



## Zinc Supply Shortages Driving Price



**Blue Moon Zinc Corp. CEO Patrick McGrath** “I think our Blue Moon property provides great leverage to zinc and there is going to be a supply deficit.”

On July 5, 2017, Savant Explorations changed its name to Blue Moon Zinc Corp, and is now trading as (TSXV: MOON and US OTC: BMOOF.) The company did this to better reflect its focus on its wholly-owned Blue Moon Zinc project in California. The Blue Moon Zinc project is located in Mariposa County in central California and if the project needed a nickname, it very well might be the Comeback Kid. Unlike most junior mining companies, Blue Moon intends to take its asset into production and it has compelling reasons to do so.

Comeback Kid because Blue Moon has been in production before. During 1943-1945 Hecla Mining produced 55,656 tons grading 12.3% zinc, 0.36% copper, 0.48% lead, 3.75 oz/ton silver and 0.062oz/ton gold. Since then the property has been advanced by a number of different mining companies. Each of which has performed additional exploration and development work.

Blue Moon already has 5.3 million tons of indicated and inferred resources and the company believes it can advance that to between 6-10 million tons. This is comparable to Lundin’s now depleted Galmoy Zinc Mine and Trevali’s Santander Zinc mine, except that while Blue Moon can boast a 95% recovery rate, Galmoy peaked at 83% and Santander at 89%. Galmoy closed in 2009 due to resource depletion.

**BLUE MOON ZINC**

**TSXV:MOON OTC:BMOOF**

**Share Structure:**

Shares Issued:	92,750,707
Market Cap:	4,174,000
Year High:	.10
Year Low:	.014



## Looking Forward

Blue Moon offers a great leverage to zinc with over 600 million pounds of indicated and inferred zinc resources in an NI 43-101 report coupled with a sub \$5 million market cap.

Demand for zinc - according to the International Lead and Zinc Study Group - will continue to rise during 2017. According to their April 2017 forecast, global demand for refined zinc increased by 3.1% in 2016, and is forecast to rise by 2.6% to 14.30 million tonnes in 2017.

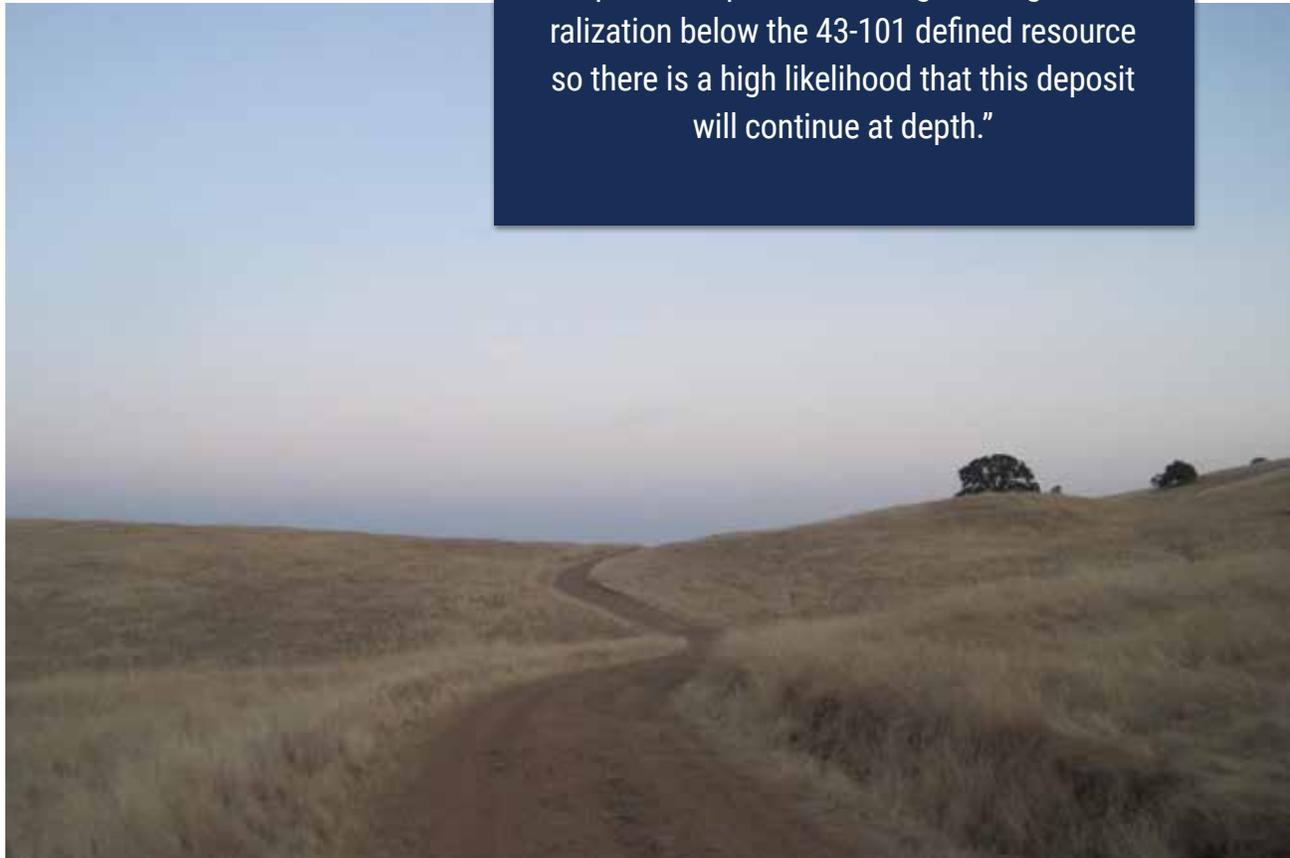
The property consists of over 500 acres and is located in the rolling foothills of the Sierra Nevada, 21 miles northeast of Merced; with a population of 50,000. A two-mile long gravel road connects the site to a paved highway, and both main transmission lines and a hydroelectric power generation plant are within one mile. This - as CEO Patrick McGrath notes - is a sizeable advantage when it comes to putting a mine into production.

“One of the keys to this project is it’s in an area that is already developed. You can house your workforce, you don’t have to develop a camp, you don’t have to build roads, you don’t have to build hundreds of miles of power lines. This is in contrast to projects in northern Canada or some remote area of Africa or South America where you will spend hundreds of millions on infrastructure. The money that will be spent will go into the ground rather than into infrastructure. We are a junior company but we have a development stage asset.”

Although it has come close, Blue Moon has not gone into production since World War II because of the cyclical nature of zinc prices, its location, and the nature of the mining industry. California’s reputation as a clean state was off-putting to investors. Westmin Resources (now Boliden), which owned the company, optioned it off in 1996 just before bringing it into production because it decided to focus on a major discovery: the Wolverine deposit in the Yukon. Eventually, the property passed into the hands of Blue Moon.

According to a NI 43-101 resource estimate, the Blue Moon property now has approximately 2.62 million tons with a grade of 6.01% zinc indicated, and 2.68 million tons with a grade of 5.98% zinc inferred, plus significant amounts of copper, lead, silver and gold. McGrath believes those resources can be increased.

“The project has been drilled to a certain depth and ends in mineralization. There are a couple of deeper holes that go through mineralization below the 43-101 defined resource so there is a high likelihood that this deposit will continue at depth.”



McGrath describes the factors that held back Blue Moon's development by saying that while the zinc market fluctuated, the prior management of Blue Moon focused on exploration.

“The other reason was that Blue Moon was in California and there is a perception that California is a tough permitting jurisdiction. That perception informs many of the questions we get about permitting, and that’s of why it lay dormant for a number of years.”

In 2016, much of that changed. Things began going the right way for Blue Moon. “What changed in 2016 was zinc prices increased dramatically and they had been predicting that for a long time. Secondly, some resource projects in California have really come on stream including Golden Queen.” Golden Queen, a TSX-listed company with an open pit gold and silver mine went into production during December 2016. The mine - Soledad Mountain - is located outside of Mojave, near Los Angeles. McGrath says, “It was a big eye opener for the investment community.”



Lutz Klingmann the former CEO of Golden Queen went into retirement just as the Soledad Mountain mine went into production. Nevertheless, McGrath managed to persuade him to become a technical advisor at Blue Moon to help with the permitting process. “He’s gone through it before and that’s why we became very interested in developing it.” Blue Moon has also retained the environmental lawyer and environmental engineering firm who oversaw Golden Queen’s permitting.

While it’s not widely known, according to the U.S. Energy Information Administration, California is the fourth largest crude oil producer in the U.S. coming in after Texas, North Dakota and Alaska. McGrath describes doing business as a miner in California like this, “I think the best way to characterize it, is that the rest of North America has now caught up to California. It’s more of an even

playing field in North America [and there is no question of] it’s easier in one jurisdiction or another. If you were to look at British Columbia, Quebec or Nevada, I would argue that there are lot of the same procedures that you have to jump through in all jurisdictions.”

**According to an article published in MINING.com** by Eric Fels on July 17, 2017, zinc prices rose to \$2,825 a tonne up 10% on the year. According to Zinc Investment News, Zinc prices rose 90% between January 2016 and March 2017. Zinc’s 60% price hike in 2016 made it the London Metal Exchange’s best-performing commodity of the year. Its prices have been supported by mines closed because of resource exhaustion and production reductions in Canada, Peru and Australia by Glencore, one of the top three global zinc producers.

**During 2016, two major zinc mines, Lisheen in Ireland and Century in Australia ceased production due to resource exhaustion, and took a combined 630,000 tons of zinc off the market. When coupled with the Brunswick and Perseverance mines in Canada - which ceased production because of depletion in 2012 - the amount of zinc removed from the market amounts to over a million tons. In 2016, a Reuters survey forecast a 400,000 tonnes zinc shortage, while cautioning that stockpiles at the London Metal Exchange could replace missing production. However, some of that lost production may be illusory as a new company, Attila, has purchased the Century mine, and intends to run it until 2050.**

That being said, the zinc market may actually be responding to Glencore's decision to cut zinc production by a third in 2015. According to a story in the Financial Times, Glencore decided to tackle fluctuating zinc prices by reducing production. Glencore is the largest zinc producer in the world. As demand from China - which consumes 40% of zinc production - slowed, Glencore cut production to help drive the market. As a result, Glencore has removed 500,000 tons of zinc annually from the market.

While it is also used in batteries and sunscreen, zinc is primarily used to galvanize the steel used in manufacturing cars and in construction. As a commodity, when construction and steel manufacturing slows, so does the demand and price for zinc.

Demand for zinc - according to the International Lead and Zinc Study Group - will continue to rise during 2017. According to their April 2017 forecast, global demand for refined zinc increased by 3.1% in 2016, and is forecast to rise by 2.6% to 14.30 million tonnes in 2017.

In a July press release, the International Lead and Zinc Study Group stated that based on preliminary data, the global market for refined zinc metal was in deficit by 178,000 tons over the first five months of 2017.

Blue Moon also has a zinc project in the Canadian north, Yava, that is on hold while the company develops its primary property in California. Unlike many junior exploration companies, Blue Moon wants to see the project through to production. "We are looking at this as a standalone economic project that we want to advance ourselves. There is a financing market out there and there is an interest in zinc. I think we will advance it ourselves and somewhere down the line we will be looking for a strategic partner or an off-take opportunity."



Investors have shown that they do have an appetite for Blue Moon's zinc project. On June 26, 2017 the company announced that it had closed an oversubscribed financing for \$600,000.

While zinc grades at Blue Moon range around 6%; McGrath believes that the copper, gold and silver in the polymetallic deposit will up the average in terms of value. "The previous operator did quite a bit of metallurgical work and the recovery rate is in excess of 95% which is favourable for refiners. We believe that once the copper, gold, and silver recoveries are weighed in it will be 10%-11% zinc equivalent."

**McGrath believes that a little more exploration will pay off.** "We have some of the key ground along strike and there indicators like soil anomalies. Along the strike there is a lot of land that hasn't been explored. There are only four drill holes on the strike area, about 500 acres are basically untouched."

At the moment, Blue Moon is applying for drill permits and expects to undertake an infill/expansion drill program. At the same time, it is beginning baseline environmental studies which largely consist of tracking the flora and fauna for 18 months as well as advanced engineering studies. "VMS deposits like the Blue Moon resource are often found in pods and we believe there is a likelihood of other pods, but we believe the greatest opportunities are at depth in the existing holes where the existing holes end in mineralization."

As for the permitting, McGrath believes the process will be a rigorous version of slam dunk. "Permitting in California is at the county level and we believe Mariposa County will look favourably on the job creation and increasing its tax base. The County is home to the original California gold rush."

**McGrath sums up Blue Moon by saying,**  
"I think it provides great leverage to zinc and there is going to be a supply deficit. We are closer to a development stage asset than many of our competitors. This is a great leverage to zinc for a retail investor."

**Blue Moon trades on the TSXV as MOON and on the American OTC as BMOOF.**

**As of August 1, 2017 it closed at \$0.045 and has a 52-week high of \$0.10 and a low of \$0.015. The company has 92.75M shares outstanding and a market cap of \$4.17 million.**

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