



## **Mercenary Alert: Is Zinc Still a Four-Letter Word?**

**A Special Alert Musing from Mickey the Mercenary Geologist**

**For Subscribers Only**

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I have never been a zinc guy, never explored for it, never thought the price had long-term upside potential, and never covered a zinc company.

My bearish views on zinc during past metals cycles have been at odds with many other analysts and letter writers who were zinc bulls at one time or another. My opinions have largely proven correct as zinc mining companies have seldom prospered and rewarded shareholders in the 25 years that I have been speculating in the resource sector. In fact, bankruptcies, reorganizations, and distressed acquisitions have been the rule for zinc miners.

For over two decades, zinc has been a four-letter word in my dictionary.

I discussed zinc in this 2013 podcast: [Mercenary Musings Radio, March 13, 2013](#). Although long term supply-demand fundamentals looked promising at that particular time, the price was depressed and warehouse stocks were at historic highs.

As recently as last summer, I commented on my long-held views on zinc in an interview with the Northern Miner. However, with closure of two major mines in Australia and Ireland, world zinc output dropped over 6% in 2016 while demand is projected to increase at 5% per year going forward. Inventories have fallen by 70% over the past four years, the price doubled during 2016, and the metal currently trades at \$1.15-1.20 per lb.

So hold on to your hats folks ...

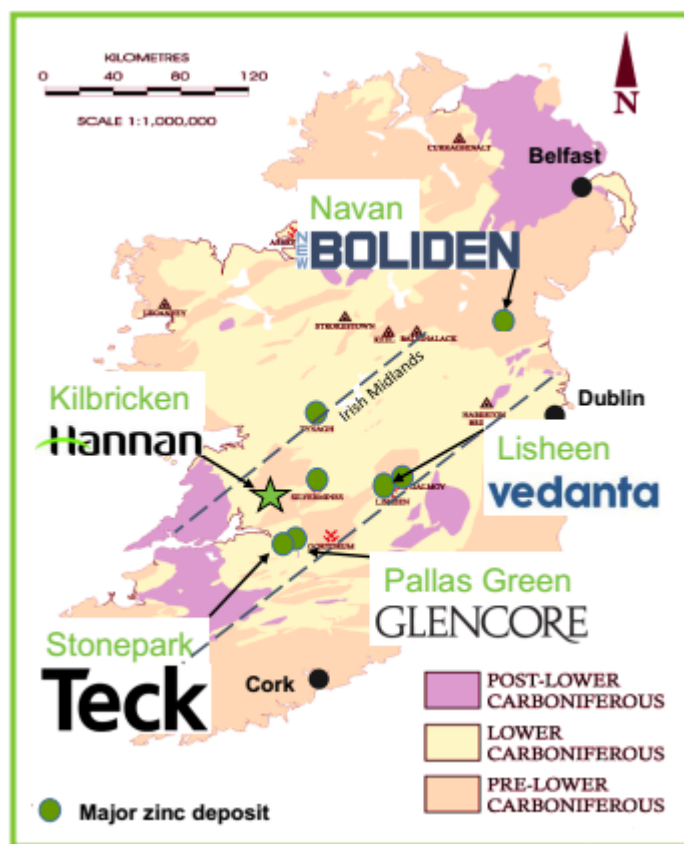
I am doing a 180 and covering a newly-minted zinc junior with a promising advanced exploration project in Ireland.

The company is [Hannan Metals Ltd \(HAN.V; HANNE.PINK\)](#). My introduction to its project was in October while on a field tour of another company in Europe. I listened to the geological and corporate presentation by the principals, asked some hard questions, got favorable answers, and decided to participate in a seed financing in a public shell. I have since put more money in a secondary financing.

Hannan Metals controls 100% of nine prospecting licenses comprising 322 km<sup>2</sup> of the County Clare project in southwestern Ireland. The ground was acquired from Lundin Mining last September for a total of \$1 million in three-staged yearly payments, a \$5 million payment upon mine construction or commercial financing, and a 2% NSR with 0.5% buyable for \$5,000,000.

The Republic of Ireland is a politically stable country with low tax rates, skilled workforce, extensive infrastructure, and a favorable attitude toward mining.

It is an important producer of both zinc and lead and has an emerging gold mining industry. Since 1960, 15 major deposits with more than one million tonnes of zinc-lead ore have been discovered, including the world-class Navan-Tara mine with over 100 million tonnes. Exploration and discoveries continue, mostly by the world's integrated mining companies including Boliden, Glencore, Teck, and Vedanta. There are also a number of private companies and publicly-listed junior explorers active in Ireland.



The Irish-style deposits are a subset of Mississippi Valley-type carbonate-hosted deposits and are high-grade (10-15% combined Zn-Pb), bulk-mineable, underground deposits that produce clean concentrates.

The Irish deposits have been discovered mostly by drilling below small, mid-19<sup>th</sup> Century surface workings to ore-hosting horizons at relatively shallow depths. Exploration is hampered by lack of outcrop and also poor response to sulfide-seeking geophysical methods such as induced polarization-resistivity and electromagnetics. Exploration techniques have included prospecting around old workings, regional aeromagnetic surveys to define major structures, soil sampling, the aforementioned geophysical methods, and many, many drill holes.

Over the past few years, mining companies have increasingly employed seismic surveys around existing mines and deposits. Although expensive, this geophysical technique borrowed from the oil industry has proven successful in determining the structural controls and settings of Irish zinc deposits and is leading to new discoveries. For example, Boliden recently employed a seismic survey and drilling to find a new ore body adjacent to its giant Navan mine complex, now in continuous operation for 40 years.

Combined with better market fundamentals, there is renewed interest in zinc exploration in the country. With applied seismic programs, Ireland is now poised for the next round of discovery below 200 meter depths.

The County Clare project hosts several small Victorian-era mines. Modern-day exploration began in the early 1990s and has continued intermittently with drilling by Central Mining Finance, Belmore Resources, Lundin Mining, and now Hannan Metals.

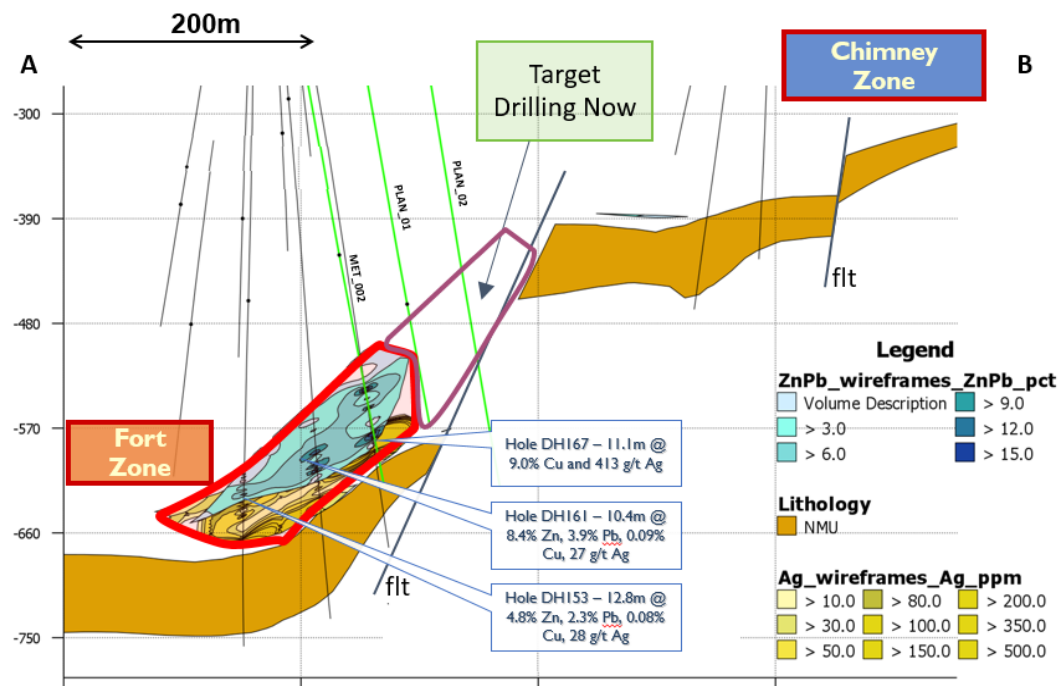
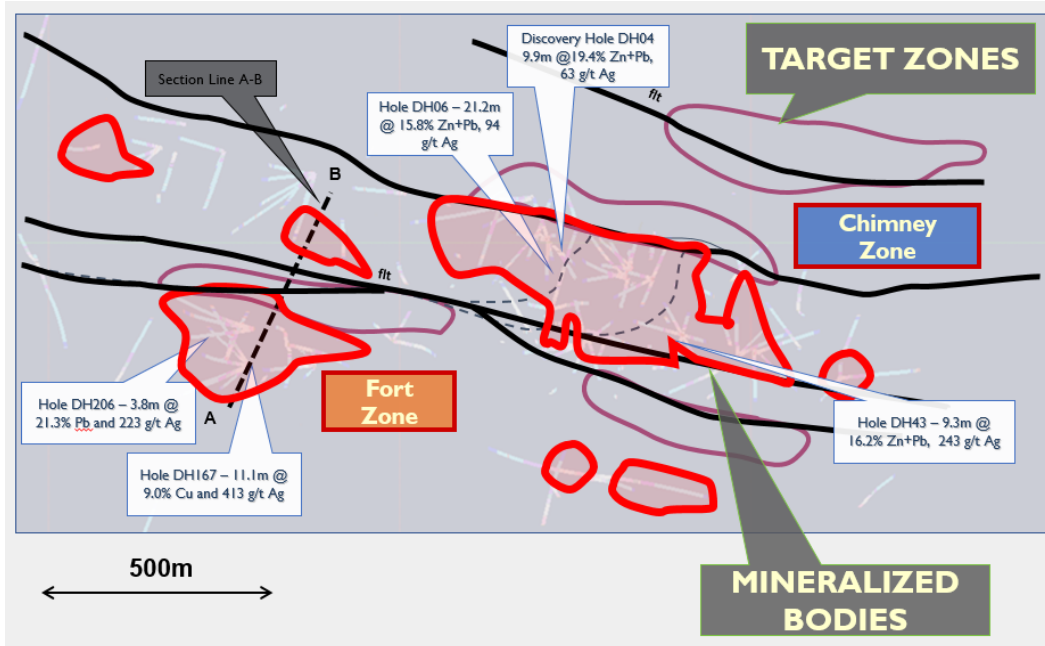
Hannan's flagship Kilbricken project is a Zn-Pb-Ag-Cu discovery that has had 118,000 meters of drilling in 222 core holes with two mineralized zones drilled over a 1500 m by 400 m footprint. The deposit is 400-600 meters deep and remains open in all directions. Intercepts include:

<b>DH 46</b>	<b>20.5m @ 7.5% Zn, 9.9% Pb, 0.07% Cu, 74.6g/t Ag</b>	from 415.3m
<b>DH06</b>	<b>21.3m @ 11% Zn, 4.8% Pb, 0.06% Cu, 94.4g/t Ag</b>	from 441.9m
<b>DH50</b>	<b>11.8m @ 9.8% Zn, 5.7% Pb, 0.07% Cu, 178.2g/t Ag</b>	from 484.6m
<b>DH43</b>	<b>9.4m @ 4.1% Zn, 12% Pb, 0.52% Cu, 242.8g/t Ag</b>	from 442.1m
<b>DH04</b>	<b>10.0m @ 13.8% Zn, 5.5% Pb, 0.08% Cu, 62.8g/t Ag</b>	from 448.1m
<b>DH52</b>	<b>19.3m @ 7.2% Zn, 1.2% Pb, 0.18% Cu, 64.6g/t Ag</b>	from 425.7m
<b>DH44</b>	<b>17.2m @ 2.9% Zn, 4.4% Pb, 0.11% Cu, 83.5g/t Ag</b>	from 447.9m
<b>DH167</b>	<b>4.5m @ 0.8% Zn, 2.6% Pb, 18.91% Cu, 867.6g/t Ag</b>	from 616.5m
<b>DH161</b>	<b>10.4m @ 8.4% Zn, 3.9% Pb, 0.09% Cu, 26.5g/t Ag</b>	from 607.0m
<b>DH206</b>	<b>10.0m @ 0.9% Zn, 8.7% Pb, 0.16% Cu, 90.7g/t Ag</b>	from 619.0m
<b>DH111</b>	<b>4.1m @ 21.5% Zn, 5.7% Pb, 0.1% Cu, 95.4g/t Ag</b>	from 447.6m

The company's technical team has been busy over the winter and spring evaluating Kilbricken core, assay data, geochemistry, geophysics, and metallurgy. A four-hole drill program is in progress to validate historic drilling, provide core for metallurgical studies, and expand the deposit with 100 meter step-outs. This program combined with previous results should result in an initial resource estimate in the early summer.

The seismic surveys and drill data have led Hannan to a new structural model for mineralization in the region. The thickest and highest grade mineralization is associated with high-angle feeder faults and a series of shallower, en-echelon, listric faults dropping into the basin. This geological model will be tested in upcoming drill programs that are designed to expand the Kilbricken deposit.

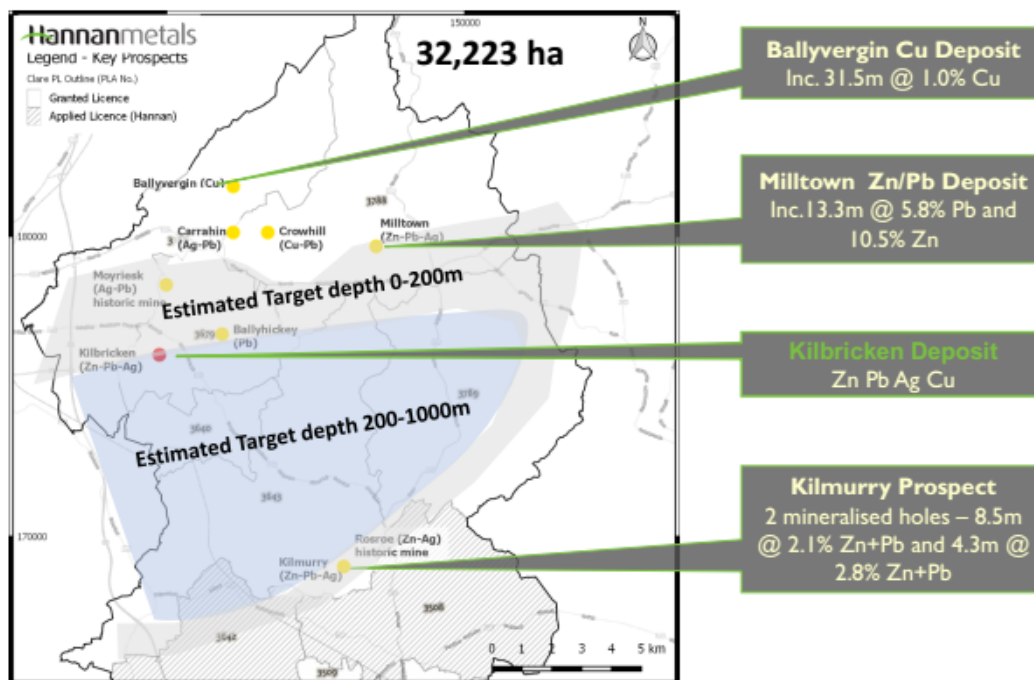
The Kilbricken deposit-scale map and cross-section show the two known deposits and three of the four holes comprising the current drill program:



The exploration team has defined nine high-priority soil, rock, seismic, and structural targets in a 7.5 km long corridor trending ESE between Kilbricken and historic workings at Ballyhickey:



In addition, regional potential is high with eight historic mines at surface, many untested soil and rock anomalies, and the evolving structural understanding:



In summary, the County Clare project has significant polymetallic exploration potential at three different scales:

- Resource delineation and expansion at the Kilbricken deposit, which is open in all directions.



- Exploration of soil, rock, seismic, and structural targets within the 7.5 km long, ESE structural corridor around Kilbricken and Ballyhickey.
- Regional reconnaissance exploration and follow-up of significant mineralization previously drilled at Kilmurray, Milltown, and Ballyvergin.

I have documented the exploration merit of the County Clare project. However, savvy speculators know that constitutes one-third of any speculative junior resource story. Now let's review the Hannan Metals Ltd share structure:

The newly-minted company emerged from a rolled-back shell controlled by two current directors in early January when it closed the County Clare project acquisition along with a name change and seed financing at 7.5 cents. That was soon followed by a secondary financing in mid-February at 26 cents with a half warrant at 40 cents with one year expiry. The first private placement was limited to a tight circle of family and friends, while the second included these same shareholders with an additional allotment to a well-known Vancouver broker. The first private placement is free-trading and the second will be on June 18. Current cash position is \$1.2 million.

Hannan has 27.4 million shares outstanding and 33 million fully diluted. Warrants include 3.5 million at 40 cents with expiries in February and August 2018. There are two tranches of legacy warrants dating from the shell: 118,000 at 20 cents that expire in November 2018; and 775,000 at 10 cents that expire in November 2020. 1.1 million five-year options at 10 cents were issued to insiders, management, employees, and consultants shortly after announcement of the Irish zinc acquisition in November 2016. There are small legacy options at 10, 20, and 40 cents that expire in 2018-2022.

Insiders own 33% of the shares. Including family and friends, the stock is very tightly held with only two million shares currently in unknown hands. As with many new junior companies, liquidity is an issue. Management plans to remedy this with a much larger institutional and broker raise in the near future.

Hannan's recent trading range of 45-50 cents gives a market cap of about \$12-14 million. This stock chart illustrates HAN's low trading volumes since before acquisition was announced in early November:



Finally, the third element of any junior explorer worthy of speculation is its people; management must be experienced, technical, and successful in past endeavors. Hannan Metals meets this criterion.

HAN is led by CEO Mike Hudson, an Australian geologist and businessman who I have known for 20 years. Mike spent the first half of his career exploring for Pasminco Ltd, the world's largest integrated zinc company in the 1990s, and has a hand in numerous discoveries and mines. Most recently he served as CEO and President of Mawson Resources Ltd and as a director of Tasman Metals Ltd.

I cover Mawson Resources now and covered both companies in the past, resulting in big wins for subscribers. I have also participated in other junior companies that Hudson and a strategic group of investors including Australian-based geologists, Vancouver-based managers, and Western US-based financiers have started.

As discussed above, County Clare is an exploration project on three areal fronts ranging from reconnaissance to deposit delineation. Therefore, the VP-Exploration is an important role. This position is filled by Lars Dahlenborg, who I have encountered previously at the group's rare earth, graphite, and gold projects in Scandinavia. The company has also retained a number of high-powered geological and geophysical consultants with expertise in Irish zinc deposits, structural analysis, magnetic modeling, and seismic interpretation.

Directors include Nick DeMare and David Henstridge, integral parts of this venture capital team who I have worked with over the past seven years. Other directors include Georgiana Carnegie, advisor to the Australian private equity Sentient Group, and chartered accountant Michael Iannacone.

This is a relatively brief sketch of the project, share structure, and people of Hannan Metals Ltd. I will visit the project in mid- to late summer and based upon my detailed field evaluation, report findings in another alert for subscribers only.

Please note my opinions of Hannan Metals are colored by a vested financial interest. I own shares at a cost basis below current trading levels, and the company is a paying sponsor of this website.

That said, I have chosen to step out of my comfort zone and participate in a venture capital risk in a country I know little about (Ireland) for a commodity (zinc) that has been a four-letter word spanning a 25-year speculating career.

As my friend Mike Hudson is fond of saying about Hannan Metals: right project, right time, right place.

I concur.

Do your own research and see if you do, too.

Ciao for now,

Mickey Fulp  
Mercenary Geologist



The [\*\*Mercenary Geologist Michael S. “Mickey” Fulp\*\*](#) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 35 years experience as an exploration geologist and analyst searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for over 20 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey’s professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

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