Sunday, July 6, 2025

HALLGARTEN + COMPANY

Portfolio Strategy

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Monthly Resources Review:
Mining Warms to the Command Economy

Performance Review – June 2025

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Monthly Resources Review

Mining Warms to the Command Economy

- + **Gold and silver maintain the high ground amongst metals supported by the tense international situation**
- + **The so-called 12-Day War was a glimpse of wars to come with particular emphasis on munitions with a Tungsten component**
- + **It has taken a crisis of supply, a wake-up call on sourcing and Chinese machinations over the metals/minerals it "controls" to have the scales fall from the eyes of the Western democracies**
- + **The prices of PGMs, and associated equities, have been moving strongly higher on a combination of lower production/stockpiles and the flagging EV trend**
- + **Despite the supposed outbreak of peace, the dire state of the West's inventory and its supply lines for critical minerals has generated panic, with concordant benefits for those in specialty metals, notably Tungsten**
- ✕ **The month has been dominated by Israel's attack upon Iran and the fall-out thereof, with the mining community blithely think it does not impact them or indeed provides an opportunity to "sell more at higher prices"**
- ✕ **Brine operators appear to be in the ascendant with pursuers of hard rock mineralisations appear destined for the tailings pile of history**
- ✕ **The implementation of a Mining Inspection Fee (Tasa de Fiscalización Minera) by Ecuador is akin to killing (again) the goose that laid the golden egg, scaring off potential miners from the Andean nation**

Long live the Five-Year Plan!

While the US President makes known his displeasure that a Democratic Socialist gained primacy over a party hack in New York City's mayoral race, perversely, the mining community are embracing the planned economy like comrades of old. Was Rosa Luxemburg a wannabe Woman in Mining before her time? One is coming to suspect that miners, with their new-found love of the planned economy, will next be advocating for a Five-Year Plan.

Of course, the difference between now and times of yore is that the thing they are loving is money with no strings attached. Hohoho… do they think the universe has changed that much. Will the lion lie down with the lamb?

In reality, little of the wished-for government largesse comes with no-strings-attached. The US DoD, long used to the complex mazurka it dances with the military-industrial complex, is suddenly besieged by a horde of supplicants from the mining industry. The M-IC is accustomed to military contractors proffering offers of pork-barrel in congressman's districts, not dispensing funds to groups in the wilds of the DRC or Quebec. To the Pentagon's demands of "show-me" they are instead being handed a freshly minted PEA on some advanced moose pasture, and little more, when they are used to seeing a gleaming jet engine plant in the mid-West. While this is a culture shock for the bureaucrats, it is even more of a wake-up call for mining promoters, when a sexy schematic no longer cuts it. The fall back from these churlish Washington nit-pickers is the Canadian government tasked with the unenviable duty of telling Vancouver promoters that their projects are camel-dung, while the Australian government babbles about price support schemes and stockpiles with scarcely any cognizance of the nature, import or lack of viability of the projects in question. The EU, in contrast, doesn't particularly care about the project, or even the metal, as long as there is "circularity" mentioned somewhere in the RFP.

With this in mind we must return to the Soviet model of the "over-arching imperative", i.e. the survival of the State and ongoing revolution, which could make any project worthwhile if it served the Greater Good. Unfortunately, in the far north-west of Western Australia the greater good consists of unskilled FiFo truck drivers getting AUD$250,000 per annum for their irreplaceable skills. Alas, Alexei Stakhanov (pictured right) they are not. Their bosses even less so.

While the politics of the Politburo may rule at the top of Rio Tinto, it does not in the hardscrabble world of BMO conference jaunts and lifestyle miners. What is the Soviet equivalent of a lifestyle miner?

With governments potentially wising up on some of the fakers in the mining scene, a breed that nary were seen in the halls of power, the danger is that governments might start getting wary of voter blowback, which can be far more fatal for a politician saddled with a slew of dud mining projects, than for any mining CEO faced with a requisitioned EGM from a dissident hedge fund.

Be careful what you wish for from government.

Water, Water, Everywhere and Not a Drop to Drink

Miners have been vocal on the proposed changes to open-pit mining rules in Mexico, but somewhat less noisy on the tightening rules on water usage.

AMLO’s proposed changes also relate to water usage and would significantly limit water exploitation in areas facing water scarcity, if approved. The changes would prioritize personal and domestic water use, prohibit concessions in water-scarce areas, and recognize water as a fundamental right, not a commodity. This approach sets a usage hierarchy for water in the following order: domestic use, then agriculture, and lastly, other industrial sectors.

In the past many mining companies in water-challenged regions constructed dams and other water storage facilities. In the general lazy intellectual climate and lax government oversight this practice has gone by the wayside, leading us to where we are now.

There is no reason why reservoir building should not be as much on the agenda as tailings storage facilities. It is time for miners to relearn the art of dam-building and wean themselves off utilizing natural water sources as it is a right.

We seemingly fell foul of Alphamin when we criticized its reticence to construct a hydroelectric facility for a few million dollars at its Bisie Mine in the DRC (with a shortage of water being the least of their problems). This would have partially weaned them off diesel dependence, allowed them to regrind tailings currently going to a TSF (thus increasing production and cashflow) and insulate them from transit issues for their massive (and expensive) diesel habit. The rest is history with, in early 2025, their supply lines being cut off by M23 rebels and control of the company being sold for a bargain price. Short-termism anyone?

We recall several projects of significant vintage (and no great size) in the uplands of Peru having small hydroelectric facilities, so this is scarcely reinventing the wheel.

We wonder if the less noisy response from miners in Mexico on tightening water usage rules is due to the solution to the issue being within their own grasp (i.e. building small or medium dams). Miners will race to embrace $100mn TSF budgets and yet baulk at building a $20mn dam to store water. Farmers build themselves dams, why shouldn’t miners return to this once common practice? And imagine when the mine closes down, whether the water storage could remain as a benefit to the local community… perchance to dream.

Platinum is Back

We must confess that we failed miserably in not seeing a comeback for Platinum/Palladium in our crystal ball.

We do, however, love a SpinCo and these have almost universally done well when they are big SpinCos (not be confused with cash-poor remnant NewCos). Examples of this format taking off and leaving their erstwhile parent eating their dust have been South32, Thungela and now Valterra Platinum (formerly Amplats), the SpinCo recently demerged from Anglo American. This deal had most propitious timing, coinciding as it did with the platinum price reached its highest in more than three years.

As the chart below of the action on the Joburg market shows, the company shrugged off the volume surge caused by funds ditching their positions in the demerged entity and heading into 12-month high territory.

Every dog has its day and Platinum and Palladium had been skulking in their kennel for years now while all the buzz was EVs and investors were waving incense and saying the last rights over these one-time favorites. Even the precious metals wave had been unable to move Platinum, a favorite jewellery metal in Asia, out of its rut.

However, extended poor pricing, declining production and erosion of stockpiles eventually had the result of turning this pair from their downwards trajectory. The slowdown in EV uptake due to weakening mandates, lingering range anxiety and poor charging infrastructure has combined with the yawning disinterest of the so-called Global South in the Green Transition to keep the ICE format very much in demand. So, its *Apocalypse Delayed* for metals with end uses in catalysts. It seems only very recently that Western cities saw a spate of thefts of converters from cars parked on the streets for their PGM content, but it was mid-last decade when the PGMs last had their day in the sun pricewise.

The slump has resulted in production closures and major write-downs of assets in the South African PGM industry. PGM exports from South Africa were down 25% YoY in April (while being down 14% lower year to date). The Platinum price has gained 20% in just more than a month (44% stronger this year) and Palladium has coat-tailed on this move.

On the consumption side, platinum jewellery was upticking, with PGM imports by China and Hong Kong being up 19% YoY in April. Some have attributed this to platinum's large discount to gold.

Source: TradingEconomics.com

On the preceding page can be seen the 5-year palladium price, which while upticking needs to go a long way to even vaguely match its highs of the last half-decade.

The Q1 forecast by the World Platinum Investment Council (WPIC) posited that total supply in 2025, including from recycling, would be the lowest in five years. It forecast a decline of 4% to 6.99 million ozs, with 1Q25 mined supply having fallen 13% YoY to 1.16 million ozs. This was below levels last seen before Covid.

Nevertheless, for various reasons we have outlined in the past we far prefer Palladium over Platinum and have revived our **LONG** position in the Physical Palladium ETF in our Model Resources Portfolio.

Symbol	ETF Name	Natural Resource	Total Assets ($MM)	YTD	Avg Volume	Previous Closing Price	1-Day Change	Overall Rating
PALL	abrdn Physical Palladium Shares ETF	Precious Metals	$511.18	26.98%	205,538	$106.05	4.83%	

Our 12-month target price for this renascent position is US$140.

Pisces – a Fish out of Water

When does a nifty acronym fail to serve as a beacon of delivery of UK companies to the Promised Land? When it is a dead fish on the dock…. The London Stock Exchange seems to have a bottomless supply of dead duck ideas (excuse our mixing of metaphors) and PISCES certainly qualifies for that category. There are a couple of private firms, notably J.P. Jenkins, that indulge in matching bargains in unlisted securities. Ironically, some of the names are ex-AIM-listed stories that have come to grief.

As we have written oft before, the London Stock Exchange is an unlikely saviour of corporate entities wanting to tap into "real investor demand for doing real business". It's website now trumpets "…The UK is on the brink of delivering a fundamentally new approach for private companies to access capital markets. This summer, the government will introduce the Private Intermittent Securities and Capital Exchange System (PISCES), a ground-breaking framework for buying and selling private company shares".

It goes on: "In an era when many businesses are staying private for longer, private companies will be able to regularly auction their shares, providing an opportunity for shareholders and employees to trade them. For their part, investors will have the opportunity to invest in high-growth private companies that are not usually available until they are publicly listed". Are they staying private for longer due to the dysfunctionality of the LSE? Asking for a friend….

A statutory instrument was to be put before the UK Parliament giving the Financial Conduct Authority powers (otherwise known as the "dead hand") to implement and oversee the operation of the PISCES sandbox, that's expected to run for five years. Why the drop-dead date?

The fundamental question is "who needs it"? The old Biblical injunction of Physician, heal thyself!" seems appropriate here. If the LSE's main market was working well then digressing into such ventures as matched markets might make sense. But the Main Market resembles the Somme battleground on a bad day so the LSEG's management should stick to their knitting, instead of seeking legislative approval for what is an unnecessary pet project.

Portfolio Changes

During the month, there were three changes in the Model Resources Portfolio. We added a **LONG** position in abdrn Palladium ETF, a **LONG** position in NexMetals and we reinstated our **LONG** in Elemental Altus. This came after the odious La Mancha group were bought out and shown the door by stablecoin mover & shaker, Tether. We would not be surprised if the next move was on Gold Royalty (GROY).

With Perpetua verging on a valuation of CAD$1.7bn, we are inclined to shed the **LONG** position if it goes too much higher.

Aura (TSX: ORA) Strikes Again

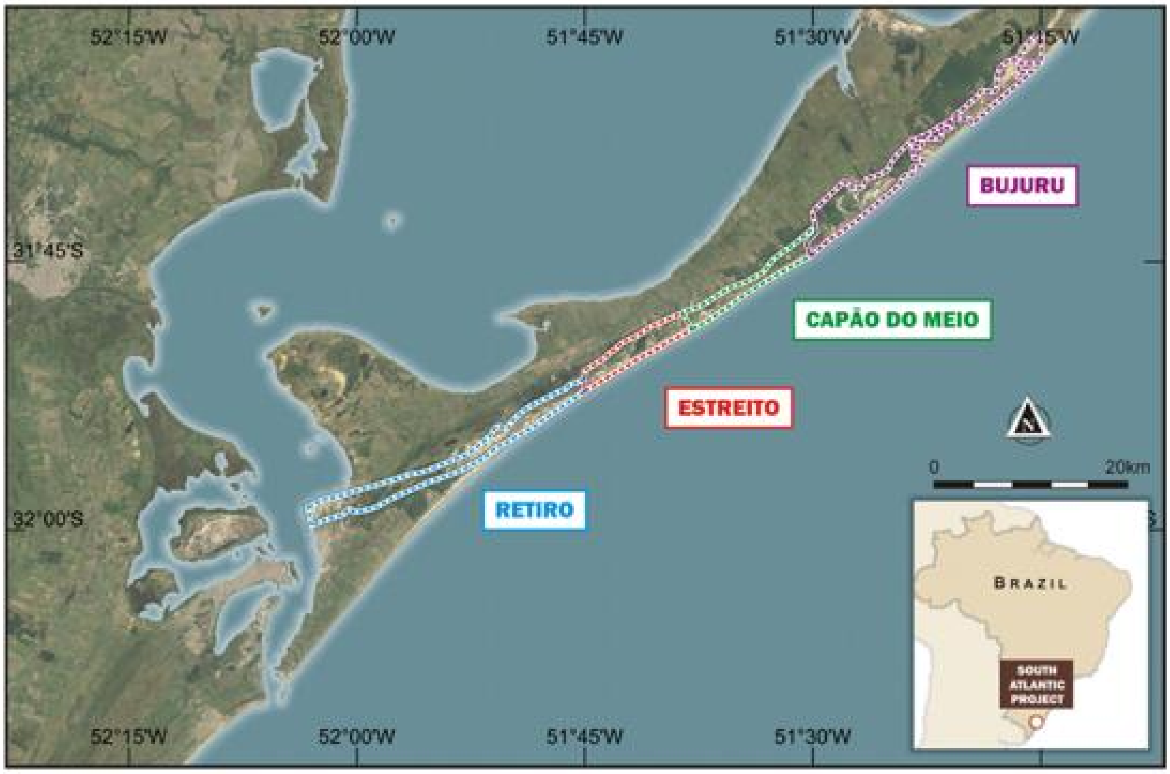
Probably our most favoured gold producer Aura Minerals (controlled by Brazil's Paulo Brito) announced that it would buy the Serra Grande Au mine in Crixás, in Goiás from AngloGold Ashanti. ORA will pay US$76mn in cash on closing and a 3% NSR over the currently identified resource. Serra Grande, located in one of Brazil's most prominent greenstone belts, has produced over 3mn ozs Au since 1998 underscoring its significant potential.

The transaction is subject to certain conditions, including the completion by AngloGold Ashanti of an ongoing decommissioning of a legacy TSF.

As the chart above shows, in less than a year the stock is up 300%. We reiterate our LONG rating on Aura with an upgraded target price of CAD$48.

Sheffield Resources (ASX: SFX) – Doubling Up With Brazil

In late June, our preferred Heavy Mineral Sands (HMS) exposure, Sheffield Resources announced the maiden Mineral Resource on its South Atlantic Project in Brazil. The MRE estimated 771mn tonnes @ 3% THM (Indicated and Inferred) for 23mn tonnes of contained THM for the combined Retiro and Bujuru projects that make up the South Atlantic Project. This is located within the Rio Grande do Sul Coastal Plain, a region located in the southernmost state of Brazil, Rio Grande do Sul, along the coast of the Atlantic Ocean. The tenements are held by RGM. Four main deposits have been identified within the project area: Retiro, Estreito, Capao do Meio and Bujuru with a Mineral Resource estimate developed for both the Retiro and Bujuru deposits.



Additionally, Rio Grande Mineração S/A (RGM) has been granted an Installation Licence for the Central Retiro area of interest, part of the greater Retiro deposit, paving the way for RGM to progress a Mining Decree for the initial project area. Ongoing activities at RGM are focused on securing the Central Retiro mining decree, progressing project related approvals and the completion of a pre-feasibility study.

We reiterate our **LONG** rating on Sheffield Resources with a 12-month target of AUD$0.72.

Parting Shot

Let us face a fact here that most, if not all, of the hard rock Lithium miners (spodumene, lepidolite etc) are headed for the graveyard of history, short of a massive rally in lithium. Verily as we write a swathe of lithium brine projects in Argentina (and Chile and Bolivia) are firing up and as they start pumping brine the hard rock exponents will be buried. To these South American brine players we would add the petro-brine players, which through innate advantage, will likely be the prime survivors in the northern hemisphere.

We see the lithium story as somewhat akin to the decision game of Rock/Paper/Scissors/Brine , in which one category eliminates some, or all, of the others. Once again, lithium brines are the winners and stone (in this case spodumene/lepidolite/micas) is at a distinct, and potentially fatal, disadvantage. This rings the death knell on many underground projects and those that are in outlandish locations, such as James Bay.

A more business-like example might be, in the US retail trade, where there is a concept known as the “category killer”. This is a retailer or product that is so successful that it dominates its category and forces out less competitive businesses (an example being Toys R’ Us, in its heyday). One could liken the position of lithium from brines to a category killer in that the dramatic swing in prices which we have seen over the last two years, has shown that lithium-rich brines win on price, ease of production and jurisdiction.

That we feel that brines come out on top is patently clear and the jurisdictions so blessed are Argentina, Chile and Bolivia (with mediocre Chinese brines having a home team advantage). Chile comes behind Argentina due to its ingrained *dirigiste* tendencies which have transcended civilian and military administrations and those of Left and Right. The Chilean government just cannot help meddling and particularly picking “champions” in the form of quasi-statals (dare we call them SOEs) such as Codelco and ENAMI, and favoured sons such as Soquimich. It then wields the carrot and stick, with vehemence, ramming foreign interlopers into partnership with these troglodytic organisations.

Then there are the Bolivians with their tendency to back one horse (rather than many) and then deciding to change horses halfway thru the race. Rumours though would suggest the Bolivians are tired of the Chinese dictating that it is them or no-one in developing the massive Salar de Uyuni.

Finally, we have the alternative-brines where names such as Standard Lithium, E3 Lithium, Vulcan Energy and Cornish Lithium are all located in the northern hemisphere, though we would discount Cornish Lithium as a serious contender these days. These names have the advantage of location in locations where government support can come into play.

Recent & Upcoming

In the last month we published an update on Almonty Industries, an Initiation on African Gold, a review of mining in Ghana, a Primer on Rare Earth science fundamentals and our most recent Growth Minerals Review.

In the pipeline we have an Initiation on E3 Lithium, an Initiation on Rockland Resources, a new Growth Minerals Review, an Initiation on Silver Viper, a review of mining in Argentina´s San Juan province and possibly a review of Rubidium, its uses and sources.

MODEL RESOURCES PORTFOLIO @ END JUNE

	Security	Ticker	Currency	Price	Change last 12 mths	Change last mth	12-mth Target
LONG EQUITIES							
Diversified Large/Mid-Cap	Hochschild	HOC.L	GBP	2.52	41%	-11%	£2.80
Base Metal Developers	Denarius Metals	DNRSF	USD	0.35	-19%	-31%	$1.15
Uranium	Sprott Physical Uranium	U.UN.to	CAD	18.49	0%	14%	$20.00
	enCore Energy	EU.v	CAD	3.89	-28%	33%	$4.90
	Energy Fuels	UUUU	USD	5.75	-5%	-1%	$7.50
Zinc/Lead Plays	WisdomTree Zinc ETF	ZINC.L	USD	8.98	-8%	5%	$14.00
	Group Eleven Resources	ZNG.v	CAD	0.33	94%	6%	$0.35
	Luca Mining	LUCA.v	CAD	1.33	133%	-1%	$1.40
Nickel Developer	Canada Nickel	CNC.v	CAD	0.86	-31%	-9%	$2.15
Silver Developer	AbraSilver	ABRA.v	CAD	5.15	138%	24%	$4.20
Silver ETF	IShares Silver ETF	SLV	USD	32.81	23%	5%	$32.00
Gold Producer	Soma Gold	SOMA.v	CAD	1.27	144%	2%	$1.10
	Aura Minerals	ORA.to	CAD	36.21	187%	5%	$48.00
	Asante Gold	ASE.cn	CAD	1.52	31%	14%	$2.40
	Orvana Minerals	ORV.to	CAD	0.53	165%	-9%	$0.60
	Talisker Resources	TSK.to	CAD	0.47	-6%	-15%	$1.10
Gold Developer	West Wits Mining	WWI.ax	AUD	0.021	62%	-30%	$0.024
	Thesis Gold	TAU.v	CAD	1.08	61%	-10%	$1.32
Gold/Antimony Developer	Perpetua Resources	PPTA.to	CAD	16.54	133%	-28%	$17.00
Royalties	EMX Royalties	EMX	USD	2.52	40%	5%	$2.50
	Elemental Altus	ELE.v	CAD	1.89	75%	31%	$2.35
Copper Explorers	Panoro Minerals	PML.v	CAD	0.53	279%	8%	$0.85
	Aldebaran Resources	ALDE.v	CAD	2.33	138%	27%	$2.50

MODEL RESOURCES PORTFOLIO @ END JUNE

	Security	Ticker	Currency	Price	Change last 12 mths	Change last mth	12-mth Target
LONG EQUITIES							
Copper/Nickel Developer	NexMetals	NEXM.v	CAD	12.60	-38%	48%	$3.82
Tungsten Producers	Almonty Industries	AII.to	CAD	4.48	647%	46%	$5.40
	Guardian Metal Resources	GMET.L	GBP	0.55	104%	28%	£0.88
Graphite Developer	Blencowe Resources	BRES.L	GBP	0.04	-33%	33%	£0.09
Lithium	E3 Lithium	ETL.v	CAD	0.87	-36%	4%	$1.35
	Century Lithium	LCE.v	CAD	0.29	-9%	-29%	$1.10
Palladium	abrdn Palladium Physical ETF	PALL	USD	100.61	7%	10%	$140.00
Gold Explorer	Alpha Exploration	ALEX.v	CAD	0.7	-33%	4%	$1.00
AgroMinerals	Millennial Potash	MLP.v	CAD	1.46	564%	2%	n/a
	MinBos	MNB.ax	AUD	0.05	-12%	25%	$0.09
Rare Earths	Rainbow Rare Earths	RBW.L	GBP	0.11	7%	0%	£0.30
	Neo Performance Materials	NEO.to	CAD	14.55	76%	47%	$14.00
Tin	Eloro Resources	ELO.to	CAD	1.27	-2%	2%	$1.20
	Rome Resources	RMR.L	GBP	0.26	53%	-16%	n/a
	Elementos	ELT.ax	AUD	0.10	-23%	-23%	$0.25
Mineral Sands	Sheffield Resources	SFX.ax	AUD	0.16	-54%	0%	$0.72
Oil & Gas	Shell	SHEL.L	EURO	25.59	-10%	3%	£28.00
SHORT EQUITIES							
Shorts	Golconda Gold	GG.v	CAD	0.61	135%	-3%	$0.15
	Euro Manganese	EMN.v	CAD	0.18	-49%	-14%	$0.12
	Patriot Battery Metals	PMET.to	CAD	2.44	-53%	15%	$1.60
	USA Rare Earth	USAR	USD	10.96	3%	4%	$3.00
	Aya Gold & Silver	AYA	CAD	12.25	-10%	-10%	$7.20

Important disclosures

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