



FINDING HIDDEN GEMS - ZincX Update

17 July 2018

FINDING HIDDEN GEMS

As investment advisors, we are always screening the global stock markets for opportunities on behalf of our clients. We define an 'opportunity' as a stock currently undervalued or overlooked by the market for some specific reason, with upside potential of over 100%.

COMPANY DETAILS

Ticker: ZNX CN
Current Price: C\$0.42
1y Target: C\$2.3 (447% upside)
Stop Loss: C\$0.23 (45% downside)

Shares Outstanding (M)	166.2
Market Capitalization (M)	67.3
Enterprise Value (M)	62.3
Net Cash / Share	0.03

DESCRIPTION

ZincX Resources Corp. engages in the exploration and development of mineral properties in Canada. It focuses on unlocking the potential of a future long life mining district in the low-risk development environment.

ZincX Update

On May 07, 2018 Canada Zinc Metals Corp announced that it has changed its name from Canada Zinc to **ZincX Resources Corp** and will be traded under a new stock symbol of "**ZNX**". We covered the company in our "[Finding hidden gems](#)" report the 23rd of January 2018 (trading then at C\$0.34), and today we give an update following the robust positive results from the Preliminary Economic Assessment (PEA) announced by the company the 20th of June 2018: estimated pre-tax NPV of \$649 Mln (35% IRR), 2.6 year payback and 18-year mine life. Analysts increased the target and fair value bracket from CAD 1.78 to CAD 2.19 (current price CAD 0.42) based on discounted cash flow. With such attractive PEA figure, the company can finally talk to major producers for potential joint-ventures on their Cardiac Creek project. This project has only an ini-



ZincX stock price

tial CAPEX of around \$260 Mln, and could be in production in three years. The sector got a strong momentum after the surprising acquisition of Arizona Mining by South 32 (for C\$2.16 Bn) with a 50% premium. We welcome such acquisition, because it confirms our base scenario of a consolidation in the zinc market, however we cannot understand the logic of South 32 for such acquisition, preferring Arizona Mining to ZincX. South 32 is acquiring with leverage a project that is, by far, not in production and is going to be more capital intensive. ZincX has better grades and can be in production in three years time with a significantly lower initial investment. Using the same valuation metrics used by South 32 for the acquisition of Arizona Mining, the value of ZincX should be C\$2.35. By analysing the chart of ZincX we finally see a strong momentum which should help to finally break out the C\$0.40 resistance.

Observing the recent trade war between China and US, we cannot understand why the commodities prices are falling, because additional duties on commodities would mean increasing prices which should translate in higher inflation. This is an additional reason for Chinese companies to diversify furthermore outside of the US, therefore ZincX, being Canada based, would be a typical example. Even if our investment committee is neutral to negative on the markets in general, we feel comfortable being invested in ZincX at such tremendous discount, comparing the shares of ZincX to a Call Option on Zinc with no maturity.

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