

Sunday, December 8, 2024



# HALLGARTEN + COMPANY

Portfolio Strategy

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## Model Resources Portfolio: After the Storm

Performance Review – November 2024

# Model Resources Portfolio

## After the Storm

- + Trump (re-) election has set minds whirring on the ways in which an America First policy might impact base and specialty metals
- + Gold and silver have maintained their orbit in the stratosphere, ignoring the dangers of any Trump “peace dividend”
- + The Chinese targeting of the US in a specific dual-use export ban risks tit-for-tat action by Trump and drives him closer to Taiwan
- + M&A continues on a low-boil, primarily consolidating producers and developers
- + Alphamin, the tin miner, seemed to have been put in play
- + The Antimony price passed \$40k per tonne stirring the juices of the worst of the promotorial riffraff
- ✗ Tungsten did not move on the back of Chinese attempts to restrict dual-use exports
- ✗ The Middle East conflicts are now proliferating. Next step, Balkanisation?
- ✗ The travails of the battery metals space are finally being realised to be more than just the Lithium price, but a fundamental lack of interest/affordability for anyone below the top 10% echelon of the middle classes
- ✗ Inflation looks stubbornly high and Central Banks are weakening their resolve to sustain high rates in face of political pressure to maintain the almighty property sector

### Armageddon Now?

We have heard a few times in the last months the prescient words of Henry Kissinger (made six years ago) on Donald Trump. It is not so much a judgement on Trump as a point of convergence in the time space continuum and the apotheosis of Donald Trump. It goes:

*“I think Trump may be one of those figures in history who appears from time to time to mark the end of an era and to force it to give up its old pretenses”*

So, Trump is epochal? But it is not just Trump who make up this *fin de siècle* tableau. The collapse or sidelining of parties in Europe that have been governments or oppositions for decades has confirmed a trend that has been going on since 2008, but that some players had thought was a passing fad. Clearly not. The public are as mad as hell at being used and abused by elites and want to see heads of spikes.

All of this occurs against a drumbeat of various wars and rising tensions that makes one cast back one’s mind to 1913 or 1937. None of the tensions appear any closer to resolution at the start of December than when pundits called the election for Trump in early November, and if anything, Syria has been re-

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added to the list of hotspots.

In metals markets, particularly with regard to critical and strategic metals, the heat has been turned up to high. The carpetbaggers have swarmed the Antimony markets like Syrian rebels swarming Damascus. The fact that most could not identify Stibnite from a line-up of rock samples matters nought to them (or indeed their investors). However, if one looks at the military metal, par excellence, Tungsten, the price has not even moved on Chinese export bans of so-called dual-use metals showing that those promoters that live by the export ban “story” can also die by it.

The Tungsten price’s lack of movement does not surprise us particularly, as China’s move to ban exports was well-telegraphed and in production-terms China faces an eclipse in its Tungsten market status, which somewhat replicates its downfall in Heavy Rare Earths. That leads us to a follow-on thought that if Trump was seen to be prone to appeasement through a Chamberlainesque attitude to Taiwan as “a faraway country of which we know little” then China specifically targeting the US in dual-use metals (e.g. Gallium, Germanium, Tungsten and Antimony) may prove to be a red rag to the Trump bull, that might have Peking rueing its decision to poke the sleeping President-elect during the interregnum. If he didn’t see Taiwan as worth the fight before, China just dragged it back into contention. Trump does not like having sand kicked in his face.

So, what is so epochal? Probably first is the enunciation of withdrawal from international outreach by the US. The reality may end up being a lot less dramatic (or achievable) but that it is even announced and that the public like it is a sea-change. Secondly, there is the downfall of established elites. A cabinet replete with billionaires certainly does not have the optics that the 1% are being trounced. But let’s look at the granularity. Most of these billionaires would not even be able to exchange chitchat with Andrew Mellon or Nelson Rockefeller. The Trump Ascendancy is one of the 0.001%, the rest of the 1% will have to slog it out with the rest of us for opinion-making rights. Indeed, they are being vilified from below and above. The changes in public opinion in the US, Europe, the UK and Australia are sidelining the 1% and their long- time dominance of the airwaves.

Are the 1% synonymous with the Deep State? We think not as the Deep State was never so populated. However, was the Deep State post-WW2 the distillation of 1% values and defenders of these? Absolutely. Thus, there is (maybe) a changing of the guard (and values) in the Deep State.

If anything, this latter change is the biggest one. The era of economic dominance by the 1% dates back to the 1980s (not the Second World War). The era of Me First and the enormous (literal) landgrab by the 1% began with globalization, mass immigration to provide gardeners/domestics/carers for the 1%, economic nostrums like Just-In-Time, the Green Agenda and Free Trade Agreements and the rise of the New Class/Consultant (or the PMC as we insiders now know them) culture. This construct is being undermined on all sides. The Trump Ascendancy has capitalized on this, accentuated the undermining, calling out of their dark corners the purveyors of the 1% ideology and putting them in a public pillory for the Great Unwashed to bombard them with old cabbages and rotten tomatoes.

It sure does have the feeling of epochal change... time will tell.

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## Portfolio Changes

During the month, there were various changes to the Model Resources Portfolio. We added Pampa Metals as a **LONG** and instituted a Pairs Trade with a **LONG** in E3 Lithium and a **SHORT** in Patriot Battery Metals. After a meeting with West Wits mining, with its gold mine reactivation project on the outskirts of Johannesburg, we resolved to add a position in this ASX-listed company to the Model Resources Portfolio.

## Neometals (ASX: NMT | AIM: NMT) – How the Mighty Are Fallen

We recently saw the Mt Marion lithium mine in Western Australia described as the second largest producing spodumene mine in the world. This was poignant as it had been the main asset of Neometals for many years and, in turn, Neometals has been the longest lasting stock in our Model Resources Portfolio

It now describes itself as a “sustainable process technology developer” with a focus on technologies rather than mining and particularly lithium-ion battery recycling. We might remind that it had to beat a retreat from its Vanadium slag recycling efforts in Scandinavia due to the seemingly permanent slump in the price of Vanadium.

Unfortunately, the market is not taking to the new strategies with the gusto of days gone by. In the last month, Neometals advised that its non-renounceable pro-rata entitlement offer of new fully paid ordinary shares closed on 30 October 2024, with received applications from eligible shareholders for a mere 12,643,088 new shares at the issue price of AUD\$0.09 per new share, representing an embarrassingly low 22% take up. Eligible shareholders were also offered the opportunity to apply for additional new shares in excess of their entitlement under the Top Up Facility. When combined with the Top Up Facility, valid applications were approximately AUD\$3.1mn.

As our longest held **LONG** in the Model Resources Portfolio we are loathe to expel Neometals from our most favoured list, so it remains for the moment, but the company has to regain its mojo, or it will be destined for the dustbin of history.

## Aldebaran – RTZ & Product Placement

One is somewhat reminded of “buying friends” in the days of the old school yard when looking at RTZ’s strategy to achieve product placement for its Nuton technology. The friends come at a high price though as, in the latest move by the mining major, it has strategically (and expensively) placed itself to get Aldebaran contemplating the technology and possibly having more than just a foot in the door when the Altar project starts to move towards development.

In an announcement at the start of November, Aldebrana entered into an option to joint venture agreement with Nuton Holdings, a Rio Tinto venture, whereby Nuton can acquire a 20% indirect interest in the Altar project by making staged payments totaling US\$250mn. We had discussed Nuton (and Aldebaran Resources) in our mine trip note published early in 2023 after we went to visit Altar and the

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neighbouring Los Azules project. [That note is here.](#)

In the short-term the deal with Rio Tinto brings:

- Non-dilutive financing with an upfront payment of US\$10mn
- US\$20mn projected for Q4-2024 after the publication of an updated mineral resource estimate, if Nuton elects to proceed
- US\$30mn payment projected for Q2/Q3-2025 after the publication of a Preliminary Economic Assessment that includes a Nuton case, if Nuton elects to proceed
- Final Payment of US\$190mn would be made after the publication of a Pre-Feasibility Study that includes a Nuton case, expected in 2026, if Nuton elects to exercise the option

It's worth noting that Nuton now also owns 17.2% of McEwen Copper on a fully diluted basis.

Aldebaran is collaborating with Nuton to evaluate a Nuton TM Technologies sulphide leaching option in the upcoming PEA and PFS. Management claims that the sulphide leaching technologies have the potential to materially improve the economics of the project.

Despite Rio appearing on the scene, Aldebaran remains the operator of the Altar project.



We reiterate our **LONG** stance on Aldebaran and have upped our 12-month target price to CAD\$2.50.

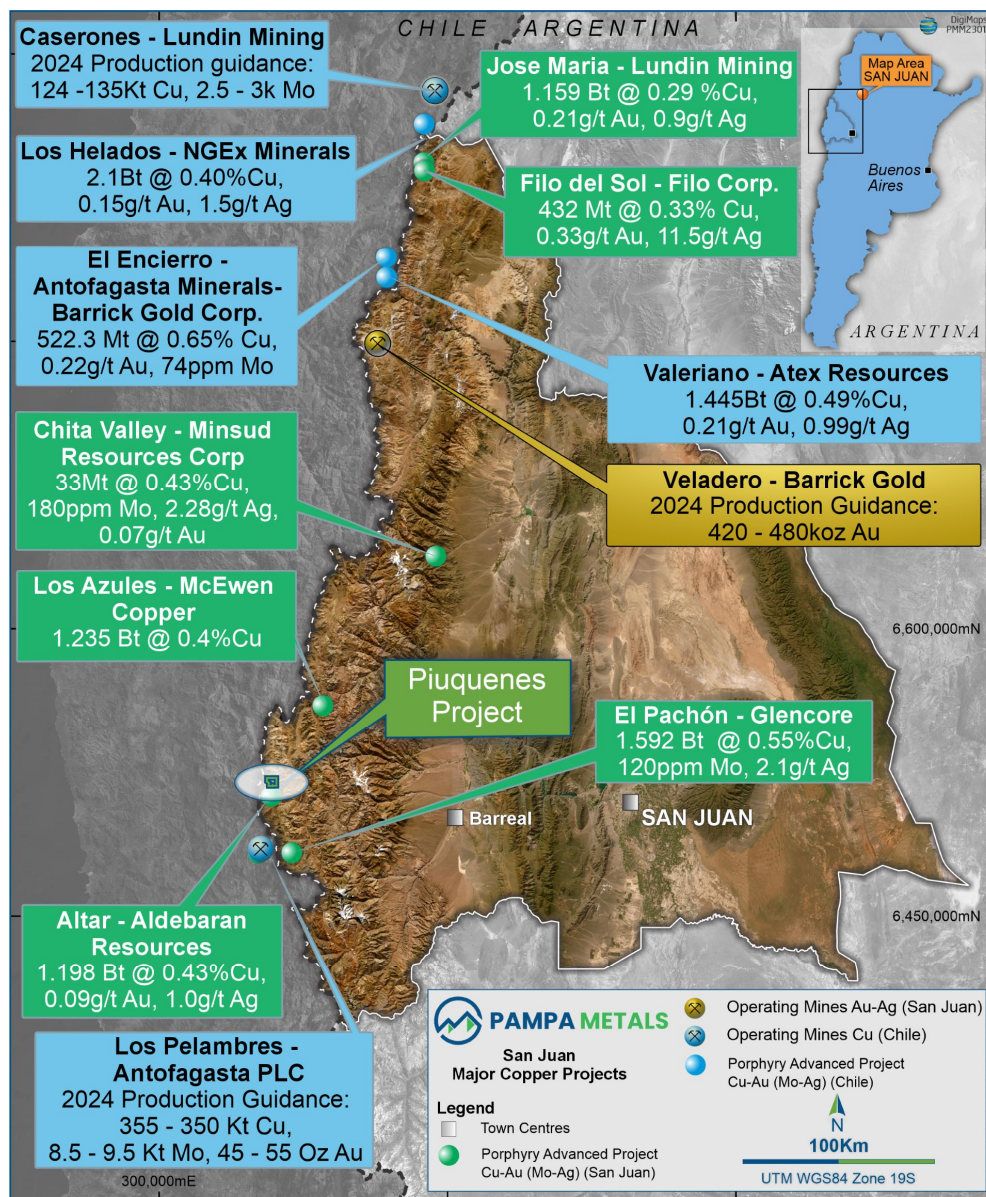


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### Pampa Metals (CSE:PM | FSE:FIR | OTCQB:PMMCF) – Ergo....

Have been looking at this story for some while now, as we had initially been dismayed by its name referring to some projects in Northern Chile, not in Argentina (with which the word “*pampa*” is traditionally linked). Fortunately, they finally saw the error of their ways and pivoted to Argentina.

The map that follows shows the crowded nature of the borderlands between San Juan province and Chile. The sheer number of projects makes the zone look like one of the more sought-after sides of the Monopoly board game.



The Piuquenes Cu-Au Porphyry Project is in San Juan province, approximately 190 km west of the city of

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San Juan, as the crow flies. It is adjacent (to the north) of the Altar project (of Model Resources Portfolio constituent, Aldebaran Resources). Other large porphyry copper projects in the San Juan Miocene porphyry belt include, El Pachón (Glencore), approximately 30 km to the south, the operating Los Pelambres copper mine (60% Antofagasta plc) in Chile, and Los Azules (McEwen Mining) 50 km to the northeast.

Omitted from the map is La Coipita of AbraSilver (ABRA.v) which is just to the north of Los Azules and which is farmed out to Teck Resources. We covered this development in our note [here](#).

In November of 2023, the company acquired its initial interest in the then privately-held Piuquenes Project. The latest news was that, in mid-October of 2024, it expanded the project area by ~34% to 2,523 hectares. The additional ~643 hectares were incorporated into the option agreement (as per an announcement in late November of 2023) at no additional cost to Pampa Metals.

Pampa Metals' management made the decision to take up the option on the extra territory following completion of a diamond drill program at Piuquenes Central for 2,592m. The technical team has integrated and interpreted the extensive database of historic work and assessed the property wide potential of the ~1,880-hectare land package. It also completed WorldView-3 satellite geological remote sensing over the project area to explore scene variability, enhance surface cover types, map the spectral geology and alteration and provide potential vectors to mineralization.

We have resolved to add Pampa Metals as a **LONG** to the Model Resources Portfolio at this time with a 12-month target price of CAD\$0.40.



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## Thinking in Pairs – LONG E3 Lithium | SHORT Patriot Battery Metals

We have long had a downer on the whole concept of James Bay as a mining location and the more that brines rise, the lower that James Bay sinks in its relevance to the benighted “energy transition” (in lower case going forward). How to register our contempt for the *ne plus ultra* of seemingly impossible locations?

We met, again, at the end of November with E3 Lithium (ETL.v), the unconventional brine developer in Alberta, which we had written up as far back as April of 2020 in [our review of Unconventional Lithium stories](#).

Then the idea struck us of reviving the Pairs trade concept, which we have not trotted out for ages. But what stock to pair a **LONG** in E3 Lithium with? Recent conversations have heard the “virtues” of Patriot Battery Metals (TSX: PMET | ASX: PMT | OTCQX: PMETF | FWB: R9GA) bandied about and these so stretched our credibility that we resolved that it was shouting out to be the **SHORT** end of the Pairs trade.

Then a visit to the website had us pondering the project’s renaming as the investor-unfriendly Shaakichiuwaanaan Property (formerly known as Corvette Project) and was further compounded by the directors being termed “independant” (sic) or “non-independant” (sic) and the decision was made for us.



A “picture tells a thousand words” they say, and the map at the right digs the grave of the sometime Corvette project. The issue of where the sodium sulphate waste, required to process the lithium, goes remains somewhat of a damoclean sword.

In coming months, we hope to elaborate more on the attractions of E3, while the rationale for a **SHORT** in Patriot Battery Metals needs little explaining.





## Parting Shot

After sitting through many hours of a particularly boring ESG & the Energy Transition event in London we wondered if this was truly Peak ESG. The participants were trying to squeeze the last juice out of an orange that was not particularly sweet even when it was first plucked. ESG has always had negative overtones and a scolding vibe to the promotion. Many will be glad to see it put in its place (i.e. downrated and deflated) as the last thing the mining industry needs is yet another hairshirt to wear.

We feel bad though in only one aspect of this sunset moment. The ESG niche has been one that has been useful to advance the cause of women in mining, indeed, it would appear that, judging by the preponderance of speakers and practitioners that women have made ESG their own. It is somewhat akin to that moment in the 1970s when “Payroll Departments” morphed into “Human Resources” and a hitherto secondary function became a key part of corporate structures and women found a niche with less glass ceiling, as the ceiling had not yet been installed.

Human Resources never went into eclipse though, it just grew and grew to indeed become the be-all-and-end-all in many service and financial businesses (sometimes in ungodly alliance with compliance). The heavy moves in the US against ESG mandates (by politicians, judges and trustees), particularly directed towards fund managers, must already be resulting in a falling headcount on the “buyside”. Meanwhile on the mining side, all big miners have installed one or several people in their nascent ESG cantonments and some small and medium companies in the space have at least one person with some sort of ESG-linked title. But lean times in 2024 and the grim reaper stalking the corridors of smaller players, particularly non-producers, will make survival all the more difficult for those in the new (but not

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so durable) sinecures.

The staff will go, but the ESG tab on the website will live on.

Beyond this the whole breed of external consultants/advisors (and punkah-wallahs cooling the frazzled brows of mining management) must be experiencing belt-tightening that is more akin to noose-making.

Their Reign of Terror may have been a scant few years but as the French Revolution shows, such upheavals consume their own, and one day's Robespierre is the next day's guillotine fodder.

## **Recent & Upcoming**

In the last month we published a writeup of our mine trip to Alpahmin's Bisie mine, an update on American Rare Earths, a review of Argentine-Chinese relations as they relate to the so-called "Energy Transition" and a look at Rare Earth technologies. In the pipeline is an examination of Energy Fuels' new HMS and REE silos, an update on AbraSilver and our Tungsten review.

## MODEL RESOURCES PORTFOLIO @ END NOVEMBER

MODEL RESOURCES PORTFOLIO @ END NOVEMBER					Change		12-mth
Security	Ticker	Currency	Price	last 12 mths	last mth	Target	
LONG EQUITIES							
Diversified Large/Mid-Cap	Hochschild	HOC.L	GBP	2.145	97%	-6%	£2.40
Base Metal Developers	Denarius Metals	DNRSF	USD	0.50	111%	-37%	\$1.15
Uranium	Sprott Physical Uranium	U.UN.to	CAD	18.20	-7%	1%	\$20.00
	enCore Energy	EU.v	CAD	5.22	-8%	-2%	\$4.90
	Energy Fuels	UUUU	USD	7.26	-9%	30%	\$7.50
Zinc/Lead Plays	WisdomTree Zinc ETF	ZINC.L	USD	10.19	23%	3%	\$14.00
	Luca Mining	LUCA.v	CAD	0.55	77%	-7%	\$0.70
Nickel Developer	Canada Nickel	CNC.v	CAD	0.97	-6%	-5%	\$2.15
Silver Explorer	AbraSilver	ABRA.v	CAD	2.72	656%	-12%	\$4.20
Silver ETF	IShares Silver ETF	SLV	USD	27.92	20%	-5%	\$32.00
Gold Producer	Soma Gold	SOMA.v	CAD	0.57	-14%	-57%	\$0.85
	Aura Minerals	ORA.to	CAD	16.68	70%	-8%	\$19.00
	Asante Gold	ASE.cn	CAD	1.17	-31%	-13%	\$2.40
	Orvana Minerals	ORV.to	CAD	0.25	56%	-39%	\$0.60
	Talisker Resources	TSK.to	CAD	0.43	18%	-9%	\$1.10
Gold Developer	West Wits Mining	WWI.ax	AUD	0.02	68%	33%	\$0.024
Gold/Antimony Developer	Perpetua Resources	PPTA.to	CAD	13.31	206%	-4%	\$13.00
Metallurgical Coal	Colonial Coal	CAD.v	CAD	2.15	13%	-5%	\$2.45
Royalties	EMX Royalties	EMX	USD	1.74	3%	-5%	\$2.50
Copper Explorers	Panoro Minerals	PML.v	CAD	0.38	245%	31%	\$0.30
	Aldebaran Resources	ALDE.v	CAD	2.20	147%	33%	\$2.50
Tungsten Producers	Almonty Industries	AII.v	CAD	0.90	70%	8%	\$1.10
	EQ Resources	EQR.ax	AUD	0.06	0%	20%	\$0.08

## MODEL RESOURCES PORTFOLIO @ END NOVEMBER

MODEL RESOURCES PORTFOLIO @ END NOVEMBER								
Security		Ticker	Currency	Price	Change		12-mth	
					last 12 mths	last mth	Target	
LONG EQUITIES								
Graphite Developer	Blencowe Resources	BRES.L	GBP	0.038	-31%	-24%	£0.09	
	Kingsland Minerals	KNG.ax	AUD	0.18	-31%	-22%	\$0.45	
	Applied Graphite Technologies	AGT.v	CAD	0.14	155%	-7%	\$0.40	
Lithium	Neometals	NMT.ax	AUD	0.09	-53%	0%	\$0.30	
	E3 Lithium	ETL.v	CAD	1.12	-47%	-2%	\$1.35	
	Century Lithium	LCE.v	CAD	0.31	-44%	-18%	\$1.10	
Phosphate	MinBos	MNB.ax	AUD	0.06	567%	40%	\$0.28	
Scandium Developer	Scandium International	SCY.to	CAD	0.18	500%	-22%	\$0.40	
Gold Explorer	Cabral Gold	CBR.v	CAD	0.25	25%	-22%	\$0.40	
	Alpha Exploration	ALEX.v	CAD	0.92	42%	28%	\$1.00	
	Desert Gold	DAU.v	CAD	0.07	17%	-13%	\$0.16	
AgroMinerals	Millennial Potash	MLP.v	CAD	0.32	78%	19%	\$0.32	
Rare Earths	Rainbow Rare Earths	RBW.L	GBP	0.117	-20%	-8%	£0.30	
	Neo Performance Materials	NEO.to	CAD	7.96	5%	-1%	\$14.00	
Tin	Alphamin	AFM.v	CAD	1.15	37%	-8%	\$1.50	
	Rome Resources	RMR.L	GBP	0.36	n/a	-20%	n/a	
	Elementos	ELT.ax	AUD	0.07	-29%	-13%	\$0.38	
Mineral Sands	Sheffield Resources	SFX.ax	AUD	0.17	-73%	-19%	\$0.72	
Oil & Gas	Shell	SHEL.L	EURO	25.335	-1%	-3%	£28.00	
SHORT EQUITIES								
Shorts	Golconda Gold	GG.v	CAD	0.30	76%	0%	\$0.15	
	Patriot Battery Metals	PMET.to	CAD	2.66	-72%	-26%	\$1.60	
	Blue Lagoon	BLLG.cn	CAD	0.12	-11%	0%	\$0.05	
	Aya Gold & Silver	AYA	CAD	13.18	29%	-26%	\$4.50	

## Important disclosures

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