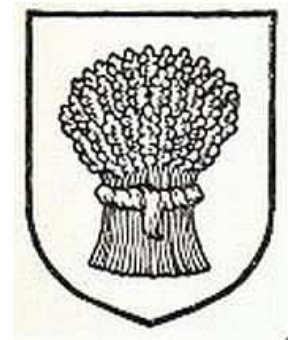


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HALLGARTEN & COMPANY

Portfolio Strategy

Editor: Christopher Ecclestone
ceccestone@hallgartenco.com

Model Resources Portfolio: Slipsiding Away

Performance Review – June 2021

Model Resources Portfolio

Slipsliding Away

- + Specialty metals holding up well, with Tin and Antimony looking strong, and Tungsten creeping into higher territory
- + Oil prices continue to rally defying the Green doomsters – life in the oil dog yet!
- + The move to EV's is certainly starting to spread through Western economies and provides a kicker to the economic recovery that might otherwise have been lacking
- ✗ Base metals retreated, with copper particularly beaten up
- ✗ Indications that the (not-so) hidden hand of China at work in pulling back metals prices
- ✗ Gold also ceded over \$100 during the month despite rising inflationary tendencies on all fronts

The Chinese Cupboard is Bare

It was somewhat inevitable that there would be a pause in the upward momentum of base metals (as there was in precious metals last year) so we are surprised that investors are surprised. In particular the Chinese signaled their dissatisfaction with having to pay more for the commodities, the prices of which they have so assiduously “sat on” for the last 13 years using stockpiles and mis/disinformation to bamboozle Western producers as to what their stockpiles, intentions or demand might be.

We are now more of the inclination to believe that Chinese firepower as manifested in stockpiles to be used for predatory actions is increasingly threadbare. That leaves them with only jawboning and misinformation in the armoury. This can only work so long. Moreover higher prices have empowered some major miners in using stratagems that involve lower sales, more resistance to being browbeaten and sales to non-Chinese parties instead of the Chinese. Browbeating increasingly does not work.

Thus our assessment is that most metals will rapidly bounce back to the levels seen in April and May and the Chinese will have to pay the market price however much they dislike it or mandate lower internal growth. Their choice.....

Portfolio Changes

There were two **LONG** positions added to the Model Resources Portfolio during the month. The first was the inclusion of MetalsTech on which we initiated coverage and the other was the addition of CS Metals,

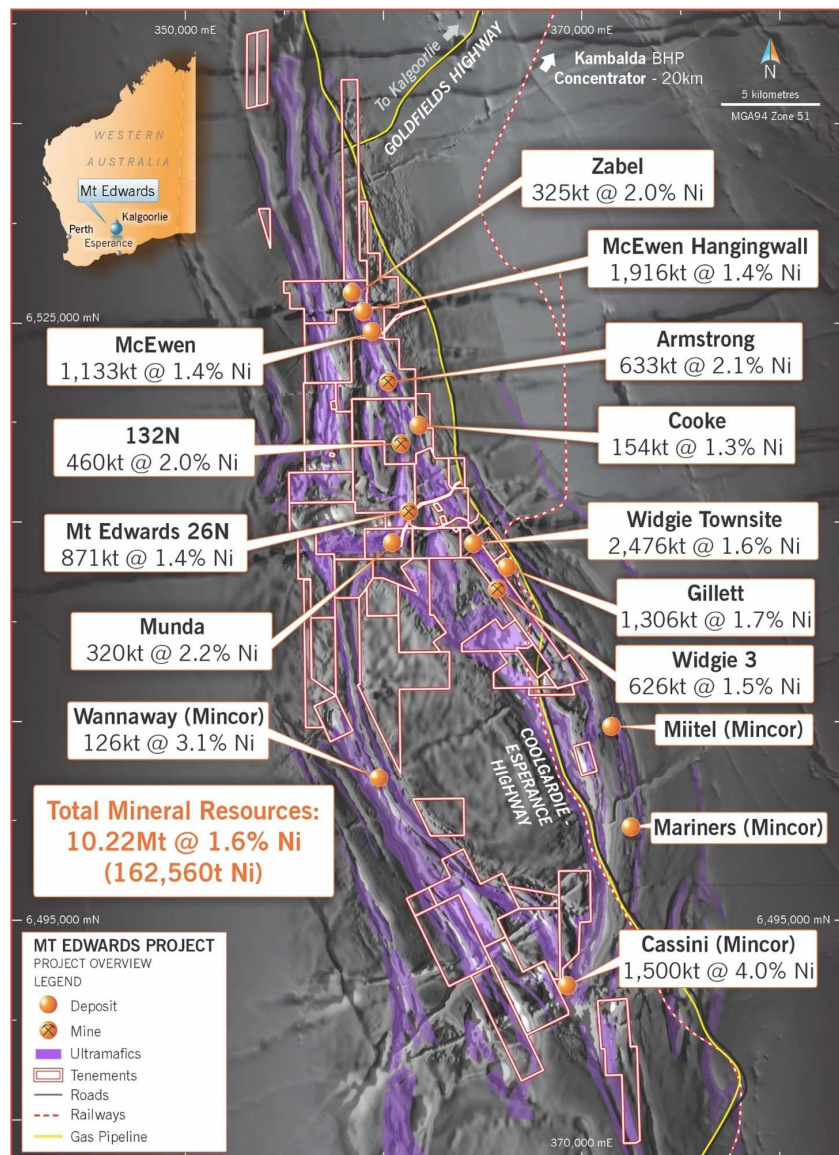
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discussed below.

MetalsTech (ASX: MTC) was added with a twelve-month target price of AUD 68 cts. In the early days of July the company announced that it had received a \$6.65mn cash payment by Lithium Royalty Corp in consideration of the granting of a 3% Gross Revenue Royalty over non-core Lithium assets, which are being spun out into a separate ASX entity to be called Wimple Resources. The shares that MetalsTech receives in this new entity will then be dividended to MetalsTech shareholders with a record date, probably in early August.

On the subject of spin-offs, Neometals announced during June that its Mt Edwards Nickel project will be demerged into a new company, Widgie Nickel Limited listed on the ASX. Eligible Neometals shareholders will receive new Widgie Nickel shares (at no cost) on a pro rata basis in proportion to their existing Neometals shareholding via a capital reduction and in-specie distribution. Additionally, post-demerger, Widgie Nickel shareholders will be entitled to participate in an entitlement offer to subscribe for additional Widgie Nickel shares. The ASX listing of Widgie Nickel is expected to occur by Q4 of 2021.

In recent days, the company announced that it had completed a review of the eleven Nickel Mineral Resources that make up the Mt Edwards project at Widgiemooltha. Nine of these were re-estimated between November 2019 and June 2021 using new and existing data with the resulting verdict being global contained Nickel tonnes at the Mt Edwards Project now



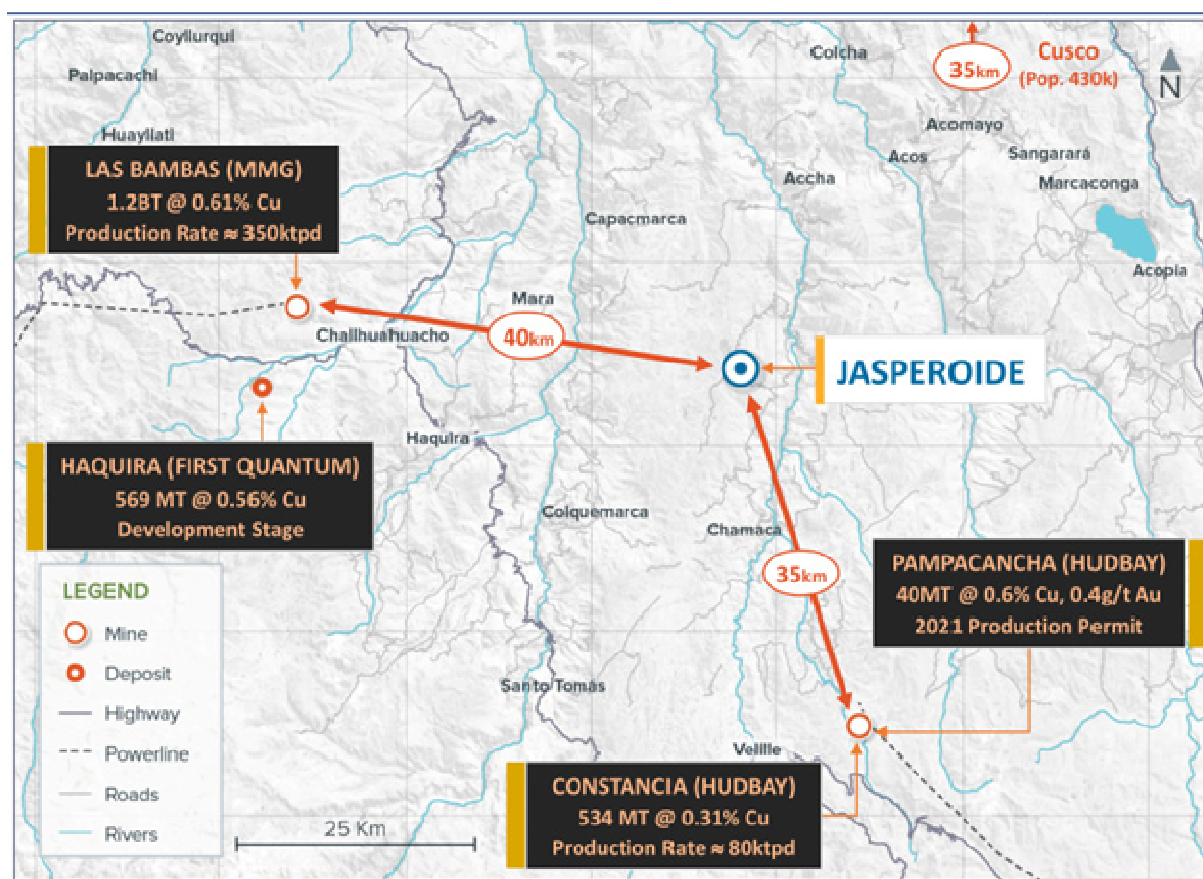
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being estimated at 162,560 tonnes, from 10.22 million tonnes grading at 1.6% Ni. We reiterate our **LONG** on this holding in the Model Resources Portfolio, indeed our most long-lived stake in any company and look forward to the spin-out.

C3 Metals (TSX-v: CCCM) – Closeology in the Altiplano

The “floodgates” of TSX-v companies on the move creaked ever so slightly open in recent weeks with C3 Metals being the first company to touch down in London and interact with investors “in the flesh”. Meanwhile the vast bulk of companies just drone on in Zoom to ever decreasing audiences of the jaded and the blasé. That is never a good mind-frame to have investors in.

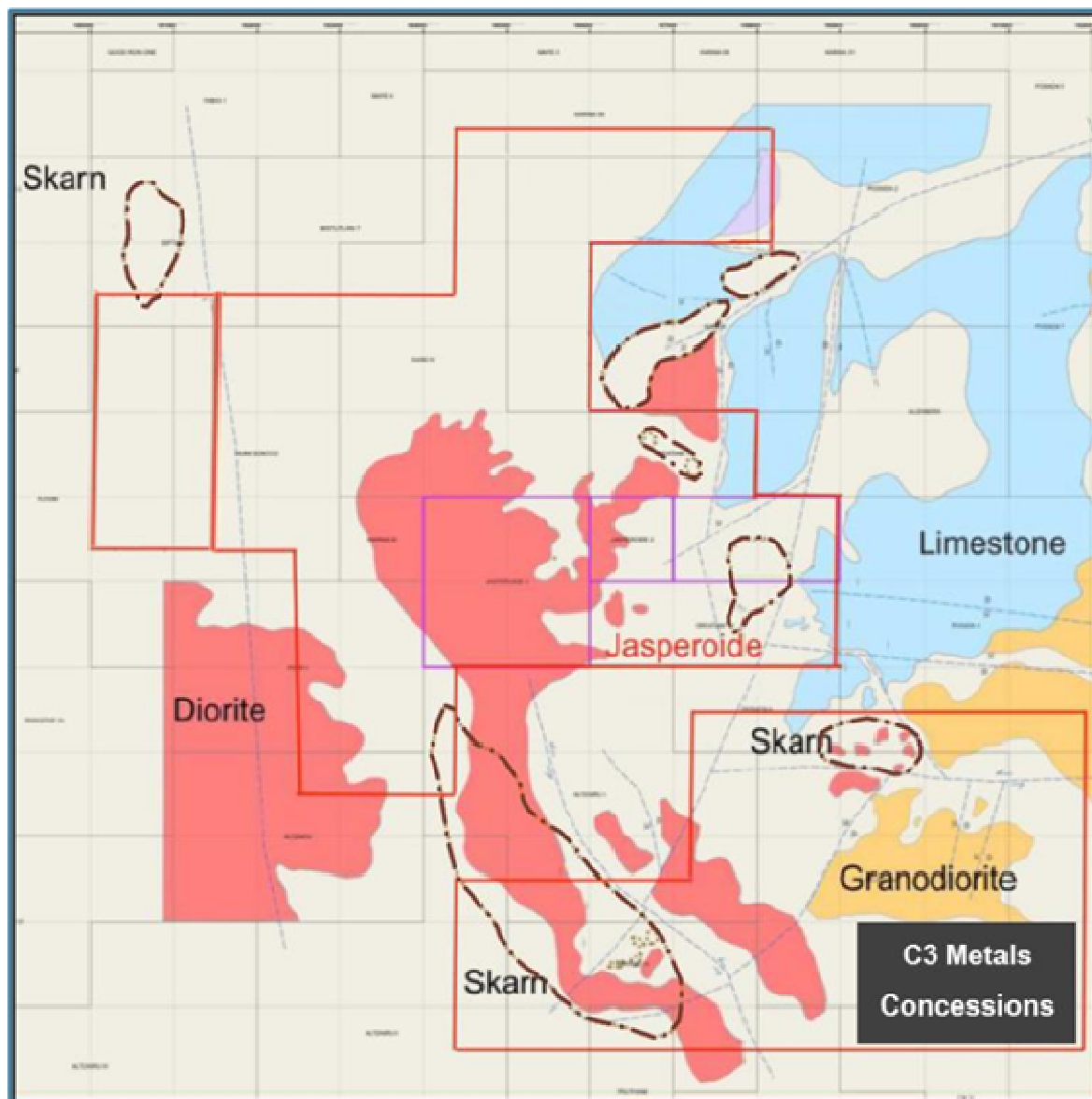
C3 is the latest iteration of (part of) the team that brought the markets Cardinal Resources, which was swallowed up late last year by Shandong Gold. The recent history of C3 is that it was called, until earlier this year, Carube Copper Corp, and its assets were largely in Jamaica, but not much had been done with them. In February of 2021, Carube completed the acquisition of Latin America Resource Group (LARG), which had as its main asset, the 5,696-hectare Jasperoide copper-gold project in Southern Peru.



Shortly afterwards, some of the ex-management of Cardinal parachuted in, including the Kevin Tomlinson who became CEO of the renamed C3 Metals.

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The main target became the Jasperoide Project which is a copper-gold skarn and porphyry system located in the prolific Andahuaylas-Yauri Porphyry-Skarn belt of southern Peru. Mineralization at Jasperoide is hosted in a similar geological setting to the nearby major mining operations at Las Bambas (MMG), Constancia (Hudbay) and Antapaccay (Glencore).



Jasperoide tenement package, 50km east of Las Bambas

The site is accessed is by primary and secondary roads from the regional capital of Cusco. The average elevation at the Jasperoide site is 4300m, located on a gently rolling plateau, as shown on the following page:

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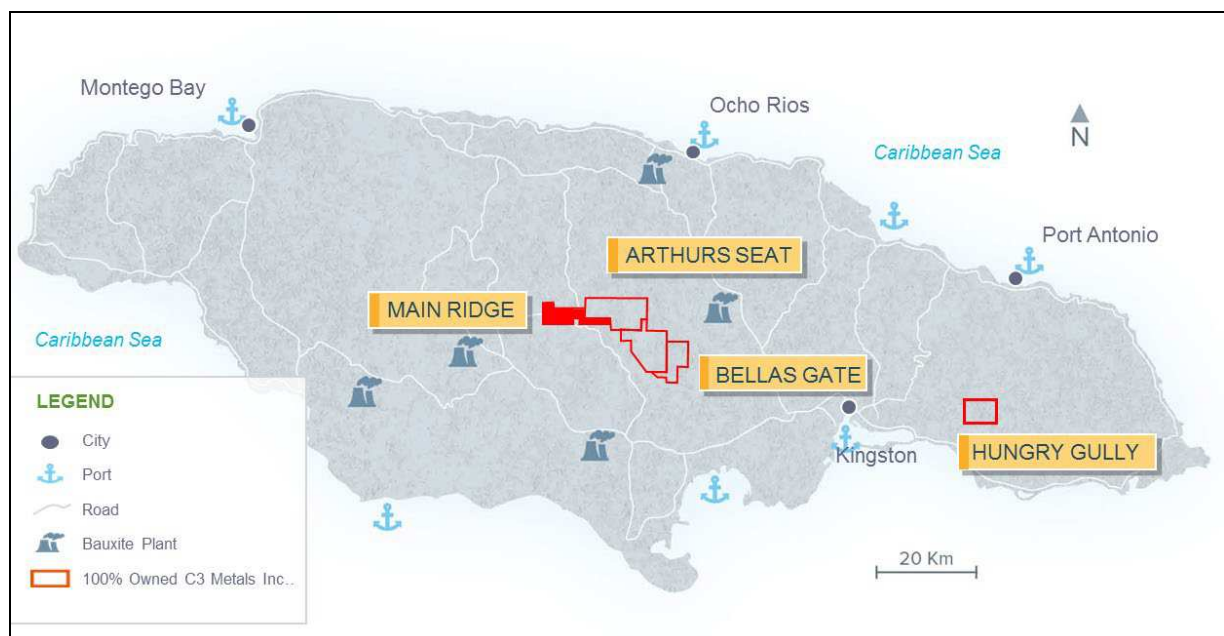
Previous exploration (by Hochschild and others) identified copper and gold mineralization in a magnetite skarn with a classic hydrothermal alteration signature of an underlying copper porphyry system.

Despite the highly prospective neighbourhood not much work has been expended on the property in the past. The Jasperoide skarn was discovered in 1994 but over the past 27 years has seen just four years of exploration by previous operators.

Historic exploration activities were mainly focused on the Montaña de Cobre Zone and involved surface mapping, sampling, ground magnetic and IP surveys and diamond drilling. A total of 10,175.7m in 52 holes was completed in three drilling campaigns conducted in 1994 (2,689.89m in 14 holes), 1996 (1,854.2m in 13 holes) and 2011-12 (5,632.32m in 25 holes). Hochschild explored the Jasperoide project from 2011 to 2012 and completed two drill programs.

C3 Metal's drill program is the first exploration program undertaken at Jasperoide since 2012. Drilling commenced in February 2021 in the southern Montaña de Cobre Zone with 15 holes completed on two section lines for a total of 3,647m. Results from seven holes on the first drill section intersected broad zones of high-grade copper-gold mineralization within a larger low-moderate grade envelope. The planned drill program involves a further 10,000m looking to expand the near surface copper-gold footprint.

Then there are the sleeper Jamaican assets at C3 Metals, which have the potential to be a spin-out in some form or another. This is the 100% interest it holds in five licenses covering 207 km² of what management believes to be highly prospective copper-gold terrain in Jamaica.



While chiefly known these days for tourism and bauxite mining, the country has a long history of mining,

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beginning with the Spanish in the 16th Century, continuing with the British in the 19th Century. The history of copper and gold production is largely forgotten.

C3 Metals has identified seven porphyry systems at the flagship Bellas Gate Project where recent drilling has discovered a new zone with the initial drill hole intersecting 339m of 0.34% CuEq, including 10m of 1.79% CuEq. It's relatively early days here but the area looks prospective and a spin-out should bring a bonus of sorts to holders more interested in the Peruvian targets.

We reiterate our **LONG** rating and raised our 12-month target price to AUD\$0.60cts.



Altaley Mining – Getting House in Order

It takes a certain amount of chutzpah to rename your company “High-Grade Mining” but the spoonful of medicine goes down better if you use Spanish and call it Altaley Mining and that is what Telson Mining have done in recent times to leave behind the miseries of recent times. In its new guise, Altaley Mining Corporation (TSX-V: ATLY; OTC Pink: SOHFF; Frankfurt: TSGN) has set itself on a path of getting back in shape to take advantage of the higher Zinc prices reigning in 2021.

Beyond the name change the company has focused on getting its financial house in order particularly as it relates to legacy debt that it incurred when buying the Campo Morado mine from the stricken Nyrrstar (subsequently entering the orbit of Trafigura). During the last month the company announced that it

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had agreed debt restructuring agreements with Trafigura Mexico S.A. de C.V. and Nyrstar Canada (Holdings) Ltd., to restructure debt in the amount of US\$26,027,240. This debt restructuring allows Altaley to move over US\$20mn of the restructured amount from short term debt to long term debt to markedly improve its financial position.

The above loan restructuring agreements come on the coattails of, and are dependent upon, Altaley closing its US\$12mn Accendo Banco Mid-Term Loan Facility where documentation is at an advanced stage.

To refresh memories, Altaley's projects are the currently producing Campo Morado mine, a polymetallic base metal mine, capable of producing up to 2,500 tonnes per day. Four months after purchasing Campo Morado, Altaley brought the mine back into operation initiating preproduction in October 2017 and declared commercial production in May 2018, operating the mine continuously for 22 months until August 2019 when the project was put on care and maintenance as a result of declining zinc prices and community issues. With improving metals pricing the mine was brought out of care and maintenance and reinitiated mining and milling operations during January 2020.

Then there is the Tahuehueto mining project, located in north-western Durango State, which is currently under construction having advanced to approximately 70% completion and waiting for final funding to finish construction of the processing plant and related assets to produce gold, silver, lead and zinc in concentrates within its own on-site mineral processing facility, with a designed capacity of at least 1,000 tonnes per day.



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The CapEx required to complete mine construction and commissioning at Tahuehueto was estimated at US\$15.4mn. This included US\$12.6mn for equipment and construction (including a 15% contingency) plus US\$2.8mn of working capital to support the operations until the mine has achieved positive cash flow.

Back in February the company announced a series of transactions aimed at raising the funds to get Tahuehueto moving along. Work on the project restarted upon closing of the non-brokered private placement that formed part of the financing package. Management is targeting completion of construction during 2021, six to eight months after securing final funding.

The Accendo Syndicate members are investing by way of debt, a silver stream, and equity:

- Accendo Banco S.A. de C.V. - US\$12mn Loan Facility

Then there is a US\$5mn Silver Stream agreement with Empress Royalty Corp:

- The company is to deliver 100% the payable silver production from the Tahuehueto for the first 1,250,000 payable ounces; thereafter, the Silver stream percentage delivery will step-down to 20% of the payable silver production
- All streaming obligations fully terminate after 10 years
- The signing of the stream agreement and the initial deposit of US\$2mn was expected to be paid first week of March, subject to standard conditions precedent, with the balance paid upon closing of formal agreements, including the Accendo Banco Loan
- The US\$5mn Silver stream is to be fully secured with a third-place ranking over Tahuehueto assets

Finally there was a US\$8mn Equity Private Placement:

- Endeavour Financial and Affiliates, Accendo Banco and Affiliates, and third parties arranged a non-brokered unit private placement issuing 50.4 million units where each unit is priced at CAD\$0.20 per unit (with half a warrant at CAD\$0.30/share strike price) for total proceeds of CAD\$10.08mn

This funding package allowed the company to enter into the restructuring of its loan debt with Trafigura and Nyrstar as per the Waiver Agreements announced in the first half of 2020.

Nyrstar agreed to exercise its US\$4mn option to purchase the Campo Morado Variable Purchase Price Royalty in exchange for 14,600,000 Telson shares. This represented a 64% premium to the then trading price of the stock. Additionally, Telson paid in cash US\$838,935 of past due royalties.

As part of the mentioned string of deals there was a restructuring of the board with the Accendo Syndicate appointing three new directors to board (which henceforth consists of seven members). The

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syndicate has the right to appoint the Chief Operating Officer. On closing of the placement, David Rhodes will be appointed as Director and Chairman and Armando Alexandri as Chief Operating Officer.

All of this has given a tailwind to Altaley's stock price in recent months and we reiterate our **LONG** rating on the company with a 12-month target price of CAD\$1.20.



Parting Shot

While the M&A boom is not all that perceptible in a point in the mining market recovery where in the past it has been firing up, the trend to spin-outs is more noticeable. The aforementioned spin-outs from Neometals and MetalsTech are examples of a plethora of these type of deals these days.

For us demergers have been value creators in the past with the original stock tending to not go down commensurately, on the passing of the ex-date, with the market cap of the spin-out on the first day of trading. Indeed, it is quite often the case that the spin-out outperforms the "parent" that begat it.

Musing upon what might be driving this trend, we'd note that trade sales quite frequently don't yield the values that managements expect (or have touted to shareholders) so better to let the market decide. Then there is the factor that it's faster to go this route than wade through the molasses of a *de novo* listing with the TMX so chronically slow and the lawyers' fees on a conventional listing being increasingly onerous. This trend of newcos from oldcos will probably accelerate.

MODEL RESOURCES PORTFOLIO @ END JUNE							
Security	Ticker	Currency	Price	Change		12-mth	
				last 12 mths	last mth	Target	
LONG EQUITIES							
Diversified Large/Mid-Cap	Teck Resources	Teck.B	CAD	29.02	104%	-4%	\$30.00
	Hochschild	HOC.L	GBP	1.626	-16%	-19%	£3.40
Uranium	Uranium Participation Corp	U.to	CAD	5.47	19%	-5%	\$6.00
	GoviEx	GXU.v	CAD	0.28	87%	-10%	\$0.30
Zinc/Lead Plays	WisdomTree Zinc ETF	ZINC.L	USD	9.00	38%	-5%	\$9.00
	Altaley Mining	ATLY.v	CAD	0.78	10%	7%	\$1.20
Silver Producer	Excellon Resources	EXN.to	CAD	2.75	-20%	-21%	\$5.50
Silver Explorer	Southern Silver Exploration	SSV.v	CAD	0.96	92%	-25%	\$1.80
Silver ETF	IShares Silver ETF	SLV	USD	24.55	44%	-6%	\$26.00
Gold Producer	Soma Gold	SOMA.v	CAD	0.30	20%	-12%	\$1.20
Metallurgical Coal	Colonial Coal	CAD.v	CAD	0.62	-11%	-7%	\$1.10
Project Generator	Altus Strategies	ALS.L	GBP	0.60	82%	-7%	£1.00
Copper Explorers	Panoro Minerals	PML.v	CAD	0.13	8%	-19%	\$0.30
	Phoenix Copper	PXC.L	GBP	0.451	67%	-6%	£0.65
	C3 Metals	CCCM.v	CAD	0.18	227%	3%	\$0.44
Tungsten Producer	Almonty Industries	AII.v	CAD	1.05	84%	-14%	\$1.25
Vanadium Developer	Vanadium Resources	VRB.ax	AUD	0.06	200%	20%	\$0.05

MODEL RESOURCES PORTFOLIO @ END JUNE								
Security			Ticker	Currency	Price	Change		12-mth
						last 12 mths	last mth	Target
LONG EQUITIES								
Lithium	Neometals	NMT.ax	AUD	0.52	206%	-2%	\$0.60	
	Lithium Power Intl	LPI.ax	AUD	0.21	17%	5%	\$0.30	
Scandium Developer	Scandium International	SCY.to	CAD	0.22	83%	-12%	\$0.25	
Gold Explorer	Cabral Gold	CBR.v	CAD	0.54	238%	-7%	\$0.60	
	BTU Metals	BTU.v	CAD	0.14	-64%	0%	\$0.42	
	Gunpoint Exploration	GUN.v	CAD	0.75	44%	14%	\$0.75	
	Bold Ventures	BOL.v	CAD	0.07	17%	-22%	\$0.18	
	MetalsTech	MTC.ax	AUD	0.23	44%	0%	\$0.68	
Fertilizers	Verde Agritech	NPK.to	CAD	0.96	92%	-25%	\$2.00	
Cesium et al.	Essential Metals	EXX.ax	AUD	0.11	0%	22%	\$0.30	
Rare Earths	Rainbow Rare Earths	RBW.L	GBP	0.148	444%	0%	£0.30	
	Neo Performance Materials	NEO.to	CAD	16.38	81%	-5%	\$24.00	
Tin Miner	Alphamin	AFM.v	CAD	0.74	429%	-1%	\$0.80	
	Metals X	MLX.ax	AUD	0.23	188%	-18%	\$0.30	
Oil & Gas	Shell A	RDSA.L	GBP	14.428	16%	8%	£14.90	
Royalties	Elemental Royalties	ELE.v	CAD	1.34	n/a	-11%	\$2.30	
SHORT EQUITIES								
Shorts	NioCorp	NIO.to	CAD	1.44	78%	17%	\$0.40	
	Galane Gold	GG.v	CAD	0.23	28%	0%	\$0.15	
	Texas Mineral Resources	TMRC	USD	2.04	12%	-4%	\$0.30	

Important disclosures

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