The Coming Zinc Storm

Over the next three years, demand for Zinc is set to spiral amid the closure of some of the world's largest mines. President Trump's continued plans to boost the construction of infrastructure, as well as limiting imports of the precursor materials for steelmaking, have only added to the need to source fresh supplies of the base metal in North America. Looking at the near future, 2020 onward is set to be the sharp edge of the Zinc spot price, and one particular company is eminently positioned to reach production at precisely that point.

Zinc One Resources Inc. (TSXV: Z) ("Zinc One") is a junior exploration and development company with a few serious aces up its sleeve. Earlier this year, the company acquired the assets of Forrester Metals, including the Bongara and adjacent Charlotte Bongara Zinc properties, two high-grade deposits that the previous owners failed to bring to consistent production due to the crashed out Zinc prices during the financial crisis. Now, amidst genuine recovery, Zinc One finds themselves in ownership of a spread of projects featuring a measured and indicated resource of over a million tonnes at an impressive grading of 21.61% Zinc.

The previous operator managed to mine only 148,400 tonnes of ore back in 2007 and 2008 before being forced to cease operations due to falling prices, leaving plenty of paydirt for the new guys. Furthermore, with an additional 200,000+ tonnes of inferred resource remaining to be proven, as well as the inclusion of the Azulcocha West project in the Forrester portfolio, these Peru-based assets are an irresistible option for the coming Zinc storm.

Spot prices have risen from $1,869 in May 2016 to $2,590 in May this year due to increased demand from China coupled with the aforementioned major mine closures. While Zinc has traditionally been used to galvanize steel and manufacture alloys, its applications are steadily increasing; the metal is now used prominently in the health, battery and agricultural sectors, with the governments of China, Pakistan and India all beginning to adopt the addition of Zinc to fertilizers as a matter of national policy.

These factors combined mean that many smelters have been forced out of business while competing for concentrates that are in decreasing supply, putting miners and explorers in an extremely privileged position. While the long-term outlook is still unclear, we are looking at the highest prices for Zinc from 2020 onward, and Zinc One estimate that they will hit production in as little as 30 months. The acquisition of the Forrester portfolio obviously sent the company's stocks through the roof, but this is nothing compared to the value that will be created by becoming a fully-producing mine at exactly the right time; something which every junior hopes to be, but very few actually achieve.

The resources are near-surface and are suitable for simple metallurgical refinement processes, keeping operational costs to a tidy minimum. With the ongoing support of investors, Zinc One's experienced management team are a personal favourite to enter the Zinc supply chain. The company's assets are all located in jurisdictions with long mining histories and strong associated infrastructure, and their aggressive expansion into these zones mirrors the bullish confidence in the Zinc market's next few years.

The company should complete an updated resource estimate by year end 2017, and have a finished PEA by early 2018, leaving them free to submit operational permits soon thereafter. Equity investors impatient for serious economic recovery would do very well indeed to place a bet on good old-fashioned Zinc.