc) had optioned its Summit property (in reality Solomon's Summit) in the Yukon to Goldstrike Resources. This relationship has been rather a slow burn arrangement. The original deal was in 2011 but because of the dire financing markets Goldstrike has done little for several years since it reported the discovery of significant gold mineralization on the Summit property in 2011 and reported additional favourable results in October 2012. At that time Goldstrike reported fire assays from decomposed bedrock on the Summit Property grading up to 9.92 g/t gold. The mineralized structure was reported to have been traced for 400 metres. Pathfinder elements are reported to be arsenic, antimony, mercury and thallium. A multi-element geochemical anomaly 2,000 metres long and up to 800 metres wide is reported to extend northwest and remain open. In connection with maintaining the option on the Summit Property in good standing, Goldstrike delivered around 490,000 of its common shares to Goldspike which have since been disposed of.

### **YCS**

The YCS properties were initially optioned out to Independence Gold, which now holds 100%, which are incorporated into its Boulevard Project. As mentioned previously the company holds a 1% NSR smelter royalty on the YCS claim group. In recent weeks Independence Gold announced the identification of the Kahiltna gold anomaly during its Phase One exploration program on the YCS component of Boulevard project.

The Kahiltna anomaly is a 1,200m gold-arsenic-antimony soil geochemical anomaly located 750m north of, and subparallel to, the Denali Zone. The anomaly extends east to the Boulevard-Coffee property boundary and is open along trend to the west. This anomaly has been identified by 75th percentile gold, arsenic and antimony values, which range from below detection to 289 ppb Au 1,110 ppm Arsenic and

44 ppm Antimony. This anomaly is underlain by an extensive assemblage of quartz biotite schists with interlayered quartzite horizons. Independence is currently conducting an RC drilling program on the Boulevard Project and intends to drill test the newly identified Kahiltna anomaly.

### **Board & Management**

The management at Nevada Zinc is much more heavyweight than one usually finds in a junior explorer, with Bruce Durham and Duane Parnham having delivered discoveries on projects that have gone on to become “household names” in the mining space, like Hemlo.

Bruce Durham is CEO and a director. He is a geologist having graduated from the University of Western Ontario in 1976. Between 1998 and 2007, he held various management positions with Canadian Royalties Inc., including President, & Vice President Exploration. He has worked in mineral exploration for over 40 years with junior and senior mining companies exploring for precious and base metal deposits in Ontario and Quebec, but also with companies exploring across Canada, in the USA, and in Africa. His track record includes involvement in the Hemlo, Bell Creek, Band-Ore/Lakeshore and Raglan discoveries (amongst others).

Duane Parnham, a director and chairman of Nevada Zinc. He is a veteran of developing exploration companies from start-up to fully permitted projects with considerable resources and reserves. This experience includes working internationally with governments and landowners to identify high-impact and underdeveloped projects, and providing the capital and managerial resources necessary to create shareholder value. He founded and developed a number of resource companies, including Giyani Gold, Forsys Metals, UNX Energy, Canoe Mining Ventures, and Temex Resources.

Don Christie is the CFO and a director of Nevada Zinc. He is also the CEO and a director of Norvista Capital Corporation (Nevada Zinc’s largest shareholder), a TSX-V listed resource merchant bank with a mandate to invest in resource exploration projects and small scale, pre-production projects. He served as the CFO of Continental Gold from February 2008 until September 2010. He has over 25 years of experience in Canada’s institutional equity and debt markets with TD Securities and Newcourt Capital Group. He was a founding partner of Ollerhead Christie & Company in 2000, an investment banking boutique that specialized in structured debt private placements.

Mike Wilson, a director, has worked for over 40 years in the geology and mining engineering of surface and underground mines. He has experience in the design, planning and capital/operating costs of mining operations in multiple countries and of various mineral commodities. His most recent position has been as President and Chief Executive Officer of Behre Dolbear Canada, mineral industry advisors, he holds degrees in geology from the University of Western Ontario and mining engineering from McGill University.

Allen Ezer is a director. He is an advisor in the financial services industry, having worked at a major Canadian bank for nearly 10 years. He is also a director and Vice President Corporate Development of Security Devices International Inc. (a US based defense company), and he also serves as a director of Cambrian Resources.

## Risks

Amongst the risks at the current time are:

- Zinc price risk
- Financing of exploration work to resource stage is dependent on markets
- Chance that Lone Mountain does not turn out to be a substantial resource justifying economic development

The issue of base metals' prices is more important than anything else. Zinc has more than just speculative momentum this time as severe long-term underinvestment has eroded the supply situation. Even a slide in global industrial usage will do little more than subdue demand temporarily. The supply crunch is real and feeding the supply situation.

Conditions for fund-raising have improved a lot but still cannot be guaranteed in fickle markets. More work will be needed on both Nevada and Yukon properties to get to resource estimate stage and this will require additional funding.

The risk that a deposit does not evolve to production is present for all juniors. This risk is mitigated by diversification.

## Conclusion

The dearth of Zinc plays that has developed over the long grim years in which companies could not raise funds to advance projects (or even do basic exploration) has created a "scorched earth" scenario in the Zinc (and Lead) sub-space of the mining sector. This has set investors off on a hunt something like an Easter Egg Hunt, where there are actually few eggs to be found. We can number on the fingers of one hand the explorers that persevered with work on Zinc projects through this grim period and one of those was Nevada Zinc which accrued its initial position at Lone Mountain and then added to it during 2014 and 2015.

The reward for this perseverance has now come in it being one of the few projects in the US alternatives out there with a project likely to provide a flow of exploration results and developments.

In a case of it never rains but it pours, the Yukon, where the company has its back-up exploration property (as well as holding an NSR on another and with yet another farmed out) has gone from quietly bubbling to searing hot in a matter of months with the Goldcorp takeover of Kaminak Gold electrifying the area and turning the focus onto the territory that Nevada Zinc has long held on the trend.

This opens up the possibility that the company can capitalize on these in any number of ways including demerger (for us, the most desirable option) and/or sale of the Yukon assets.

We have a **Long** call on Nevada Zinc with a twelve-month target price of \$1.12.



## Appendix A: Notable Drill Intercepts 2014-15

Hole ID	From (m)	To (m)	Length (m)	Zn (%)	Pb (%)	Zn (%) + Pb (%)
<b>LM-14-01</b>	114.30	204.22	89.92	6.22	1.34	7.56
-				Including		
-	114.30	118.87	4.57	2.39	22.82	25.21
-	144.78	158.50	13.72	10.56	0.64	11.20
-	193.55	204.22	10.67	27.22	0.10	27.32
<b>LM-14-04</b>	121.92	167.03	45.11	11.62	0.25	11.87
-				Including		
-	146.30	166.12	19.82	26.44	0.49	26.93
-				Including		
-	147.83	163.07	15.24	33.06	0.61	33.67
<b>LM-14-06</b>	102.11	166.12	64.01	5.87	1.11	6.98
-				Including		
<b>LM-14-06</b>	105.16	121.92	16.76	19.82	3.76	23.58
<b>LM-14-07</b>	94.49	96.01	1.52	3.68	0.02	3.70
-				And		
<b>LM-14-07</b>	147.83	156.97	9.14	2.99	0.11	3.10
<b>LM-14-09</b>	114.30	254.51	140.21	4.04	1.13	5.17
-				Including		
-	114.30	233.17	118.87	4.71	1.33	6.04
-				Including		
-	115.82	158.50	42.68	4.75	3.30	8.05
-	167.64	170.69	3.05	5.64	1.32	6.96
-	208.79	233.17	24.38	12.81	0.06	12.87
<b>LM-14-10</b>	178.31	196.60	18.29	6.41	0.41	6.82
-				Including		
-	178.31	187.45	9.14	12.10	0.72	12.82
<b>LM-14-12</b>	138.68	164.59	25.91	5.21	0.22	5.43
-				Including		
-	140.21	156.97	16.76	7.12	0.26	7.38
-				Including		
-	149.35	155.45	6.10	11.38	0.25	11.63
<b>LM-14-13</b>	109.73	169.16	59.43	7.32	0.64	7.96
-				Including		
-	143.26	161.54	18.28	22.01	0.93	22.94
-				Including		
-	143.26	150.88	7.62	30.47	2.12	32.59

-	156.97	161.54	4.57	32.76	0.11	<b>32.87</b>
<b>LM-14-14</b>	120.40	185.93	65.53	4.49	1.88	6.37
-				Including		
-	120.40	166.12	45.72	6.05	2.62	8.67
-				Including		
-	120.40	128.02	7.62	8.07	14.83	<b>22.90</b>
-	138.68	166.12	27.44	7.30	0.14	7.44
-				And		
-	208.79	213.36	4.57	5.04	0.04	5.08
<b>LM-15-16</b>	33.53	44.20	10.67	11.05	0.01	11.06
-				Including		
-	33.53	38.10	4.57	23.53	0.01	<b>23.54</b>
<b>LM-15-18</b>	27.43	74.68	47.25	6.14	0.06	6.20
-				Including		
-	35.05	60.96	25.91	10.36	0.18	10.54
-				Including		
<b>LM-15-18</b>	35.05	41.15	6.10	18.32	0.04	<b>18.36</b>
<b>LM-15-24</b>	96.01	146.30	50.29	5.05	0.21	5.26
-				Including		
-	97.54	103.63	6.10	11.22	0.39	11.61
-	134.11	140.21	6.10	21.81	0.92	<b>22.73</b>
<b>LM-15-27</b>	126.49	245.36	118.87	9.58	0.74	10.32
-				Including		
-	131.06	141.73	10.67	1.97	4.44	6.41
-	160.02	175.26	15.24	27.82	1.25	<b>29.07</b>
-	217.93	227.08	9.14	26.62	0.63	<b>27.25</b>
<b>LM-15-28</b>	59.44	67.06	7.62	2.70	0.00	2.70
-				Including		
-	59.44	65.53	6.09	2.98	0	2.98
<b>LM-15-33</b>	146.30	152.40	6.10	2.71	0.41	3.12
<b>LM-15-34</b>	128.02	144.78	16.76	4.20	1.76	5.96
-				Including		
-	138.68	141.73	3.05	12.70	6.91	<b>19.61</b>
-				And		
-	192.02	195.07	3.05	10.06	0.00	<b>10.06</b>
<b>LM-15-36</b>	146.30	237.74	91.44	9.49	1.34	<b>10.83</b>
-				Including		
-	149.35	170.69	21.34	22.84	2.64	<b>25.48</b>

## Important disclosures

I, Christopher Ecclestone, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers.

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